

AUTOMODULAR CORPORATION

Six months ended June 30, 2004
(unaudited)

All numbers in thousands except share and per share data

AUTOMODULAR CORPORATION

CONSOLIDATED BALANCE SHEETS (Unaudited)

(ALL NUMBERS IN THOUSANDS)

	<u>JUNE. 30, 2004</u>	<u>DEC. 31, 2003</u>
ASSETS		
CURRENT		
Cash	\$ 5,196	\$ 3,929
Investments	-	199
Receivables	11,629	12,037
Inventory	114	260
Income taxes receivable	760	1,037
Prepaid expenses	<u>4,220</u>	<u>2,690</u>
	21,919	20,152
LONG-TERM INVESTMENTS	33	33
FUTURE INCOME TAXES	186	210
CAPITAL ASSETS	8,265	9,481
OTHER ASSETS	<u>23,831</u>	<u>23,928</u>
	\$ <u><u>54,234</u></u>	\$ <u><u>53,804</u></u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 6,315	\$ 6,052
Current portion of long-term liabilities	<u>3,848</u>	<u>3,946</u>
	10,163	9,998
LONG-TERM LIABILITIES	<u>7,686</u>	<u>9,216</u>
	<u>17,849</u>	<u>19,214</u>
SHAREHOLDERS' EQUITY		
CAPITAL STOCK	40,386	40,386
CONTRIBUTED SURPLUS	49	33
DEFICIT	(1,075)	(2,848)
CUMULATIVE TRANSLATION ADJUSTMENT	<u>(2,975)</u>	<u>(2,981)</u>
	<u>36,385</u>	<u>34,590</u>
	\$ <u><u>54,234</u></u>	\$ <u><u>53,804</u></u>

AUTOMODULAR CORPORATION

CONSOLIDATED STATEMENTS OF DEFICIT FOR THE SIX MONTHS ENDED JUNE 30, 2004 AND 2003 (Unaudited)

(ALL NUMBERS IN THOUSANDS)

	<u>JUNE. 30, 2004</u>	<u>JUNE. 30, 2003</u>
BALANCE - BEGINNING OF PERIOD	\$ (2,848)	\$ (2,619)
Net earnings for the period	1,773	3,251
Dividends	<u>-</u>	<u>(2,643)</u>
BALANCE - END OF PERIOD	\$ <u><u>(1,075)</u></u>	\$ <u><u>(2,011)</u></u>

AUTOMODULAR CORPORATION

CONSOLIDATED STATEMENTS OF EARNINGS
FOR THE SIX MONTHS ENDED JUNE 30, 2004 AND 2003
(Unaudited)
(ALL NUMBERS IN THOUSANDS)

	<u>JUNE. 30, 2004</u>	<u>JUNE. 30, 2003</u>
SALES	\$ 55,437	\$ 54,603
COST OF SALES AND OTHER EXPENSES	<u>50,127</u>	<u>46,884</u>
EARNINGS FROM OPERATIONS BEFORE THE FOLLOWING:	<u>5,310</u>	<u>7,719</u>
Amortization	2,452	2,149
Interest expense	322	341
Stock option expense	16	29
Foreign exchange	(491)	362
Other income	<u>(73)</u>	<u>(364)</u>
	<u>2,226</u>	<u>2,517</u>
EARNINGS BEFORE INCOME TAXES	3,084	5,202
INCOME TAXES	<u>1,311</u>	<u>1,951</u>
NET EARNINGS FOR THE PERIOD	\$ <u><u>1,773</u></u>	\$ <u><u>3,251</u></u>
Earnings per share -		
Basic and fully diluted	\$ 0.09	\$ 0.17
Weighted average common shares outstanding -		
Basic	19,064,233	18,884,426
Fully diluted	19,087,737	18,977,848

AUTOMODULAR CORPORATION

CONSOLIDATED STATEMENTS OF EARNINGS FOR THE THREE MONTHS ENDED JUNE 30, 2004 AND 2003

(Unaudited)

(ALL NUMBERS IN THOUSANDS)

	<u>JUNE. 30, 2004</u>	<u>JUNE. 30, 2003</u>
SALES	\$ 26,789	\$ 29,869
COST OF SALES AND OTHER EXPENSES	<u>24,500</u>	<u>25,455</u>
EARNINGS FROM OPERATIONS BEFORE THE FOLLOWING:	<u>2,289</u>	<u>4,414</u>
Amortization	1,288	1,159
Interest expense	156	219
Stock option expense	8	16
Foreign exchange	(466)	(410)
Other income	<u>(39)</u>	<u>(209)</u>
	<u>947</u>	<u>775</u>
EARNINGS BEFORE INCOME TAXES	1,342	3,639
INCOME TAXES	<u>626</u>	<u>1,376</u>
NET EARNINGS FOR THE PERIOD	\$ <u><u>716</u></u>	\$ <u><u>2,263</u></u>
Earnings per share -		
Basic and fully diluted	\$ 0.04	\$ 0.12
Weighted average common shares outstanding -		
Basic	19,064,233	18,894,900
Fully diluted	19,083,287	19,014,475

