March 5, 2015

Independent Auditor's Report

To the Shareholders of
Automodular Corporation

We have audited the accompanying consolidated financial statements of Automodular Corporation and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2014 and December 31, 2013 and the consolidated statements of operations, comprehensive income, shareholders' equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Automodular Corporation and its subsidiaries as at December 31, 2014 and December 31, 2013 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

(signed) PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements and all information contained in this report were prepared by and are the responsibility of management. The statements were prepared in accordance with accounting principles generally accepted in Canada and include management's best judgments and estimates. Where alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. Financial information presented elsewhere in this report is consistent with that in the financial statements.

The Company maintains a system of internal controls which provides management with reasonable assurance that financial information is relevant, reliable and accurate, transactions are properly authorized and the Company's assets are properly accounted for and adequately safeguarded.

The consolidated financial statements have been audited by PricewaterhouseCoopers LLP, independent external auditors appointed by the shareholders. In that capacity, they have examined the consolidated financial statements for the years ended December 31, 2014 and December 31, 2013 and their report, which outlines the scope of their examination and opinion, is included herein.

The Board of Directors oversees management's responsibilities for financial reporting through its Audit Committee. The consolidated financial statements have been reviewed and approved by the Board of Directors on the recommendation of the Audit Committee. The Audit Committee meets regularly during the year with management and the external auditors to discuss internal control issues, auditing matters and financial reporting issues. The external auditors have free access to the Audit Committee with and without the presence of management.

"Christopher S. Nutt" [signed]
Chief Executive Officer

"Melinda A. Diebel" [signed]
Chief Financial Officer

Ajax, Ontario
March 5, 2015

AUTOMODULAR CORPORATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(thousands of Canadian dollars)	Notes	December 31, 2014	December 31, 2013
ASSETS			
Cash and cash equivalents	1, 2 and 8	$ 54,489	$ 35,902
Trade and other receivables	2, 5 and 8	14,070	15,032
Income taxes recoverable	13	-	789
Prepaid expenses		606	930
Current assets		69,165	52,653
Deferred income taxes	3 and 13	684	1,088
Plant and equipment	6	-	4,426
Other assets	7	-	198
Total assets		**$ 69,849**	**$ 58,365**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Trade payables and accrued liabilities	2, 8 and 15	$ 5,974	$ 5,738
Provisions	3, 9 and 15	7,903	8,942
Income taxes payable	13	1,617	-
Current liabilities		15,494	14,680
Provisions	3, 9 and 15	-	534
Other liabilities	7	82	-
Total liabilities		**$ 15,576**	**$ 15,214**
Total shareholders' equity		**$ 54,273**	**$ 43,151**
Total liabilities and shareholders' equity		**$ 69,849**	**$ 58,365**

On behalf of the Board of Directors

(signed) **R. Peter McLaughlin,** Director

(signed) **Christopher S. Nutt,** Director

AUTOMODULAR CORPORATION
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(thousands of Canadian dollars)	Notes	Capital stock	Contributed surplus	Accumulated other comprehensive income (loss)	Retained earnings	Total
Balance, December 31, 2013		**$ 42,348**	**$ 705**	**$ (21)**	**$ 119**	**$ 43,151**
Net earnings		-	-	-	14,763	**14,763**
Actuarial remeasurement	7	-	-	-	(174)	**(174)**
Other comprehensive loss recycled to net earnings	12	-	-	21	-	**21**
Comprehensive income		-	-	21	14,589	**14,610**
Dividends	10	-	-	-	(3,488)	**(3,488)**
Stated capital reduction	10	(19,379)	19,379	-	-	**-**
Balance, December 31, 2014		**$ 22,969**	**$ 20,084**	**$ -**	**$ 11,220**	**$ 54,273**

(thousands of Canadian dollars)	Notes	Capital stock	Contributed surplus	Accumulated other comprehensive income (loss)	Retained earnings (deficit)	Total
Balance, December 31, 2012		**$ 43,924**	**$ 955**	**$ (21)**	**$ (4,079)**	**$ 40,779**
Net earnings		-	-	-	10,363	**10,363**
Actuarial remeasurement	7	-	-	-	227	**227**
Comprehensive income		-	-	-	10,590	**10,590**
Award of treasury shares	10	250	(250)	-	-	**-**
Shares repurchased for cancellation	10	(1,826)	-	-	320	**(1,506)**
Dividends	10	-	-	-	(6,712)	**(6,712)**
Balance, December 31, 2013		**$ 42,348**	**$ 705**	**$ (21)**	**$ 119**	**$ 43,151**

AUTOMODULAR CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS

(thousands of Canadian dollars, except share and per share amounts)	Notes	For the years ended December 31, 2014	2013
Sales		$ 85,761	$ 84,613
Cost of sales	16	58,055	62,282
Exit costs	3, 9 and 16	3,504	4,272
Gross margin		24,202	18,059
General and administrative expense	16	5,435	4,775
Interest (income)	11	(506)	(219)
Other (income)	6 and 12	(452)	(150)
Earnings before income taxes:		19,725	13,653
Current income taxes	13	4,486	5,117
Deferred income taxes	13	476	(1,827)
Net earnings attributable to the shareholders		**$ 14,763**	**$ 10,363**
Earnings per share:			
Basic	10	**$ 0.76**	**$ 0.52**
Diluted	10	**$ 0.76**	**$ 0.52**
Weighted average common shares outstanding:			
Basic	10	19,378,904	19,830,834
Diluted	10	19,378,904	19,830,834

AUTOMODULAR CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(thousands of Canadian dollars)	Notes	For the years ended December 31, 2014	2013
Net earnings		$ 14,763	$ 10,363
Items recycled to net earnings:			
Other comprehensive loss recycled to net earnings	12	21	-
Items that will not be recycled to net earnings:			
Actuarial remeasurement (net of tax $(72); 2013 $74)	7	(174)	227
Total comprehensive income attributable to the shareholders		**$ 14,610**	**$ 10,590**

