General

The following Management Discussion and Analysis ("MD&A") has been prepared by the Company's management to accompany the consolidated financial statements of the Company as at June 30, 2010 and should only be read in conjunction with those financial statements. Additional information about the Company can be found at www.sedar.com.

Forward-looking Information

Certain statements in this MD&A may constitute "forward-looking" statements which involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company and its subsidiary, or the industry in which they operate, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. When used in this report, the words "estimate", "believe", "anticipate", "intend", "expect", "plan", "may", "should", "will", the negative thereof or other variations thereon or comparable terminology are intended to identify forward-looking statements. Such forward-looking statements reflect the current expectations of the management of the Company with respect to future events based on currently available information and are subject to risks and uncertainties that could cause actual results, performance or achievements to differ materially from those expressed or implied by those forward-looking statements, such as reduced funding, long sales cycles, currency and interest rate fluctuations, increased competition and general economic and market factors and including the risk factors summarized below under the heading "Risk Factors". New risk factors may arise from time to time and it is not possible for management of the Company to predict all of those risk factors or the extent to which any factor or combination of factors may cause actual results, performance or achievements of the Company to be materially different from those expressed or implied in such forward-looking statements. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results. Although the forward-looking statements contained in this MD&A are based upon what management believes to be reasonable assumptions, the Company cannot assure investors that actual results will be consistent with these forward-looking statements. The forward-looking statements contained in this MD&A speak only as of the date hereof. The Company does not undertake or assume any obligation to release publicly any revisions to these forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events, except as required by law.

The Company

The Company operates a single business segment involving the design, development, and assembly of printed circuit boards. The management of the Company, which has not changed since the preceding fiscal year end, is comprised of the following individuals:

Name	Position(s)
Wojciech Drzazga	Director and CEO
John Perreault [1]	Director and President
K. Michael Guerreiro [1] [2]	Director
Mike Hiscott [1] [2]	Director
Michael D. Kindy	VP Finance & CFO
William R. Johnstone	Secretary

[1] Denotes member of audit committee
[2] Denotes member of compensation committee

Corporate Performance

The 2010 fiscal year has been a successful year for the Company as strong fourth quarter results led to the Company reporting net income of $380,613 for the 2010 fiscal year. Throughout the global economic downturn the Company asserted that it was well positioned to take advantage of growth opportunities if and when they arose. This assertion was predicated upon the steps taken to enhance operating opportunities while simultaneously reducing pressure on the Company's cash flow. In May 2009 the Company completed a strategic equipment acquisition that served to expand production capabilities and capacity. While some of the impact of this acquisition was realized immediately the significant impact that was anticipated only truly began to be realized during the third quarter of the 2010 fiscal year and has continued to the date of this document. Although there is no certainty that the profitability achieved during either the fourth quarter or annually is indicative of future results management is confident that demands for the Company's services will remain strong for the foreseeable future.

Maximizing profitability is a continuous goal for the Company and, in order to maximize shareholder wealth, the profitability must be sustainable. Management believes that sustained profitability can only be achieved if the Company is in good financial health. It is our belief that good financial health is maintained through effective management of business risks including the management of capital, debt and cash flow. Capital has been defined to include not only equity but also long-term debts that have been incurred for purposes other than specifically to finance equipment purchases. During the fourth quarter, and on an annual basis, the Company was successful in increasing its cash reserves, increasing its capital under management, and reducing its total liabilities. Management will continue to actively manage its business risks and to improve the Company's financial health however it will also take on new financial obligations if, and when, it is prudent to do so.

During the fiscal year ended June 30, 2010, the Company repaid a net of almost $315,000 in short-term and long-term debts including nearly $190,000 in the fourth quarter alone. The Company has a policy of repaying its loans, in whole or in part, whenever cash flow permits and in accordance with this policy there were no short term loans outstanding at the end of the 2010 fiscal year. The most encouraging aspect of this debt repayment is that the Company was able to accomplish it without depleting its cash reserves and exclusively from cash generated from operations. It is anticipated that operations will continue to generate favourable cash flow which can then be used to help facilitate further debt reduction and capital acquisitions.