AUTOMODULAR CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE SIX MONTHS ENDED JUNE 30, 2004 AND 2003

(Unaudited)

(ALL NUMBERS IN THOUSANDS)

	JUNE. 30, 2004	JUNE. 30, 2003
CASH PROVIDED BY OPERATING ACTIVITIES		
Net earnings for the period	\$ 1,773	\$ 3,251
Items not requiring an outlay of cash:		
Amortization	2,452	2,149
Gain on sale of long term investment	(62)	(24)
Future income taxes	24	(526)
Stock option expense	16	29
Foreign exchange	(491)	362
Accrued pension cost	84	83
	3,796	5,324
Net changes in non-cash working capital:		
Investments	-	273
Receivables	568	(3,081)
Inventory	148	36
Prepaid expenses	(1,560)	1,262
Accounts payable and accrued liabilities	211	(2,236)
Income taxes payable	257	372
	3,420	1,950
FINANCING ACTIVITIES		
Stock options and warrants exercised	-	85
Dividends paid	-	(2,643)
Proceeds from long term liabilities	-	17,500
Repayment of long term liabilities	(1,935)	(1,750)
	(1,935)	13,192
INVESTING ACTIVITIES		
Purchase of capital and other assets	(578)	(1,536)
Business acquisition	-	(28,783)
Proceeds on disposal of long-term investments	261	30
	(317)	(30,289)
	99	(414)
CHANGE IN CASH	1,267	(15,561)
CASH, beginning of period	3,929	18,310
CASH, end of period	\$ 5,196	\$ 2,749

AUTOMODULAR CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE THREE MONTHS ENDED JUNE 30, 2004 AND 2003 (Unaudited)

(ALL NUMBERS IN THOUSANDS)

	JUNE. 30, 2004	JUNE. 30, 2003
CASH PROVIDED BY OPERATING ACTIVITIES		
Net earnings for the period	\$ 716	\$ 2,263
Items not requiring an outlay of cash:		
Amortization	1,288	1,159
Gain on sale of long term investment	(28)	(7)
Future income taxes	12	16
Stock option expense	8	(233)
Foreign exchange	(466)	(410)
Accrued pension cost	42	42
	1,572	2,830
Net changes in non-cash working capital:		
Investments	-	244
Receivables	(161)	1,113
Inventory	129	98
Prepaid expenses	(630)	(229)
Accounts payable and accrued liabilities	(1,512)	(54)
Income taxes payable	(155)	(148)
	(757)	3,854
FINANCING ACTIVITIES		
Stock options and warrants exercised	-	35
Dividends paid	-	(1,322)
Repayment of long term liabilities	(957)	(875)
	(957)	(2,162)
INVESTING ACTIVITIES		
Purchase of capital and other assets	(325)	(815)
Business acquisition	-	67
Proceeds on disposal of long-term investments	27	10
	(298)	(738)
EFFECT OF EXCHANGE RATE CHANGES ON CASH		
	35	(221)
CHANGE IN CASH	(1,977)	733
CASH, beginning of period	7,173	2,016
CASH, end of period	\$ 5,196	\$ 2,749

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 six months ended June 30, 2003 has been restated. The impact of the accounting change was an increase in net earnings of \$220.

4. LONG-TERM LIABILITIES

During the first 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.

5. CAPITAL STOCK

There have been no stock options or issued in the current year. 25,000 options expired unexercised in the first quarter.

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. CASH FLOW SUPPLEMENTAL INFORMATION

AUTOMODULAR CORPORATION

For the six months ended June 30	2004	2003
Interest paid	\$322	\$341
Income taxes paid	\$1,120	\$1,863
For the three months ended June 30	2004	2003
Interest paid	\$156	\$219
Income taxes paid	\$744	\$1,437

7. COMMITMENTS

During the current quarter, the Company entered into a lease agreement for a building to be constructed in Oshawa to consolidate its existing car plant business. The lease is for a 12 year term and the base rent obligations is as follows: for the first five year term \$643 per year, for the second five year term \$720 and for the final two years \$807.