AUTOMODULAR CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOW

		For the years ended December 31,	
(thousands of Canadian dollars)	**Notes**	**2014**	**2013**
CASH PROVIDED BY (USED IN)			
OPERATING ACTIVITIES			
Net earnings		$ 14,763	$ 10,363
Income taxes (paid)	13	(2,080)	(7,028)
Pension contribution	7	(53)	(54)
Provisions	3, 9 and 15	(6,163)	(457)
Items not involving current cash flows:			
Depreciation	6	4,467	6,376
Deferred income taxes	3 and 13	476	(1,827)
Interest (income)	11	(506)	(219)
(Gain) on disposal of investments	12	-	(110)
(Gain) on disposal of plant and equipment	6 and 12	(436)	(1)
Other comprehensive loss recycled to net earnings	12	21	-
(Gain) on foreign exchange	12	(37)	(39)
Pension expense	7	88	54
Provisions	3, 9 and 15	4,590	9,370
		15,130	16,428
Net change in non-cash working capital:			
Trade and other receivables	2, 5 and 8	962	(1,980)
Income taxes	13	4,486	5,118
Prepaid expenses		324	98
Trade payables and accrued liabilities	2, 8 and 15	236	(465)
Net cash provided by operating activities		21,138	19,199
INVESTING ACTIVITIES			
Proceeds on disposal of investments	12	-	169
Interest received on cash and cash equivalents	11	506	229
Purchase of plant and equipment	6	(48)	(523)
Proceeds on disposal of plant and equipment	6 and 12	443	44
Net cash provided (used) by investing activities		901	(81)
FINANCING ACTIVITIES			
Dividends paid	10	(3,488)	(6,712)
Repurchase of shares under Normal Course issuer bid	10	-	(1,506)
Interest paid	11	-	(10)
Net cash used by financing activities		(3,488)	(8,228)
Effect of exchange rate changes on cash		36	51
CHANGE IN CASH AND CASH EQUIVALENTS		**$ 18,587**	**$ 10,941**
Cash and cash equivalents, beginning of year		**$ 35,902**	**$ 24,961**
Cash and cash equivalents, end of year		**$ 54,489**	**$ 35,902**

The accompanying notes are an integral part of these consolidated financial statements

1. SUMMARY OF BUSINESS, BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

General business description and current operations

Automodular Corporation is a Canadian-based company which is listed on the Toronto Stock Exchange (the "TSX") under the symbol "AM". References to "Automodular" or "the Company" refer to Automodular Corporation and its direct and indirect subsidiaries, as well as its special purpose entity, which was wound down during 2014, unless the content indicates otherwise. Automodular was incorporated under the laws of the Province of Ontario and its registered address is 235 Salem Road South, Unit 6, Ajax, Ontario. Automodular is domiciled in Canada.

Automodular is a sequencer and sub-assembler of modules that are installed in equipment assembled by North American Original Equipment Manufacturers ("OEMs") at plants in Canada. Automodular recently provided these services to the Ford Motor Company ("Ford") until the completion of the multi-year agreement and its related amendments on December 23, 2014. By sequencing, we mean that the Company delivered the sub-assembled modules, such as an instrument panel or a powerpack, to the final assembly plant in precisely the sequence of their final installation in the vehicle and at precisely the time they are to be installed.

On May 14, 2013, the Company was advised by Ford that, in the fourth quarter of 2014, for its new program, Ford intended to insource the sub-assembly and sequencing services that were being performed by Automodular. On October 18, 2013, Automodular signed an extension agreement with Ford that extended its existing multi-year agreement with Ford to December 23, 2014. Before the extension, the agreement was set to end on June 30, 2014. The general framework of the agreement was in keeping with Automodular's existing multi-year agreement. As part of the extension agreement, Ford provided certain production and price-related assurances and agreed to fund certain incremental closure costs related to this extension.

During the fourth quarter of 2013, in conjunction with the Ford commercial extension, Automodular also finalized an agreement on a one-year labour extension agreement for its Oakville-area workers with Unifor. The existing labour agreement was set to expire on June 30, 2014. The extension provided for certain signing bonuses and improvements in severance entitlements to the hourly workforce.

Following the expiry of the Company's extension agreement with Ford, Automodular ceased operations at its two remaining operating facilities in Oakville, Ontario. During the first quarter of 2015 both facilities were returned to the respective landlords. As of the date of these financial statements, Automodular no longer has active operations.

In conjunction with the closure of the operating facilities, all hourly employees and the majority of salaried employees have been severed and have left the Company. As of the date of these financial statements, fewer than fifteen salaried employees remain including the executive management team and certain corporate, human resources and financial personnel.

Following the closure of Automodular's Oakville operations, the Company's efforts continue on the diversification front. Both the Board of Directors and the executive management team are actively engaged in finding ways to leverage our expertise. We continue to work with a Canadian-based investment banker to assist us in uncovering and evaluating opportunities. Our focus is on those opportunities in which we can utilize our complex manufacturing and program management expertise. We have examined many different opportunities to date and continue to be focused on finding the right opportunity at a fair price. There can be no assurance that any transaction will be consummated. If the Company is not successful in closing a transaction or in securing new business in a timely fashion, Automodular will consider all options available, including potentially winding down the Company.

Basis of preparation

The Company prepares its consolidated financial statements in accordance with Canadian generally accepted accounting principles as set out in the CPA Canada Handbook ("CPA Handbook") which incorporates International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

These consolidated financial statements have been prepared in compliance with IFRS.

These financial statements were approved by the Board of Directors for issue on March 5, 2015. Only the Board of Directors has the right to amend these consolidated financial statements after their issuance.

The preparation of consolidated financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. Areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

Principles of consolidation

The consolidated financial statements of Automodular Corporation include the accounts of its wholly owned subsidiaries, Tec-Mar Distribution Services, Inc. and Automodular Assemblies (Ohio) Inc. and its special purpose entity performance share unit plan ("LTIP"), which was wound down during 2014. All intercompany transactions, balances and unrealized gains and losses from intercompany transactions are eliminated on consolidation.

Subsidiaries

Subsidiaries, including special purpose entities, are entities over which Automodular Corporation has power, is exposed or has rights to variable returns from its involvement with the entity, and has the ability to affect those returns through its power over the entity. Automodular Corporation owns directly or indirectly 100% of the voting rights in its subsidiaries.

The effects of potential voting rights that are currently exercisable are considered when assessing whether control exists. Subsidiaries are fully consolidated from the date control is transferred to Automodular Corporation, and are deconsolidated from the date control ceases.

Foreign currency

The consolidated financial statements are presented in Canadian dollars, which is the Company's presentation currency. References to "$" are to Canadian dollars.

The financial statements of each of the Company's subsidiaries are measured using the currency of the primary economic environment in which the subsidiary operates (the "functional currency"). Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities not denominated in the functional currency of an entity, are recognized in the consolidated statements of operations.

Monetary assets and liabilities are translated at the rate of exchange in effect at the consolidated statements of financial position dates. Other assets and liabilities and revenue and expense transactions are translated at the actual rates of exchange in effect at the time of the transaction. Exchange gains and losses are included in other (income) in the consolidated statements of operations.

The financial statements of subsidiaries that have a functional currency different from that of Automodular Corporation ("foreign operations") are translated into Canadian dollars as follows: assets and liabilities – at the closing rate at the date of the statement of financial position, and income and expenses – at the average rate of the period (as this is considered a reasonable approximation to actual rates). All resulting changes are recognized through other comprehensive income (loss).

STATEMENT OF FINANCIAL POSITION ITEMS

Financial instruments
A financial instrument is any contract that gives rise to a financial asset of one party and a financial liability or equity instrument of another party. Financial assets of the Company include cash and cash equivalents and trade and other receivables. The Company's trade and other payables are classified as financial liabilities.