While it is often prudent to reduce a Company's financial obligations management is aware that there are times when entering into new financial commitments is even more appropriate. It seems apparent, for example, that profitability can only be sustained in the event that the Company has a suitable facility in which to operate. The lease on the Company's existing operating facility is scheduled to expire at the end of February 2011. In keeping with management expectations, the Company is actively investigating alternative locations that would provide greater capacity while still limiting the costs associated with entering and occupying such a facility. Negotiations are currently underway that, if successful, would see the Company enter into a new lease at its existing location with a reduced base rental rate per square foot. In connection with these negotiations the Company is investigating the feasibility of increasing the space under lease by up to 35%. Management believes that if these negotiations can be concluded successfully then it will have secured an appropriate facility to facilitate the Company's growth while minimizing both the cost and the disruption to operations.

The net income for the fourth quarter, and for the year ended June 30, 2010, includes a gain of $114,403 realized upon the sale of mining properties and rights that the Company acquired from its subsidiary, Northern Cross Minerals Inc., in 2004 when it foreclosed on an obligation that was past due. This figure represents the proceeds, net of transactional costs, which were realized and represents a nearly full recovery of all amounts that were due. The underlying loan and all interest accrued to date were both written off against income at the time of foreclosure. Northern Cross Minerals Inc. has been inactive since the foreclosure and has no remaining assets so no further recovery is anticipated.

Corporate Performance - continued

The following data may provide some additional insights relative to the Company's operating performance and financial position:

	For the fiscal years ended: June 10	June 09	June 08
Total Revenues	3,837,630	3,435,283	4,066,902
Net income (loss) from operations	266,210	(165,302)	250,963
Per share [1]	0.051	(0.031)	0.048
Net income (loss) for the period	380,613	(196,656)	237,958
Per share	0.072	(0.037)	0.045
Total assets	2,255,703	2,119,699	1,591,396
Total long-term financial liabilities	1,352,187	1,390,403	497,844
Total liabilities	2,786,454	3,037,900	2,401,374

	For the three month periods ended:				
	June 10	Mar. 10	Dec. 09	Sept. 09	June 09
Total Revenues	1,408,769	888,849	777,838	762,174	785,581
Net income (loss) from operations	267,162	48,105	(19,073)	(29,984)	(180,183)
Per share	0.051	0.009	(0.004)	(0.006)	(0.035)
Net income (loss) for the period	381,565	48,105	(19,073)	(29,984)	(211,537)
Per share [1]	0.073	0.009	(0.004)	(0.006)	(0.041)
Total assets	2,255,703	1,895,945	1,918,100	1,959,494	2,119,699
Total long-term financial liabilities	1,352,187	1,348,797	1,350,369	1,416,359	1,390,403
Total liabilities	2,786,454	2,814,543	2,884,984	2,907,491	3,037,900

	For the three month periods ended:				
	Mar. 09	Dec. 08	Sept. 08	June 08	Mar. 08
Total Revenues	690,777	928,499	1,030,426	1,003,130	937,253
Net income (loss) from operations	(26,845)	601	41,125	66,121	34,490
Per share	(0.005)	0.000	0.008	0.013	0.007
Net income (loss) for the period	(26,845)	601	41,125	66,121	21,845
Per share [1]	(0.005)	0.000	0.008	0.013	0.004
Total assets	1,291,890	1,322,065	1,566,082	1,591,396	1,456,980
Total long-term financial liabilities	474,187	414,131	442,318	497,844	571,435
Total liabilities	2,084,721	2,088,625	2,334,073	2,401,374	2,334,463

There were no cash dividends paid or accrued during any of the periods noted above.

