Cencotech Inc.

MANAGEMENT DISCUSSION AND ANALYSIS FOR THE THREE MONTHS ENDED JANUARY 31, 2009

The following is a discussion and analysis of the results of operations and financial condition of the Company for the three months ended January 31, 2009 and 2008 along with certain factors that may affect the Company's prospective financial condition and results of operations.

The discussion and analysis contains forward-looking statements, which involve risks and uncertainties. Actual events could differ from those anticipated in these forward-looking statements.

Overview

The Company is an active participant in the development and production of currency inventory management and control systems for financial institutions, large retailers, casino and mass transit operators, and various government agencies.

The Company's strategic direction has been to enhance its position as a supplier of efficient solutions. Part and parcel of this strategy has been to invest in its existing business, continue to introduce new products, research opportunities in new industry sectors and complete strategic alliances to extend the technological and market reach of the Company. To achieve the objectives of these strategies it is critical that alliances reached with larger participants in the market are actively productive. While the Company achieved a profitable year in fiscal 2007, a loss was experienced for the year ended October 31, 2008, and the three months ended January 31, 2009. The alliances entered into by the Company have not yet reached a point where they are generating consistent sales. As a consequence, the Company continues to reevaluate its direction and is considering a number of options in order to realize upon the strategic value of its innovative solutions.

The Company's software products have demonstrated their value in use to the licensees of the products. The DOS based Currency Controller product has a history of solid performance in major North American financial institutions. The next generation of this product, a 32-bit, Java based iteration of the Currency Controller, trademarked by the Company as "CC-32™", continues to be adopted by users in the market as a replacement for the DOS version of the Currency Controller and as a replacement for competitor systems with fewer features. As this market has evolved over the years, the Company's competitors are offering a variety of supplementary systems in concert with currency management and control software. The open design nature of the CC-32 solution and its ability to interface to other systems employed by the user is a major selling point of this product. The features of the CC-32™ coupled with the apparent new direction of the Federal Reserve Bank in the United States to off-load some of its currency processing functions to the commercial banks, may be expected to lead to increased customer interest in this product.

The Company's Commercial Self Service products, specifically the CashNET product, are now being accepted by retail operators as efficient and safe currency counting and management devices. As outlined below, in early fiscal 2007 the Company entered into a new alliance with a larger participant in the United States market consistent with our strategy of extending the market reach for the Company's products.

On December 15th, 2006, the Company's wholly-owned subsidiary, NamSys Inc. ("NamSys"), completed an agreement to sell intellectual property rights and inventory related to the Commercial Self Serve products for $1,500,000 and certain other consideration as set out below. Under this agreement, NamSys continues to sell the self-service products to its clients and will in addition receive royalties from the purchaser on sales of these products to the marketplace by parties other than NamSys. Further, NamSys will benefit from software license fees for the use of NamSys' software employed in the self-service products.

While the Company has historically funded its activities through cash flow from operations, the issuance of debt and the sale of common shares and warrants or convertible debentures, there can be no assurance that new third party funds will be available on terms acceptable to the Company.

Quarterly Financial Data

The table below presents selected financial data of the Company for each of the eight fiscal quarters ended January 31, 2009:

Quarterly Financial Data (all gross)

	Fiscal quarter end							
	Jan. 31 2009	Oct. 31 2008	July 31 2008	April 30 2008	Jan. 31 2008	Oct. 31 2007	July 31 2007	April 30 2007
	(in thousands of dollars)							
Revenue	411	479	312	334	378	218	328	342
Gross profit	170	167	131	228	257	136	181	150
Net income (loss)	(2)	(40)	(115)	13	54	(59)	(66)	(122)
Net income (loss) per share:								
Basic	(0.00)	(0.00)	(0.01)	0.00	0.00	(0.00)	(0.00)	(0.01)
Diluted	0.00	(0.00)	(0.00)	0.00	0.00	(0.00)	(0.00)	(0.01)

Average quarterly revenues have increased from 2007, but are still below the levels experienced in 2005 and 2006. Part of the decrease in revenues is due to the transitioning of manufacturing of the Commercial Self Service products from Canada to the United States, concurrent with developing a new version of the "CashNET" system, resulting in delivery delays in obtaining product from the manufacturer. From the beginning of the 2007 fourth quarter through the second fiscal quarter of 2008, the Company had been unable to completely fulfill outstanding customer orders. The Company worked closely with the supplier to help resolve the manufacturing issues and believes that all issues have now been addressed and resolved. Customers used the third quarter of 2008 to test the new product version to ensure specifications and requirements are satisfied. With customer testing now successfully completed, the Company believes the proven value of the CashNET will be realized through fulfillment of customer demand in 2009.