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are de-recognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial liabilities are de-recognized when the obligation is discharged, cancelled or expires.

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statements of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

At initial recognition, the Company classifies its financial instruments in the following categories depending on the purpose for which the instruments were acquired:

Cash and cash equivalents	Loans and receivables
Trade and other receivables	Loans and receivables
Trade payables and accrued liabilities	Financial liabilities

Financial assets and financial liabilities are classified as long-term unless they mature or are due less than twelve months from the date of the consolidated statements of financial position, are expected to be settled or realized in the Company's normal operating cycle or are held primarily for trading purposes.

<u>Cash and cash equivalents</u>
Cash and cash equivalents include cash on hand, deposits held at financial institutions, outstanding deposits and cheques in transit and other short-term highly liquid investments with original maturities of three months or less that are readily convertible into a known amount of cash and which are subject to an insignificant risk of changes in value.

Included in cash and cash equivalents is restricted cash of $209 (2013 - $62).

<u>Trade and other receivables</u>
Trade receivables are amounts due from customers from the rendering of services in the ordinary course of business. Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost, less impairment. Trade and other receivables are classified as current assets if payment is due within one year or less.

(All numbers in thousands of Canadian dollars, except share and per share amounts and as otherwise noted)

The Company maintains an allowance for doubtful accounts to provide for impairment of receivables. The Company updates its estimate based on a balance-by-balance evaluation of the collectibility of 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.

Trade payables and accrued liabilities

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business.

Accrued liabilities include accruals for products or services received by the Company for which no invoice has been received as at the dates on the consolidated statements of financial position.

Trade payables and accrued liabilities are classified as current liabilities if payment is due within twelve months of the end of the reporting period and are recognized initially at fair value then subsequently measured at amortized cost.

Prepaid expenses

Prepaid expenses represent future expenses that have been paid in advance. Prepaid expenses are classified as current assets if the expenses are expected to be recognized within twelve months of the end of the reporting period and are recognized at cost.

Plant and equipment

Plant and equipment are stated at historical cost less any accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditures that are directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Company adds the cost of replacing parts of an item of plant and equipment to the carrying amount of that item when that cost is incurred if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is removed. All other repairs and maintenance are included in cost of sales during the period in which they are incurred.

Depreciation on assets is charged so as to allocate the cost of the assets less their residual value over their estimated useful lives, using the diminishing balance method, at effective annual rates as follows:

Leasehold improvements	33% to 54%
Manufacturing equipment	33% to 53%
Automotive equipment	30% to 54%
Other equipment and furniture	25% to 54%

Open capital projects are assets not currently available for use which will be reclassified to their appropriate category upon project completion. Depreciation will commence once these assets have been reclassified and are available for their intended use.

The assets' residual values, useful lives and depreciation methods are reviewed annually, or whenever events and circumstances change, and adjusted prospectively where appropriate. During the second quarter of 2013, following notification from Ford of the insourcing of the Company's current work, the Company commenced a review of the useful lives of its plant and equipment. As a result of this review, the Company reduced the estimated useful lives of certain categories of plant and equipment effective July 1, 2013. In the fourth quarter of

2013, in connection with the Ford extension agreement, the Company increased the estimated useful lives of certain categories of plant and equipment to extend to the anticipated closing date of the Oakville facilities.

Assets associated with cash generating units ("CGU") will be written down immediately to their recoverable amount if the CGU's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds on disposal with the carrying amount and are recognized within other (income) in the consolidated statements of operations.

Other assets (other liabilities)
The Company sponsors a defined benefit pension plan for its former Chief Executive Officer. The net periodic pension expense is actuarially determined on an annual basis by independent actuaries using the projected unit credit actuarial cost method. The determination of benefit expense requires assumptions such as the discount rate to measure obligations and expected mortality. Actual results will differ from results which are estimated based on assumptions. Past service costs arising from plan amendments is recognized immediately in the consolidated statements of operations.

The asset or liability recognized in the consolidated statements of financial position is the fair value of plan assets less the present value of the defined benefit obligation at the end of the reporting period. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in Canadian dollars and which have terms to maturity approximating the terms of the related pension liability. All actuarial remeasurements that arise in calculating the present value of the defined benefit obligation and the fair value of plan assets that have been recognized in other comprehensive income (loss) for the period are recognized immediately in retained earnings (deficit). Surpluses are recognized only to the extent that the surplus is considered recoverable. Recoverability is primarily based on the extent to which the Company can unilaterally reduce future contributions to the plan. Any expenses related to the plan are recognized in general and administrative expense.

Provisions
Provisions represent liabilities to the Company for which the amount or timing is uncertain. Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are measured at the present value of the expected expenditures to settle the obligation using a discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

Capital stock
Capital stock represents amounts paid by shareholders on the issuance of common shares of Automodular Corporation, net of transaction costs. When the company repurchases its own common shares, the share capital is reduced by the average carrying value of the shares purchased. The excess of the purchase price over the average carrying value is recognized as a deduction from retained earnings (deficit). Shares are cancelled upon purchase.

On May 8, 2014, the shareholder approved a special resolution reducing the stated capital account maintained for the Company's common shares by the sum of $19,379. Please see Note 10 for further details.

Dividends
Dividend distributions to the Company's shareholders are recognized as a liability on the Company's consolidated statements of financial position in the period in which the dividends are approved by the Company's Board of Directors.

STATEMENT OF OPERATIONS ITEMS

Revenue recognition
Automodular enters into contractual agreements with customers to provide sequencing and sub-assembly services. Although such agreements do not provide for minimum quantities, once the Company enters into such agreements, it is generally required to fulfill its customers' purchasing requirements for the length of the commercial agreement. In general, these agreements may be terminated by its customer for convenience at any time. In certain instances, the Company may be committed under existing agreements to supply services to its customers at selling prices which are not sufficient to cover the direct cost of production. If such situation were to occur, the Company would consider if these meet the definition of an onerous contract.

The Company recognizes revenues based on the pricing terms included in its commercial agreements as the components are ready to be shipped to its customers if the following criteria are met:

- the amount of revenue can be measured reliably;
- the receipt of economic benefits is probable; and
- costs incurred and to be incurred can be measured reliably.

Costs of sales
Labour and related costs, transportation and facility-related costs, depreciation and exit costs comprise the majority of these costs.

Decommissioning provisions
The cost of the Company's obligation to rehabilitate its facilities is estimated based on the present value of expected future rehabilitation costs and is recognized in the period in which the obligation is incurred. The present value of these costs is added to the cost of the associated asset and amortized over its useful life, while the corresponding liability will accrete to its future value over the same period.

The present value of the rehabilitation liability is determined based on a discount rate that takes into account the time value of money and the risks specific to the liability. The liability is reviewed at each reporting date to determine if the discount rate is still applicable and to determine if changes are required to the original estimate.

