

AUTOMODULAR CORPORATION

**Consolidated financial statements
Three months ended March 31, 2005
(unaudited)**

All numbers in thousands except share and per share data

AUTOMODULAR CORPORATION

CONSOLIDATED BALANCE SHEETS

(Unaudited)

(ALL NUMBERS IN THOUSANDS)

	<u>MAR. 31, 2005</u>	<u>DEC. 31, 2004</u>
ASSETS		
CURRENT		
Cash	\$ 657	\$ 995
Receivables	11,116	10,549
Inventory	161	185
Income taxes receivable	1,503	1,534
Prepaid expenses	<u>4,524</u>	<u>4,545</u>
	17,961	17,808
FUTURE INCOME TAXES	58	18
PROPERTY, PLANT AND EQUIPMENT	5,967	6,982
OTHER ASSETS	<u>11,276</u>	<u>11,231</u>
	<u>\$ 35,262</u>	<u>\$ 36,039</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 4,358	\$ 5,380
Current portion of long-term liabilities	<u>7,917</u>	<u>8,392</u>
	12,275	13,772
LONG-TERM LIABILITIES	<u>129</u>	<u>122</u>
	<u>12,404</u>	<u>13,894</u>
SHAREHOLDERS' EQUITY		
CAPITAL STOCK	40,386	40,386
CONTRIBUTED SURPLUS	64	58
CUMULATIVE TRANSLATION ADJUSTMENT	(4,822)	(5,006)
DEFICIT	<u>(12,770)</u>	<u>(13,293)</u>
	<u>22,858</u>	<u>22,145</u>
	<u>\$ 35,262</u>	<u>\$ 36,039</u>

AUTOMODULAR CORPORATION

CONSOLIDATED STATEMENTS OF DEFICIT FOR THE THREE MONTHS ENDED MARCH 31, 2005 and 2004 (Unaudited)

(ALL NUMBERS IN THOUSANDS)

	MAR. 31, 2005	MAR. 31, 2004
BALANCE - BEGINNING OF PERIOD	\$ (13,293)	\$ (2,848)
Net earnings for the period	<u>523</u>	<u>1,057</u>
BALANCE - END OF PERIOD	\$ <u><u>(12,770)</u></u>	\$ <u><u>(1,791)</u></u>

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CONSOLIDATED STATEMENTS OF EARNINGS FOR THE THREE MONTHS ENDED MARCH 31, 2005 and 2004 (Unaudited)

(ALL NUMBERS IN THOUSANDS EXCEPT SHARE AND PER SHARE DATA)

	3 MONTHS MAR. 31, 2005	3 MONTHS MAR. 31, 2004
SALES	\$ 19,306	\$ 28,648
COST OF SALES AND OTHER EXPENSES	19,170	25,627
EARNINGS FROM OPERATIONS BEFORE THE FOLLOWING:	136	3,021
Amortization	530	1,164
Interest expense	137	166
Stock option expense	6	8
Foreign exchange	18	(25)
Other income	(1,047)	(34)
	(356)	1,279
EARNINGS BEFORE INCOME TAXES	492	1,742
INCOME TAXES	(31)	685
NET EARNINGS FOR THE PERIOD	\$ 523	\$ 1,057
Earnings per share -		
Basic and fully diluted	\$ 0.03	\$ 0.06
Weighted average common shares outstanding -		
Basic	19,049,233	19,064,233
Fully diluted	19,049,233	19,097,566

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CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE THREE MONTHS ENDED MARCH 31, 2005 and 2004 (Unaudited)

(ALL NUMBERS IN THOUSANDS)

	<u>3 MONTHS MAR. 31, 2005</u>	<u>3 MONTHS MAR. 31, 2004</u>
CASH PROVIDED BY (USED IN)		
OPERATIONS		
Net earnings for the period	\$ 523	\$ 1,057
Items not involving current cash flows:		
Amortization	530	1,164
Gain on sale of long term investment	-	(34)
Future income taxes	-	12
Compensation expense	6	8
Gain on sale of property, plant and equipment	(1,047)	-
Foreign exchange gain	18	(25)
Accrued pension cost	113	42
	<u>143</u>	<u>2,224</u>
Net change in non-cash working capital:		
Receivables	(554)	729
Inventory	24	19
Income taxes receivable	30	-
Prepaid expenses	21	(930)
Accounts payable and accrued liabilities	(1,211)	1,723
Income taxes payable	-	412
	<u>(1,547)</u>	<u>4,177</u>
INVESTING ACTIVITIES		
Purchase of property, plant and equipment and other assets	(729)	(253)
Proceeds on disposal of property, plant and equipment	2,476	-
Proceeds on disposal of long-term investments	-	234
	<u>1,747</u>	<u>(19)</u>
FINANCING ACTIVITIES		
Repayment of long-term liabilities	(566)	(978)
EFFECT OF EXCHANGE RATE CHANGES ON CASH		
	<u>28</u>	<u>64</u>
CHANGE IN CASH	(338)	3,244
CASH, beginning of period	<u>995</u>	<u>3,929</u>
CASH, end of period	<u>\$ 657</u>	<u>\$ 7,173</u>

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NOTES TO UNAUDITED INTERIM 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 unaudited interim 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 unaudited interim 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. LONG-TERM LIABILITIES

Interest expense on long-term liabilities during the period amounted to \$121 (2004 - \$166).

4. CAPITAL STOCK

No stock options were exercised, issued or expired in the current period.

5. CASH FLOW SUPPLEMENTAL INFORMATION

For the three months ended March 31	2005	2004
	\$	\$
Interest paid	137	166
	\$	\$
Income taxes paid	-	376

6. COMMITMENTS

The Company has a defined benefit pension plan for certain senior executives of the Company. The estimated cost of these benefits is approximately \$500. \$113 has been expensed in the current period.

7. SEGMENTED INFORMATION

Geographic Information

	March 31, 2005		March 31, 2004	
	Sales	PP&E and Goodwill	Sales	PP&E and Goodwill
	\$	\$	\$	\$
Canada	7,548	12,962	12,167	13,901
United States	11,758	2,419	16,481	17,506
	\$	\$	\$	\$
	19,306	15,381	28,648	31,407

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8. SALE OF FACILITY

The Company closed an agreement to sell a Whitby area plant for \$2.5 million. The business previously performed in the facility was relocated to a new Oshawa area facility in December 2004. The transaction closed April 29, 2005. The Company recorded a gain of approximately \$0.9 million (net of tax) on the sale.