

Cencotech Inc.

Form 51-901F – Schedule A

Consolidated Financial Statements
October 31, 2004 and 2003

Together with Auditor's Report



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AUDITOR'S REPORT

To the Shareholders of
Cencotech Inc.,

We have audited the consolidated balance sheets of **CENCOTECH INC.** as at October 31, 2004 and 2003 and the consolidated statements of operations and deficits and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at October 31, 2004 and 2003 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink that reads "Smith, Nixon & Co. LLP".

TORONTO, CANADA, January 17, 2005

CHARTERED ACCOUNTANTS

Cencotech Inc.

CONSOLIDATED BALANCE SHEETS

		Restated (Note 2)
October 31	2004	2003
	\$	\$
ASSETS		
CURRENT ASSETS		
Cash	11,334	14,762
Accounts receivable	64,848	453,276
Inventory (Note 4)	430,688	748,985
Prepaid expenses	12,942	52,737
	<u>519,811</u>	1,269,760
INTELLECTUAL ASSETS AND PROPERTY AND EQUIPMENT (Note 5)	231,577	316,934
	<u>751,389</u>	1,586,694
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	596,589	602,029
Deferred revenue	506,225	548,899
	<u>1,102,814</u>	1,150,928
Convertible debenture due within one year (Note 7)	1,000,000	1,000,000
Secured debt due within one year (Note 12)	1,370,232	1,011,841
	<u>3,473,046</u>	3,162,769
SHAREHOLDERS' DEFICIT		
Share capital (Note 9)	5,095,800	5,095,800
Deficit	<u>(7,817,457)</u>	(6,671,875)
	<u>(2,721,657)</u>	(1,576,075)
	<u>751,389</u>	1,586,694

Approved on behalf of the Board:

_____, Director

_____, Director

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

Cencotech Inc.

CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICITS

		Restated (Note 2)
For the years ended October 31	2004	2003
	\$	\$
REVENUE	1,276,794	1,489,738
COST OF SALES	<u>423,823</u>	413,289
GROSS PROFIT	852,971	1,076,449
EXPENSES		
Selling	454,163	752,873
General and administration	955,521	1,614,505
Loss (gain) on foreign exchange	(47,297)	51,956
Development	416,710	676,913
Amortization	99,456	110,202
Interest on convertible debentures	<u>120,000</u>	124,137
	1,998,553	3,330,586
NET LOSS	(1,145,582)	(2,254,137)
DEFICIT, beginning of year	<u>(6,671,875)</u>	<u>(4,417,738)</u>
DEFICIT, end of year	(7,817,457)	(6,671,875)
LOSS PER SHARE (Note 10)	(0.07)	(0.14)

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

Cencotech Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Restated (Note 2)
For the years ended October 31	2004	2003
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	(1,145,582)	(2,254,137)
Non-cash items:		
Amortization	99,456	110,202
Loss on disposal of equipment	2,200	-
	<u>(1,043,926)</u>	<u>(2,143,935)</u>
Changes in:		
Accounts receivable	388,428	643,276
Inventory	318,297	163,983
Prepaid expenses	39,795	(4,567)
Accounts payable and accrued liabilities	(5,440)	130,173
Deferred revenue	(42,674)	273,961
	<u>(345,520)</u>	<u>(937,109)</u>
INVESTING ACTIVITY		
Purchase of intellectual assets and property and equipment	(16,299)	(119,084)
FINANCING ACTIVITIES		
Decrease in bank indebtedness	-	(320,800)
Increase in short-term debt	358,391	1,011,841
Increase in share capital	-	375,000
Decrease in convertible debentures	-	(100,000)
	<u>358,391</u>	<u>966,041</u>
NET DECREASE IN CASH DURING THE YEAR	(3,428)	(90,152)
CASH, beginning of year	<u>14,762</u>	<u>104,914</u>
CASH, end of year	11,334	14,762
Cash flows from operating activities include:		
Interest paid:	<u>89,864</u>	<u>143,453</u>

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

Cencotech Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

October 31, 2004 and 2003

1. NATURE OF OPERATIONS AND BASIS OF PRESENTATION

Cencotech Inc. (the "Company") was formed under the provisions of the Business Corporations Act of Alberta on January 29, 1997 and continued under the provisions of the Business Corporations Act of Ontario on October 31, 1999.

