Automodular Corporation

Interim Consolidated Financial Statements

For the nine months ended September 30, 2013 and 2012

(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 September 30, 2013 and 2012 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 Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

November 7, 2013

AUTOMODULAR CORPORATION
INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(unaudited)

(thousands of Canadian dollars)	**Notes**	**September 30, 2013**	**December 31, 2012**
ASSETS			
Cash and cash equivalents	7	$ 34,843	$ 24,961
Trade and other receivables	3 & 7	12,423	13,052
Prepaid expenses		1,197	1,028
Current assets		48,463	39,041
Investments	7	-	59
Plant and equipment	5	5,495	10,322
Total assets		**$ 53,958**	**$ 49,422**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Trade payables and accrued liabilities	7 & 14	$ 5,602	$ 6,203
Provisions	8 & 14	62	100
Income taxes payable	12	549	1,121
Current liabilities		6,213	7,424
Deferred income taxes	12	4	653
Provisions	8 & 14	5,052	463
Other liabilities	6	102	103
Total liabilities		**$ 11,371**	**$ 8,643**
Total shareholders' equity		**$ 42,587**	**$ 40,779**
Total liabilities and shareholders' equity		**$ 53,958**	**$ 49,422**

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

(thousands of Canadian dollars)	Notes	Capital stock	Contributed surplus	Accumulated other comprehensive income (loss)[1]	Deficit	Total
Balance, December 31, 2012		**$ 43,972**	**$ 955**	**$ (21)**	**$ (4,127)**	**$ 40,779**
Net earnings for the period		-	-	-	6,880	**6,880**
Comprehensive income for the period				-	6,880	**6,880**
Award of treasury shares	9	250	(250)	-	-	**-**
Shares repurchased for cancellation	9	(1,464)	-	-	-	**(1,464)**
Dividends	9	-	-	-	(3,608)	**(3,608)**
Balance, September 30, 2013		**$ 42,758**	**$ 705**	**$ (21)**	**$ (855)**	**$ 42,587**

(thousands of Canadian dollars)	Notes	Capital stock	Contributed surplus	Accumulated other comprehensive income (loss)[1]	Deficit	Total
Balance, December 31, 2011		**$ 44,162**	**$ 1,005**	**$ 19**	**$ (11,941)**	**$ 33,245**
Net earnings for the period		-	-	-	12,262	**12,262**
Foreign currency translation		-	-	(51)	-	**(51)**
Actuarial loss	6	-	-	(11)		**(11)**
Unrealized gain on investments	7	-	-	(17)	-	**(17)**
Comprehensive income for the period				(79)	12,262	**12,183**
Award of treasury shares	9	158	(158)	-	-	**-**
Shares repurchased for cancellation	9	(239)	-	-	-	**(239)**
Dividends	9	-	-	-	(3,646)	**(3,646)**
Compensation expense	9	-	81	-	-	**81**
Balance, September 30, 2012		**$ 44,081**	**$ 928**	**$ (60)**	**$ (3,325)**	**$ 41,624**

[1]All items included in Accumulated other comprehensive income (loss) may be subsequently recycled to net earnings, except the actuarial loss.

AUTOMODULAR CORPORATION
INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

(thousands of Canadian dollars, except share and per share amounts)	Notes	For the three months ended September 30, 2013	For the three months ended September 30, 2012	For the nine months ended September 30, 2013	For the nine months ended September 30, 2012
Sales		$ 20,213	$ 35,359	$ 63,960	$ 88,878
Cost of sales	15	15,782	28,912	47,455	69,178
Exit costs	8 & 15	-	-	4,000	-
Gross margin		4,431	6,447	12,505	19,700
General and administrative expense	13 & 15	1,084	1,068	3,407	3,389
Interest (income), net	10	(48)	(42)	(147)	(93)
Other expense (income)	11	13	(349)	(138)	(362)
Earnings before income taxes:		3,382	5,770	9,383	16,766
Current income taxes	12	1,273	1,527	3,152	4,818
Deferred income taxes	12	(360)	-	(649)	(314)
Net earnings attributable to the shareholders for the period		**$ 2,469**	**$ 4,243**	**$ 6,880**	**$ 12,262**
Earnings per shares:					
Basic	**9**	**$ 0.12**	**$ 0.21**	**$ 0.34**	**$ 0.61**
Diluted	**9**	**$ 0.12**	**$ 0.21**	**$ 0.34**	**$ 0.60**
Weighted average common shares outstanding:					
Basic	**9**	**20,024,045**	**20,242,782**	**19,975,618**	**20,244,778**
Diluted	**9**	**20,024,045**	**20,377,167**	**19,975,618**	**20,379,163**

