



Pacific Insight Electronics Corp.

Unaudited Financial Statements for the Three and Six Months Ended

December 31, 2009

Second Quarter of Fiscal 2010

The accompanying unaudited interim consolidated financial statements of Pacific Insight Electronics Corp. have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

Pacific Insight Electronics Corp.

- 3 | Balance Sheet**
- 4 | Statement of Operations and Retained Earnings**
- 5 | Statement of Cash Flows**
- 6 | Notes to the Unaudited Interim Financial Statements**
- 12 | Corporate Information**



BALANCE SHEET

As at:	December 31, 2009	June 30, 2009
ASSETS		
Current assets		
Cash	\$ 1,091,548	\$ 3,267,723
Accounts receivable	4,614,842	2,303,457
Inventories [note 2]	4,817,217	3,527,954
Prepaid expenses and deposits	187,652	36,561
Forward currency contracts [note 6]	—	113,190
Income tax receivable	664,000	656,000
	11,375,259	9,904,885
Property, plant, and equipment [note 3]	7,062,513	6,776,081
Product development costs [note 4]	1,431,449	1,210,163
	\$ 19,869,221	\$ 17,891,129
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	\$ 3,629,473	\$ 1,579,777
Forward currency contracts [note 6]	2,100	—
	3,631,573	1,579,777
Future income taxes	863,000	827,000
	4,494,573	2,406,777
Shareholders' equity		
Share capital [note 7]	6,154,536	6,154,536
Contributed surplus [note 7]	299,821	299,821
Retained earnings	8,920,291	9,029,995
	15,374,648	15,484,352
	\$ 19,869,221	\$ 17,891,129

The accompanying notes are an integral part of these unaudited interim financial statements.

Approved on behalf of the Board of Directors:

"J. Cowan McKinney"
 J. Cowan McKinney
 Chairman of the Board

"Stuart D. Ross"
 Stuart D. Ross
 Director



STATEMENT OF OPERATIONS AND RETAINED EARNINGS

	Three months ended December 31		Six months ended December 31	
	2009	2008	2009	2008
Sales	\$ 7,405,163	\$ 7,408,367	\$ 13,056,480	\$ 14,749,247
Cost of sales	5,751,714	5,424,878	10,300,681	10,884,410
Gross profit	1,653,449	1,983,489	2,755,799	3,864,837
Expenses				
Selling, general, and administrative	1,274,298	1,431,010	2,236,910	2,642,130
Amortization of plant and equipment	295,632	295,286	593,841	579,264
Amortization of product development costs	55,412	173,489	117,662	356,074
	1,625,342	1,899,785	2,948,413	3,577,468
Operating earnings (loss)	28,107	83,704	(192,614)	287,369
Other income	4,418	5,590	4,910	15,863
Earnings (loss) before income taxes	32,525	89,294	(187,704)	303,232
Income tax expense (recovery)	10,000	43,000	(78,000)	102,000
Net earnings (loss)	22,525	46,294	(109,704)	201,232
Retained earnings, beginning of period	8,897,766	9,745,243	9,029,995	9,590,305
Retained earnings, end of period	\$ 8,920,291	\$ 9,791,537	\$ 8,920,291	\$ 9,791,537
Net earnings (loss) per common share				
Basic	\$ 0.00	\$ 0.01	\$ (0.02)	\$ 0.03
Diluted	\$ 0.00	\$ 0.01	\$ (0.02)	\$ 0.03
Weighted average number of common shares				
Basic	5,937,417	5,910,460	5,937,417	5,907,498
Diluted	5,937,417	5,910,460	5,937,417	5,907,498

The accompanying notes are an integral part of these unaudited interim financial statements.



STATEMENT OF CASH FLOWS

	Three months ended December 31		Six months ended December 31	
	2009	2008	2009	2008
OPERATING ACTIVITIES				
Net earnings (loss)	\$ 22,525	\$ 46,294	\$ (109,704)	\$ 201,232
Items not involving cash:				
Amortization of plant and equipment	295,632	295,286	593,841	579,264
Amortization of product development costs	55,412	173,489	117,662	356,074
Stock-based compensation expense				39,333
Future income taxes	38,000	53,000	36,000	6,000
Net changes in non-cash working capital balances related to operations [note 9]	411,569	568,069	637,799	1,181,903
	(463,781)	535,292	(1,594,753)	51,266
Cash flows provided (used in) by operating activities	(52,212)	1,103,361	(956,954)	1,233,169
FINANCING ACTIVITIES				
Issuance of share capital	—	58,000	—	58,000
Repurchase of share capital	—	—	—	(25,305)
Cash used in financing activities	—	58,000	—	32,695
INVESTING ACTIVITIES				
Property, plant, and equipment additions	(724,526)	(414,758)	(880,273)	(758,100)
Deferred product development cost additions	(175,669)	(267,009)	(338,948)	(424,302)
Cash flows used in investing activities	(900,195)	(681,767)	(1,219,221)	(1,182,402)
Change in cash	(952,407)	479,594	(2,176,175)	83,462
Cash, beginning of period	2,043,955	1,654,899	3,267,723	2,051,031
Cash, end of period	\$ 1,091,548	\$ 2,134,493	\$ 1,091,548	\$ 2,134,493

The accompanying notes are an integral part of these unaudited interim financial statements.

