

AUTOMODULAR CORPORATION

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AUTOMODULAR CORPORATION

CONSOLIDATED BALANCE SHEETS (Unaudited)

	<u>MAR 31, 2002</u>	<u>DEC. 31, 2001</u> (Restated)
ASSETS		
CURRENT		
Cash and equivalents	\$ 14,788,043	\$ 19,462,922
Investments	273,570	273,570
Receivables	5,964,456	5,203,677
Income taxes receivable	40,624	64,197
Prepaid expenses	1,888,084	1,875,852
Current portion of loans receivable	<u>29,825</u>	<u>450,715</u>
	22,984,602	27,330,933
LONG-TERM INVESTMENTS — note 2	297,874	417,344
LOANS RECEIVABLE	31,765	31,765
FUTURE INCOME TAXES	422,214	481,770
CAPITAL ASSETS	6,690,760	7,661,851
OTHER ASSETS	<u>13,387,135</u>	<u>12,187,432</u>
	\$ <u>43,814,350</u>	\$ <u>48,111,095</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 4,302,699	\$ 4,249,691
Current portion of long-term liabilities — note 3	<u>-</u>	<u>3,092,800</u>
	4,302,699	7,342,491
ACCRUED PENSION COST	135,325	88,700
LONG-TERM LIABILITIES — note 3	<u>-</u>	<u>1,991,000</u>
	<u>4,438,024</u>	<u>9,422,191</u>
SHAREHOLDERS' EQUITY		
CAPITAL STOCK — note 4	39,442,186	39,148,986
RETAINED EARNINGS (DEFICIT)	<u>(65,860)</u>	<u>(460,082)</u>
	<u>39,376,326</u>	<u>38,688,904</u>
	\$ <u>43,814,350</u>	\$ <u>48,111,095</u>

See accompanying notes to consolidated financial statements

AUTOMODULAR CORPORATION

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS FOR THE THREE MONTHS ENDED MARCH 31, 2002 AND 2001 (Unaudited)

	<u>MAR 31, 2002</u>	<u>MAR 31, 2001</u> (Restated)
BALANCE - BEGINNING OF PERIOD	\$ (460,082)	\$ 1,972,979
Net earnings for the period	1,709,069	834,886
Dividends	<u>(1,314,847)</u>	<u>(741,361)</u>
BALANCE - END OF PERIOD	\$ <u>(65,860)</u>	\$ <u>2,066,504</u>

AUTOMODULAR CORPORATION

**CONSOLIDATED STATEMENTS OF EARNINGS
FOR THE THREE MONTHS ENDED MARCH 31, 2002 AND 2001
(Unaudited)**

	<u>MAR 31, 2002</u>	<u>MAR 31, 2001</u> (Restated)
SALES	\$ 13,623,527	\$ 13,230,924
COST OF SALES AND OTHER EXPENSES	<u>11,365,810</u>	<u>10,884,138</u>
EARNINGS FROM OPERATIONS BEFORE THE FOLLOWING:	<u>2,257,717</u>	<u>2,346,786</u>
Amortization	845,823	889,737
Interest expense	65,019	118,459
Other income	<u>(861,546)</u>	<u>(280,175)</u>
	<u>49,296</u>	<u>728,021</u>
EARNINGS BEFORE INCOME TAXES	2,208,421	1,618,765
INCOME TAXES — note 5	<u>499,352</u>	<u>783,879</u>
NET EARNINGS FOR THE PERIOD	\$ <u>1,709,069</u>	\$ <u>834,886</u>
Earnings per share -		
Basic and fully diluted	\$ 0.09	\$ 0.08
Weighted average common shares outstanding -		
Basic	18,746,300	10,605,566
Fully diluted	18,885,065	10,661,482

AUTOMODULAR CORPORATION

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2002 AND 2001
(Unaudited)

	<u>MAR 31, 2002</u>	<u>MAR 31, 2001</u> (Restated)
CASH PROVIDED BY OPERATING ACTIVITIES		
Earnings from continuing operations	\$ 1,709,069	\$ 834,886
Items not requiring an outlay of cash:		
Amortization	845,823	889,737
Gain on sale of long-term investments	(765,930)	-
Future income taxes	59,556	-
Foreign exchange	-	(5,653)
Accrued pension cost	<u>46,625</u>	<u>-</u>
	1,895,143	1,718,970
Net changes in non-cash working capital:		
Investments	-	370,614
Receivables	(760,779)	36,252
Prepaid expenses	(12,232)	237,695
Accounts payable and accrued liabilities	53,008	664,037
Income taxes payable	<u>23,573</u>	<u>(1,104,722)</u>
	<u>1,198,713</u>	<u>1,922,846</u>
FINANCING ACTIVITIES		
Stock options exercised	293,200	-
Repayment of long term debt	(5,083,800)	-
Dividends paid	<u>(1,314,847)</u>	<u>(741,361)</u>
	<u>(6,105,447)</u>	<u>(741,361)</u>
INVESTING ACTIVITIES		
Purchase of capital and other assets	(1,074,435)	(137,188)
Purchase of long-term investments	-	(4,220)
Proceeds on disposal of long-term investment	885,400	-
Reduction in loans and long-term receivable	<u>420,890</u>	<u>4,160</u>
	<u>231,855</u>	<u>(137,248)</u>
CHANGE IN CASH	(4,674,879)	1,044,237
CASH, beginning of period	<u>19,462,922</u>	<u>4,946,019</u>
CASH, end of period	\$ <u>14,788,043</u>	\$ <u>5,990,256</u>
Supplemental Information		
Interest paid	\$ 93,955	\$ 118,459
Income taxes paid	\$ 416,403	\$ 1,617,449

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.

The following table presents the effect on the three-months ended March 31, 2001 as if the Company had retroactively adopted the change in accounting policy of not amortizing goodwill.

Reported earnings for the period - as restated	\$ 834,886
Add back: Goodwill amortization	<u>95,621</u>
Adjusted earnings for the period	<u>\$ 930,507</u>
Basic and diluted earnings per share	
Earnings for the period	\$ 0.08
Goodwill amortization	<u>0.01</u>
Adjusted earnings for the period	<u>\$ 0.09</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 three months ended March 31, 2001 has been decreased by \$250,525 (\$0.03 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 in either period.

2. LONG-TERM INVESTMENTS

Long-term investments include the Company's remaining 4% interest in Dominion Citrus Limited after the disposition of 798,750 shares during the three months for \$885,400. The remaining investment is being accounted for on the cost basis and amounts to \$98,416.

3. LONG-TERM LIABILITIES

During the three months, the Company paid off all of its bank debt.

4. CAPITAL STOCK

During the three months, 103,000 stock options were exercised by directors and officers of the Company for cash proceeds of \$293,200.

5. INCOME TAXES

The income tax provision has been reduced by the benefit of the application of \$820,000 of previously unrecognized capital losses.

6. COMPARATIVE FIGURES

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