

AUTOMODULAR CORPORATION

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AUTOMODULAR CORPORATION

CONSOLIDATED BALANCE SHEETS (Unaudited)

	<u>SEPT. 30, 2001</u>	<u>DEC. 31, 2000</u>
ASSETS		
CURRENT		
Cash and equivalents	\$ 20,745,600	\$ 4,946,019
Investments	273,570	1,158,095
Receivables	6,768,968	5,367,392
Net assets of discontinued operations	-	2,426,175
Prepaid expenses	<u>1,311,646</u>	<u>1,204,744</u>
	29,099,784	15,102,425
LONG-TERM INVESTMENTS – note 2	496,939	328,278
LONG-TERM RECEIVABLE	-	90,689
LOANS RECEIVABLE	490,751	684,838
FUTURE INCOME TAXES	880,733	379,613
CAPITAL ASSETS	7,129,393	7,862,349
OTHER ASSETS	<u>12,563,291</u>	<u>13,902,965</u>
	\$ <u>50,660,891</u>	\$ <u>38,351,157</u>
LIABILITIES		
CURRENT		
Bank indebtedness	\$ -	\$ 2,000,000
Accounts payable and accrued liabilities	4,186,786	6,071,991
Income taxes payable	462,906	1,211,660
Property dividend payable	-	1,985,414
Current portion of long-term liabilities	<u>4,327,500</u>	<u>3,499,500</u>
	8,977,192	14,768,565
LONG-TERM LIABILITIES	<u>2,510,625</u>	<u>4,873,875</u>
	11,487,817	19,642,440
SHAREHOLDERS' EQUITY		
CAPITAL STOCK – note 3	39,363,960	16,780,538
RETAINED EARNINGS (DEFICIT)	<u>(190,886)</u>	<u>1,928,179</u>
	<u>39,173,074</u>	<u>18,708,717</u>
	\$ <u>50,660,891</u>	\$ <u>38,351,157</u>

See accompanying notes to consolidated financial statements

AUTOMODULAR CORPORATION

**CONSOLIDATED STATEMENTS OF RETAINED EARNINGS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2001 AND 2000
(Unaudited)**

	<u>SEPT. 30, 2001</u>	<u>SEPT. 30, 2000</u>
BALANCE - BEGINNING OF PERIOD	\$ 1,928,179	\$ 3,659,786
Net earnings for the period	3,350,640	3,145,679
Dividends	<u>(5,469,705)</u>	<u>(2,118,073)</u>
BALANCE - END OF PERIOD	\$ <u>(190,886)</u>	\$ <u>4,687,392</u>

See accompanying notes to consolidated financial statements.

AUTOMODULAR CORPORATION

**CONSOLIDATED STATEMENTS OF EARNINGS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2001 AND 2000
(Unaudited)**

	<u>SEPT. 30, 2001</u>	<u>SEPT. 30, 2000</u>
SALES	\$ 38,911,845	\$ 35,544,129
COST OF SALES AND OTHER EXPENSES	<u>32,352,853</u>	<u>29,481,041</u>
EARNINGS FROM OPERATIONS BEFORE THE FOLLOWING:	<u>6,558,992</u>	<u>6,063,088</u>
Amortization	2,710,133	2,881,757
Interest expense	184,964	360,161
Other income	<u>(1,538,456)</u>	<u>(311,179)</u>
	<u>1,356,641</u>	<u>2,930,739</u>
EARNINGS FROM OPERATIONS	5,202,351	3,132,349
INCOME TAXES	<u>1,851,711</u>	<u>1,046,614</u>
EARNINGS FROM CONTINUING OPERATIONS	3,350,640	2,085,735
EARNINGS FROM DISCONTINUED OPERATIONS	<u>-</u>	<u>1,059,944</u>
NET EARNINGS FOR THE PERIOD	\$ <u>3,350,640</u>	\$ <u>3,145,679</u>
Earnings per share from continuing operations		
Basic	\$ 0.25	\$ 0.20
Fully diluted	\$ 0.24	\$ 0.20
Earnings per share for the period		
Basic	\$ 0.25	\$ 0.30
Fully diluted	\$ 0.24	\$ 0.29
Weighted average common shares outstanding		
Basic	13,601,848	10,605,566
Fully diluted	13,766,378	10,693,674

See accompanying notes to consolidated financial statements.