The Company was formed to acquire and manage emerging high technology enterprises with sound business solutions for their customers. The Company's wholly-owned subsidiary, NamSys Inc. ("NamSys"), provides software and hardware systems solutions for currency management and processing for the banking and merchant industries principally in North America.

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern. As at October 31, 2004 the Company has a deficit of \$7,817,457 (2003 – restated \$6,671,875) and incurred a net loss of \$1,145,582 for the year ended October 31, 2004 (2003 - restated \$2,254,137). The ability of the Company to continue as a going concern and the recoverability of the amounts shown for assets is dependant on the ability of the Company to achieve profitable operations, to raise additional debt or equity financing or curtail operations. Failure to continue as a going concern would require restatement of assets and liabilities on a liquidation basis, which could differ materially from the going concern basis.

2. PRIOR PERIOD ADJUSTMENT

The prior year results of the Company have been restated to reflect the return of product that occurred in the year ended October 31, 2003. By agreement between the Company and its US distributor in 2003, the Company agreed to accept return of certain products that had previously been sold for \$156,000, on the basis the distributor would receive credit against future purchases of other specific products. The effect of the restatement is as follows:

	As previously reported \$	Change \$	As restated \$
Inventory	688,985	60,000	748,985
Deferred revenue	392,899	156,000	548,899
Deficit	6,575,875	96,000	6,671,875
Revenue	1,645,738	(156,000)	1,489,738
Loss	2,158,137	96,000	2,254,137
Loss per share	0.14	-	0.14

3. SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary and have been prepared in accordance with Canadian generally accepted accounting principles.

All significant intercompany transactions and balances have been eliminated.

Cencotech Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

October 31, 2004 and 2003

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition and deferred revenue

Software License fees are recognized when all significant vendor obligations have been completed, the products and services to be provided are contained in a contractual agreement, delivery of the software has occurred, fees are fixed and determinable and collectibility of fees is reasonably assured.

Self-Service Systems and Peripheral sales are recognized when title passes, which coincides with shipment to the customer.

Deferred revenue is comprised of systems maintenance fees for which services have not yet been provided.

Foreign currencies

Foreign currency transactions are translated into Canadian dollars at the rates prevailing on the dates of the transactions. Monetary assets and liabilities in foreign currencies are translated into Canadian dollars at the year-end rates of exchange. Translation gains and losses are recorded in the statement of operations.

Inventory

Inventory is stated at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis.

Intellectual assets and property and equipment

Intellectual assets and property and equipment are recorded at cost less accumulated amortization and are amortized over their estimated useful lives as follows:

Recognition technology	
Software	20% straight-line
Hardware	30% declining balance
Self-service technology	3 years straight-line
Software	100% declining balance
Trademarks and patents	20% straight-line
Office equipment	20% declining balance
Showroom and lab equipment	3 years straight line
Leasehold improvements	20% straight-line or over term of lease

Intellectual assets are reviewed on an ongoing basis. When events and circumstances indicate that carrying amounts may not be recoverable, a write-down to fair value is charged to income in the period that such a determination is made.

Development expenses

Development expenses related to both hardware and software are deferred when they meet specific criteria related to technical, market and financial feasibility; otherwise they are expensed when incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Accounting for income taxes

The Company uses the asset and liability method for accounting for income taxes. Under the asset and liability method, assets or liabilities are recognized for the future income tax consequences attributable to differences between the financial statement carrying values and their respective income tax basis (temporary differences).

Future income tax assets and liabilities are measured using income tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled.

The effect of changes in tax rates on future income tax assets and liabilities are included in income in the period of the enactment date. Future income tax assets are evaluated annually and if realization is not considered more likely than not, the value of the future tax asset is adjusted by a charge to income.

Earnings per share

The Company uses the treasury method to compute the dilutive effect of options.

