

AUTOMODULAR CORPORATION

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AUTOMODULAR CORPORATION

CONSOLIDATED BALANCE SHEETS (Unaudited)

	<u>MAR. 31, 2003</u>	<u>DEC. 31, 2002</u> (Restated)
ASSETS		
CURRENT		
Cash and equivalents	\$ 2,016,209	\$ 18,310,248
Investments	244,395	273,299
Receivables	16,405,808	2,504,039
Inventory	461,725	-
Income taxes receivable	759,445	1,108,142
Prepaid expenses	<u>2,322,709</u>	<u>2,288,571</u>
	22,210,291	24,484,299
LONG-TERM INVESTMENTS	280,634	283,268
CAPITAL ASSETS	11,629,130	6,663,247
OTHER ASSETS	<u>28,279,357</u>	<u>13,651,635</u>
	<u>\$ 62,399,412</u>	<u>\$ 45,082,449</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 6,856,152	\$ 5,812,215
Current portion of long-term liability	<u>3,500,000</u>	<u>-</u>
	10,356,152	5,812,215
FUTURE INCOME TAXES	838,406	749,909
LONG-TERM LIABILITY	<u>13,125,000</u>	<u>-</u>
	<u>24,319,558</u>	<u>6,562,124</u>
SHAREHOLDERS' EQUITY		
CAPITAL STOCK	39,663,186	39,613,186
CONTRIBUTED SURPLUS	19,245	6,898
DEFICIT	<u>(1,602,577)</u>	<u>(1,099,759)</u>
	<u>38,079,854</u>	<u>38,520,325</u>
	<u>\$ 62,399,412</u>	<u>\$ 45,082,449</u>

AUTOMODULAR CORPORATION

CONSOLIDATED STATEMENT OF DEFICIT FOR THE THREE MONTHS ENDED MARCH 31, 2003 AND 2002 (Unaudited)

	MAR. 31, 2003	MAR. 31, 2002
BALANCE - BEGINNING OF PERIOD	\$ (1,099,759)	\$ (460,082)
Net earnings for the period	818,329	1,709,069
Dividends	<u>(1,321,147)</u>	<u>(1,314,847)</u>
BALANCE - END OF PERIOD	<u>\$ (1,602,577)</u>	<u>\$ (65,860)</u>

AUTOMODULAR CORPORATION

CONSOLIDATED STATEMENT OF EARNINGS FOR THE THREE MONTHS ENDED MARCH 31, 2003 AND 2002 (Unaudited)

	<u>MAR. 31, 2003</u>	<u>MAR. 31, 2002</u>
SALES	\$ 24,734,103	\$ 13,623,527
COST OF SALES AND OTHER EXPENSES	<u>21,605,655</u>	<u>11,365,711</u>
EARNINGS FROM OPERATIONS BEFORE THE FOLLOWING:	<u>3,128,448</u>	<u>2,257,816</u>
Amortization	1,088,665	845,823
Interest expense (net)	122,175	65,019
Foreign exchange	772,174	99
Other income	<u>(154,751)</u>	<u>(861,546)</u>
	<u>1,828,263</u>	<u>49,395</u>
EARNINGS BEFORE INCOME TAXES	1,300,185	2,208,421
INCOME TAXES	<u>481,856</u>	<u>499,352</u>
NET EARNINGS FOR THE PERIOD	<u>\$ 818,329</u>	<u>\$ 1,709,069</u>
Earnings per share -		
Basic and fully diluted	\$ 0.04	\$ 0.09
Weighted average common shares outstanding -		
Basic	18,873,900	18,746,300
Fully diluted	18,964,242	18,885,065

AUTOMODULAR CORPORATION

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE THREE MONTHS ENDED MARCH 31, 2003 AND 2002 (Unaudited)

	<u>MAR. 31, 2003</u>	<u>MAR. 31, 2002</u>
CASH PROVIDED BY OPERATING ACTIVITIES		
Net earnings for the period	\$ 818,329	\$ 1,709,069
Items not requiring an outlay of cash:		
Amortization	1,088,665	845,823
Gain on sale of long term investment	(17,365)	(765,930)
Future income taxes	(293,400)	59,556
Compensation expense	12,347	-
Foreign exchange loss	772,174	99
Accrued pension cost	41,725	46,625
	<u>2,422,475</u>	<u>1,895,242</u>
Net changes in non-cash working capital:		
Investments	28,904	-
Receivables	(4,194,346)	(760,779)
Inventory	(61,732)	-
Prepaid expenses	1,491,109	(12,232)
Accounts payable and accrued liabilities	(2,020,802)	52,909
Income taxes payable	429,169	23,573
	<u>(1,905,223)</u>	<u>1,198,713</u>
FINANCING ACTIVITIES		
Stock options exercised	50,000	293,200
Repayment of long term debt	-	(5,083,800)
Dividends paid	(1,321,147)	(1,314,847)
Proceeds from long term liability	17,500,000	-
Repayment of long term liability	(875,000)	-
	<u>15,353,853</u>	<u>(6,105,447)</u>
INVESTING ACTIVITIES		
Purchase of capital and other assets	(913,172)	(1,074,435)
Business acquisition (note 2)	(28,849,497)	-
Proceeds on disposal of long-term investments	20,000	885,400
Reduction in loans receivable	-	420,890
	<u>(29,742,669)</u>	<u>231,855</u>
CHANGE IN CASH	(16,294,039)	(4,674,879)
CASH, beginning of period	18,310,248	19,462,922
CASH, end of period	\$ <u>2,016,209</u>	\$ <u>14,788,043</u>

AUTOMODULAR CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. SIGNIFICANT ACCOUNTING POLICIES

These consolidated interim financial statements should be read in conjunction with the Company's most recent annual audited 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:

Inventory

Inventory consists of raw materials and finished goods and is valued at the lower of cost or market on a first-in, first-out basis.

