

AUTOMODULAR CORPORATION

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AUTOMODULAR CORPORATION

CONSOLIDATED BALANCE SHEETS (Unaudited)

	<u>SEPT. 30, 2002</u>	<u>DEC. 31, 2001</u> (Restated)
ASSETS		
CURRENT		
Cash and equivalents	\$ 16,925,323	\$ 19,462,922
Investments	273,570	273,570
Receivables	5,184,562	5,203,677
Income taxes receivable	150,026	64,197
Prepaid expenses	1,937,379	1,875,852
Current portion of loans receivable	29,311	450,715
	<u>24,500,171</u>	<u>27,330,933</u>
LONG-TERM INVESTMENTS – note 2	283,489	417,344
LOANS RECEIVABLE	31,386	31,765
FUTURE INCOME TAXES	293,820	481,770
CAPITAL ASSETS	6,854,917	7,661,851
OTHER ASSETS – note 6	13,599,083	12,187,432
	<u>\$ 45,562,866</u>	<u>\$ 48,111,095</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 6,156,512	\$ 4,249,691
Current portion of long-term liabilities – note 3	-	3,092,800
	<u>6,156,512</u>	<u>7,342,491</u>
ACCRUED PENSION COST	-	88,700
LONG-TERM LIABILITIES – note 3	-	1,991,000
	<u>6,156,512</u>	<u>9,422,191</u>
SHAREHOLDERS' EQUITY		
CAPITAL STOCK – note 4	39,613,186	39,148,986
RETAINED EARNINGS (DEFICIT)	(206,832)	(460,082)
	<u>39,406,354</u>	<u>38,688,904</u>
	<u>\$ 45,562,866</u>	<u>\$ 48,111,095</u>

AUTOMODULAR CORPORATION

**CONSOLIDATED STATEMENT OF RETAINED EARNINGS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2002 AND 2001
(Unaudited)**

	SEPT. 30, 2002	SEPT. 30, 2001 (Restated)
BALANCE - BEGINNING OF PERIOD	\$ (460,082)	\$ 1,972,979
Net earnings for the period	4,206,192	3,145,525
Dividends	<u>(3,952,942)</u>	<u>(5,469,705)</u>
BALANCE - END OF PERIOD	<u>\$ (206,832)</u>	<u>\$ (351,201)</u>

AUTOMODULAR CORPORATION

**CONSOLIDATED STATEMENT OF EARNINGS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2002 AND 2001
(Unaudited)**

	<u>SEPT. 30, 2002</u>	<u>SEPT. 30, 2001</u> (Restated)
SALES	\$ 41,433,066	\$ 38,911,845
COST OF SALES AND OTHER EXPENSES	<u>34,698,105</u>	<u>32,352,853</u>
EARNINGS FROM OPERATIONS BEFORE THE FOLLOWING:	<u>6,734,961</u>	<u>6,558,992</u>
Amortization	2,543,398	2,710,133
Interest expense	108,610	195,819
Other income	<u>(1,681,355)</u>	<u>(1,344,196)</u>
	<u>970,653</u>	<u>1,561,756</u>
EARNINGS BEFORE INCOME TAXES	5,764,308	4,997,236
INCOME TAXES – note 5	1,558,116	1,851,711
NET EARNINGS FOR THE PERIOD	<u>\$ 4,206,192</u>	<u>\$ 3,145,525</u>
Earnings per share - Basic and fully diluted	\$ 0.22	\$ 0.23
Weighted average common shares outstanding - Basic	18,814,907	13,601,848
Fully diluted	18,960,631	13,766,378

AUTOMODULAR CORPORATION

**CONSOLIDATED STATEMENTS OF EARNINGS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2002 AND
2001
(Unaudited)**

	SEPT. 30, 2002	SEPT. 30, 2001 (Restated)
SALES	\$ 13,573,867	\$ 12,460,698
COST OF SALES AND OTHER EXPENSES	11,681,198	10,714,554
EARNINGS FROM OPERATIONS BEFORE THE FOLLOWING:	1,892,669	1,746,144
Amortization	854,571	909,854
Interest expense (income)	(6,880)	(94,589)
Other income	(722,762)	(1,045,460)
	124,929	(230,195)
EARNINGS BEFORE INCOME TAXES	1,767,740	1,976,339
INCOME TAXES – note 5	471,535	579,863
NET EARNINGS FOR THE PERIOD	\$ 1,296,205	\$ 1,396,476
Earnings per share -		
Basic	\$ 0.07	\$ 0.08
Fully diluted	\$ 0.07	\$ 0.07
Weighted average common shares outstanding -		
Basic	18,862,494	18,585,929
Fully diluted	18,989,206	18,753,950

