

# Automodular Corporation

## Interim Consolidated Financial Statements For the three months ended March 31, 2015 and 2014

Unaudited

All numbers in thousands, except share and per share data

### \* Notice of Disclosure of Non-Auditor Review of Interim Financial Statements

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 financial statements, the interim financial statements must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim consolidated financial statements of Automodular Corporation "the Company" for the interim periods ended March 31, 2015 and 2014 have been prepared in accordance with IAS 34, *Interim Financial Reporting* and are the responsibility of the Company's management.

The Company's independent auditors, PricewaterhouseCoopers, LLP, have not performed a review of these interim consolidated financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

May 7, 2015

**AUTOMODULAR CORPORATION**  
**INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
*(unaudited)*

<i>(thousands of Canadian dollars)</i>	<b>Notes</b>	<b>March 31, 2015</b>	<b>December 31, 2014</b>
<b>ASSETS</b>			
Cash and cash equivalents	5	\$ 55,624	\$ 54,489
Trade and other receivables	3 and 5	326	14,070
Income taxes recoverable	10	713	-
Prepaid expenses		94	606
<b>Current assets</b>		<b>56,757</b>	<b>69,165</b>
Deferred income taxes	10	640	684
<b>Total assets</b>		<b>\$ 57,397</b>	<b>\$ 69,849</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Liabilities</b>			
Trade payables and accrued liabilities	5 and 12	\$ 2,706	\$ 5,974
Provisions	6 and 12	2,018	7,903
Income taxes payable	10	-	1,617
<b>Current liabilities</b>		<b>4,724</b>	<b>15,494</b>
Other liabilities	4	43	82
<b>Total liabilities</b>		<b>\$ 4,767</b>	<b>\$ 15,576</b>
<b>Total shareholders' equity</b>		<b>\$ 52,630</b>	<b>\$ 54,273</b>
<b>Total liabilities and shareholders' equity</b>		<b>\$ 57,397</b>	<b>\$ 69,849</b>

The accompanying notes form an integral part of these interim consolidated financial statements

**AUTOMODULAR CORPORATION**  
**INTERIM CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**  
*(unaudited)*

<i>(thousands of Canadian dollars)</i>	Notes	Capital stock	Contributed surplus	Accumulated other comprehensive income	Retained earnings	Total
<b>Balance, December 31, 2014</b>		\$ 22,969	\$ 20,084	\$ -	\$ 11,220	\$ 54,273
Net loss		-	-	-	(1,643)	(1,643)
<b>Comprehensive loss</b>		-	-	-	(1,643)	(1,643)
<b>Balance, March 31, 2015</b>		\$ 22,969	\$ 20,084	\$ -	\$ 9,577	\$ 52,630

<i>(thousands of Canadian dollars)</i>	Notes	Capital stock	Contributed surplus	Accumulated other comprehensive income (loss)	Retained earnings	Total
<b>Balance, December 31, 2013</b>		\$ 42,348	\$ 705	\$ (21)	\$ 119	\$ 43,151
Net earnings		-	-	-	3,160	3,160
Foreign currency translation		-	-	-	23	23
Other comprehensive loss recycled to net earnings	9	-	-	21	-	21
<b>Comprehensive income</b>		-	-	21	3,183	3,204
Dividends	7	-	-	-	(1,163)	(1,163)
<b>Balance, March 31, 2014</b>		\$ 42,348	\$ 705	\$ -	\$ 2,139	\$ 45,192

**AUTOMODULAR CORPORATION**  
**INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS**  
*(unaudited)*

<i>(thousands of Canadian dollars, except share and per share amounts)</i>	<b>Notes</b>	<b>For the three months ended March 31,</b>	
		<b>2015</b>	<b>2014</b>
Sales		\$ -	\$ 19,549
Cost of sales	13	-	13,714
Exit costs	6 and 13	809	147
<b>Gross margin</b>		<b>(809)</b>	<b>5,688</b>
General and administrative expense	13	1,546	1,494
Interest (income)	8	(108)	(84)
Other expense (income)	9	(26)	11
<b>Earnings (loss) before income taxes:</b>		<b>(2,221)</b>	<b>4,267</b>
Current income taxes	10	(622)	1,107
Deferred income taxes	10	44	-
<b>Net earnings (loss) attributable to the shareholders</b>		<b>\$ (1,643)</b>	<b>\$ 3,160</b>
<b>Earnings (loss) per share:</b>			
Basic	7	\$ (0.08)	\$ 0.16
Diluted	7	\$ (0.08)	\$ 0.16
<b>Weighted average common shares outstanding:</b>			
Basic	7	19,378,904	19,378,903
Diluted	7	19,378,904	19,378,903