[1] Earnings per share figures for each period have been restated to give retroactive effect to the share consolidation transaction that occurred April 2010.

Results of Operations

After essentially breaking even through the first nine months of the 2010 fiscal year the Company has reported net income from operations for the fourth quarter of $267,162 resulting in net operating income for the year being $266,210. In comparison, the Company had a net loss from operations of $165,302 for the 2009 fiscal year including a fourth quarter loss of $180,183. While revenue growth in the current year has certainly helped to generate improved profitability there were also other factors that contributed to the losses incurred in 2009. The largest item would be the amortization arising from new equipment acquired in May 2009. In accordance with Company policy, the amortization recognized in the year that equipment is installed and available for use is equal to ½ of the annual depreciation regardless of the date the asset was actually acquired. In this instance the Company recognized six months of depreciation in the final quarter of 2009 resulting in an increase of approximately $96,000 in comparison to the amortization recognized in previous quarters. Given that the equipment was only available for use during the final month of the year, and that its practical applicability in that month was limited due to how new it was, the impact on 2009 income was substantial.

Results of Operations

Total revenues for the 2010 fiscal year were $3,837,630 representing an improvement of almost 12% in comparison to 2009 levels but still not as high as they were in 2008. The 2009 fiscal year represented the end of a seven year revenue-growth trend which culminated in 2008 when annual revenues exceeded $4,000,000 for the first time. While the Company aspires to return to and exceed 2008 levels it will have to accept that 2010 only represents the second highest annual revenue total. This 2010 revenue total was only achieved because the revenues in the final quarter amounted to $1,408,769. This represents the largest revenue total reported in any fiscal quarter since the Company began to focus exclusively on printed circuit boards and is more that 79% greater than the revenues of $785,581 reported in the fourth quarter of 2009. While management anticipates that revenues figures will remain strong in the next few fiscal periods it should be noted that economic uncertainties continue to impact upon the Company's marketplace and the effect, if any, of these uncertainties cannot be reasonably predicted.

Given the increase in revenues it should come as no surprise that the gross margin has also increased in 2010. What may be a little surprising to the reader however, is that the 2010 gross margin of $1,564,695 is more than 50% greater than 2009 levels. The amount realized in 2010 represents 40.8% of revenues, which exceeds the figure of 30.3% achieved last year by a considerable amount. The gross margin in both 2010 and 2009 were impacted significantly by fourth quarter results, albeit in opposing manners. During the final quarter of 2010 the gross margin was $646,254 or 45.9% of sales and in the same period of 2009 margins amounted to only $127,329 or 16.2% of revenues. The relative percentage of pure assembly work as compared to turnkey jobs always has an inverse affect on margins as a percentage of sales so it should come as no surprise that turnkey work was much higher in 2009, including the fourth quarter, than it was in the corresponding periods of 2010. Aside from the impact of product mix, the high Q4-2010 margin can also be attributed to the economies of scale effect that occurs when a larger percentage of capacity is utilized. In contrast the Q4-2009 margin was diminished by the amortization issue previously described and by the fact that the Company had significant unutilized capacity. While the Company always strives to maximize the gross margin it will inevitably fluctuate from one period to the next as a consequence of the fixed and semi-fixed nature of certain expenses as well as the frequency with which customers supply their own components to be assembled.

The aggregate of the cost of components and the cost of labour account for 81.1% of the cost of product sales for the fourth quarter of 2010 and 78.5% of the total for the year. During the 2009 fiscal year these costs combined to represent 83.1% of the annual total including 77.3% in the fourth quarter. Due to the fluctuation in revenues between the periods, the impact that amortization had on 2009, and other factors it is difficult to complete a general comparison of these percentages however they clearly indicate that these costs continue to be the most significant elements of costs of sales each period.