AUTOMODULAR CORPORATION

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2002 AND 2001
(Unaudited)

	SEPT. 30, 2002	SEPT. 30, 2001
		(Restated)
CASH PROVIDED BY OPERATING ACTIVITIES		
Net earnings for the period	\$ 4,206,192	\$ 3,145,525
Items not requiring an outlay of cash:		
Amortization	2,543,398	2,710,133
Gain on sale of long-term investments	(836,460)	(1,530,047)
Share in loss in equity investment	-	50,000
Future income taxes	187,950	57,580
Foreign exchange	-	236,475
Gain on sale of capital assets	(495,021)	-
Accrued pension cost	139,878	-
	5,745,937	4,669,666
Net changes in non-cash working capital:		
Investments	-	884,525
Receivables	19,115	(1,401,576)
Prepaid expenses	(61,527)	(106,902)
Accounts payable and accrued liabilities	1,906,824	(1,680,090)
Income taxes	(85,829)	(748,754)
	7,524,520	1,616,869
FINANCING ACTIVITIES		
Bank indebtedness	-	(2,000,000)
Sale of capital stock from treasury	-	22,024,722
Stock options exercised	464,200	-
Repayment of long-term debt	(5,083,800)	(1,771,725)
Dividends paid	(3,952,942)	(5,469,705)
	(8,572,542)	12,783,292
INVESTING ACTIVITIES		
Purchase of capital and other assets	(3,859,537)	(637,503)
Proceeds on disposal of capital assets	977,862	-
Proceeds on disposal of long-term investment	970,315	1,752,147
Reduction in loans and long-term receivable	421,783	284,776
	(1,489,577)	1,399,420
CHANGE IN CASH	(2,537,599)	15,799,581
CASH, beginning of period	19,462,922	4,946,019
CASH, end of period	\$ 16,925,323	\$ 20,745,600

Supplemental information – note 7

AUTOMODULAR CORPORATION

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2002 AND
2001
(Unaudited)**

	SEPT. 30, 2002	SEPT. 30, 2001 (Restated)
CASH PROVIDED BY OPERATING ACTIVITIES		
Net earnings for the period	\$ 1,296,205	\$ 1,396,476
Items not requiring an outlay of cash:		
Amortization	854,571	909,854
Gain on sale of long-term investments	(29,878)	(1,387,364)
Future income taxes	6,815	(31,283)
Foreign exchange	-	174,175
Gain on sale of capital assets	(495,021)	-
Accrued pension cost	35,326	-
	1,668,018	1,061,858
Net changes in non-cash working capital:		
Investments	-	443,005
Receivables	(333,792)	(1,601,252)
Prepaid expenses	138,115	150,149
Accounts payable and accrued liabilities	1,487,403	(40,372)
Income taxes	79,201	211,516
	3,038,945	224,904
FINANCING ACTIVITIES		
Stock options exercised	48,000	604,372
Repayment of long-term debt	-	(925)
Dividends paid	(1,319,747)	(1,305,537)
	(1,271,747)	(702,090)
INVESTING ACTIVITIES		
Purchase of capital and other assets	(2,148,344)	(230,091)
Proceeds on disposal of capital assets	977,862	-
Purchase of long-term investments	-	-
Proceeds on disposal of long-term investment	34,915	1,587,147
Reduction in loans and long-term receivable	379	250,834
	(1,135,188)	1,607,890
CHANGE IN CASH	632,010	1,130,704
CASH, beginning of period	16,293,313	19,614,896
CASH, end of period	\$ 16,925,323	\$ 20,745,600

Supplemental information – note 7

AUTOMODULAR CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

These consolidated interim financial statements should be read in conjunction with the Company's most recent annual consolidated financial statements as they do not conform in all respects to the requirements of Canadian Generally Accepted Accounting Principles for annual financial statements. The consolidated interim financial statements follow the same accounting policies and methods of application as the most recent annual consolidated financial statements except as follows:

(a) Business combinations and goodwill

In 2001, the CICA issued Handbook Sections 1581, "Business Combinations", and 3062, "Goodwill and Other Intangible Assets". The new standards mandate the purchase method of accounting for business combinations initiated on or after July 1, 2001. These new standards also establish criteria for identifying and measuring intangible assets acquired in business combinations that are recorded and reported apart from goodwill. Goodwill is no longer amortized, but instead is tested for impairment at least annually by comparing the fair values with the book values.