Stock-based compensation plans

The Company has a stock option plan, which is described in Note 9. Compensation cost of options granted under the stock option plan are measured at the grant date based on a fair value of the award and are recognized over the related service period.

Cencotech Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

October 31, 2004 and 2003

4. INVENTORY

	2004	2003
	\$	\$
Raw materials and parts	298,786	329,828
Finished goods	447,271	573,343
	745,858	903,171
Less: Provision	315,170	154,186
	430,688	748,985

5. INTELLECTUAL ASSETS AND PROPERTY AND EQUIPMENT

	2004			2003
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
	\$	\$	\$	\$
Intellectual Assets				
Recognition technology				
Software	200,720	200,720	-	-
Hardware	12,004	11,660	344	488
Self-service technology	221,679	221,679	-	-
Software	12,935	12,935	-	-
Trademarks and patents	306,628	172,861	133,767	176,917
	753,966	619,855	134,111	177,405
Property and Equipment				
Office equipment	197,009	134,806	62,203	80,506
Showroom and lab equipment	43,055	43,055	-	-
Leasehold improvements	152,177	116,914	35,263	59,023
	392,241	294,775	97,466	139,529
	1,146,207	914,630	231,577	316,934

6. BANK INDEBTEDNESS

The Company's subsidiary had an operating line of credit up to \$500,000 which bore interest at prime plus 2%, due on demand and secured by a general security agreement against all assets. On September 30, 2003, the bank's loan and security were purchased by a short-term lender and the operating line of credit with the bank was retired. As at October 31, 2004, there is an overdraft of \$NIL (2003 – \$6,880).

Cencotech Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

October 31, 2004 and 2003

7. CONVERTIBLE DEBENTURE DUE WITHIN ONE YEAR

The convertible debenture in the principal amount of \$1,000,000 (2003 - \$1,000,000) is secured by a charge against the Company's assets. The debenture bears interest at 12% per annum payable monthly. The debenture was issued on December 28, 2001 and was repayable on July 31, 2004, if not previously converted into shares or redeemed under the terms of the debenture. The term may be extended upon mutual agreement of the parties. The Company has the right to call the debenture for redemption at any time on five days notice. The debenture does not restrict the Company's ability to incur additional debt security and ranks behind the security of any bank indebtedness.

On December 16, 2002, the Company reached agreement with the holder of the 2001 debenture to extend the maturity date to December 31, 2003 from the previous maturity date of December 31, 2002. In consideration, the conversion privilege on the debentures was amended such that the holder may convert the principal amount or any part thereof into common shares of Cencotech Inc. at \$0.33 per share on or before maturity. In addition, the Company paid a fee of \$25,000 to the holder and amended the strike price on the warrants to acquire 1,250,000 common shares of Cencotech Inc. issued in connection with the issuance of the debenture in 2001, to \$0.30 per common share.

On December 23, 2002, the warrants to acquire 1,250,000 common shares of the Company were exercised by the debenture holder. On December 28, 2003 the Company reached agreement with the holder of the debenture to extend the maturity date of the debenture to May 31, 2004 and paid a fee of \$25,000 to the holder in consideration thereof. Subsequently extended to July 31, 2004, the debenture remains outstanding. The Company is currently in negotiations to extend the debenture; until it does the debenture remains due upon demand.

8. FINANCIAL INSTRUMENTS

It is management's opinion that the Company is not exposed to significant interest rate or credit risk arising from its financial instruments. The Company is exposed to foreign exchange risk as accounts receivable at October 31 include U.S. \$18,222 (2003 - U.S. \$385,566). The fair value of the financial instruments with short-term maturities approximates their carrying value. The fair value of the convertible debentures is not determinable.

