

AUTOMODULAR CORPORATION

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**Three months ended March 31, 2004
(unaudited)**

All numbers in thousands except share and per share data

AUTOMODULAR CORPORATION

CONSOLIDATED BALANCE SHEETS (Unaudited)

(all numbers in thousands)

	<u>MAR. 31, 2004</u>	<u>DEC. 31, 2003</u>
ASSETS		
CURRENT		
Cash	\$ 7,173	\$ 3,929
Investments	-	199
Receivables	11,334	12,037
Inventory	241	260
Income taxes receivable	621	1,037
Prepaid expenses	<u>3,621</u>	<u>2,690</u>
	22,990	20,152
LONG-TERM INVESTMENTS	33	33
FUTURE INCOME TAXES	198	210
PROPERTY, PLANT AND EQUIPMENT	8,897	9,481
OTHER ASSETS	<u>23,770</u>	<u>23,928</u>
	<u>\$ 55,888</u>	<u>\$ 53,804</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 7,809	\$ 6,052
Current portion of long-term liabilities	<u>3,996</u>	<u>3,946</u>
	11,805	9,998
LONG-TERM LIABILITIES	<u>8,289</u>	<u>9,216</u>
	<u>20,094</u>	<u>19,214</u>
SHAREHOLDERS' EQUITY		
CAPITAL STOCK	40,386	40,386
CONTRIBUTED SURPLUS	41	33
DEFICIT	(1,791)	(2,848)
CUMULATIVE TRANSLATION ADJUSTMENT	<u>(2,842)</u>	<u>(2,981)</u>
	<u>35,794</u>	<u>34,590</u>
	<u>\$ 55,888</u>	<u>\$ 53,804</u>

AUTOMODULAR CORPORATION

CONSOLIDATED STATEMENTS OF DEFICIT FOR THE THREE MONTHS ENDED MARCH 31, 2004 AND 2003 (Unaudited)

(ALL NUMBERS IN THOUSANDS)

	<u>MAR. 31, 2004</u>	<u>MAR. 31, 2003</u>
BALANCE - BEGINNING OF PERIOD	\$ (2,848)	\$ (2,619)
Net earnings for the period	1,057	987
Dividends	<u>-</u>	<u>(1,321)</u>
BALANCE - END OF PERIOD	\$ <u><u>(1,791)</u></u>	\$ <u><u>(2,953)</u></u>

AUTOMODULAR CORPORATION

CONSOLIDATED STATEMENTS OF EARNINGS FOR THE THREE MONTHS ENDED MARCH 31, 2004 AND 2003

(Unaudited)

(ALL NUMBERS IN THOUSANDS)

	<u>MAR. 31, 2004</u>	<u>MAR. 31, 2003</u>
SALES	\$ 28,648	\$ 24,734
COST OF SALES AND OTHER EXPENSES	<u>25,627</u>	<u>21,433</u>
EARNINGS FROM OPERATIONS BEFORE THE FOLLOWING:	<u>3,021</u>	<u>3,301</u>
Amortization	1,164	990
Interest expense	166	122
Stock option expense	8	12
Foreign exchange	(25)	772
Other income	<u>(34)</u>	<u>(155)</u>
	<u>1,279</u>	<u>1,741</u>
EARNINGS BEFORE INCOME TAXES	1,742	1,560
INCOME TAXES	<u>685</u>	<u>573</u>
NET EARNINGS FOR THE PERIOD	\$ <u><u>1,057</u></u>	\$ <u><u>987</u></u>
Earnings per share -		
Basic and fully diluted	\$ 0.06	\$ 0.05
Weighted average common shares outstanding -		
Basic	19,064,233	18,873,900
Fully diluted	19,097,566	18,964,242

AUTOMODULAR CORPORATION

**CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2004 & 2003
(UNAUDITED) (ALL NUMBERS IN THOUSANDS)**

	<u>MAR. 31, 2004</u>	<u>MAR. 31, 2003</u>
CASH PROVIDED BY OPERATING ACTIVITIES		
Net earnings for the period	\$ 1,057	\$ 987
Items not requiring an outlay of cash:		
Amortization	1,164	990
Gain on sale of long-term investment	(34)	(17)
Future income taxes	12	(293)
Stock option expense	8	12
Foreign exchange	(25)	772
Accrued pension cost	42	42
	<u>2,224</u>	<u>2,493</u>
Net changes in non-cash working capital:		
Investments	-	29
Receivables	729	(4,194)
Inventory	19	(62)
Prepaid expenses	(930)	1,491
Accounts payable and accrued liabilities	1,723	(2,182)
Income taxes payable	412	520
	<u>4,177</u>	<u>(1,905)</u>
FINANCING ACTIVITIES		
Stock options and warrants exercised	-	50
Dividends paid	-	(1,321)
Proceeds from long-term liabilities	-	17,500
Repayment of long-term liabilities	(978)	(875)
	<u>(978)</u>	<u>15,354</u>
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(253)	(720)
Business acquisition	-	(28,850)
Proceeds on disposal of long-term investments	234	20
	<u>(19)</u>	<u>(29,550)</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH	<u>64</u>	<u>(193)</u>
CHANGE IN CASH	3,244	(16,294)
CASH, beginning of period	3,929	18,310
CASH, end of period	<u>\$ 7,173</u>	<u>\$ 2,016</u>

AUTOMODULAR CORPORATION

AUTOMODULAR CORPORATION NOTES TO INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(all numbers in thousands except share amounts)

1. BASIS OF PRESENTATION

The unaudited interim consolidated financial statements of Automodular Corporation ("Automodular" or the "Company") have been prepared in accordance with Canadian generally accepted accounting principles, except that certain disclosures required for annual financial statements have not been included. Accordingly, the unaudited interim consolidated financial statements should be read in conjunction with the Company's most recent annual audited consolidated financial statements. The consolidated interim financial statements follow the same accounting policies and methods of application as the most recent annual consolidated financial statements.

2. USE OF ESTIMATES

The preparation of interim unaudited consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the interim unaudited consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Management believes that the estimates used in preparing its unaudited interim consolidated financial statements are reasonable and prudent; however, actual results could differ from these estimates.

3. DEFERRED CONTRACT COSTS

During 2003, the Company changed its accounting policy for accounting for deferred contract costs. The change in accounting policy was applied retroactively. Accordingly, the consolidated statement of earnings for the three months ended March 31, 2003 has been restated. The impact of the accounting change was an increase in net earnings of \$169.

4. LONG-TERM LIABILITIES

During the current quarter, the Company converted \$2,818 CDN to \$2,148 USD with interest payable at a floating rate based on LIBOR. Following this conversion, substantially all of the Company's term credit facility is denominated in USD.

Interest expense on long-term liabilities during the period amounted to \$166 (2003 - \$122).

5. CAPITAL STOCK

There were no stock options exercised or issued in the current period. 25,000 options expired unexercised in the current period.

During the first quarter of 2003, 20,000 stock options were exercised by directors and officers of the Company for cash proceeds of \$50,000. Additionally, 155,000 stock options were granted in the first quarter of 2003.

6. COMMITMENTS

In January, 2004, the Company committed to providing a senior executive certain post-retirement benefits. The estimated costs of these benefits is approximately \$500 and will be expensed in 2004. \$125 was expensed in the current period.

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7. CASH FLOW SUPPLEMENTAL INFORMATION

	2004	2003
Interest paid	\$166	\$122
Income taxes paid	\$376	\$427