Changes to estimated future costs are recognized in the consolidated statements of financial position by either increasing or decreasing the rehabilitation liability and rehabilitation asset. Any reduction in the rehabilitation liability and therefore any deduction from the rehabilitation asset may not exceed the carrying amount of that asset. If it does, any excess over the carrying value is taken immediately to the consolidated statements of operations.

Bonus plans
Liabilities for bonuses are recognized based on a formula that takes into consideration key performance metrics established by management and whether or not these criteria have been met at the reporting date. The Company recognizes an accrual where contractually obliged, or where there is a past practice that has created a constructive obligation to make such compensation payments.

Exit costs
Exit costs represent amounts incurred following the expiry or termination of customer contracts and primarily include facility-related costs and employee-related costs including severance, termination and certain other costs.

Impairments
The carrying values of non-financial assets with finite lives, such as plant and equipment, are assessed for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows.

Impairments are recorded when the recoverable amount of the CGU is less than its carrying amount. The recoverable amount is the higher of a CGU's fair value less cost to sell or its value in use. Impairment losses are evaluated for potential reversals when events or changes in circumstances warrant such consideration. At each reporting date, the Company assesses whether there is objective evidence that a financial asset (other than a financial asset classified as fair value through earnings) is impaired.

The criteria used to analyze whether objective evidence of an impairment loss exists include:
- significant financial difficulty of the obligor;
- delinquencies in interest or principal payments; and
- it becomes probable that the borrower will enter bankruptcy or other financial reorganization.

For financial instruments; a significant or prolonged decline in the fair value of the instrument below its cost is also evidence that the assets are impaired.

If such evidence exists, the Company recognizes an impairment loss for its loans and receivables as the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account. Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

General and administrative expense
General and administrative expense is predominantly made up of administrative, finance, business development and executive wages and benefits, professional fees and other public company costs.

Interest (income)
Interest (income) includes interest expense and interest (income).

Other (income)
Other (income) includes gains, losses or impairments on investments, foreign exchange and plant and equipment and other comprehensive loss recycled to net earnings.

Taxation
Income tax expense is composed of current and deferred tax and is recognized in the consolidated statements of operations except to the extent it relates to items recognized on the consolidated statements of shareholders' equity.

Current income tax

Current income tax expense is based on the results for the period as adjusted for items that are not taxable or not deductible. Current tax is calculated using tax rates and laws that were enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. The current tax balance is shown as income taxes recoverable or payable on the consolidated statements of financial position.

Deferred income tax

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts on the consolidated statements of financial position. Deferred tax is calculated using tax rates and laws that have been enacted or substantively enacted at the end of the reporting period, and which are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. Deferred taxes are presented on a non-discounted basis and are shown as long-term on the consolidated statements of financial position.

Deferred tax liabilities

- are generally recognized for all taxable temporary differences; and
- are recognized for taxable temporary differences arising on investments in subsidiaries, except where the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future.

Deferred tax assets

- are recognized to the extent it is probable that taxable profits will be available against which the deductible temporary differences can be utilized; and
- are reviewed at the end of the reporting period and de-recognized to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are not recognized in respect of temporary differences that arise on initial recognition of assets and liabilities acquired other than in a business combination, that at the time of the transaction, affects neither accounting nor taxable net earnings. Deferred income tax is provided on the temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Earnings per share

Basic earnings per share ("EPS") is calculated by dividing the net earnings attributable to the shareholders by the weighted average common shares outstanding during the period.

Diluted EPS is calculated by adjusting the weighted average number of common shares outstanding for dilutive instruments. The number of shares included with respect to options, warrants and similar instruments is computed using the treasury stock method.

Comparative figures

Certain comparative figures have been reclassified to conform to the current year's presentation.

(All numbers in thousands of Canadian dollars, except share and per share amounts and as otherwise noted)

2. FINANCIAL RISK AND CAPITAL MANAGEMENT

Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

Risk management is considered the responsibility of the executive management team who identify, evaluate and, if necessary, hedge financial risks.

Market risk

Market risk is the risk that the fair value or cash flows of a financial instrument will fluctuate, because of changes in market prices. Market risk embodies not only the potential for loss, but also the potential for gain. Market risk reflects interest rate risk and currency risk.

Interest rate risk

Interest rate risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company's interest rate risk is primarily attributable to its cash and cash equivalents. The Company's objective of managing its cash and cash equivalents is to ensure sufficient funds are maintained and are on hand at all times to meet day-to-day requirements. Any excess cash balances are invested in marketable interest-bearing low-risk investments. These investments include deposits in high yield accounts and bankers' acceptances held at large chartered banks.

The following table presents a sensitivity analysis to changes in market interest rates and their potential impact on the Company for the year ended December 31, 2014. The effect of market interest rate fluctuations (all other variables held constant) for the year ended December 31, 2014 is as follows:

	+100 bps	**-100 bps**
Increase (decrease) in interest (income)	400	(400)
Increase (decrease) in earnings before income taxes	**400**	**(400)**

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company's exposure to currency risk is minimal and is continually monitored and managed.

Credit risk

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss for the entity by failing to discharge an obligation.

The Company's financial assets, which are exposed to credit risk, consist primarily of cash and cash equivalents and trade and other receivables.

Credit risks arising from cash and cash equivalents are managed by ensuring that all deposits are held at large chartered banks.

(All numbers in thousands of Canadian dollars, except share and per share amounts and as otherwise noted)

The Company, in the normal course of business, is exposed to credit risk from its customers. The Company adjusts trade and other receivables balances, through an allowance for doubtful accounts, to expected realizable value as soon as an account is determined not to be fully collectible, with such adjustments charged to net earnings. When a receivable 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 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 December 31, 2014, the allowance for doubtful accounts was $nil (2013 - $nil).

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities 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 the dates noted:

	Carrying amount $	Less than one year $	One to two years $	After two years $
At December 31, 2014				
Trade payables and accrued liabilities	5,974	5,974	-	-
At December 31, 2013				
Trade payables and accrued liabilities	5,738	5,738	-	-

Capital management

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.

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

The equity component of capital increases primarily based on the earnings of the Company. Any major new contract awards or diversification initiatives may be financed in part with additional equity.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The application of the Company's accounting policies requires management to use estimates and judgments that can have a significant effect on the results of operations and the carrying values of assets and liabilities recognized and disclosures made in the consolidated financial statements. Estimates and judgments are significant when:

- the outcome is highly uncertain at the time the estimates and judgments are made; and

- different estimates or judgments could reasonably have been used that would have had a material impact on the consolidated financial statements.

Management's best estimates regarding the future are based on the facts and circumstances available at the time estimates are made. Management uses historical experience, general economic conditions and trends, as well as assumptions regarding probable future outcomes as the basis for determining estimates. Estimates and their underlying assumptions are reviewed periodically and the effects of any changes are recognized immediately.

The following are the estimates and judgments applied by management that most significantly affect the Company's consolidated financial statements.