AUTOMODULAR CORPORATION
INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(unaudited)

(thousands of Canadian dollars)	Notes	For the three months ended September 30, 2013	For the three months ended September 30, 2012	For the nine months ended September 30, 2013	For the nine months ended September 30, 2012
Net earnings for the period		$ 2,469	$ 4,243	$ 6,880	$ 12,262
Foreign currency translation		-	(38)	-	(51)
Unrealized gain on investments	7 & 11	-	(377)	-	(17)
Actuarial loss (net of tax $nil; 2012: $3)	6	-	(11)	-	(11)
Total comprehensive income attributable to the shareholders for the period		**$ 2,469**	**$ 3,817**	**$ 6,880**	**$ 12,183**

AUTOMODULAR CORPORATION
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOW
(unaudited)

(thousands of Canadian dollars)	Notes	For the nine months ended September 30, 2013	2012
CASH PROVIDED BY (USED IN)			
OPERATING ACTIVITIES			
Net earnings for the period		$ 6,880	$ 12,262
Income taxes (paid)	12	(3,800)	(7,400)
Pension contribution	6	(54)	(54)
Items not involving current cash flows:			
Depreciation	5	5,276	5,150
Deferred income taxes	12	(649)	(314)
Compensation expense	9	-	81
Interest (income), net	10	(147)	(93)
(Gain) on disposal of investments	7 & 11	(110)	(384)
(Gain) loss on foreign exchange	11	(28)	5
Pension expense	6	53	42
Provisions	8 & 14	4,589	181
Unrealized loss on investments	7 & 11	-	17
		12,010	9,493
Net change in non-cash working capital:			
Trade and other receivables	3 & 7	629	(6,110)
Inventory		-	(2,018)
Income taxes payable	12	3,228	4,819
Prepaid expenses		(169)	(258)
Trade payables and accrued liabilities	7 & 14	(601)	8,088
Provisions	8 & 14	(38)	(39)
Net cash provided by operating activities		15,059	13,975
INVESTING ACTIVITIES			
Proceeds on disposal of investments	7 & 11	168	540
Interest received on cash and cash equivalents	10	147	105
Purchase of plant and equipment	5	(493)	(1,657)
Proceeds on disposal of plant and equipment	5	44	-
Net cash used by investing activities		(134)	(1,012)
FINANCING ACTIVITIES			
Dividends paid	9	(3,608)	(3,646)
Repurchase of shares in normal course issuer bid	9	(1,464)	(239)
Interest (paid)	10	-	(12)
Repayment of long-term liabilities		-	(305)
Net cash used by financing activities		(5,072)	(4,202)
Effect of exchange rate changes on cash		29	4
CHANGE IN CASH AND CASH EQUIVALENTS		**$ 9,882**	**$ 8,765**
Cash and cash equivalents, beginning of period		**$ 24,961**	**$ 14,776**
Cash and cash equivalents, end of period		**$ 34,843**	**$ 23,541**

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

1. SUMMARY OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

General business description

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 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's primary business is the sequencing and sub-assembly of modules for installation in final products being assembled by the Original Equipment Manufacturer ("OEM"). This service is provided within the automotive and renewable energy sectors. The nature of the service does not change significantly depending on the end product or industry to which the service is provided.

With respect to the automotive sector, Automodular uses component parts to sub-assemble complicated modules, such as an instrument panel or a radiator support, for installation in vehicles being assembled by its customer in Ontario. Also, Automodular provides sequencing services such that the sub-assembled modules arrive at the customer's final assembly plant in precisely the sequence of their final installation in each vehicle and at precisely the time they are to be installed.

With respect to the renewable energy sector, Automodular sub-assembled certain components used in wind turbine units. This contract was successfully completed in the fourth quarter of 2012 and the Company is engaged in efforts to secure additional contracts in this sector.

Basis of preparation

The accounting policies followed in these interim consolidated financial statements are consistent with those of the previous financial year, except as described in Note 2. The interim financial statements 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 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, 2012, with the exception of key assumptions and estimates concerning exit costs, which have been outlined in Note 8 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, 2012, which are included in the Company's 2012 annual report.