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

December 31, 2009

1. SIGNIFICANT ACCOUNTING POLICIES

- a. **Description of business** – Pacific Insight Electronics Corp. (the “Company”) is an electronic solutions provider for the transportation industries. The Company sells its products and services to original equipment manufacturers and distributors in the United States and Canada. The Company has manufacturing operations in Canada and Mexico.
- b. **Accounting policies** – Management prepared these interim consolidated financial statements in accordance with Canadian Generally Accepted Accounting Principles (“GAAP”) using the same accounting policies and methods of their application as the most recent annual consolidated financial statements, except as noted below. These interim consolidated financial statements do not include all the information and footnotes as required in the annual consolidated financial statements and as such should be read in conjunction with the company's most recent audited annual consolidated financial statements. These interim consolidated financial statements and the notes thereto have not been reviewed by the company's external auditors pursuant to a review engagement applying review standards set out in the Canadian Institute of Chartered Accountants (“CICA”) Handbook.
- c. **Going concern** – The management of Pacific Insight Electronics Corp. has assessed and is confident in the ability of the Company to continue as a going concern.
- d. **Reclassifications** – Certain amounts have been re-classified to conform to the current period's presentation.
- e. **New accounting pronouncements**

International Financial Reporting Standards (IFRS)

In 2006, the Canadian Accounting Standards Board (“AcSB”) published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011.

The transition date of the Company will be July 1, 2011 and will require the restatement for comparative purposes of amounts reported for the year ended June 30, 2011. The Company is completing an analysis to identify differences in reporting standards and assess the impacts of adoption. An implementation strategy is under development to ensure compliance with these reporting requirements.

Business Combinations

In January 2009, the CICA issued Handbook Sections 1582, Business Combinations, 1601, Consolidated Financial Statements and 1602, Non-Controlling Interests which replace CICA Handbook Sections 1581, Business Combinations and 1600, Consolidated Financial Statements. Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under IFRS. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. These sections are applicable for the Company's interim and annual consolidated financial statements for fiscal years beginning on or after January 1, 2011. Early adoption of these Sections is permitted and all three Sections must be adopted concurrently.

2. INVENTORIES

	December 31, 2009	June 30, 2009
Raw materials and work in process	\$ 4,373,180	\$ 3,058,650
Finished products	444,037	469,304
	\$ 4,817,217	\$ 3,527,954

3. PROPERTY, PLANT, AND EQUIPMENT

	Cost	Accumulated Amortization	Net Book Value
December 31, 2009			
Property	\$ 440,831	\$ —	\$ 440,831
Plant	3,765,879	843,705	2,922,174
Equipment	10,849,273	7,149,765	3,699,508
	\$ 15,055,983	\$ 7,993,470	\$ 7,062,513
June 30, 2009			
Property	\$ 40,831	\$ —	\$ 440,831
Plant	3,765,879	801,378	2,964,501
Equipment	9,986,279	6,615,530	3,370,749
	\$ 14,192,989	\$ 7,416,908	\$ 6,776,081

4. PRODUCT DEVELOPMENT COSTS

	December 31, 2009	June 30, 2009
Balance, beginning of period	\$ 1,210,163	\$ 1,007,765
Additions	338,948	974,533
Investment tax credit	—	(84,876)
Amortization	(117,662)	(687,259)
Balance, end of period	\$ 1,431,449	\$ 1,210,163

5. CREDIT FACILITIES

The Company has two main credit facilities in place:

- an operating line of credit facility for up to \$5,000,000
- a property, plant, and equipment acquisition facility for up to \$1,000,000

The facilities are secured by a General Security Agreement on certain assets of the Company, and require the Company to adhere to several covenants. As at December 31, 2009; the Company was in compliance with these covenants, and the facilities were unused and available.

6. FORWARD CURRENCY CONTRACTS

The Company uses forward contracts to manage foreign exchange risk on US dollar fluctuations. At December 31, 2009 the Company had \$450,000USD in forward contracts at an average exchange rate of 1.046, resulting in an unrealized loss of \$2,100. At June 30, 2009 the Company had \$900,000USD in forward contracts at an average exchange rate of 1.289, resulting in an unrealized gain of \$113,190

7. SHARE CAPITAL

a) The authorized share capital of the Company is 100,000,000 common shares without par value.