The sales cycle for the Company's products tends to be protracted and the unit selling prices are relatively high. These factors together with a relatively low number of transactions can lead to revenue fluctuations quarter to quarter and year to year.

Results of Operations

Three months ended January 31, 2009 compared to Three months ended January 31, 2008

Revenue

	2009	2008	Change	Change %
	$	$	$	
Software	159,475	279,092	(119,617)	-42.9%
Self-service systems	249,751	86,700	163,051	188.1%
Peripheral resales	1,295	11,771	(10,476)	-89.0%
	410,521	377,563	32,958	8.7%

Revenues in the three months ended January 31, 2009 increased in comparison to the same period in the prior year. The Company's total sales for the three months ended January 31, 2009 were $410,521 as compared to $377,563 for the corresponding period in 2008, an increase of $32,958 or 8.7%. Revenue in the first quarter of 2009 was mostly from the sale of self-service systems whereas software comprised the majority of revenue in the year earlier quarter. As noted earlier, the sales cycle of the Company's products is quite long and unit selling prices are relatively high, leading to revenue fluctuations period to period.

Software Sales - The Company generates software revenue from the sale of license agreements to use its software products, upgrading existing license holder's systems, training, consulting and from recurring revenues for maintenance and product support. The majority of the Company's customers renew their product support agreements annually, in order to stay current with new features and developments.

Software revenue totaled $159,475 for the three months ended January 31, 2009, a decrease of $119,617 or 42.9% as compared to the corresponding three months the previous year. Currency Controller license revenue in the first quarter of 2009 was $29,040 compared to $173,250 in the first quarter of 2008. In the first quarter, 2009, software revenue represented 38.8% of the total revenue for the quarter as compared to 73.9% in 2008. In the first quarter of 2009, revenue related to upgrading existing systems of $5,700 represents an increase of $1,230 compared to $4,470 from the corresponding period in 2008. Consulting revenue in the first quarter of 2009 was $nil compared to $nil in the first quarter of 2008.

Recurring product support revenue for the three months ended January 31, 2009 totaled $124,735 compared to $92,822 for the corresponding three months the previous year, an increase of $31,913 or 34.4%. Recurring revenue represented 30.4% of total sales revenue in the three months ended January 31, 2009, as compared to 24.6% in the same three months of fiscal 2008.

Self-service System Sales - Self-service system sales included the sale of CashNET and Retail Express machines, and the Coin Acceptor accessory.

Sales of self-service products in the January 31, 2009 quarter at $249,751 were up from $86,700 in the same period of 2008, an increase of 188.1%. As mentioned above, the Company worked closely with the supplier to help resolve the manufacturing issues noted previously and believes that all issues have now been addressed and resolved.

Self-service product revenue in the first quarter of 2009 represented 60.8% of total revenue as compared to 23.0% in the 2008 period.

Peripheral Resales - Peripheral resales record the sale of other vendors' products, to the Company's clients, concurrent with the implementation of a solution by the Company. The peripherals are not integral parts of the Company's systems, but may be required to operate such systems. If the client does not already own such peripherals, the Company acts as a reseller of such products. Peripheral products include computer processing units, optical imaging scanners and upgraded telecommunications circuit boards. The sale of peripherals during the three months ended January 31, 2009 was $1,295 as compared to $11,771 in the comparable period of fiscal 2008, a decrease of $10,476 or 89.0%; consistent with the reduced sales results of the Company's products since the beginning of the 2007 fourth quarter, as noted earlier.

Cost of Goods Sold

Three months ended January 31, 2009 compared to Three months ended January 31, 2008

Cost of goods sold for the three months ended January 31, 2009 was $240,736 compared to $120,672 in the corresponding period in 2008. The corresponding gross margins were 41.4% in 2009 and 68.0% in 2008. The total gross margin is affected by the sales mix of the three product groups which have different gross margins.