The accompanying interim 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 the full year.

These interim consolidated financial statements are presented in Canadian dollars, which is the Company's 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, except as described below.

Changes in accounting policies

The Company has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2013. These changes were made in accordance with the applicable transitional provisions.

IAS 1, *Presentation of Financial Statements*

The Company has adopted the amendments to IAS 1 effective January 1, 2013. These amendments required the Company to group other comprehensive income items by those that will be reclassified subsequently to profit or loss and those that will not be reclassified. The Company has reclassified comprehensive income items of the comparative period. These changes did not result in any adjustments to other comprehensive income or net earnings.

IFRS 10, *Consolidated Financial Statements*

The Company assessed its consolidation conclusions on January 1, 2013 and determined that the adoption of IFRS 10 did not result in any change in the consolidation status of any of its subsidiaries and its special purpose entity.

IAS 19, *Employee Benefits*

The Company's amended policy requires immediate recognition of actuarial gains and losses in other comprehensive income as they arise, without subsequent recycling to the consolidated statement of operations. Past-service cost (which will now include curtailment gains and losses) is no longer recognized over a service period but instead is recognized immediately in the period of a plan amendment. Pension benefit cost is split between (i) the cost of benefits accrued in the current period (service cost) and benefit changes (past-service cost, settlements and curtailments); and (ii) finance expense or income. The finance expense or income component is calculated based on the net defined benefit asset or liability. Remeasurements consisting of actuarial gains and losses, the actual return on plan assets (excluding the interest component) and any changes in the asset ceiling are recognized in other comprehensive income. The Company continues to immediately recognize in retained earnings all pension adjustments recognized in other comprehensive income.

A number of other new standards and amendments to standards and interpretations are not yet effective for the year ending December 31, 2013, and have not been applied in preparing these interim financial statements. In particular, the following new and amended standards and interpretations are required to be implemented for financial years beginning on or after January 1, 2014, unless otherwise noted:

- *IFRS 9, Financial instruments* (effective for annual periods beginning on or after January 1, 2015)
- *IAS 32, Financial instruments* – presentation – amendments relating to the requirement for offsetting of financial assets and financial liabilities.

The Company is reviewing these new standards and amendments to determine the potential impact on the Company's consolidated financial statements once they are adopted. No significant impact is expected.

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 September 30, 2013, was $nil (December 31, 2012: $nil).

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

	September 30, 2013 $	December 31, 2012 $
Current	12,395	12,852
Past due zero to thirty days	-	16
Over thirty days past due	28	184
Total	**12,423**	**13,052**

4. SEGMENT INFORMATION

The Chief Executive Officer ("CEO") is the Company's chief operating decision-maker. The Company has determined the operating segments based on the information reviewed by the CEO for the purposes of allocating resources and assessing performance. Two identified operating segments have been aggregated into one reportable segment.

The CEO considers the business from a products serviced perspective to include all sub-assembly services and other services. A geographic perspective is not considered as currently all operations reside in southern Ontario.

The CEO assesses the performance of the operating segments based on net earnings and non-GAAP measures such as EBITDA. The measure of EBITDA has been defined as earnings from operations before interest, tax expense and depreciation. The measure also excludes the effects of gains, losses or impairments on investments, foreign exchange and plant and equipment.

Sales and net earnings

				Nine months ended September 30, 2013
	Sales $	Depreciation $	Income tax expense (recovery) $	Net earnings $
Sub-assembly	63,960	5,221	2,540	6,872
All other segments	-	55	(37)	8
Total	**63,960**	**5,276**	**2,503**	**6,880**

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

				Nine months ended September 30, 2012
	Sales	**Depreciation**	**Income tax expense**	**Net earnings**
	$	**$**	**$**	**$**
Sub-assembly	88,878	5,052	4,455	12,045
All other segments	-	98	49	217
Total	**88,878**	**5,150**	**4,504**	**12,262**

There are no sales between segments. All sales disclosed are generated by services performed for external parties and are reported to the CEO in a manner consistent with that in the statement of operations.

Major customers

The sub-assembly segment above includes one customer in 2013 and two customers in 2012 whose sales exceeded 10% of Automodular's total sales. Sales under the Company's largest contract for the three and nine-month periods ended September 30, 2013, were $20,213 and $63,960, respectively (2012: $19,394 and $62,963, respectively). Sales from the Company's other major customer for the three and nine-month periods ended September 30, 2012, were $15,966 and $25,915 respectively. This contract was completed within 2012.