Component costs for 2010 amounted to $894,012 representing a decline of more than 19% in comparison to the $1,107,433 incurred in 2009. Although the fourth quarter figures are of similar value, with the 2010 amount of $351,627 being only slightly more than the 2009 total of $322,388, this represents a significant shift in product mix. This shift is apparent since each of the 2010 amounts represents a significantly lower percentage of sales than their 2009 counterparts. Management has long promoted the turnkey process as a cost effective solution for the Company's customers but many remain predisposed to acquiring and supplying their own components. Traditionally, a greater percentage of new customers forego the turnkey process but some migrate to it after they have become accustomed to the Company's processes and reliability. This tradition held true in 2010 when significant sales were to new customers and it is anticipated that some will begin to take advantage of the additional service in the near future.

Labour costs in 2010 were $894,012, including $265,240 incurred during the fourth quarter. The 2009 total was marginally lower at $880,560 while the Q4 figure was only $186,377. The 2010 figures reflect the significant labour efficiency gains that the equipment acquired May 2009 provides but also include labour savings that arose. When demand required the temporary running of machinery on an additional shift management would often fill in. The labour costs include compensation paid to these individuals however it does not equate to standard labour costs. It should be expected that costs will rise in the future as the way of compensating management when this occurs has been changed.

Results of Operations - continued

Equipment costs rose to $305,285 in 2010 as compared to $231,670 in 2009. These costs include amortization and maintenance costs and both have risen in 2010. Maintenance costs increased by almost 68% to $53,313 as a result of the increased demands placed on machinery and the implementation of standard maintenance procedures. These standard maintenance procedures were designed to significantly reduce the risk of machinery failure through the regular replacement of parts that are designed to wear out during machine use and have proven to be very effective. Quarterly maintenance costs were $23,131 in 2010 and $17,103 in 2009. Annual amortization costs increased from $199,984 to $251,972 while the fourth quarter amounts declined from $120,748 in 2009 to $64,084 in 2010. Each of these variances can be attributed to the machinery acquired May 2009 since 2010 is the first full year of amortization while the first ½ year of amortization was recorded during the fourth quarter of 2009. It should be anticipated that the 2010 figures are fairly indicative of future costs.

Production supplies amounted to $90,469 in 2010 including the fourth quarter total of $24,084. In comparison these figures were $94,799 and $11,612 in 2009. Many of these supply items are purchased in bulk and are considered costs of the period in which they are acquired. In addition, certain supply items are provided by customers when they do not utilize turnkey services. Each of these factors tends to undermine the correlation with revenues that one might anticipate to exist. While some of the reorder processes for supplies have been automated there is no intent to increase the cost tracking detail as the cost of doing so would exceed the benefit derived.

The remainder of costs of sales is made up of freight costs, tooling costs and the cost of packaging supplies. The aggregate of these costs represents less than 5% of the quarterly and annual cost of sales totals in both 2010 and 2009. These expenses are continuously monitored by management and do not warrant detailed investigation or elaboration.

Selling, general and administrative expenses ("SG&A) are best described as all costs incurred by the Company that are not directly attributable to the production process or the cost of financing. These costs amounted to $1,112,964 in 2010 which is approximately 1.7% more than 2009 levels. Despite the apparent comparability there have been variances throughout the year as is demonstrated by the increase of $72,585 from Q4-2009 levels to the total of $333,675 for the fourth quarter of 2010. Management continuously manage these expenses to ensure that the costs incurred are necessary and reasonable in the circumstances.

Employee and consultant remuneration accounts for a significant portion of the fourth quarter variance in total SG&A as costs rose by $59,356 from $147,265 to $206,621. In spite of this increase however total costs for the year are very similar as the 2010 total was $652,112 as compared to $641,107 in 2009. In 2009 payroll costs declined after the first two periods as salaries were reduced and some work-share programs were implemented in response to the economic downturn. In 2010 some increases were implemented but many salaries remained below historic levels. This changed in the final quarter when management and the Board of Directors acknowledged the efforts of many key personnel in contributing to the Company's profitability. The bonuses that were paid are non-recurring in nature however it would be reasonable to anticipate that future remuneration will approximate historical levels in recognition of corporate performance.