Depreciation of plant and equipment and impairment of long-lived assets

Due to the significance of plant and equipment depreciation on Automodular's consolidated statements of operations, the Company considers the depreciation policy relating to plant and equipment to be a *"critical accounting estimate"*. Automodular considers the expected life of the assets, expected residual value, and contract length when setting the depreciation rates of its assets. Judgment is involved when establishing these estimates and if circumstances impacting these assumptions and estimates change, there may be a material impact on the consolidated financial statements. Depreciation recorded in the year ended December 31, 2014 with respect to plant and equipment was $4,467 (2013 - $6,376). See Note 6 for additional information.

Management assesses long-lived assets for impairment when events and changes in circumstances indicate that the carrying value of an asset may not be recoverable. The Company believes that the estimate of impairment for long-lived assets is a *"critical accounting estimate"* because management is required to make significant forward-looking assumptions when events or circumstances indicating impairment arise. In addition, different estimates that could have been used or changes in estimates from period to period may have a material impact on the Company's consolidated financial statements.

Deferred income tax assets and liabilities

Deferred income tax assets and liabilities result from timing differences between the financial reporting and tax bases of assets and liabilities. To the extent that management does not consider it to be probable that a deferred tax asset will be realized, the deferred tax asset will be de-recognized. The Company considers the amount to recognize and de-recognition to be a *"critical accounting estimate"* as highly uncertain assumptions are made at the time of estimation and differing estimates may result due to changes in the assumptions from period to period which may have a material impact on the Company's consolidated financial statements. Factors used to assess the likelihood of realization are the Company's forecast of future taxable income and available tax planning strategies that could be implemented to realize the deferred tax assets. Unknown future events and circumstances, such as changes in tax rates and laws, may materially affect the assumptions and estimates made from one period to the next. Any significant changes in events, tax law, and tax rates beyond the control of the Company may materially affect the consolidated financial statements.

The net deferred income tax balance on the consolidated statements of financial position is an asset of $684. See Note 13 for additional information.

Exit costs

Automodular considers exit costs to be a *"critical accounting estimate"* due to the material nature of amounts generally involved and their inherent uncertainty at the time estimates are made. Provisions have been recorded in conjunction with the expiry or termination of production contracts and include estimates primarily related to employee and facility-related costs.

Employee related amounts include severance, benefits and other employee costs related to hourly and salaried employees. Hourly employee amounts were computed based on the terms of the collective bargaining agreement. Estimates for salaried employees were calculated based on the contractual obligations with employees as communicated in their formal notification. Changes to the estimated obligation could be material to the consolidated financial statements.

Facility costs projections are based on the terms of the relevant lease agreements.

Within the consolidated statements of operations, exit costs are shown net of expected reimbursements from Ford for certain incremental closure costs. These reimbursements have been calculated based on the specific terms of the commercial extension agreement with Ford.

As actual costs may vary from these estimates, they are reviewed on a quarterly basis and changes recognized through net earnings as required. See Note 9 for additional information.

4. RECENT ACCOUNTING PRONOUNCEMENTS

Changes in accounting policies

The accounting policies followed in these consolidated financial statements are consistent with those of the previous financial year.

New standards and interpretations not yet adopted

New standards and amendments to standards and interpretations that are effective for annual periods beginning after January 1, 2015 have not been applied in preparing these consolidated financial statements. Not all new standards are applicable to the Company. The anticipated impact of the new and amended standard which is applicable to the Company is discussed below:

<u>International Financial Reporting Standard 9, *Financial Instruments*</u>

In July 2014, the IASB issued the final version of IFRS 9, *Financial Instruments*, bringing together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39, *Financial Instruments: Recognition and Measurement*. The mandatory effective date of IFRS 9 would be annual periods beginning on or after January 1, 2018, with early adoption permitted. Management is evaluating the standard and has not yet determined the impact on the Company's consolidated financial statements.

<u>International Financial Reporting Standard 15, *Revenue from Contracts with Customers*</u>

IFRS 15, *Revenue from Contracts with Customers,* specifies how and when to recognize revenue as well as requiring entities to provide users of financial statements with some informative, relevant disclosures. The standard supersedes IAS 18, *Revenue*, IAS 11, *Construction Contracts*, and a number of revenue-related interpretations. Application of the standard is mandatory for all IFRS reporters and it applies to nearly all contracts with customers: the main exceptions are leases, financial instruments and insurance contracts. IFRS 15 must be applied in an entity's first annual IFRS financial statements for periods beginning on or after January 1, 2017 and early adoption is permitted. Management is evaluating the standard and has not yet determined the impact on the Company's consolidated financial statements.

(All numbers in thousands of Canadian dollars, except share and per share amounts and as otherwise noted)

5. TRADE AND OTHER RECEIVABLES

The Company adjusts receivable balances, through an allowance for doubtful accounts, to expected realizable value. The allowance for doubtful accounts as at December 31, 2014 was $nil (2013 - $nil).

The aging of trade and other receivables (net of allowance for doubtful accounts) was as follows:

	December 31, 2014	December 31, 2013
	$	$
Current	13,980	15,012
Past due zero to thirty days	90	20
Total	**14,070**	**15,032**

Included in the current amounts above as at December 31, 2013 is $4,718 related to expected recoveries for certain incremental exit costs. During the year, an advance payment was received with respect to these recoveries. This has resulted in a liability balance of $1,891 which has been included in provisions on the statement of financial position. This amount will be reduced as Automodular recognizes additional exit costs in 2015. See Note 9 for additional information on this balance.

6. PLANT AND EQUIPMENT

Plant and equipment consist of the following:

	Leasehold improvements	Manufacturing equipment	Automotive equipment	Other equipment and furniture	Open capital projects	Total
	$	$	$	$	$	$
Cost:						
January 1, 2013	2,056	29,944	262	5,050	122	37,434
Additions	9	251	-	385	(122)	523
Disposals	-	(43)	-	-	-	(43)
December 31, 2013	2,065	30,152	262	5,435	-	37,914
Additions	-	6	-	42	-	48
Disposals	-	(30,158)	(232)	(4,947)	-	(35,337)
December 31, 2014	**2,065**	**-**	**30**	**530**	**-**	**2,625**
Accumulated depreciation:						
January 1, 2013	1,539	21,981	193	3,399	-	27,112
Depreciation	204	5,244	30	898	-	6,376
December 31, 2013	1,743	27,225	223	4,297	-	33,488
Depreciation	322	2,892	41	1,212	-	4,467
Disposals	-	(30,117)	(234)	(4,979)	-	(35,330)
December 31, 2014	**2,065**	**-**	**30**	**530**	**-**	**2,625**
Carrying amount:						
December 31, 2013	**322**	**2,927**	**39**	**1,138**	**-**	**4,426**
December 31, 2014	**-**	**-**	**-**	**-**	**-**	**-**

(All numbers in thousands of Canadian dollars, except share and per share amounts and as otherwise noted)

During the year the Company sold all of its remaining operating assets. All remaining corporate assets have been fully depreciated as at December 31, 2014.