Assets

	September 30, 2013	**December 31, 2012**
	$	**$**
Sub-assembly	49,269	45,473
All other segments	4,689	3,890
Total segment assets	**53,958**	**49,363**
Other:		
Investments	-	59
Total assets per statement of financial position	**53,958**	**49,422**

The amounts provided to the CEO with respect to total assets are measured in a manner consistent with that of the consolidated financial statements. These assets are allocated based on the operations of the segment and the physical location of the asset.

Investment in shares (classified as available-for-sale financial assets or financial assets at fair value through profit and loss) held by the group are not considered to be segment assets but rather are managed by the CEO and the finance department.

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

Liabilities

	September 30, 2013	December 31, 2012
	$	$
Sub-assembly	10,012	5,483
All other segments	704	1,283
Total segment liabilities	**10,716**	**6,766**
Other:		
Income taxes payable	549	1,121
Deferred income taxes	4	653
Other liabilities	102	103
Total liabilities per statement of financial position	**11,371**	**8,643**

The amounts provided to the CEO with respect to total liabilities are measured in a manner consistent with that of the consolidated financial statements. These liabilities are allocated based on the operations of the segment.

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

5. PLANT AND EQUIPMENT

Plant and equipment consists of the following:

	Leasehold improvements $	Manufacturing equipment $	Automotive equipment $	Other equipment & furniture $	Open capital projects $	Total $
Cost:						
January 1, 2012	**2,012**	**29,467**	**225**	**5,509**	**1,053**	**38,266**
Additions	178	2,089	37	640	(931)	2,013
Disposals	(134)	(1,612)	-	(1,099)	-	(2,845)
December 31, 2012	**2,056**	**29,944**	**262**	**5,050**	**122**	**37,434**
Additions	9	222	-	356	(94)	493
Disposals	-	(44)	-	-	-	(44)
September 30, 2013	**2,065**	**30,122**	**262**	**5,406**	**28**	**37,883**
Accumulated depreciation:						
January 1, 2012	**1,206**	**18,344**	**131**	**3,217**	**-**	**22,898**
Depreciation	467	5,249	62	1,281	-	7,059
Disposals	(134)	(1,612)	-	(1,099)	-	(2,845)
December 31, 2012	**1,539**	**21,981**	**193**	**3,399**	**-**	**27,112**
Depreciation	154	4,458	23	641	-	5,276
September 30, 2013	**1,693**	**26,439**	**216**	**4,040**	**-**	**32,388**
Carrying amount:						
December 31, 2012	**517**	**7,963**	**69**	**1,651**	**122**	**10,322**
September 30, 2013	**372**	**3,683**	**46**	**1,366**	**28**	**5,495**

Proceeds from disposals are netted against the related asset's cost and accumulated depreciation and included in other expense (income) on the statement of operations.

6. OTHER LIABILITIES

The Company has a defined benefit pension plan for a former Chief Executive Officer. The expense for the three and nine-month periods ended September 30, 2013 was $18 and $53, respectively (2012: $14 and $42, respectively).

7. FINANCIAL INSTRUMENTS BY CATEGORY

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

At September 30, 2013:

	Loans and receivables	Total
	$	$
Assets		
Cash and cash equivalents	34,843	34,843
Trade and other receivables	12,423	12,423
Total	**47,266**	**47,266**

	Financial liabilities at amortized cost	Total
	$	$
Liabilities		
Trade payables and accrued liabilities	5,602	5,602
Total	**5,602**	**5,602**

At December 31, 2012:

	Loans and receivables	Available for sale	Total
	$	$	$
Assets			
Cash and cash equivalents	24,961	-	24,961
Trade and other receivables	13,052	-	13,052
Investments	-	59	59
Total	**38,013**	**59**	**38,072**

	Financial liabilities at amortized cost	Total
	$	$
Liabilities		
Trade payables and accrued liabilities	6,203	6,203
Total	**6,203**	**6,203**

The following table presents the Company's assets and liabilities that are measured at fair value:

	Level 1	Level 2	Level 3	Total
	$	$	$	$
Assets				
Available-for-sale financial assets:				
Investments at December 31, 2012	59	-	-	59

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.