Software margin for the three months ended January 31, 2009 was 76.4% as compared to 79.3% in the three months ended January 31, 2008.

The self-service systems gross margin in the January 31, 2009 quarter was 18.7% as compared to 36.6% in the same period of 2008. The difference in achieved margin period-to-period is the result of different products sold and the respective margins on these products.

The margin achieved on peripheral sales in the first quarter of 2009 was $1,253 or 96.8% as compared to $3,812 or 32.4% in the 2008 same period.

Gross Profit

Three months ended January 31, 2009 compared to Three months ended January 31, 2008

The sales mix between software, self-service systems and peripherals can dramatically impact the Company's Gross Profit in any given reporting period. Gross Profit can also be affected by changes in the exchange rate between Canadian and U.S. dollars. As a result of the sales mix, the overall Gross Profit achieved in the first quarter of fiscal 2009 was $169,785 or 41.4%, compared to Gross Profit for the corresponding period in 2008 of $256,891 or 68.0%, a decrease in Gross Margin percentage of 26.7 percentage points. The principal reason for the decline in the Gross Profit from first quarter 2008 to 2009 is the sales mix of products period compared to period as set out above.

Selling Expense

Three months ended January 31, 2009 compared to Three months ended January 31, 2008

Selling expenses are comprised of direct selling and marketing expenses and the salaries of employees whose principal function is sales and marketing. Selling expenses for the three months ended January 31, 2009 were lower than the same period last year. Selling expenses for the first quarter of 2009 totaled $52,624, a decrease of $8,892 or 14.5% from $61,516 in the corresponding period of 2008. Selling expense was 12.8% of revenue in the first quarter of 2009 as compared to 16.3% in the 2008 same quarter, recognizing that revenues in the 2009 period were up $32,958 or 8.7% from the 2008 first quarter.

General and Administrative Expenses

Three months ended January 31, 2009 compared to Three months ended January 31, 2008

General and administrative ("G&A") expense consists primarily of salaries, benefits and overhead expenses including those related to the software programming staff, corporate maintenance charges, occupancy, professional fees and travel.

G&A expense totaled $89,569 in the three months ended January 31, 2009 as compared to $93,771 in 2008, a decrease of $4,202 or 4.5%.

Due to the decrease in G&A expenses and higher level of sales in the first three months of fiscal 2009 versus 2008, the G&A expense ratio as compared to revenue was 21.8% in the first quarter of 2009 as compared to 24.8% in the 2008 first quarter.

Amortization

Amortization for the three months ended January 31, 2009 of $1,014 decreased by $3,495 or 77.5% from $4,509 in the same period of 2008. The decrease in amortization in the 2009 quarter, and consistent with prior quarters, is a result of the Company incurring little or no expenditures for intellectual assets and property and equipment over the last several years.

Interest Expense on Convertible Debentures and Secured Debt

The principal amount of the convertible debenture outstanding at January 31, 2009 and 2008 was $1,000,000. In the three months ended January 31, 2009 the convertible debenture interest was $30,247. As a result of calendar 2008 being a leap year, with an extra day in February, this is a slight increase from $30,164 in the comparable period in 2008.

The Company's secured debt is currently $334,165 (October 31, 2008 - $326,604) and bears interest at 10% per annum, reduced from 15% effective December 15, 2006. Interest expense on the secured debt in the January 31, 2009 quarter was $7,562 (2008 - $5,041).

Provision for Income Taxes

The basic rate of 33.08% was applied to pre-tax income in 2009 (2008 – 33.94%). However, the resulting provision for income taxes recoverable was completely offset by the valuation allowance.

The Company and its subsidiary have losses from prior periods available for carry forward to reduce future years' income for tax purposes. These losses will expire between 2009 and 2028 if not used.

The Company's wholly-owned subsidiary also has available investment tax credits (ITCs) of approximately $253,000 to reduce future income taxes payable, expiring $73,000 in 2008, $129,000 in 2009, and $51,000 in 2010. However, on January 21, 2008, the Federal Finance Minister announced that the government intends to extend the carryforward period for unused federal ITCs earned by Canadian businesses between 1998 and 2005 to 20 years from the current 10. Credits earned after 2005 are already eligible for the 20-year carryforward. If enacted, this would extend the carryforward period of the Company's ITCs to between 2018 and 2020.