The Company adopted these standards beginning January 1, 2002, and discontinued amortization of all existing goodwill on a prospective basis. Upon adoption of the new standards, goodwill was tested to determine if there existed any indication that this goodwill was impaired. The Company determined that no impairment of goodwill exists.

Although the Company is not permitted to apply Section 3062 retroactively, it is required to provide pro-forma note disclosure as though it had done so. The following table presents the effect on the nine-months ended September 30, 2001 as required:

Reported earnings for the period - as restated	\$ 3,145,525
Add back: Goodwill amortization	<u>286,864</u>
Adjusted earnings for the period	<u>\$ 3,432,389</u>
Basic and diluted earnings per share	
Earnings for the period	\$ 0.23
Goodwill amortization	<u>0.02</u>
Adjusted earnings for the period	<u>\$ 0.25</u>

(b) Foreign currency translation

In 2001, the CICA amended Handbook Section 1560 (the "Section") to eliminate the deferral and amortization of foreign currency translation gains and losses on long-lived monetary items, effective January 1, 2002. At December 31, 2001, the Company had \$242,070 of unamortized foreign exchange losses within "Other Assets" on its balance sheet. Upon adoption of the Section on January 1, 2002, the Company reduced other assets by \$242,070 with a corresponding increase in opening deficit as of January 1, 2002. In addition, the Section required restatement of prior periods. The Company's earnings for the nine months ended September 30, 2001 has been decreased by \$205,115 (\$0.02 per share). Retained earnings as at January 1, 2001 was increased by \$44,800 as a result of this change.

AUTOMODULAR CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES – cont'd

(c) Stock-based compensation

On January 1, 2002, the Company retroactively adopted the CICA standard for stock-based compensation. The new standard requires that stock-based payments to non-employees, direct awards of stock and awards that call for settlement in cash of other assets be accounted for using a fair value-based method of accounting. The fair value method is encouraged for other stock-based compensation plans, but other methods of accounting, such as the intrinsic value method, are permitted. Under the fair value method, compensation expense is measured at the grant date and recognized over the service period. Under the intrinsic value method, compensation expense is determined as the difference between the fair value and the exercise price of the equity instrument granted. If the intrinsic value is used, disclosure is made of earnings and per share amounts as if the fair value method had been used. The Company has elected to use the intrinsic value method of accounting for its stock purchase plan. No stock options were issued during the nine months.

2. LONG-TERM INVESTMENTS

Long-term investments include the Company's remaining 3.4% interest in Dominion Citrus Limited after the disposition of 896,250 shares during the nine months for \$970,315. The remaining investment is being accounted for on the cost basis and amounts to \$84,031.

3. LONG-TERM LIABILITIES

During the first three months of the year, the Company paid off all of its external debt.

4. CAPITAL STOCK

During the nine months, 173,000 stock options were exercised by directors and officers of the company for cash proceeds of \$464,200.

5. INCOME TAXES

The income tax provision for the nine months ended September 30, 2002 has been reduced by the benefit of the application of approximately \$1,100,000 of previously unrecognized capital losses.

6. OTHER ASSETS

During the current quarter, the Company fully funded the pension plan for its president by investing \$1,577,400. This amount net of the accrued pension cost of \$228,578 is included in other assets.

AUTOMODULAR CORPORATION

7. SUPPLEMENTAL INFORMATION

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2002 AND 2001

	<u>SEPT. 30, 2002</u>	<u>SEPT. 30, 2001</u> (Restated)
Interest (net)	\$ 108,610	\$ 195,819
Income taxes paid	\$ <u>1,455,995</u>	\$ <u>2,542,885</u>

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2002 AND 2001

	<u>SEPT. 30, 2002</u>	<u>SEPT. 30, 2001</u> (Restated)
Interest (net)	\$ (6,880)	\$ (94,589)
Income taxes paid	\$ <u>385,519</u>	\$ <u>399,630</u>

8. SUBSEQUENT EVENT

Subsequent to September 30, 2002, the Company agreed to acquire a U.S. based sequencing company, subject to certain conditions, for an initial purchase price of \$20 million U.S. funds and additional payments over a 4-year period based on operating performance of the acquired firm. The transaction is scheduled to close in January 2003.

9. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted in the current period.