Cencotech Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

October 31, 2004 and 2003

9. SHARE CAPITAL

Authorized

Unlimited number of common shares

Unlimited number of preferred shares

Issued and outstanding

Issued common shares of the Company are as follows:

	Number of Shares	Stated Capital \$
Balance, October 31, 2002	14,568,332	4,720,800
Shares issued upon the exercise of options	1,250,000	375,000
Balance, October 31, 2004 and 2003	15,818,332	5,095,800

Common shares reserved for issuance

Common shares reserved for issuance are a result of: (i) grants of options under a share option plan established by the Company whereby officers, directors and selected employees can be granted options to purchase common shares of the Company; (ii) common shares reserved for issuance with respect to the outstanding convertible debentures (Note 7), and; (iii) warrants issued December 28, 2001 in connection with the issuance of a debenture on the same date.

There are a total of 490,000 common shares reserved for issuance (2003 – 3,710,303) as follows:

	Price \$	Number
2002		
Balance – Common shares reserved for issuance, October 31, 2002		5,110,000
2003		
Issued under the Company's share option plan during the year		
Forfeited	0.78	(200,000)
	0.50	(400,000)
\$1,000,000 Convertible debenture, due December 31, 2003 – conversion price adjustment	0.33	530,303
Maturity of \$100,000 Convertible debenture, April 1, 2003	1.25	(80,000)
Warrants to subscribe for common shares exercised during the year	0.30	<u>(1,250,000)</u>
Balance – Common shares reserved for issuance, October 31, 2003		<u>3,710,303</u>

Cencotech Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

October 31, 2004 and 2003

9. SHARE CAPITAL (Continued)

Balance – Common shares reserved for issuance, October 31, 2003		3,710,303
2004		
Issued under the Company's share option plan during the year		
Forfeited	0.50	(190,000)
Convertible debenture - conversion feature expired		<u>(3,030,303)</u>
Balance – Common shares reserved for issuance, October 31, 2004		490,000

Share option plan

The Company has established a share option plan under which Officers, Directors and selected Employees can be granted options to purchase common shares of the Company. The aggregate number of shares issuable under the plan and any previous plan cannot exceed 2,500,000 in total, and the number of shares issuable to any one person under any option plan cannot exceed 5% of the total number of common shares outstanding from time to time. Options granted vest evenly on an annual basis over a three-year period. The exercise price of the option is fixed at the date of grant and may not be less than the fair market value per share of the common stock on that date. Any unexercised options that expire or are forfeited, thirty days after an employee ceases to be employed by the Company, become available again for issuance under the plan. The shareholders approved the existing plan on May 1, 2000. Share option grants before that date were under a previous share option plan that continues with respect to grants made prior to May 1, 2000. The previous plan is similar in all material respects to the May 2000 plan except the grants under the previous plan immediately vested on the date of the grant.

A summary of the status of outstanding grants under the share option plans at October 31 is presented below:

	2004		2003	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at beginning of year	680,000	0.66	1,280,000	0.63
Granted	-	-	-	-
Exercised	-	-	-	-
Forfeited or Expired unexercised	190,000	0.50	600,000	0.59
Outstanding at end of year	490,000	0.73	680,000	0.66
Options exercisable at year-end	490,000	0.73	664,519	0.66

Cencotech Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

October 31, 2004 and 2003

9. SHARE CAPITAL (Continued)

Range of Exercise Price	Options Outstanding			Options Exercisable	
	Number Outstanding at October 31, 2004	Weighted-Average Remaining Contractual Life (Years)	Weighted-Average Exercise Price	Number Exercisable at October 31, 2004	Weighted-Average Exercise Price
\$			\$		\$
0.50 to 0.80	375,000	.77	0.55	375,000	0.55
1.30	115,000	.53	1.30	115,000	1.30
	490,000	.71	0.73	490,000	0.73

10. LOSS PER SHARE

Loss per share figures have been calculated using the weighted-average number of common shares outstanding during the respective fiscal years, which amounted to 15,818,332 (2003 – 15,636,825). Due to the loss from continuing operations, the exercise of the outstanding stock options and the conversion of convertible debentures would be anti-dilutive.