Reasonable assurance does not exist that the tax benefit of losses and ITCs will be realized in whole or in part in future periods and accordingly a future tax asset has not been reflected in the financial statements.

Related Party Transactions and Contingent Debt

The following summarizes the Company's related party transactions:

a) Rent and administration expenses in the amount of $7,875 were incurred in the three months ended January 31, 2009 (2008 - $7,925) from a company that is partially owned by the President of the Company.

b) Included in accounts payable and accrued liabilities at January 31, 2009, are amounts due to directors of $67,000 (October 31, 2008 – $67,000) and to a company that is partially owned by the President of the Company $39,675 (October 31, 2008 – $36,800).

c) In 2003, a company controlled by the President of Cencotech ("the Secured Lender") entered into a new loan agreement ("the Credit Facility") with the Company's subsidiary on the basis of security purchased from the Company's bank. The Credit Facility with NamSys Inc. ("NamSys") replaced the previous bank loan and temporary loan arrangements which were retired. Interest at the rate of 15% per annum was calculated and compounded monthly until December 15, 2006 at which time the intellectual property rights and inventory related to the Commercial Self Serve products were sold and the Credit Facility paid down. The Credit Facility was renegotiated at that time, including a reduction in the credit availability to a maximum of $200,000 and the interest rate was reduced to 10% per annum payable monthly. The Credit Facility is secured by 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.

   Upon closing the sale of the intellectual property rights and inventory related to the Commercial Self Serve products in December, 2006, the $900,000 promissory note issued by the buyer as part consideration for the sale was assigned by NamSys to the Secured Lender as partial payment of the secured debt. In the event the buyer defaults in payment under the promissory note, the Secured Lender has the right to re-assign the promissory note to NamSys and the indebtedness then owing by NamSys to the Secured Lender shall be increased by the amount equal to the principal which remains unpaid under the promissory note at the time of default (the "Contingent Debt").

On February 22, 2008, concurrent with an extension agreement with the holder of the debenture of the Company, the Secured Lender agreed with effect from October 1, 2007, to extend the maturity date of the Credit Facility to September 30, 2008 and to increase the maximum principal amount of the facility to $250,000. Subsequently, the maximum principal amount of the facility was increased to $300,000. The changes to the Credit Facility did not involve additional consideration.

On October 22, 2008, concurrent with an extension agreement with the holder of the debenture of the Company, the Secured Lender agreed with effect from October 1, 2008, to extend the maturity date of the Credit Facility to September 30, 2009, for no additional consideration.

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 January 31, 2009, the indebtedness under the Credit Facility is $334,165 including $34,165 in interest payable (2008 – $326,604 and $26,604 respectively). Interest expense related to the Credit Facility during the period was $7,562 (2008 – $5,041).

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

Net Income and Income Per Share

As a result of the factors discussed above, the loss for the three months ended January 31, 2009 was $2,195 as compared to an income of $54,082 in the three months ended January 31, 2008.

Three months ended January 31,

	2009	2008
	$	$
Net income (loss)	(2,195)	54,082
Income (loss) per share:		
Basic	(0.00)	0.00
Diluted	(0.00)	0.00

For the three months ended January 31, 2009, the weighted average number of shares outstanding used to calculate basic income per share was 22,036,332 (2008 – 22,036,332).

In determining diluted income per share, the weighted average number of shares outstanding was increased by 10,000,000 (2008 – 8,000,000) for the effect of dilutive potential common shares issuable under conversion of the convertible debenture. Net income was increased by $20,240 (2008 – $19,927) for the after-tax impact of eliminating interest if the debenture was converted.

Liquidity and Capital Resources

General

The Company has historically funded its activities through cash flow from operations, the issuance of debt and the sale of common shares and warrants or convertible debentures. During the most recent five year period ended October 31, 2008, the Company funded all capital expenditures, operations and debt reduction from a combination of cash flow from operations, the sale of common shares and warrants and the issuance of new debt and debentures convertible into common shares of the Company.

In December 2006 the Company's subsidiary sold intellectual property rights and inventory related to the Commercial Self Serve products for $1,500,000.

