

# Automodular Corporation

## Consolidated Interim Financial Statements

For the six months ended June 30, 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 June 30, 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.

August 6, 2015

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

<i>(thousands of Canadian dollars)</i>	<b>Notes</b>	<b>June 30, 2015</b>	<b>December 31, 2014</b>
<b>ASSETS</b>			
Cash and cash equivalents	5	\$ 51,521	\$ 54,489
Trade and other receivables	3 and 5	221	14,070
Income taxes recoverable	10	941	-
Prepaid expenses		310	606
<b>Current assets</b>		<b>52,993</b>	<b>69,165</b>
Deferred income taxes	10	439	684
<b>Total assets</b>		<b>\$ 53,432</b>	<b>\$ 69,849</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Liabilities</b>			
Trade payables and accrued liabilities	5 and 12	\$ 754	\$ 5,974
Provisions	6 and 12	331	7,903
Income taxes payable	10	-	1,617
<b>Current liabilities</b>		<b>1,085</b>	<b>15,494</b>
Other liabilities	4	57	82
<b>Total liabilities</b>		<b>\$ 1,142</b>	<b>\$ 15,576</b>
<b>Total shareholders' equity</b>		<b>\$ 52,290</b>	<b>\$ 54,273</b>
<b>Total liabilities and shareholders' equity</b>		<b>\$ 53,432</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		-	-	-	(1,719)	(1,719)
<b>Comprehensive loss</b>		-	-	-	(1,719)	(1,719)
Shares repurchased for cancellation	7	(131)	(111)	-	(22)	(264)
<b>Balance, June 30, 2015</b>		\$ 22,838	\$ 19,973	\$ -	\$ 9,479	\$ 52,290

<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		-	-	-	4,731	4,731
Foreign currency translation		-	-	28	-	28
Other comprehensive loss recycled to net earnings		-	-	21	-	21
<b>Comprehensive income</b>		-	-	49	4,731	4,780
Stated capital reduction	7	(19,379)	19,379	-	-	-
Dividends	7	-	-	-	(2,326)	(2,326)
<b>Balance, June 30, 2014</b>		\$ 22,969	\$ 20,084	\$ 28	\$ 2,524	\$ 45,605

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

<i>(thousands of Canadian dollars, except share and per share amounts)</i>	Notes	For the three months ended June 30,		For the six months ended June 30,	
		2015	2014	2015	2014
Sales		\$ -	\$ 18,772	\$ -	\$ 38,321
Cost of sales	13	(751)	14,342	(751)	28,056
Exit costs	6, 11 & 13	272	1,132	1,081	1,279
<b>Gross margin</b>		<b>479</b>	<b>3,298</b>	<b>(330)</b>	<b>8,986</b>
General and administrative expense	11 & 13	705	1,262	2,251	2,756
Interest (income)	8	(97)	(95)	(205)	(179)
Other expense (income)	9	(26)	9	(52)	20
<b>Earnings (loss) before income taxes:</b>		<b>(103)</b>	<b>2,122</b>	<b>(2,324)</b>	<b>6,389</b>
Current income taxes	10	(228)	1,046	(850)	2,153
Deferred income taxes	10	201	(495)	245	(495)
<b>Net earnings (loss) attributable to the shareholders</b>		<b>\$ (76)</b>	<b>\$ 1,571</b>	<b>\$ (1,719)</b>	<b>\$ 4,731</b>
<b>Earnings (loss) per share:</b>					
Basic and diluted	7	\$ (0.00)	\$ 0.08	\$ (0.09)	\$ 0.24
<b>Weighted average common shares outstanding</b>					
Basic and diluted	7	19,335,579	19,378,903	19,357,121	19,378,903