8. PROVISIONS AND EXIT COSTS

	September 30, 2013 $	December 31, 2012 $
Exit costs	4,062	100
Decommissioning provisions	592	463
Other	460	-
Total	**5,114**	**563**

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 severance and facility-related costs. As actual costs may vary from these estimates, they are reviewed on a quarterly basis and changes recognized when identified.

Included in provisions at September 30, 2013 are exit costs of $62 (2012: $100) related to previously expired or terminated contracts.

During the second quarter, Ford Motor Company ("Ford") informed Automodular that, during the fourth quarter of 2014, it intends to insource the work currently performed by the Company. At the time of this announcement, Automodular's existing multi-year contract was set to expire on June 30, 2014. Updated information on the Ford multi-year contract is contained in Note 16 of these interim financial statements.

Automodular recorded exit costs of $4,000 during the second quarter related to the anticipated end of the Ford multi-year contract. This amount reflected the Company's severance obligation to its hourly workforce as outlined in its existing Collective Agreement as well as the Company's statutory severance obligation to its salaried workforce. Updated information on the Collective Agreement is contained in Note 16 of these financial statements.

Automodular expects to record additional severance costs relating to the closure when it formalizes its strategic plan and formal communication plan to its affected salaried employees – which is currently expected to occur in 2014.

The Company expects to record facility and other related closure costs at the time they are incurred or at the time the facility is closed depending on their nature. It is expected that the majority of these costs will be recorded in 2014.

During the second quarter, Automodular reviewed the carrying value of its equipment taking into account expected future cash flows and expected proceeds on sale or alternate use upon contract termination. The Company concluded that no impairment existed, and accordingly, no impairment needed to be recorded at that

time. The Company performed a similar review during the current quarter and concluded that no impairment existed, and accordingly, no impairment needed to be recorded as at September 30, 2013.

Given the long lead time between the Ford announcement and the insourcing of the work, it is expected that the related provisions will fluctuate as a result of factors including but not limited to employees voluntarily leaving the Company and Ford's request for a contract extension. The Company will continue to re-examine its estimates on a quarterly basis and will revise these estimates as circumstances change or additional information comes available. No adjustments to cost estimates were deemed necessary at the end of the current quarter.

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

Other
Included in other provisions are certain employee related costs with respect to serving out the remaining term of the Ford contract.

9. CAPITAL STOCK

	Outstanding #	Amount $
Issued and outstanding common shares December 31, 2012, net	**20,078,464**	**43,972**
Award of treasury shares	134,384	250
Shares cancelled through Normal Course issuer bid	(813,945)	(1,464)
Issued and outstanding common shares September 30, 2013, net	**19,398,903**	**42,758**

Issued and outstanding common shares are shown net of undistributed shares held under the long-term incentive plan. At September 30, 2013, 1 share (December 31, 2012: 134,385 shares) was held under this plan.

There were no new common shares issued in the periods ended September 30, 2013 and 2012.

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 Corporation's notice of intention to renew its Normal Course issuer bid. Under the terms of the Normal Course issuer bid, Automodular may 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 normal course issuer bid commenced on August 19, 2013 and will terminate on August 18, 2014, or on such earlier date as Automodular completes its purchases.

In the three and nine-month periods ended September 30, 2013, the Company repurchased for cancellation 401,400 and 813,945 shares for a total cost of $793 and $1,464, respectively.

In the three and nine-month periods ended September 30, 2012, the Company repurchased for cancellation 126,575 shares for a total cost of $239.

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. The options are to be granted 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 the nine-month periods ended September 30, 2013 and 2012.

Long-term incentive plan

The Company has a long-term incentive plan (the "Plan" or "LTIP") for designated participants of Automodular.

On December 31, 2012, 134,384 shares vested and were subsequently distributed to participants of the Plan. Subsequent to these distributions, the Plan holds 1 share.

In the three and nine-month periods ended September 30, 2013 and 2012, compensation expense of $nil and $nil, respectively (2012: $28 and $81, respectively) was recognized in contributed surplus for awards under this plan.

Dividends

In the three and nine-month periods ended September 30, 2013, dividends totalling $1,188 and $3,614, respectively (2012: $1,223 and $3,670, respectively) were declared and paid. Dividends have been reflected net of internal dividends of $nil and $6, respectively (2012: $8 and $24, respectively).

On November 7, 2013 the Company declared a regular quarterly dividend of $0.06 per common share and a special dividend of $0.10 per common share payable on December 5, 2013 to shareholders of record on November 21, 2013.