Proceeds on disposals are netted against the related assets' cost and accumulated depreciation and included in other (income) on the consolidated statements of operations.

7. OTHER ASSETS (OTHER LIABILITIES)

The Company has a defined benefit pension plan ("the Plan") for a former Chief Executive Officer. The pension plan provides benefits in the form of a guaranteed level of pension payable for life, with 50% of the guaranteed level payable to his surviving spouse. This pension plan is not indexed. The benefit payments are from trustee-administered funds. Pension plan assets held in trust are governed by local regulations. Responsibility for the governance of the pension plan and overseeing all aspects of it, including investment decisions and contribution schedules, lies with the Company. The Company has appointed experienced, independent professional experts such as investment managers, actuaries, custodians and trustees.

The pension plan is valued by independently qualified actuaries using the projected unit credit method. The Company obtains a report as at December 31 of each year and as such, updates the detailed information in its annual report. The Company expenses an amount based on the amount calculated by the actuary using assumptions as described below. The expense was $88 (2013 - $54). Included in other comprehensive income (loss) for the current year is $174 related to unrealized actuarial losses net of taxes (2013 - $227 unrealized actuarial gains net of taxes).

The amounts recognized in the consolidated statements of financial position with respect to the defined benefit plan are as follows:

	December 31, 2014 $	December 31, 2013 $
Accrued benefit obligation	2,942	2,706
Fair value of Plan assets	2,860	2,904
Net accrued benefit asset (obligation)	**(82)**	**198**

The movement in the accrued benefit obligation is as follows:

	2014 $	2013 $
At January 1	2,706	2,889
Interest cost	88	54
Return on Plan assets	66	52
Actuarial loss (gain) – economic discount rate	248	(249)
Actuarial loss – demographic	-	122
Actuarial loss – experience adjustment	12	16
Benefit payments	(178)	(178)
At December 31	**2,942**	**2,706**

(All numbers in thousands of Canadian dollars, except share and per share amounts and as otherwise noted)

The movement in the fair value of Plan assets in the year is as follows:

	2014 $	2013 $
At January 1	2,904	2,786
Actual return on Plan assets	81	242
Employer contributions	53	54
Benefit payments	(178)	(178)
At December 31	**2,860**	**2,904**

The amounts recognized in the consolidated statements of operations are as follows:

	2014 $	2013 $
Pension expense, included in general and administrative expenses	**88**	**54**

Risk Management

The Company's pension plan is exposed to various risks, including equity, interest rate and longevity risks. The following is a description of key risks together with the mitigation measures in place to address them:

Equity risk

Equity risk is the risk that results from fluctuations in equity prices. The pension plan holds a significant proportion of equities, which are expected to outperform fixed income investments in the long-term while contributing volatility and risk in the short-term.

The Company believes that due to the long-term nature of the pension plan, a level of continuing equity investment is an appropriate element of the Company's long-term strategy to manage the pension plan efficiently. This risk is managed by maintaining diversification of portfolios across geographies and investment strategies.

Interest rate risk

Interest rate risk is the risk that results from fluctuations in the fair value of pension plan asset and liabilities due to movements in interest rates. This risk is managed by reducing the mismatch between the duration of the pension plan assets and the duration of the pension obligation. This is accomplished by having a portion of the portfolio invested in long-term fixed income investments.

Longevity risk

Longevity risk is the risk that increasing life expectancy results in longer-than-expected benefit payments. The pension plan`s obligations are to provide benefits for the life of the member, and at a rate of 50% to a surviving spouse. This risk is mitigated by using the most recent mortality tables to set the level of contributions.

As part of its overall risk management strategy, the Company ensures that the investment positions are managed within an asset/liability matching ("ALM") framework that has been developed to achieve long-term investments that are in line with the obligations under the pension plan. Within this framework, the Company's ALM objective is to match assets to the pension obligations by investing in long-term fixed interest securities with maturities that match the benefit payments as they fall due and in the appropriate currency. The Company monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the pension obligations. The Company has not changed the processes used to manage its risks from previous periods. The Company does not use derivatives to manage its risk. Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets. A large portion of assets in

(All numbers in thousands of Canadian dollars, except share and per share amounts and as otherwise noted)

2014 consists of equities and fixed income investments. The pension plan is not exposed to significant foreign currency risk.

The sensitivity of the net accrued benefit assets (obligation) to changes in the discount rate assumption is as follows:

	+50 bps	**-50 bps**
Effect on the net accrued benefit asset (obligation)	171	(190)

This sensitivity analysis was based on changing one assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the net accrued benefit asset (obligation) to variations in significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit actuarial cost method at the end of the reporting period) has been applied as for calculating the liability recognized in the consolidated statements of financial position.

Based on the actuarial valuation completed as of January 1, 2014, funding contributions made during the first quarter of 2015 were $53. The next triennial valuation for the Plan is due to be completed as at January 1, 2017.

Based on expected maturity, the Company expects the Plan to make the following benefit payments:

	December 31, 2014
	$
Within one year	177
Between one and five years	692
Over five years	3,946
Total	**4,815**

The principal actuarial assumptions as at December 31 were as follows:

	2014	**2013**
Discount rate	3.8%	4.6%
Assumed rate of salary escalation	n/a	n/a
Assumed rate of pension increases	n/a	n/a

Invested Plan assets are composed of:

	December 31, 2014	**December 31, 2013**
Fixed income	40%	38%
Canadian equity	48%	51%
US equity	7%	6%
International equity	5%	5%

(All numbers in thousands of Canadian dollars, except share and per share amounts and as otherwise noted)

8. FINANCIAL INSTRUMENTS BY CATEGORY

The following table summarizes the Company's financial instruments by category:

At December 31, 2014:

	Loans and receivables $
Assets	
Cash and cash equivalents	54,489
Trade and other receivables	14,070
Total	**68,559**

	Financial liabilities at amortized cost $
Liabilities	
Trade payables and accrued liabilities	5,974
Total	**5,974**

At December 31, 2013:

	Loans and receivables $
Assets	
Cash and cash equivalents	35,902
Trade and other receivables	15,032
Total	**50,934**

	Financial liabilities at amortized cost $
Liabilities	
Trade payables and accrued liabilities	5,738
Total	**5,738**

The carrying value of cash and cash equivalents, trade and other receivables and trade payables and accrued liabilities approximates their fair values due to the short-term nature of their maturities.