**AUTOMODULAR CORPORATION**  
**INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
*(unaudited)*

<i>(thousands of Canadian dollars)</i>	Notes	For the three months ended June 30,		For the six months ended June 30,	
		2015	2014	2015	2014
Net earnings (loss)		\$ (76)	\$ 1,571	\$ (1,719)	\$ 4,731
Foreign currency translation		-	28	-	28
<b>Items recycled to net earnings:</b>					
Other comprehensive loss recycled to net earnings	9	-	-	-	21
<b>Total comprehensive income (loss) attributable to the shareholders</b>		<b>\$ (76)</b>	<b>\$ 1,599</b>	<b>\$ (1,719)</b>	<b>\$ 4,780</b>

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

<i>(thousands of Canadian dollars)</i>	<b>Notes</b>	<b>For the six months ended June 30,</b>	
		<b>2015</b>	<b>2014</b>
<b>CASH PROVIDED BY (USED IN)</b>			
<b>OPERATING ACTIVITIES</b>			
Net earnings (loss)		\$ (1,719) \$	4,731
Income taxes (paid)	10	(1,708)	(832)
Pension contribution	4	(53)	(53)
Provisions paid	6 and 12	(8,653)	(1,151)
<b>Items not involving current cash flows:</b>			
Depreciation		-	2,146
Deferred income taxes	10	245	(495)
Interest (income)	8	(205)	(179)
(Gain) on disposal of plant and equipment	9	(39)	-
Other comprehensive loss recycled to net earnings	9	-	21
(Gain) on foreign exchange	9	(13)	(1)
Pension expense	4	28	27
Provisions expense	6 and 12	1,081	4,018
		(11,036)	8,232
<b>Net change in non-cash working capital:</b>			
Trade and other receivables	3 and 5	13,849	(3,759)
Income taxes	10	(850)	2,153
Prepaid expenses		296	(326)
Trade payables and accrued liabilities	5 and 12	(5,220)	385
<b>Net cash provided (used) by operating activities</b>		<b>(2,961)</b>	<b>6,685</b>
<b>INVESTING ACTIVITIES</b>			
Interest received on cash and cash equivalents	8	205	179
Purchase of plant and equipment		-	(24)
Proceeds on disposal of plant and equipment	9	39	-
<b>Net cash provided by investing activities</b>		<b>244</b>	<b>155</b>
<b>FINANCING ACTIVITIES</b>			
Dividends paid	7	-	(2,326)
Repurchase of shares under normal course issuer bid	7	(264)	-
<b>Net cash used by financing activities</b>		<b>(264)</b>	<b>(2,326)</b>
<b>Effect of exchange rate changes on cash</b>		<b>13</b>	<b>29</b>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>		<b>\$ (2,968) \$</b>	<b>4,543</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>\$ 51,521 \$</b>	<b>40,445</b>

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**AS AT June 30, 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". The Continued Listing Committee of the TSX, following the previously announced 120-day Remedial Review Process, has determined that Automodular Corporation no longer meets the criteria for continued listing on the TSX since it is not actively engaged in ongoing business. Accordingly, Automodular Corporation's common shares will be de-listed from the TSX on August 14, 2015. Automodular Corporation has applied for and satisfied all conditions to list its common shares on NEX, a separate board of the TSX Venture Exchange. The shares are expected to commence trading on NEX on August 17, 2015 under the symbol "AM.H".

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 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.

Following the expiry of the Company's commercial agreement with Ford on December 23, 2014, 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 has no active operations.

In conjunction with the closure of the operating facilities, all hourly employees and the majority of salaried employees have now left the Company. As of the date of these financial statements, two salaried employees and two consultants remain.

The Company's efforts continue on the diversification front. Both the Board of Directors and the remaining executive management team are actively engaged in finding ways to leverage our cash balance and public company listing.

**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 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 which involved a higher degree of judgment or complexity, or areas where assumptions and estimates were significant to the financial statements, were set out in Note 3 of the Company's consolidated financial statements for the year ended December 31, 2014. As at June 30, 2015, no estimates and judgments applied by management

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are uncertain and/or material enough to have a significant effect on the results of operations and the carrying values of assets and liabilities recognized and disclosures made in the interim consolidated financial statements.