Details of issued and outstanding common shares are as follows:

	December 31, 2009		June 30, 2009	
	Number Of Shares	Amount	Number Of Shares	Amount
Balance, beginning of period	5,937,417	\$ 6,154,536	6,043,517	\$ 6,247,980
Exercise of options	—	—	40,000	58,000
Cancellation	—	—	(146,100)	(151,444)
Balance before treasury shares	5,937,417	6,154,536	5,937,417	6,154,536
Treasury shares, beginning of period	—	—	(135,000)	(189,881)
Repurchased	—	—	(11,100)	(25,305)
Cancelled	—	—	146,100	215,186
Treasury shares end of period	—	—	—	—
Net balance, end of period	5,937,417	\$ 6,154,536	5,937,417	\$ 6,154,536

	Three months ended December 31		Six months ended December 31, 2009	
	2009	2008	2009	2008
Weighted average number of common shares				
Basic	5,937,417	5,910,460	5,937,417	5,907,498
Effect of dilutive stock options	—	—	—	—
Diluted	5,937,417	5,910,460	5,937,417	5,907,498

For the three and six months periods ended December 31, 2009 the calculation of diluted earnings per share was not affected by options as the average share price of \$1.91 did not exceed the exercise price.

b) **Stock options** – The Company has a stock option plan (the Plan). Options to purchase common shares of the Company under the Plan may be granted by the Board of Directors to certain executive officers, directors, employees, and consultants of the Company. Under the Plan, the exercise price of each option shall not be less than the weighted average closing price of the Company's shares for the five trading days preceding the date of the grant. The options can be granted for a maximum term of ten years. Vesting periods are determined by the Board of Directors.

A summary of stock option activity is presented below:

	Three months ended December 31, 2009		Year ended June 30, 2009	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of period	211,550	\$3.35	480,100	\$2.60
Granted	—	—	—	—
Exercised	—	—	(40,000)	\$1.45
Cancelled / Expired	(2,000)	\$3.06	(228,550)	\$2.11
Outstanding, end of period	209,550	\$3.35	211,550	\$3.35
Currently exercisable	209,550	\$3.35	211,550	\$3.35

The following table summarizes stock options outstanding as at December 31, 2009:

Expiry Date	Exercise Price	Options Outstanding December 31, 2009
Sept. 24, 2011	2.32	89,550
Aug. 22, 2016	4.12	120,000
		209,550

During the year ended June 30, 2009, 20,000 stock options vested, with a weighted average fair value of \$1.97 per option. Stock-based compensation of \$39,333 was charged to administrative expenses with the offset recorded as contributed surplus.

- c) The contributed surplus schedule is as follows, all contributed surplus was generated from stock-based compensation:

Balance, June 30, 2008	\$260,488
Stock options exercised	—
Stock-based compensation	39,333
Balance, June 30, 2009 and December 31, 2009	\$299,821

8. INVESTMENT TAX CREDITS

Pacific Insight Electronics Corp. is eligible for assistance in the form of investment tax credits (ITC's) through the Federal Government. The Company filed a claim during the quarter; however, no ITC's were received in the six months ended December 31, 2009 and December 31, 2008. During the year ended June 30, 2009 the Company received ITC's and they were accounted for as follows:

1. A portion of the tax credits were reflected as a reduction to product development costs net of accumulated amortization of the cost of those assets. In fiscal 2009 that amount was \$84,876.
2. The amortization in future periods is to be calculated on the net amount.
3. A portion of the tax credits were related to operating expenditures and were recorded as a reduction of the Selling, general and administrative expenses of \$277,069 in fiscal 2009.
4. The tax credits also included interest expense and interest income, for a net impact on income of \$33,707 in fiscal 2009.

9. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Net changes in non-cash working capital balances related to operations	Three months ended December 31		Six months ended December 31	
	2009	2008	2009	2008
Accounts receivable	\$ (894,442)	\$ 146,421	\$ (2,311,385)	\$ 157,203
Inventories	(606,068)	(61,773)	(1,289,263)	(223,234)
Prepaid expenses and deposits	30,397	57,961	(151,091)	(59,561)
Income taxes	78,000	(116,000)	(8,000)	(10,000)
Forward currency contracts	22,500	—	115,290	—
Accounts payable and accrued liabilities	905,832	508,683	2,049,696	186,858
	\$ (463,781)	\$ 535,292	\$ (1,594,753)	\$ 51,266

During the six months ended December 31, 2009 the Company paid no income tax or interest.