**AUTOMODULAR CORPORATION**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

<i>(unaudited)</i>	<b>Notes</b>	<b>For the three months ended March 31,</b>	
<i>(thousands of Canadian dollars)</i>		<b>2015</b>	<b>2014</b>
Net earnings (loss)		\$ (1,643)	\$ 3,160
<b>Items recycled to net earnings:</b>			
Other comprehensive loss recycled to net earnings	9	-	21
Foreign currency translation		-	23
<b>Total comprehensive income (loss) attributable to the shareholders</b>		<b>\$ (1,643)</b>	<b>\$ 3,204</b>

**AUTOMODULAR CORPORATION**  
**INTERIM CONSOLIDATED STATEMENTS OF CASH FLOW**  
*(unaudited)*

<i>(thousands of Canadian dollars)</i>	<b>Notes</b>	<b>For the three months ended March 31,</b>	
		<b>2015</b>	<b>2014</b>
<b>CASH PROVIDED BY (USED IN)</b>			
<b>OPERATING ACTIVITIES</b>			
Net earnings (loss)		\$ (1,643) \$	3,160
Income taxes (paid)	10	(1,708)	-
Pension contribution	4	(53)	(53)
Provisions	6 and 12	(6,694)	(59)
<b>Items not involving current cash flows:</b>			
Depreciation		-	1,072
Deferred income taxes	10	44	-
Interest (income)	8	(108)	(84)
(Gain) on disposal of plant and equipment	9	(11)	-
Other comprehensive loss recycled to net earnings		-	21
(Gain) on foreign exchange	9	(15)	(10)
Pension expense	4	14	14
Provisions	6 and 12	809	248
		(9,365)	4,309
<b>Net change in non-cash working capital:</b>			
Trade and other receivables	3 and 5	13,744	459
Income taxes	10	(622)	1,107
Prepaid expenses		512	40
Trade payables and accrued liabilities	5 and 12	(3,268)	(993)
<b>Net cash provided by operating activities</b>		<b>1,001</b>	<b>4,922</b>
<b>INVESTING ACTIVITIES</b>			
Interest received on cash and cash equivalents	8	108	81
Purchase of plant and equipment		-	(24)
Proceeds on disposal of plant and equipment	9	11	-
<b>Net cash provided by investing activities</b>		<b>119</b>	<b>57</b>
<b>FINANCING ACTIVITIES</b>			
Dividends paid	7	-	(1,163)
<b>Net cash used by financing activities</b>		<b>-</b>	<b>(1,163)</b>
<b>Effect of exchange rate changes on cash</b>		<b>15</b>	<b>36</b>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>		<b>\$ 1,135 \$</b>	<b>3,852</b>
<b>Cash and cash equivalents, beginning of year</b>		<b>\$ 54,489 \$</b>	<b>35,902</b>
<b>Cash and cash equivalents, end of year</b>		<b>\$ 55,624 \$</b>	<b>39,754</b>

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**AS AT March 31, 2015 and 2014**  
*(unaudited)*

*(All numbers in thousands of Canadian dollars, except share and per share amounts)*

**1. SUMMARY OF BUSINESS AND BASIS OF PREPARATION**

**General business description and current operations**

Automodular Corporation is a Canadian 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 unless the content indicates otherwise. Automodular was incorporated under the laws of the Province of Ontario and its registered address has been changed to 1099 Kingston Road, Suite 214, Pickering, Ontario (formerly, 235 Salem Road Unit 6 Ajax, Ontario). Automodular is domiciled in Canada.

Automodular was 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 were to be installed.

On May 14, 2013, Ford advised the Company 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.

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, four salaried employees and four consultants remain.

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. To date, our focus has been on finding opportunities in which we could leverage our lean manufacturing and project management skills. Unfortunately, as time has passed, the majority of our senior and mid-level skilled resources have left for other opportunities.

Automodular believes that its cash balance and public company listing have value and our goal is to unlock that value to enhance shareholder wealth. Accordingly, we will no longer narrow our focus to opportunities that leverage our core skills but rather will consider all available opportunities. As part of this process, we will look to leverage the resources that are already on hand to deal with the GM litigation.