9. CONTRACTUAL UPDATES, PROVISIONS AND EXIT COSTS

Contractual updates

On May 14, 2013, the Company was advised by Ford that, in the fourth quarter of 2014, for its new program, Ford intended to insource the sub-assembly and sequencing services that were being performed by Automodular. On October 18, 2013, Automodular signed an extension agreement with Ford that extended its existing multi-year agreement with Ford to December 23, 2014. Before the extension, the agreement was set to end on June 30, 2014. The general framework of the agreement was in keeping with Automodular's existing multi-year agreement. As part of the extension agreement, Ford provided certain production and price-related assurances and agreed to fund certain incremental closure costs related to this extension.

(All numbers in thousands of Canadian dollars, except share and per share amounts and as otherwise noted)

During the fourth quarter of 2013, in conjunction with the Ford commercial extension, Automodular also finalized an agreement on a one-year labour extension agreement for its Oakville-area workers with Unifor. The existing labour agreement was set to expire on June 30, 2014. The extension provided for certain signing bonuses and improvements in severance entitlements to the hourly workforce.

Following the expiry of the Company's extension agreement with Ford, Automodular ceased operations at its two remaining operating facilities in Oakville, Ontario. During the first quarter of 2015 both facilities were returned to the respective landlords. As of the date of these financial statements, Automodular no longer has active operations.

In conjunction with the closure of the operating facilities, all hourly employees and the majority of salaried employees have been severed and have left the Company. As of the date of these financial statements, fewer than fifteen salaried employees remain including the executive management team and certain corporate, human resources and financial personnel.

Provisions and exit costs

	Severance and facility $	Decommissioning $	Other $	Expected Ford reimbursements $	Total $
Balance, January 1, 2013	**100**	**463**	**-**	**-**	**563**
Plus: additions to the provision	8,699	71	600	-	9,370
Less: amounts paid	(457)	-	-	-	(457)
Balance, December 31, 2013	**8,342**	**534**	**600**	**-**	**9,476**
Current provisions	8,342	-	600	-	8,942
Non-current provisions	-	534	-	-	534
Balance, December 31, 2013	**8,342**	**534**	**600**	**-**	**9,476**
Balance, January 1, 2014	**8,342**	**534**	**600**	**-**	**9,476**
Plus: additions to the provision	3,424	134	1,032	-	4,590
Less: amounts paid	(7,599)	-	(455)	1,891	(6,163)
Balance, December 31, 2014	**4,167**	**668**	**1,177**	**1,891**	**7,903**
Current provisions	4,167	668	1,177	1,891	7,903
Non-current provisions	-	-	-	-	-
Balance, December 31, 2014	**4,167**	**668**	**1,177**	**1,891**	**7,903**

Severance and facility provisions

Severances:
In 2013, following the Ford announcement, Automodular recorded severance-related exit costs of $8,699. This amount reflected the Company's severance obligation to its hourly workforce under the extended Collective Agreement and the Company's statutory severance obligation to its Oakville operations salaried employees.

Minor adjustments totalling $109 were booked with respect to the net exit cost for hourly severance during the year. No significant adjustments are expected with respect to hourly severance costs in the future. Substantially all severance, benefits and other related costs with respect to the Company's hourly workforce was paid out in 2014. The remaining balance relates to benefit continuation and will be drawn down throughout the first quarter of 2015.

Upon the formal notification of the employees involved, further amounts were recorded in 2014 to adjust the Oakville operations salaried employees' severance to the contractual arrangements reached with the employees. In addition, the majority of the Company's head office salaried employees were formally provided with termination notification during the year. Net exit costs of $2,201 were recorded with respect to these two items. As at December 31, 2014, all salaried personnel, with the exception of the executive management team, have been formally notified of the termination of their employment. The related severance obligations have been included in this provision. Payments for salaried severance are being made immediately following the employee's termination date. The majority of these amounts are expected to be paid in the first half of 2015.

Facilities:
In the second quarter, the Company advised its Oakville-area landlords of its intention to exercise the early termination clause in each of the facility leases to align the lease termination dates with the Company's anticipated final occupancy date of each location. As required under the respective leases, payment of the related early termination penalties totalling $967 was made at the time of notification. No facility amounts are included in the provision balance as at December 31, 2014. A further $147 in other facility related costs have been recognized in the 2014 net exit costs. Additional facility and other closure-related costs will be recorded during the first quarter of 2015 with respect to the period prior to the return of the facilities to the landlords.

<u>Decommissioning provisions</u>
Decommissioning provisions are accrued in recognition of the Company's obligations to restore its facilities as required under existing lease agreements. No significant additional costs are expected to be booked with respect to these costs. Payments for this provision are expected to be made within the first half of 2015.

<u>Other provisions</u>
Included in other provisions are certain other closure costs which Automodular has incurred with respect to the retention of its salaried employees. These costs are integral to serving out the remaining term of the Ford contract. No significant additional net exit costs are expected to be booked with respect to these costs. Payments for this provision commenced in December of 2014 and are expected to be completed within the first half of 2015.

<u>Expected Ford reimbursements</u>
Due to the signing of the contract extension with Ford, Automodular expects to be reimbursed for certain incremental closure costs as defined in the extension. Accordingly, certain exit costs have been included in the consolidated statements of operations net of the anticipated recoveries from Ford.

During the year, an advance payment was received with respect to these recoveries. This has resulted in a liability balance of $1,891 which has been included in provisions on the statement of financial position. This amount will be reduced as Automodular recognizes additional exit costs in 2015.

(All numbers in thousands of Canadian dollars, except share and per share amounts and as otherwise noted)

10. CAPITAL STOCK

Authorized:
Unlimited number of common shares (no par value).

	Number of shares	Amount $
Issued and outstanding common shares – January 1, 2013	**20,078,464**	**43,924**
Award of treasury shares	134,384	250
Shares cancelled through normal course issuer bid	(833,945)	(1,826)
Issued and outstanding common shares - December 31, 2013	**19,378,903**	**42,348**
Stated capital reduction	-	(19,379)
Share sold upon wind down of LTIP	1	-
Issued and outstanding common shares - December 31, 2014	**19,378,904**	**22,969**

The above figure for fiscal 2013 represents the net shares outstanding exclusive of the one treasury share held in the long-term incentive plan. The plan was wound down during the year.

Normal course issuer bid
In July 2012**,** Automodular's Board of Directors approved a normal course issuer bid (the "Bid" or "NCIB"). Under the terms of the Bid, Automodular could acquire up to 1,317,000 common shares, which represented 10% of the public float of Automodular's common shares issued and outstanding as of August 1, 2012, as defined by the policies of the TSX. The Bid period ran from August 8, 2012 until August 7, 2013.

On August 15, 2013, Automodular announced that the TSX had accepted the Company`s notice of intention to renew its normal course issuer bid. Under the terms of the Bid, Automodular could acquire up to 1,552,790 common shares, representing 10% of the public float of Automodular's common shares issued and outstanding as of August 12, 2013, as defined by the policies of the TSX. The Bid period ran from August 19, 2013 until August 18, 2014.

No shares were repurchased for cancellation during 2014. During 2013, Automodular repurchased for cancellation 833,945 shares, with a carrying value of $1,826, for a total cost of $1,506.