The depreciation policies applicable to plant and equipment and the assessment of impairment of long-lived assets are no longer relevant as the balance in plant and equipment was nil during the six-month period and the Company had no other non-tax long-lived assets.

Deferred income tax assets and liabilities result from timing differences between the financial reporting and tax bases of assets and liabilities. These timing differences have become less significant and are now based on fixed amounts with shorter terms to realization.

The Company had considered exit costs to be a “critical accounting estimate” due to the material nature of amounts generally involved and their inherent uncertainty at the time the estimates were made. The Company has recognized and paid substantially all of its anticipated costs relating the exit of its Oakville-area operations and only a relatively small balance remained in provisions as at June 30, 2015 related to these costs.

There were no other changes to our significant accounting policies or critical accounting estimates during the quarter.

Further information on exit costs has been included 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

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beginning on or after January 1, 2018, with early adoption permitted. Management does not expect this revised standard to have a significant impact on the Company's 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 is permitted. The IASB has proposed deferring the date of adoption for periods beginning on or after January 1, 2018. Management does not expect this revised standard to have a significant impact on the Company's 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 June 30, 2015, was \$nil (December 31, 2014: \$nil).

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

	<b>June 30, 2015</b>	<b>December 31, 2014</b>
	\$	\$
Current	171	13,980
Past due	50	90
<b>Total</b>	<b>221</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 and six-month periods ended June 30, 2015 was \$14 and \$28, respectively (2014: \$13 and \$27, respectively).



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**5. FINANCIAL INSTRUMENTS BY CATEGORY**

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

	June 30, 2015	December 31, 2014
	\$	\$
<b>Loans and receivables</b>		
Cash and cash equivalents	51,521	54,489
Trade and other receivables	221	14,070
<b>Total</b>	<b>51,741</b>	<b>68,559</b>
<b>Financial liabilities at amortized cost</b>		
Trade payables and accrued liabilities	754	5,974
<b>Total</b>	<b>754</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.

**6. PROVISIONS AND EXIT COSTS**

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 has no active operations.

All hourly employees and the majority of salaried employees have now left the Company. As of the date of these financial statements, two salaried employees and two consultants remain.

**Provisions**

	Severance and Facility	Decommissioning	Other	Expected Ford reimbursements	Total
	\$	\$	\$	\$	\$
<b>Balance, December 31, 2014</b>	<b>4,167</b>	<b>668</b>	<b>1,177</b>	<b>1,891</b>	<b>7,903</b>
Expenses	2,360	(126)	44	(1,197)	<b>1,081</b>
Payments	(6,196)	(542)	(1,221)	(694)	<b>(8,653)</b>
<b>Balance, June 30, 2015</b>	<b>331</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>331</b>

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During the three and six-month periods ended June 30, 2015 the Company recorded net exit costs of \$272 and \$1,081, respectively (2014: \$1,132 and \$1,279). Net exit costs in the first half of 2015 related to severance for three members of the executive management team and certain facility costs 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 was reimbursed for certain incremental closure costs as defined in the extension agreement. Accordingly, certain exit costs have been included in the interim consolidated statement of operations net of the cost recoveries from Ford.

During 2014, advance payments were received with respect to these recoveries. This resulted in a liability balance of \$699 in provisions on the interim consolidated statement of financial position as at March 31, 2015. This balance was settled in full during the current quarter.

**7. CAPITAL STOCK**

	June 30, 2015		December 31, 2014	
	Outstanding	Amount	Outstanding	Amount
	#	\$	#	\$
<b>Issued and outstanding common shares</b>	<b>19,268,304</b>	<b>22,838</b>	<b>19,378,904</b>	<b>22,969</b>

There were no new common shares issued in the three and six- month periods ended June 30, 2015 and 2014.

**Normal course issuer bid ("NCIB")**

On April 9, 2015, Automodular announced that the TSX had accepted the Company'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.