**Basis of preparation**

The accounting policies followed in these interim consolidated financial statements are consistent with those of the previous financial year and are in compliance with International Accounting Standard 34, *Interim Financial*

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
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*Reporting* (“IAS 34”). Accordingly, certain information and disclosure normally included in annual financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”), has been omitted or condensed. The preparation of financial statements in accordance with IAS 34 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 financial statements, have been set out in Note 3 of the Company’s consolidated financial statements for the year ended December 31, 2014. Key assumptions and estimates concerning exit costs, have been further outlined in Note 6 of these interim consolidated financial statements. These interim consolidated financial statements should be read in conjunction with the Company’s consolidated financial statements for the year ended December 31, 2014, which are included in the Company’s 2014 annual report.

The accompanying interim consolidated financial statements include all adjustments, composed of normal recurring adjustments, considered necessary by management to fairly state the Company’s results of operations, financial position and cash flows. The operating results for interim periods are not necessarily indicative of results that may be expected for any other interim period or for the full year.

These interim consolidated financial statements are presented in Canadian dollars, which is the Company’s functional and presentation currency. References to “\$” are to Canadian dollars.

**2. RECENT ACCOUNTING PRONOUNCEMENTS**

The accounting policies followed in these interim 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, 2016 have not been applied in preparing these interim consolidated financial statements. Not all new standards are applicable to the Company. The anticipated impact of the new and amended standards which are applicable to the Company is discussed below:

International Financial Reporting Standard 9, *Financial Instruments*

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.

International Financial Reporting Standard 15, *Revenue from Contracts with Customers*

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

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
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*(unaudited)*

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is permitted. Management is evaluating the standard and has not yet determined the impact on the Company's consolidated financial statements.

**3. 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 March 31, 2015, was \$nil (December 31, 2014: \$nil).

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

	<b>March 31, 2015</b>	<b>December 31, 2014</b>
	\$	\$
Current	-	13,980
Past due	326	90
<b>Total</b>	<b>326</b>	<b>14,070</b>

**4. OTHER LIABILITIES**

The Company has a defined benefit pension plan for a former Chief Executive Officer. The expense for the three-month periods ended March 31, 2015 and 2014 was \$14 (2014: \$14).

**5. FINANCIAL INSTRUMENTS BY CATEGORY**

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

**At March 31, 2015:**

	<b>Loans and receivables</b>
	\$
<b>Assets</b>	
Cash and cash equivalents	55,624
Trade and other receivables	326
<b>Total</b>	<b>55,950</b>
	<b>Financial liabilities at amortized cost</b>
	\$
<b>Liabilities</b>	
Trade payables and accrued liabilities	2,706
<b>Total</b>	<b>2,706</b>



**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**AS AT March 31, 2015 and 2014**  
*(unaudited)*

*(All numbers in thousands of Canadian dollars, except share and per share amounts)*

**At December 31, 2014:**

	<b>Loans and receivables</b>
	<b>\$</b>
<b>Assets</b>	
Cash and cash equivalents	54,489
Trade and other receivables	14,070
<b>Total</b>	<b>68,559</b>

	<b>Financial liabilities at amortized cost</b>
	<b>\$</b>
<b>Liabilities</b>	
Trade payables and accrued liabilities	5,974
<b>Total</b>	<b>5,974</b>

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.

Included in cash and cash equivalents as at March 31, 2015 and December 31, 2014 was restricted cash of \$209.

## **6. 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.

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, four salaried employees and four consultants remain. By mid-year, we expect our staffing complement to be reduced to 2 full-time employees and 2 part-time consultants.

## NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS AT March 31, 2015 and 2014

(unaudited)

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

### Provisions and exit costs

	Severance and Facility \$	Decommissioning \$	Other \$	Expected Ford reimbursements \$	Total \$
Balance, December 31, 2014	4,167	668	1,177	1,891	7,903
Expenses	2,083	(126)	44	(1,192)	809
Payments	4,931	542	1,221	-	6,694
Balance, March 31, 2015	1,319	-	-	699	2,018

During the first quarter of 2015, the Company recorded net exit costs of \$809 (2014: \$147). Net exit costs in the first quarter of 2015 related to severance for three members of the executive management team and facility-related costs. Facility-related costs during the quarter related to the carrying costs on the facilities and the payment of third party suppliers and salaries for employees performing close out activities.

#### Severance and facility provisions

Included in severance and facility provisions above are severance and facility costs related to the closure of the Company's Oakville facilities.

#### Decommissioning provisions

Decommissioning provisions were accrued in recognition of the Company's obligations to restore its facilities as required under its lease agreements.