Occupancy costs consist primarily of rent and utility charges and are the second largest component of SG&A. The base rent has remained consistent throughout the 2009 and 2010 periods but additional rent charges for realty taxes and maintenance tend to rise each year. The utility usage and rates also continue to vary with the trend being for costs to rise each year. During 2009 the total occupancy costs in 2010 were $307,466 which is virtually identical to the 2009 charges of $308,663. Fourth quarter totals reflect some variation as costs in 2010 amounted to $82,540 while they were $74,376 in 2009 however this is due to some billing delays experienced at the end of the third quarter which caused costs to carry over to the next period. The current lease continues at the same base rental rate until February 2011 after which it is scheduled to expire. Negotiation of a new lease is currently underway however as of the date of this document the Company is unable to project its lease costs beyond the term of the current lease..

Results of Operations - continued

Professional fees, which consist of legal fees and the cost of the annual financial statement audit, were very similar with 2010 annual costs of $61,798 and quarterly costs of $20,715 compared to the corresponding 2009 amounts of $62,477 and $20,715. These amounts are expected to remain relatively comparable in future periods.

Regulatory fees include all stock exchange and transfer agent fees and these costs rose in 2010 as a result of the share consolidation transaction that occurred in April of 2010. Total fees in 2010 were $40,342 while fourth quarter costs amounted to $11,086. With no similar transaction in 2009 these costs were limited to $25,233 for the year and $3,946 for the quarter. Prior to 2010 these costs had remained fairly consistent since the 2007 fiscal year so it would seem reasonable to anticipate that they will return to this level in the future.

The remaining elements of SG&A are insignificant both individually and in aggregate. These expenses are continuously monitored by management and do not warrant detailed investigation or elaboration.

Interest on long-term debt amounted to $39,918 during Q4-2010 bringing the total for the year to $160,123. Each of these figures exceeds the corresponding expenses incurred during 2009 when the total for the year was $79,582 including $31,809 that arose during the final quarter. The majority of this increase is attributable to the new debts incurred in May 2009 in order to finance the major equipment purchase undertaken at that time. No other changes in long-term debt arose until the final quarter of 2010 when repayments and debt consolidation reduced both the number of outstanding debts and the aggregate balance payable. It is expected that interest costs in 2011 will be similar to, but somewhat less than, those incurred during 2010.

Other interest consists almost entirely of the interest charges arising as a consequence of notes payable. These short term loans are negotiated throughout the year, almost exclusively with related parties, if and when temporary cash shortages are anticipated. The Company generally had less need for financing of this nature during 2010 and this is reflected in lower costs. Other interest for 2010 amounted to $11,147 representing a decline of more than 35% from the $15,107 incurred in 2009. In addition the Company utilized its cash flow to eliminate these obligations throughout the fourth quarter such that costs for that period were limited to $465. There were no short term debts outstanding as at June 30, 2010 and there was no immediate expectation of requiring this form of financing. Accordingly no expense will be incurred in the immediate future.

Liquidity

The strong operating results realized in the final quarter of 2010 have enabled the Company to generate a significant reduction in its working capital deficiency. This deficiency, which has declined in each of the past four fiscal years, has been reduced to $220,226 as at June 30, 2010. This represents a 73% improvement in comparison to the prior year when a deficiency of $813,648 was reported. The Company will continue to strive to improve liquidity, and eliminate this deficiency entirely, by continuing to generate positive cash flows from operations and to reduce its current obligations.

There is a balance of $742,056 included in current liabilities on account of preferred shares and the associated dividends. These amounts are non-interest bearing, are not secured and it is not currently known how or when these obligations may be settled. The preferred shares are not entitled to any further dividends and this balance has not changed since the final quarter of the 2007 fiscal year.