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During the second quarter of 2015, the Company repurchased for cancellation 110,600 shares, with a carrying value of \$131, for a total cost of \$264. The difference of \$111 has been allocated to contributed surplus which reflects the balance related to the 2014 stated capital reduction, as discussed below.

**Stated capital reduction**

At the 2013 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 and six-month periods ended June 30, 2015, no dividends were declared and paid (2014: \$1,163 and \$2,326, respectively).

**Weighted average common shares outstanding**

	<b>Three months ended June 30, Six months ended June 30,</b>			
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>
<b>Common shares outstanding – basic and fully diluted</b>	<b>19,378,904</b>	<b>19,378,903</b>	<b>19,378,904</b>	<b>19,378,903</b>
Less: weighted average shares cancelled under NCIB	(43,325)	-	(21,783)	-
<b>Weighted average common shares outstanding – basic and fully diluted</b>	<b>19,335,579</b>	<b>19,378,903</b>	<b>19,357,121</b>	<b>19,378,903</b>

The above 2014 figures represent the net shares outstanding exclusive of one treasury share held in the long-term incentive plan.

**8. INTEREST (INCOME)**

Interest (income) includes interest income earned as follows:

	<b>Three months ended June 30,</b>		<b>Six months ended June 30,</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Interest (income) on cash and cash equivalents</b>	<b>(97)</b>	<b>(95)</b>	<b>(205)</b>	<b>(179)</b>

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**9. OTHER EXPENSE (INCOME)**

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

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
	\$	\$	\$	\$
Other comprehensive loss recycled to net earnings	-	21	-	21
(Gain) on foreign exchange	2	(12)	(13)	(1)
(Gain) on disposal of plant and equipment	(28)	-	(39)	-
<b>Total</b>	<b>(26)</b>	<b>9</b>	<b>(52)</b>	<b>20</b>

**10. TAXATION**

The consolidated effective tax rate in respect of the operations for the three and six-month periods ended June 30, 2015 was 26% (2014: 26%) and is based on management's best estimate of the annual effective income tax rate expected for the full financial year.

**11. COMPENSATION OF KEY MANGEMENT PERSONNEL**

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

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
	\$	\$	\$	\$
Salaries, fees and short-term employee benefits	671	468	1,561	935
Severance	-	-	1,198	-
<b>Total</b>	<b>671</b>	<b>468</b>	<b>2,759</b>	<b>935</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.

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**Trade payables and accrued liabilities and provisions**

The following are the undiscounted contractual maturities of trade payables and accrued liabilities and provisions as at June 30, 2015:

	<b>Total</b>	<b>Less than 1 year</b>
	<b>\$</b>	<b>\$</b>
Trade payables and accrued liabilities	754	613
Provisions	331	331
<b>Total</b>	<b>1,085</b>	<b>944</b>

**13. EXPENSES BY NATURE**

	<b>Three months ended June 30,</b>		<b>Six months ended June 30,</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Wages and employee benefits	(49)	10,532	985	20,219
Transportation and facility-related costs	89	2,257	164	4,493
Other	(86)	1,741	351	3,954
Depreciation	-	1,074	-	2,146
Exit costs	272	1,132	1,081	1,279
<b>Total cost of sales, exit costs and general and administrative expenses</b>	<b>226</b>	<b>16,736</b>	<b>2,581</b>	<b>32,091</b>

During the current quarter, the Company was able to successfully mitigate certain previously recognized obligations related to its Oakville operations. These mitigated amounts have been reflected as a recovery of cost of sales in the current period.

**14. SUBSEQUENT EVENT**

Subsequent to quarter end, Automodular announced that it intends to make a substantial issuer bid ("the Offer") pursuant to which the Company will offer to repurchase for cancellation up to \$15,000 in value of its outstanding common shares from shareholders. The Offer will proceed by way of a modified "Dutch Auction", expiring 35 days after the date of commencement, unless withdrawn or extended by the Company.