#### Other provisions

Included in other provisions were certain other closure costs which Automodular incurred with respect to the retention of its salaried employees. These costs were integral to serving out the remaining term of the Ford contract.

#### Expected Ford reimbursements

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 agreement. Accordingly, certain exit costs have been included in the interim consolidated statements of operations net of the anticipated recoveries from Ford.

During 2014, advance payments were received with respect to these recoveries. This has resulted in a liability balance of \$699 which has been included in provisions on the interim consolidated statement of financial position as at March 31, 2015.

## 7. CAPITAL STOCK

	Outstanding #	Amount \$
Issued and outstanding common shares, December 31, 2014 and March 31, 2015	19,378,904	22,969

There were no new common shares issued in the three month periods ended March 31, 2015 and 2014.

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**AS AT March 31, 2015 and 2014**  
*(unaudited)*

*(All numbers in thousands of Canadian dollars, except share and per share amounts)*

**Normal course issuer bid (“NCIB”)**

On April 9, 2015, Automodular announced that the TSX had accepted the Corporation’s notice of intention to enter into a Normal Course issuer bid. Under the terms of the Normal Course issuer bid, Automodular may acquire up to 1,389,738 common shares, representing 10% of the public float of Automodular’s common shares issued and outstanding as of March 31, 2015, as defined by the policies of the TSX. The Normal Course issuer bid commenced on April 13, 2015 and will terminate on April 12, 2016 or on such earlier date as Automodular completes its purchases. Automodular initiated a NCIB as the Company believes that its shares have been trading in a price range that does not reflect the underlying value of the Company. The Company may re-purchase shares following the release of its first quarter 2015 financial results.

**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.

**Dividends**

In the three -month period ended March 31, 2015, dividends totaling \$nil (2014: \$1,163) were declared and paid.

**Weighted average common shares outstanding**

	<b>Three months ended March 31,</b>	
	<b>2015</b>	<b>2014</b>
	<b>#</b>	<b>#</b>
<b>Weighted average common shares outstanding – basic and fully diluted</b>	<b>19,378,904</b>	<b>19,378,903</b>

**8. INTEREST (INCOME)**

Interest (income) includes interest income earned as follows:

	<b>Three months ended March 31,</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
<b>Interest (income) on cash and cash equivalents</b>	<b>(108)</b>	<b>(84)</b>

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**AS AT March 31, 2015 and 2014**  
*(unaudited)*

*(All numbers in thousands of Canadian dollars, except share and per share amounts)*

**9. OTHER EXPENSE (INCOME)**

The components of other expense (income) include the following:

	<b>Three months ended March 31,</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
Other comprehensive loss recycled to net earnings	-	21
(Gain) on foreign exchange	(15)	(10)
(Gain) on disposal of plant and equipment	(11)	-
<b>Total</b>	<b>(26)</b>	<b>11</b>

**10. TAXATION**

The consolidated effective tax rate in respect of the operations for the three-month period ended March 31, 2015 was 26% (2014: 26%) and is based on management's best estimate of the annual income tax rate expected for the full financial year.

**11. COMPENSATION OF KEY MANAGEMENT PERSONNEL**

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

	<b>Three months ended March 31,</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
Salaries, fees and short-term employee benefits	890	467
Severance	1,198	-
<b>Total</b>	<b>2,088</b>	<b>467</b>

The amounts above have been included in general and administrative expense and exit costs on the interim consolidated statement of operations. Certain exit costs have been included in the interim consolidated statements of operations net of the anticipated recoveries from Ford. See Note 6 for additional information.

**12. 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.

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS****AS AT March 31, 2015 and 2014***(unaudited)**(All numbers in thousands of Canadian dollars, except share and per share amounts)***Trade payables and accrued liabilities and provisions**

The following are the undiscounted contractual maturities of trade payables and accrued liabilities and provisions as at March 31, 2015:

	<b>Total</b>	<b>Less than 1 year</b>
	<b>\$</b>	<b>\$</b>
Trade payables and accrued liabilities	2,706	2,706
Provisions	2,018	2,018
<b>Total</b>	<b>4,724</b>	<b>4,724</b>

**13. EXPENSES BY NATURE**

	<b>Three months ended March 31,</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
Wages and employee benefits	1,034	9,687
Transportation and facility-related costs	75	2,236
Other	437	2,213
Depreciation	-	1,072
Exit costs	809	147
<b>Total cost of sales, exit costs and general and administrative expenses</b>	<b>2,355</b>	<b>15,355</b>