The Company currently utilizes long term debt as a means of financing new equipment acquisitions and of settling other obligations whenever suitable terms can be negotiated. The Company's short-term financing requirements, if any, have typically been satisfied through short-term advances from related parties and are repaid, in whole or in part, when cash flow permits.

Liquidity - continued

In addition to satisfying the cost of operations the Company must also address the payment or other settlement of the following amounts which are presented at face value, as at June 30, 2010, without discount:

	Due by June 2011	Due by June 2013	Due by June 2015	Due after June 2015	Total Due
Repurchase of preferred shares (1)	$ 665,501	$ -	$ -	$ -	$ 665,501
Settlement of dividends payable (1)	268,201	-	-	-	268,201
Debenture (1)	39,600	-	-	-	39,600
Other long-term debt (2)	117,692	533,199	869,167	-	1,520,058
Operating leases	72,432	-	-	-	72,432
Total	$ 1,163,426	$ 533,199	$ 869,167	$ -	$ 2,565,792

(1) Each of these amounts were past due as at June 30, 2010

(2) On September 30, 2010 the Company elected to make a $30,000 principal pre-payment on one loan. Had this been reflected in the table then the amounts of other long-term debt due by June 2015 and the total due along with the respective column totals would each have been reduced by $30,000,

Capital Resources

During the fourth quarter the Company completed negotiations with one of its creditors whereby a number of short-term and long-term obligations were consolidated into a single long-term loan. This creditor, who is a related party, had acquired many of these debts from other related party creditors. The negotiated terms of this new loan resulted in the Company receiving additional cash proceeds of $7,132, a lower initial interest rate than applied to the pre-consolidation debts and an extended term to maturity. In exchange the Company granted the creditor an option to acquire a 24% interest in Permatech Electronics Corporation for $200,000 on or before May 1, 2015 and an interest rate that is adjusted semi-annually at 8% above the prime lending rate.

In April 2010 the Company announced a proposed private placement financing which was intended to raise gross proceeds of up to $119,000. In preparation for this financing, and with the expectation that the insider would subscribe, the Company had obtained shareholder approval to permit J.T. Risty Limited to increase its ownership in the Company from the 14.2% it then held to above 20%. This financing was never completed and no units were subscribed for.

In May 2010 the Company completed a transaction whereby it received net proceeds of $114,403 through the liquidation of mineral resource properties previously held by its subsidiary, Northern Cross Minerals Inc. These properties had been seized by the Company in 2004 when it foreclosed on an overdue loan. The proceeds represent recovery of principal and interest due on the loan as well as costs the Company incurred subsequent to seizure in order to keep the properties in good standing. The subsidiary is now inactive with no remaining assets and accordingly no further recoveries are anticipated.

The Company currently has no formal arrangement with any party to provide financing for working capital, capital acquisitions or any other purpose. During recent periods related parties have provided short term financing to meet working capital requirements.

Related Party Transactions

The Company has participated in a number of transactions with related parties and consequently reports many amounts as being due to related parties. These transactions involve the Company's Officers, Directors, their spouses, companies that are considered related as a consequence of the involvement of one or more of these individuals, and a corporation that holds more than 10% of the Company's issued common shares. The majority of these related party transactions involve the provision of financing to the Company along with the corresponding interest expense. All related party transactions are in the normal course of operations and have been carried out on the same terms as those accorded to unrelated parties.

Related Party Transactions - continued

The following balances are due to the related parties described above as at June 30 of each year:

	2010	2009	2008
Loan payable at prime +8%	199,042	-	-
Note payable at prime +2%	-	-	16,192
Notes payable at 12.0%	-	116,572	110,078
Term loan at 8.0%	-	37,971	58,446
Term loans at 12.0%	-	161,383	168,818

The following income and expense items have arisen as a result of transactions involving the related parties defined above:

	2010	2009	2008
Interest expense – long term	22,954	20,981	14,106
Interest expense – other	9,002	14,588	13,415

The following stock options have been issued to Directors and/or Officers of the Company and remain outstanding as at the date of this document:

Description	Expiry Date	Number of Common shares
Stock options @ $2.04 per share	June 2011	75,000

An additional 800,000 stock options that had been held by Directors and/or Officers of the Company expired during the 2010 fiscal year.