11. INCOME TAXES

The provision for income taxes reflects an effective tax rate that differs from the corporate tax rate for the following reasons:

	2004	2003
	\$	\$
Combined basic Canadian federal and provincial income tax rate	36.12%	36.62%
Recovery of income taxes based on above rate	(413,784)	(825,465)
Valuation allowances	413,784	825,465
Recovery of income taxes per Statement of Operations	-	-

The nature and tax effects of the temporary differences that give rise to the significant future income tax assets and future income tax liabilities are presented below:

	2004	2003
	\$	\$
Future income tax asset is comprised of:		
Losses carry forward	2,419,000	2,499,241
Capital assets	149,394	70,413
Future income tax asset	2,568,394	2,569,654
Valuation allowance	(2,568,394)	(2,569,654)
Net future income tax asset	-	-

Cencotech Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

October 31, 2004 and 2003

11. INCOME TAXES (Continued)

The Company has losses available for carry forward to reduce future years' income tax which expire as indicated below:

	<u>Provincial</u>	<u>Federal</u>
	\$	\$
2005	318,000	235,000
2006	124,000	124,000
2007	1,437,000	934,000
2008	2,050,000	1,046,000
2009	593,000	593,000
2010	2,075,000	2,075,000
2014	1,074,000	1,074,000
	<u>7,671,000</u>	<u>6,081,000</u>

The tax benefit of these losses has not been reflected in these financial statements.

The Company also has available investment tax credits of approximately \$260,000 to reduce future income taxes payable, expiring \$7,000 in 2006, \$79,000 in 2008, \$129,000 in 2009, and \$45,000 in 2010. Based upon the information outlined in Note 1, there is not presently reasonable assurance that the investment tax credits will be realized in whole or in part in future periods.

12. RELATED PARTY TRANSACTIONS

The following summarizes the Company's related party transactions:

- a) Rent and administration in the amount of \$42,000 were paid in the year ended October 31, 2004 (2003 - \$42,000) to a company that is partially owned by the President of the Company.
- b) Included in accounts payable and accrued liabilities are amounts due to directors of \$29,400 (2003 - \$19,300).
- c) In 2003, a company controlled by the President of Cencotech entered into a new loan agreement ("the Credit Facility") with the Company on the basis of the security purchased from the bank. The Credit Facility with the Company replaced the previous bank loan and temporary loan arrangements which have been retired. Interest at the rate of 15% per annum is calculated and compounded monthly. Under the terms of the Credit Facility all indebtedness was to have been paid by October 31, 2004. The Credit Facility is secured by the previous bank security being a general security agreement constituting first ranking security interest in all property of the Company's subsidiary and a postponement and assignment of claim signed by the Company.

Under the terms of the Credit Facility as amended, the Company has agreed to a facility fee of \$70,000 which is due on the date of repayment of all indebtedness under the facility.

The loan negotiations with the related party were undertaken by unrelated members of the parent Company's Board of Directors, expressly established as an ad hoc committee for the purpose of acquiring the necessary financing for the Company.

As at October 31, 2004, the indebtedness under the Credit Facility is \$1,370,232 (2003 - \$1,011,841). Accounts payable and accrued liabilities include interest payable under the Credit Facility of \$14,308 (2003 - \$13,168). Interest expense related to the Credit Facility during the year was \$168,391 (2003 - \$11,841).

Cencotech Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

October 31, 2004 and 2003

12. RELATED PARTY TRANSACTIONS (Continued)

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the parties.

13. COMMITMENTS

The Company has leased operating premises for the next five years at a rental charge as follows:

	\$
2005	66,882
2006	60,000
2007	60,000
2008	10,000
2009	-
	<u>196,882</u>

14. SEGMENTED INFORMATION

The Company sells and maintains emerging high technology systems to customers located in Canada, the United States, the United Kingdom and Australia. The Company's geographic revenue information by product group is as follows:

	Software ⁽ⁱ⁾		Self-Service Systems ⁽ⁱⁱ⁾		Peripheral ⁽ⁱⁱⁱ⁾		Total	
	2004	2003	2004	Restated 2003	2004	2003	2004	Restated 2003
		\$		\$		\$		\$
Domestic	140,080	186,504	-	-	-	1,138	140,080	187,642
U.S.	846,199	1,130,873	146,110	92,370	144,405	64,888	1,136,714	1,288,131
Other	-	13,965	-	-	-	-	-	13,965
Total	986,279	1,331,342	146,110	92,370	144,405	66,026	1,276,794	1,489,738

(i) **Software Sales** – Software sales include revenues from the sale of license agreements to use the Company's software products, upgrading existing license holders' systems, training and consulting client employees and from recurring revenues for maintenance and product support.