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

Weighted average common shares outstanding

	Three months ended September 30		Nine months ended September 30	
	2013	**2012**	**2013**	**2012**
	#	**#**	**#**	**#**
Issued common shares	20,212,849	20,393,679	20,212,849	20,393,679
Less: weighted average shares cancelled under NCIB	(130,375)	(16,512)	(218,708)	(5,545)
Less: weighted average LTIP treasury shares	(58,429)	(134,385)	(18,706)	(143,356)
Weighted average common shares outstanding – basic	**20,024,045**	**20,242,782**	**19,975,435**	**20,244,778**
Effect of dilutive securities:				
LTIP performance metrics met; not vested	-	134,385	-	134,385
Weighted average common shares outstanding – fully diluted	**20,024,045**	**20,377,167**	**19,975,435**	**20,379,163**

10. INTEREST (INCOME), NET

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

	Three months ended September 30,		Nine months ended September 30,	
	2013	**2012**	**2013**	**2012**
	$	**$**	**$**	**$**
Interest expense on long-term liabilities	-	1	-	12
Less: interest income on cash & cash equivalents	(48)	(43)	(147)	(105)
Total	**(48)**	**(42)**	**(147)**	**(93)**

11. OTHER EXPENSE (INCOME)

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

	Three months ended September 30,		Nine months ended September 30,	
	2013	**2012**	**2013**	**2012**
	$	**$**	**$**	**$**
(Gain) on disposal of investments	-	(384)	(110)	(384)
Unrealized (gain) loss on investments	-	(12)	-	17
(Gain) loss on foreign exchange	13	47	(28)	5
Total	**13**	**(349)**	**(138)**	**(362)**

12. TAXATION

The consolidated effective tax rate in respect of the operations for the three and nine-month periods ended September 30, 2013 was 27% (2012: 26% and 27%, respectively) and is based on management's best estimate of the annual income tax rate expected for the full financial year.

13. RELATED PARTY TRANSACTIONS

In January, 2012, the Corporation entered into a consulting contract with a company controlled by a former member of the Board of Directors. The contract was for a fixed rate of $15 per month and could be terminated by either party with thirty days' advanced written notice. During the third quarter of 2012, the related party advised the Company of its decision to terminate the agreement by unilaterally enacting the contract's thirty-day termination clause.

Compensation of key management personnel

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

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
	$	$	$	$
Salaries, fees and short-term employee benefits	443	456	1,329	1,368
Consulting fees	-	30	-	120
Post-employment benefits	-	15	15	45
Share-based payments	-	28	-	81
Total	**443**	**529**	**1,344**	**1,614**

14. 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 September 30, 2013:

	Total	Less than 1 year	1 to 2 years	After 2 years
	$	$	$	$
Trade payables and accrued liabilities	5,602	5,602	-	-
Provisions	5,114	62	5,052	-
Total	**10,716**	**5,664**	**5,052**	**-**

Operating leases

All of the Company's facilities are subject to operating leases and 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.

	$
Balance of 2013	816
2014 to 2017	7,499
Total	**8,315**

Payments on current operating leases over the next 12 months total $3,106.

15. EXPENSES BY NATURE

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
	$	$	$	$
Wages and employee benefits	11,138	10,749	33,377	33,351
Transportation and facility-related costs	2,238	1,742	6,957	7,035
Materials	-	12,682	-	20,000
Other	1,733	2,972	5,252	7,031
Depreciation	1,757	1,835	5,276	5,150
Launch and preproduction costs	-	-	-	-
Exit costs	-	-	4,000	-
Total cost of sales, exit costs and general and administrative expenses	**16,866**	**29,980**	**54,862**	**72,567**

16. SUBSEQUENT EVENT

Subsequent to quarter end, Automodular signed an extension agreement with Ford to continue to provide sub-assembly and sequencing services for its existing modules until December 23, 2014 on commercial terms similar to those in its existing agreement with Ford. As part of the agreement, Ford has provided certain production and price related assurances and will fund Automodular's incremental closure costs related to this extension.

In conjunction with the Ford commercial extension, Automodular has also reached agreement on a one-year labour extension agreement for its Oakville-area workers with Unifor (formerly the CAW). The existing labour agreement was set to expire on June 30, 2014. The extension provides for a signing bonus and certain improvements in severance entitlements for the hourly workforce. No significant amounts have been included in these interim consolidated financial statements related to these events.