Convertible Instruments and Other Securities

As at June 30, 2010, and as at the date of this document, the Company had the following securities issued and outstanding:

Description	Quantity	Amount
Common shares	5,262,488	$ 21,681,409
Paid in capital of preferred shares		191,646
Class A special shares	1,193,442	100,000
		$ 21,973,055
Series A preferred shares	166,667	$ 160,000
Series C preferred shares	288,858	505,501
		665,501
Less: amount accounted for as paid in capital		191,646
Liability element of preferred shares		473,855
Less: amount reported as a current liability		(473,855)
Equity element of preferred shares		$ -

In addition to the shares issued and outstanding the Company has issued stock options as incentives to various parties. The following list itemizes the common shares that have been reserved to satisfy the conversions and exercise of options along with the expiry date associated therewith.

Description	Expiry Date	Number of Common shares
Stock options @ $2.04 per share	June 2011	75,000

Convertible Instruments and Other Securities

Additional disclosures relative to these options are as follows:

	Common Shares Under Option	Weighted Average Price/Option	Weighted Average Expiry Date
Beginning of period	1,950,000	$0.144	September 7, 2010
Expired	(1,000,000)	$0.120	December 17, 2009
Pre-consolidation	950,000	$0.168	June 8, 2011
Consolidation	(874,833)		
End of period	79,167	$2.016	June 8, 2011
Expired	(4,167)	$1.860	July 10, 2010
Date of document	75,000	$2.040	June 27, 2011

While the remaining stock options are held by related parties, the Company has no ability to cause any of the items noted above to be exercised.

Changes in Accounting Policy

The accounting policies followed by the Company are established in accordance with Canadian GAAP and once policies are established they will not, as a matter of policy, be revised unless Canadian GAAP changes. The following aspects of Canadian GAAP will be changing in the future and, accordingly, will cause the Company's accounting policies to change:

International reporting standards:

In February 2008, the Accounting Standards Board ("AcSB") confirmed that the transition to International Financial Reporting Standards ("IFRS") from Canadian GAAP will occur on January 1, 2011 for public entities. Although early adoption is permissible the Company has determined that it will commence reporting under these new standards for its fiscal year ended June 30, 2012 in accordance with the implementation deadline. While all aspects of the implementation are not yet known with certainty it is anticipated that the financial reporting impact of the transition to IFRS will be minimal.

The changeover to the new standards will occur on July 1, 2011 and the first fiscal period which will be reported upon under the new standards will be the quarter ended September 30, 2011. An initial review of key areas for which changes to accounting policies may be required has been completed and it revealed that changes are expected to be minimal. Notwithstanding this result however, the Company has commenced a comprehensive review of each of its accounting policies to determine what policy alternatives are available under IFRS and the exact extent, if any, that each policy will change. This review will be conducted throughout the 2011 fiscal year. To the extent that policy changes are required, they will be identified, quantified and disclosed in the immediately subsequent MD&A.

Financial Instruments

The Company has determined the most appropriate classification for its financial instruments such that cash is classified as held for trading and is measured at fair value. Accounts receivable has been classified as loans and receivables and accounts payable, accrued liabilities, customer deposits, deferred revenue, dividends payable, notes payable, long-term debt and preferred shares are classified as other financial liabilities, which are measured at amortized cost. These classifications have remained unchanged since initial recognition.