(ii) **Self-Service System Sales** – Self-service system sales includes actual sales of systems, license fees for the software employed in the systems and recurring product support maintenance fees.

(iii) **Peripheral Sales** – Peripheral resales record the sales of other vendors' products, to the Company's clients, concurrent with the implementation of a solution by the Company.

All of the Company's intellectual assets and property and equipment are located in Canada.

During the year ended October 31, 2004, three customers accounted for greater than 10% of the total sales representing, 18%, 13% and 11% respectively.

During the year ended October 31, 2003, three customers accounted for greater than 10% of the total sales representing, 35%, 22% and 12% respectively.

Cencotech Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

October 31, 2004 and 2003

15. RECONCILIATION OF RESULTS REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES ("GAAP") IN CANADA WITH UNITED STATES ("U.S.") GAAP

The Company's accounting policies do not differ materially from accounting principles generally accepted in the United States ("U.S. GAAP") except for the following:

Capital assets

Under accounting principles generally accepted in Canada ("Canadian GAAP"), development costs may be deferred and amortized to the extent that they meet certain criteria. Under U.S. GAAP, development costs must be expensed as incurred. In these financial statements costs capitalized under Canadian GAAP for recognition technology and self-service technology must be expensed under U.S. GAAP.

Federal Investment Tax Credits

Under Canadian GAAP, investment tax credits should be accrued for when the enterprise has made qualifying expenditures, provided there is reasonable assurance that the credits will be realized. Furthermore, investment tax credits should be accounted for using the cost reduction approach.

Under US GAAP, federal investment tax credits are also accrued when the enterprise has made qualifying expenditures, provided there is reasonable assurance that the credits will be realized. However under US GAAP, federal investment tax credits are accounted for as a reduction of income tax expense in the statement of operations.

Due to the information outlined in Note 1, there can be no reasonable assurance that the investment tax credits will be realized in whole or in part in future periods.

Had the consolidated financial statements been prepared in accordance with U.S. GAAP as noted above, the following changes would have been made:

	<u>2004</u>	Restated (Note 2) <u>2003</u>
	\$	\$
Loss before income taxes		
as reported under Canadian GAAP	(1,145,582)	(2,254,137)
Reduction of amortization of:		
Recognition technology	144	204
Self-service technology	-	1,064
Loss before income taxes under U.S. GAAP	(1,145,438)	(2,252,869)
Income taxes		
Current	-	-
	-	-
Net loss per U.S. GAAP	(1,145,438)	(2,252,869)

Cencotech Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

October 31, 2004 and 2003

15. RECONCILIATION OF RESULTS REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES ("GAAP") IN CANADA WITH UNITED STATES ("U.S.") GAAP (Continued)

	<u>2004</u>	Restated (Note 2) 2003
Loss per share		
Basic	(0.07)	(0.14)
Diluted	(0.07)	(0.14)
Weighted-average number of shares		
Basic	15,818,332	15,636,825
Diluted	15,818,332	15,636,825
Total assets per Canadian GAAP	751,389	1,586,694
Recognition technology capitalized	(344)	(488)
Total assets per U.S. GAAP	751,045	1,586,206
Total liabilities per Canadian GAAP	3,473,046	3,162,769
Total liabilities per U.S. GAAP	3,473,046	3,162,769
Share capital per Canadian GAAP	5,095,800	5,095,800
Shareholders' deficiency		
Deficit, end of the year per Canadian GAAP	(7,817,457)	(6,671,875)
Capitalization of recognition technology	(344)	(488)
Deficit, end of the year per U.S. GAAP	(7,817,801)	(6,672,363)
Total shareholders' equity per U.S. GAAP	(2,722,001)	(1,576,563)