There were no new common shares issued in 2014 or 2013.

Stated capital reduction
At the Annual and Special Meeting of Shareholders held on May 8, 2014, the shareholders approved the special resolution reducing the stated capital account maintained for the Company's common shares by the sum of $19,379. The Company increased the contributed surplus account maintained for its common shares, being an amount equivalent to the reduction of stated capital.

Included in the Company's contributed surplus balance are the income tax effects of certain inter-corporate capital transactions, compensation expense previously recorded on stock options granted and the impact of the reduction of stated capital.

(All numbers in thousands of Canadian dollars, except share and per share amounts and as otherwise noted)

LTIP

During the year the Company wound down its long-term incentive plan. Prior to this, the LTIP held one share.

Options

Under the Company's stock purchase plan, the Board of Directors is entitled to grant to designated directors, officers and employees of the Company or any subsidiary thereof, the right to purchase unissued common shares of the Company. Any options granted under this plan would be issued at a price not less than the fair value of the shares on the date of the grant.

No options were granted or outstanding during 2014 or 2013.

Dividends

In the years ended December 31, 2014 and 2013, dividends totalling $3,488 and $6,717, respectively, were declared and paid. Dividends have been reflected net of $nil and $5, respectively. Total dividends paid during the year were $0.18 per share (2013 - $0.34 per share).

Automodular did not pay a dividend in the fourth quarter of 2014 and has elected not to declare a dividend in the first quarter of 2015.

Weighted average common shares outstanding

	2014	**2013**
Weighted average issued common shares	19,378,904	20,212,849
Less: Weighted average shares cancelled under the NCIB	-	(368,023)
Less: Weighted average LTIP treasury shares	-	(13,992)
Weighted average common shares outstanding – basic and fully diluted	**19,378,904**	**19,830,834**

11. INTEREST (INCOME)

The components of interest (income) include interest expense and interest (income) as follows:

	2014	**2013**
	$	**$**
Interest expense on long-term and other liabilities	-	10
Less: Interest income on cash and cash equivalents	(506)	(229)
Interest (income)	**(506)**	**(219)**

(All numbers in thousands of Canadian dollars, except share and per share amounts and as otherwise noted)

12. OTHER (INCOME)

The components of other (income) include the following:

	2014 $	2013 $
(Gain) on disposal of plant and equipment	(436)	(1)
(Gain) on disposals of investments	-	(110)
Other comprehensive loss recycled to net earnings	21	-
(Gain) on foreign exchange	(37)	(39)
Other (income)	**(452)**	**(150)**

13. TAXATION

	2014 $	2013 $
Current income taxes:		
Current income taxes on earnings for the year	4,552	5,266
Adjustments in respect of prior years	(66)	(149)
Total current income taxes	**4,486**	**5,117**
Deferred income taxes:		
Origination and reversal of temporary differences	476	(1,827)
Total deferred income taxes	**476**	**(1,827)**
Income tax expense	**4,962**	**3,290**

The income taxes on the Company's earnings before income taxes differs from the theoretical amount that would arise using the weighted average income tax rate applicable to earnings of the consolidated entities as follows:

	2014 $	2013 $
Earnings before income tax:	19,725	13,653
Expected income tax expense at statutory rates	4,931	3,413
Increase (decrease) resulting from:		
Non-deductible/non-taxable items	30	39
Other	1	(162)
Income tax expense	**4,962**	**3,290**

(All numbers in thousands of Canadian dollars, except share and per share amounts and as otherwise noted)

	December 31, 2014 $	December 31, 2013 $
Deferred income tax assets:		
Deferred income tax assets to be realized after more than twelve months	632	193
Deferred income tax assets to be realized within twelve months	52	2,275
Total deferred income tax assets	**684**	**2,468**
Deferred income tax liabilities:		
Deferred income tax liabilities to be realized after more than twelve months	-	75
Deferred income tax liabilities to be realized within twelve months	-	1,305
Total deferred income tax liabilities	**-**	**1,380**
Deferred income tax assets, net	**684**	**1,088**

The Company also has unrecognized Canadian capital losses of $17.1 million available to be offset against future capital gains. No deferred income tax assets have been recognized in relation to these losses in the consolidated statements of financial position.

As at December 31, 2014, the Company has net operating loss carry-forwards in the United States of US$8,216 that are scheduled to expire as follows:

Year	US$
2024	867
2025	853
2026	-
2027	1,888
2028	4,144
2029	218
2030	188
2031	58
Total US net operating loss carry-forwards	**8,216**

The Company assessed whether it should continue to de-recognize the related US deferred income tax assets based on the consideration of all available evidence using a probability threshold, which is generally understood to be greater than 50%. The factors the Company used to assess the probability of realization were its forecast of future US taxable income and available tax planning strategies that could be implemented to realize the deferred income tax assets. The Company determined that as a result of the prior expiration of certain US contracts, the deferred income tax assets should continue to be de-recognized. Accordingly, as at December 31, 2014 and 2013, the Company has no deferred income tax assets recognized in the consolidated statements of financial position related to these US losses.

(All numbers in thousands of Canadian dollars, except share and per share amounts and as otherwise noted)

14. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

Key management personnel compensation and benefits, including the Company's directors and members of its executive management team, are as follows:

	2014	**2013**
	$	**$**
Salaries, directors' fees and short-term employee benefits	2,116	2,096
Post-employment benefits	-	15
Total	**2,116**	**2,111**

15. CONTINGENCIES AND COMMITMENTS

General

In the ordinary course of business activities, the Company is a party to certain claims. Management believes that the resolution of such claims will not have a material adverse effect on the consolidated financial position of the Company.

Trade payables and accrued liabilities and provisions

The following are the undiscounted contractual maturities of trade payables and accrued liabilities and provisions as at December 31, 2014:

	Total	**Less than 1 year**
	$	**$**
Trade payables and accrued liabilities	5,974	5,974
Provisions	7,903	7,903
	13,877	**13,877**

Operating leases

All of the Company's facilities are subject to operating leases. The Company also has certain operating lease commitments for equipment. Future operating lease commitments are shown below. Substantially all of the operating lease commitments relate to facility rentals. Commitments include US and CDN amounts and are denominated in the table below in Canadian dollars.

	$
Less than one year	442
Between one and five years	-
Total	**442**

During the year, the Company made lease termination payments to amend the lease termination date to February, 2015 on both its Oakville facilities.

(All numbers in thousands of Canadian dollars, except share and per share amounts and as otherwise noted)

16. EXPENSES BY NATURE

	2014 $	2013 $
Wages and employee benefits	41,659	44,156
Transportation and facility-related costs	9,094	9,229
Other	8,270	7,296
Depreciation	4,467	6,376
Exit costs	3,504	4,272
Total cost of sales, exit costs and general and administrative expenses	**66,994**	**71,329**