Change in accounting policy - Stock-Based compensation

Effective January 1, 2003 the Company adopted the fair value method of accounting for stock options. The comparative figures have been restated to show the effect as though the Company had adopted the fair value method of accounting for stock options upon adoption of Section 3870 effective January 1, 2002.

2. BUSINESS ACQUISITION

On January 10, 2003, a subsidiary of the Company entered into an agreement to acquire 100% of the issued and outstanding shares of Tec-Mar Distribution Services, Inc. ("Tec-Mar") located in Michigan. The transaction closed January 31, 2003.

The purchase price was USD\$24,278,695 (CDN\$36,940,034) and was based upon USD\$18,000,000 plus the excess of adjusted working capital over USD\$6,400,000, which was USD\$6,278,695 and is subject to post-closing adjustments. The purchase price will be increased for 50% of any Tec-Mar EBITDA (as defined in the agreement) that exceeds USD\$4,500,000 in each of the four years from 2003 through 2006 inclusive. If Tec-Mar EBITDA falls below USD\$4,500,000 in any year such deficit will be deducted from the next year's EBITDA. Total cash consideration and acquisition costs presented below also includes USD\$225,000 (CDN\$342,336) in direct costs incurred relating to the acquisition.

The purchase price was paid in cash on closing and was funded by a CDN\$17,500,000 non-revolving term credit facility (see Note 3) and a US\$5,000,000 bridge credit facility. The bridge credit facility was repaid following the closing of the transaction.

The acquisition has been accounted for using the purchase method and the results of operations are included from the date of acquisition. The fair value of net assets in Canadian dollars acquired is as follows:

AUTOMODULAR CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

2. BUSINESS ACQUISITION (cont.)

Assets (including cash of \$8,432,873)	\$ 25,921,717
Identifiable intangible assets	4,564,500
Liabilities	<u>(3,755,921)</u>
Net identifiable assets acquired	26,730,296
Goodwill	<u>10,552,074</u>
Total cash consideration and acquisition costs	<u>\$ 37,282,370</u>

An outside party was retained to analyze the purchase price. Their analysis resulted in the identification of USD\$3,000,000 of production contracts in place. The average length of the contracts is four years, and accordingly the asset will be amortized on a straight-line basis over that term.

3. LONG-TERM LIABILITY

	MARCH 31, 2003	DECEMBER 31, 2002
Prime rate + 0.75% non-revolving term credit facility, repayable in quarterly instalments of \$875,000, including principal and interest, maturing September 30, 2005, secured by a general security agreement over the assets of the Company. The interest rate at March 31, 2003 was 5.50%	\$ 16,625,000	\$ -
Deduct: Current portion	<u>3,500,000</u>	<u>-</u>
	<u>\$ 13,125,000</u>	<u>\$ -</u>

Interest expense on the loan during the period was \$156,771.

The company also has a \$5,000,000 revolving term credit facility available to it. Interest is payable on this facility at prime rate + 0.75%.

The principal repayments of the long-term liability are as follows:

2003	\$ 2,625,000
2004	3,500,000
2005	<u>10,500,000</u>
	<u>\$16,625,000</u>

AUTOMODULAR CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

4. CAPITAL STOCK

During the first quarter of the year, 20,000 stock options were exercised by directors and officers of the company for cash proceeds of \$50,000.

Employees were granted 155,000 stock options during the first quarter. These options all vest evenly over a period of five years except 75,000 options granted which vest evenly over three years. No options expired during the quarter.

The Company has elected to recognize the cost of its stock-based compensation based on the estimated fair value of the stock options granted. The fair value of options granted during the quarter was \$54,800. Total compensation expense has been recognized in the quarter of \$12,347 relating to options granted during 2002 and the current period.

The fair value of stock options granted during the current period was estimated using the Black-Scholes option pricing model on the date of grant with the following weighted average assumptions:

Stock price at grant date	\$	4.15
Exercise price	\$	4.15
Average life of options (years)		3.6
Expected stock price volatility		20%
Expected dividend yield		6.75%
Risk-free interest rate		3.85%

5. CASH FLOW SUPPLEMENTAL INFORMATION

FOR THE THREE MONTHS ENDED MARCH 31, 2003 AND 2002

	<u>MARCH 31, 2003</u>	<u>MARCH 31, 2002</u>
Interest (net)	\$ 122,175	\$ 93,955
Income taxes paid	<u>\$ 426,559</u>	<u>\$ 416,403</u>

6. COMPARATIVE FIGURES

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

AUTOMODULAR CORPORATION