The carrying amounts of cash, accounts receivable, customer deposits and deferred revenue, accounts payable and accrued liabilities, and notes payable approximate their fair values due to the short-term maturities of these instruments. Long-terms debts are recognized initially at fair value. Whenever there is a difference between face value and fair value that difference is amortized on a straight line basis over the remaining term of the debt. It is not practicable to determine the fair value of preferred shares or dividends payable since the timing of cash flows are not known.

Risk Factors

Events seemingly unrelated to us, or to our industry, may adversely affect our finances or operations in ways that are hard to predict or defend against. For example, credit contraction in financial markets may hamper our ability to access credit when needed or rapid changes in foreign exchange rates may adversely affect our financial results. Finally, a reduction in credit, combined with reduced economic activity, may adversely affect businesses and industries that constitute a significant portion of our customer base. As a result, these customers may need to reduce purchases from us, or we may experience greater difficulty in collecting amounts due from them. Any of these events, or others caused by uncertainty in world financial markets, may have a material adverse effect on our business, operating results, and financial condition.

In addition to the foregoing, the Company is exposed to credit risk, concentration of credit risk, liquidity risk, currency risk, and interest rate risk. The Company's primary risk management objective is to protect earnings and cash flow and, ultimately, shareholder value. Risk management strategies, as discussed below, are designed and implemented to ensure that the Company's risks and the related exposure are consistent with its business objectives and risk tolerance. There have been no changes to the risks to which the Company is exposed or to the corresponding risk management strategies during the current period.

Credit risk;
Credit risk represents the financial loss that the Company would experience if one or more of its customers failed to meet its obligations. The maximum credit exposure is represented by the carrying amount of accounts receivable as reported on the balance sheet. In an effort to mitigate this risk, management actively manages and monitors its receivables and obtains pre-payments where warranted. Bad debt experience has not been significant and there are currently no amounts that are more than 90 days past due. It has been determined that no allowance is required for amounts that may be uncollectible.

Concentration of credit risk:
Concentration of credit risk arises when a significant portion of the financial assets subject to credit risk arise from a single or limited number of sources. During the current year, one of the Company's customers accounted for more than 20% (22%) of revenue (2009 – 1 customer at 20.0%). Amounts due from this customer accounted for 1% of the Company's accounts receivable at June 30, 2010 (2009 - 4%). The loss of this customer or significant curtailment of purchases by such customer could have a material adverse affect on the Company's results of operations and financial condition. The Company monitors the relationship with this customer closely and ensures that every customer is subject to the same risk management criteria.

Liquidity risk:
Liquidity risk represents the potential difficulties that the Company may encounter in meeting obligations associated with financial liabilities. The Company is reporting a working capital deficiency of $220,226 (2009 - $813,648). This includes a long-term debt, preferred shares and dividends payable, with an aggregate carrying value of $781,656 (2009 - $781,656), that are each past due. The Company manages its liquidity risk through the management of its capital (see Note 13 of the consolidated financial statements) which incorporates the continuous monitoring of actual and projected cash flows to ensure that it has sufficient liquidity to meet its operating commitments without incurring unacceptable losses or risking damage to the Company's reputation.

Currency risk:
Currency risk is the risk that the amount of future cash flows of cash, accounts receivables, accounts payable and accrued liabilities that are denominated in US dollars will fluctuate because of changes in foreign exchange rates. The Company purchases some inventory components and makes some of its product sales in US dollars. The Company monitors its exposure to, but does not actively manage this risk. During the current period the Company reported a net loss on foreign exchange of $2,132 (2009 – $4,846).

Interest rate risk:
Interest rate risk represents the possibility that future cash flows arising from financial instruments may fluctuate because of changes in the market rate of interest. The Company has certain long-term debts for which the interest rate is reset periodically in accordance with the prime lending rate of its financial institution. The future monthly payments on these debts will increase or decrease in correlation with the change, if any, in the prime lending rate. The Company manages this risk by establishing fixed interest rates whenever possible.