10. SIGNIFICANT CUSTOMERS

During the six months ended December 31, 2009 sales to the four largest customers amounted to 15%, 12%, 11%, and 10% of total revenue. During the six months ended December 31, 2008 sales to the four largest customers amounted to 27%, 14%, 8%, and 7% of total revenue.

As at December 31, 2009 customers with the four largest accounts receivable balances amounted to 20%, 10%, 12%, and 9% of total accounts receivable; at June 30, 2009 the figures were 23%, 10%, 8%, and 8%.

11. COMMITMENTS

Lease Payments

The Company leases premises in Mexico for \$16,702 USD per month. At the December 31, 2009 exchange rate, the future minimum lease payments to June 30, 2014 are \$918,164.

Government Loan

Pacific Insight has been awarded funding under the Community Adjustment Fund (CAF) through Western Economic Diversification. PI has been approved for a total project cost of \$2.8 million of which \$1.6 million will be funded by Pacific Insight and \$1.2 million through the CAF (interest free loan, repayable beginning September 1, 2011). The funding will be used for our Focused Manufacturing Project, a company-wide initiative to improve manufacturing efficiency using a combination of Lean principles and capital investment.

As at December 31, 2009 Pacific Insight had not received any funding under the agreement.

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

The carrying value of cash, accounts receivable, and accounts payable and accrued liabilities approximate their fair value because of the short-term nature of these instruments.

Financial risk factors

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and receivables. Management manages cash default risk by dealing with only large financial institutions with good credit ratings and manages receivable credit risk through standard credit and reference checks.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2009 the Company had a cash balance of \$1,091,548 to settle current liabilities of \$3,631,573. At June 30, 2009 balances were \$3,267,723 and \$1,579,777 respectively. All of the Company's financial liabilities have contractual maturities of less than 120 days and are subject to normal trade terms.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

- (a) Interest rate risk
The Company has cash balances and no interest-bearing debt. The Company's current practice is to invest excess cash in investment-grade securities and deposits when appropriate.
- (b) Foreign currency risk
The Company is exposed to foreign currency risk on fluctuations related to cash, receivables and accounts payable and accrued liabilities that are denominated in US Dollars (USD). The Company's current practice is to purchase forward contracts to hedge anticipated cash conversion needs. The effect on year to date pre-tax earnings of a 1% change in the USD foreign exchange rate, based on current operations and product mix, would be approximately \$34,000.
- (c) Price risk
The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors certain commodity prices, individual equity movements, and the stock market to determine the appropriate course of action to be taken.

13. CAPITAL DISCLOSURES

Management's objectives when it comes to managing capital are:

Safeguard the Company's ability to continue as a going concern so that it can provide adequate returns for shareholders and benefits for other stakeholders.

Management considers capital to be assets less liabilities. As at December 31, 2009 the Company had capital of \$15.37 million. As at June 30, 2009 the Company had capital of \$15.48 million.

The Company has no regulatory capital requirements; however the bank has imposed certain covenants in connection with the loan facilities. As at December 31, 2009 the Company was in compliance with these covenants.

14. SEGMENTED INFORMATION

The Company operates in one business segment as an electronic solutions provider to the commercial, automotive, and specialty vehicle markets in Canada and the United States. Geographic information related to sales is as follows:

	Six months ended December 31			
	2009		2008	
Sales				
Canada	\$	2,938,765	23%	\$ 3,163,120 21%
United States		10,117,715	77%	11,586,127 79%
Total sales	\$	13,056,480	100%	\$ 14,749,247 100%

Geographic information related to Property, plant, and equipment is as follows:

	December 31		June 30	
	2009		2009	
Asset location				
Canada	\$	6,469,825	92%	\$ 6,213,281 92%
Mexico		592,688	8%	562,800 8%
Total Property, plant, and equipment	\$	7,062,513	100%	\$ 6,776,081 100%



CORPORATE INFORMATION

Board of Directors

J. Cowan McKinney	Chairman
Stuart D. Ross	Director
Stuart O. McLaughlin	Director
Gary B. Sutherland	Director

Corporate Office

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Auditors

Davidson & Company, LLP
Vancouver, B.C., Canada

Counsel, Registered and Records Office

McCullough O'Connor Irwin
Vancouver, B.C., Canada

Investment Information

Shares Listed: Toronto Stock Exchange ('TSX')
Trading Symbol – PIH

Common Shares Authorized:	100,000,000
As at December 31, 2009	
Common Shares Outstanding:	5,937,417
Weighted Average/Fully Diluted Number of Common Shares:	5,937,417

Transfer Agent

Computershare Trust Company of Canada
Vancouver, B.C. and Toronto, Ontario, Canada

Corporate Relations

Corporate relations enquiries should be directed to 1 (800) 995-1155 or via email to investor@pacificinsight.com
Corporate information is available on the Company website www.pacificinsight.com and www.sedar.com.