AUTOMODULAR CORPORATION

**CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2001 AND 2000
(Unaudited)**

	<u>SEPT. 30, 2001</u>	<u>SEPT. 30, 2000</u>
CASH PROVIDED BY OPERATING ACTIVITIES		
Earnings from continuing operations	\$ 3,350,640	\$ 2,085,735
Items not requiring an outlay of cash:		
Amortization	2,710,133	2,881,757
Gain on sale of long-term investments	(1,530,047)	-
Share of loss in equity investment	50,000	-
Future income taxes	57,580	-
Foreign exchange	<u>236,475</u>	<u>-</u>
	4,874,781	4,967,492
Net changes in non-cash working capital:		
Investments	884,525	2,644,833
Receivables	(1,401,576)	(2,781,754)
Prepaid expenses	(106,902)	(954,972)
Accounts payable and accrued liabilities	(1,885,205)	(165,024)
Income taxes payable	<u>(748,754)</u>	<u>(394,378)</u>
	<u>1,616,869</u>	<u>3,316,197</u>
FINANCING ACTIVITIES		
Bank indebtedness	(2,000,000)	806,400
Dividend received	-	1,000,000
Sale of capital stock from treasury	22,024,722	-
Repayment of long term debt	(1,771,725)	(1,797,972)
Dividends paid	<u>(5,469,705)</u>	<u>(2,118,073)</u>
	<u>12,783,292</u>	<u>(2,109,645)</u>
INVESTING ACTIVITIES		
Purchase of capital and other assets	(637,503)	(1,430,544)
Purchase of long-term investments	-	29,205
Reduction in loans and long-term receivable	284,776	10,542
Proceeds on disposal of long-term investment	<u>1,752,147</u>	<u>-</u>
	<u>1,399,420</u>	<u>(1,390,797)</u>
CHANGE IN CASH	15,799,581	(184,245)
CASH, beginning of period	<u>4,946,019</u>	<u>153,619</u>
CASH, end of period	\$ <u>20,745,600</u>	\$ (<u>30,626</u>)
Supplementary Information		
Interest (net)	\$ 184,964	\$ 360,161
Income taxes paid	\$ 2,542,885	\$ 930,500

See accompanying notes to consolidated financial statements.

AUTOMODULAR CORPORATION

**CONSOLIDATED STATEMENTS OF EARNINGS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2001 AND 2000
(Unaudited)**

	<u>SEPT. 30, 2001</u>	<u>SEPT. 30, 2000</u>
SALES	\$ 12,460,698	\$ 12,488,980
COST OF SALES AND OTHER EXPENSES	<u>10,714,554</u>	<u>10,424,720</u>
EARNINGS FROM OPERATIONS BEFORE THE FOLLOWING:	<u>1,746,144</u>	<u>2,064,260</u>
Amortization	909,854	882,612
Interest expense (income)	(105,444)	(101,740)
Other income	<u>(1,167,535)</u>	<u>(99,945)</u>
	<u>(363,125)</u>	<u>680,927</u>
EARNINGS FROM OPERATIONS	2,109,269	1,383,333
INCOME TAXES	<u>579,863</u>	<u>306,676</u>
EARNINGS FROM CONTINUING OPERATIONS	1,529,406	1,076,657
EARNINGS FROM DISCONTINUED OPERATIONS	<u>-</u>	<u>467,872</u>
NET EARNINGS FOR THE PERIOD	\$ <u>1,529,406</u>	\$ <u>1,544,529</u>
Earnings per share from continuing operations		
Basic	\$ 0.08	\$ 0.10
Fully diluted	\$ 0.08	\$ 0.10
Earnings per share for the period		
Basic	\$ 0.08	\$ 0.15
Fully diluted	\$ 0.08	\$ 0.14
Weighted average common shares outstanding		
Basic	18,585,929	10,605,566
Fully diluted	18,753,950	10,685,066

See accompanying notes to consolidated financial statements.

AUTOMODULAR CORPORATION

**CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2001 AND 2000
(Unaudited)**

	<u>SEPT. 30, 2001</u>	<u>SEPT. 30, 2000</u>
CASH PROVIDED BY OPERATING ACTIVITIES		
Earnings from continuing operations	\$ 1,529,406	\$ 1,076,657
Items not requiring an outlay of cash:		
Amortization	909,854	882,612
Gain on sale of long-term investments	(1,387,364)	-
Share of loss in equity investment	-	-
Future income taxes	(31,283)	(42,341)
Foreign exchange	<u>174,175</u>	<u>-</u>
	1,194,788	1,916,928
Net changes in non-cash working capital balances:		
Investments	443,005	(26,100)
Receivables	(1,601,252)	(3,694,481)
Prepaid expenses	150,149	(683,206)
Accounts payable and accrued liabilities	(173,302)	1,089,361
Income taxes payable	<u>211,516</u>	<u>(437,272)</u>
	<u>224,904</u>	<u>(1,834,770)</u>
FINANCING ACTIVITIES		
Bank indebtedness	-	1,776,270
Dividend received	-	-
Sale of capital stock from treasury	604,372	-
Repayment of long term debt	(925)	1,500,000
Dividends paid	<u>(1,305,537)</u>	<u>(1,059,087)</u>
	<u>(702,090)</u>	<u>2,217,183</u>
INVESTING ACTIVITIES		
Purchase of capital and other assets	(230,091)	(562,617)
Purchase of long-term investments	-	91,681
Reduction in loans and long-term receivable	250,834	-
Proceeds on disposal of long-term investment	<u>1,587,147</u>	<u>-</u>
	<u>1,607,890</u>	<u>(470,936)</u>
CHANGE IN CASH	1,130,704	(88,523)
CASH, beginning of period	<u>19,614,896</u>	<u>57,897</u>
CASH, end of period	\$ <u>20,745,600</u>	\$ (<u>30,626</u>)
Supplementary Information		
Interest (net)	\$ (105,444)	\$ (101,740)
Income taxes paid	\$ 399,630	\$ 160,550

See accompanying notes to consolidated financial statements.

AUTOMODULAR CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICY

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 that in the first quarter of 2001, the Company adopted retroactively the new Canadian Institute of Chartered Accountants Handbook Section 3500 "Earnings per Share", which requires the use of the treasury method for calculating diluted earnings per share.

2. LONG-TERM INVESTMENTS

Long-term investments include the Company's remaining 9.2% interest in Dominion Citrus Limited after the payment of the property dividend on January 15, 2001 in the amount of \$1,985,414 and the disposition of 206,250 shares during the second quarter for \$165,000 and 1,246,250 shares during the third quarter for \$1,587,147. The remaining investment is being accounted for on the cost basis and amounts to \$218,661.

3. CAPITAL STOCK

During the third quarter, 197,000 stock options were exercised by directors and officers of the Company for cash proceeds of \$494,050 (second quarter – 165,000 options for \$426,750).

On June 20, 2001, Automodular Assemblies Inc., a subsidiary of Automodular Corporation, issued 1,504,369 Class X shares from treasury for gross proceeds of \$22,400,000 which are exchangeable into 7,000,000 common shares of Automodular Corporation. Costs associated with the issuance of the Class X shares of \$1,551,908 were incurred and net of a future tax benefit of \$558,700 were applied against the capital stock. The Class X shares participate in the earnings and dividends of Automodular Corporation in the same fashion as common shares of Automodular Corporation and accordingly are included in the calculation of weighted average common shares outstanding.

During June, 2001 the Company acquired the remaining 13% of Automodular Assemblies Inc. in return for the issuance of 698,667 common shares of Automodular Corporation.

4. PENSION PLAN

During the second quarter, a defined benefit plan was established for the Chairman of the Company. The benefit formula will pay the Chairman 2% of his final year salary times the number of years of service per year until death. His spouse is then entitled to a 50% survivor benefit. An actuarial analysis will be performed by year-end in order to quantify the obligation.

5. COMPARATIVE FIGURES

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