Notwithstanding Management's strong belief that the trends in the marketplace with respect to the Company's products are positive and improving, there can be no assurance that third party funding will be available in the future on terms acceptable to the Company.

Cash Flow from Operations

The Company had working capital of $80,946 at January 31, 2009 compared to negative working capital of $193,902 at October 31, 2008. Excluded from the January 31, 2009, working capital calculations are: prepaid expenses of $20,481 (October 31, 2008 – $20,481), deferred revenue of $334,796 (October 31, 2008 – $65,778), secured debt of $334,165 (October 31, 2008 – $326,604), convertible debenture of $1,000,000 (October 31, 2008 – $1,000,000), and the current portion of the contingent receivable and related debt associated with the assignment of the Note Receivable resulting from the sale of the intellectual property rights and inventory related to the Commercial Self Serve products of $140,777 (October 31, 2008 – $319,303).

For the three months ended January 31, 2009, the Company had cash flow from operations of $64,486 as compared to cash flow from operations of ($109,399) in the three months ended January 31, 2008. The change in cash flow from operations is primarily the result of an increase in deferred revenue in the first quarter of 2009.

BALANCE SHEET

Inventory

The inventory, until the first quarter of 2007, consisted of electronic, electrical and mechanical components used in the assembly of the self service product lines and items for resale such as computer processing units, optical imaging scanners and upgraded telecommunications circuit boards. The component parts include printers, mag card readers, touch screen units, vaults, bill counts, and various fasteners and custom designed components of the self-service products. Some pieces are interchangeable among the various products. The finished goods inventory has included completed self-service products and peripheral items for resale to complement the self-service products.

Given the transaction which NamSys closed on December 15th, 2006, as set out above, the only inventory remaining on the Company's Balance Sheet at January 31, 2009 is parts service inventory with a carry value of $3,314 as compared to parts service inventory at October 31, 2008 of $3,364.

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 – Hardware	30% declining balance
Trademarks and patents	20% straight-line
Office equipment	20% declining balance
Showroom equipment	3 years straight-line

Leasehold improvements are amortized straight-line over the term of the lease.

Intellectual assets and property and equipment are reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recovered. If the sum of the undiscounted future cash flows expected from use and residual value is less than the carrying amount, the long-lived asset is considered impaired. An impairment loss is measured as the amount by which the carrying value of the long-lived asset exceeds its fair value.

Financing Agreements

At January 31, 2009, the Company's subsidiary has a $334,165 (October 31, 2008 – $326,604) secured debt arrangement with a related party. The maturity date on the subsidiary's secured loan has been extended to September 30, 2009, and the maximum available amount of the facility increased to $300,000 from $200,000. The carrying value of the secured debt at January 31, 2009 approximates its fair value.

As at January 31, 2009, the Company had a $1,000,000 convertible debenture outstanding. The maturity date on the convertible debenture has been extended to September 30, 2009. The carrying value of the convertible debenture at January 31, 2009 approximates its fair value. The $1,000,000 debenture is secured by a charge against the Company's assets and does not restrict the Company's ability to incur additional debt. The debenture security ranks behind the security of the secured debt of the Company's subsidiary.

Contractual Obligations

A summary of the Company's contractual obligations at January 31, 2009:

	Total	Less than 1 year	1 to 3 years
	$	$	$
Accounts payable and accrued liabilities	476,296	476,296	-
Convertible debenture	1,000,000	1,000,000	-
Secured debt	334,165	334,165	-
Contingent debt	300,998	140,777	160,221
Premises lease	115,000	60,000	55,000
	2,226,459	2,011,238	215,221

Capital Expenditures

The Company's primary capital expenditure activities in the past involved the acquisition of deferred development of technology, property and equipment purchases and capital investments into intellectual property. During the first quarter of 2009, capital expenditures were $551 as compared to $nil in 2008.

Contingent Liability

On December 15, 2006, the Company's wholly-owned subsidiary, NamSys Inc., completed an Asset Purchase Agreement to sell intellectual property rights and inventory related to the Commercial Self Serve products for a purchase price of $1,500,000, comprised of $600,000 cash and a $900,000 promissory note bearing interest at 7% per annum payable monthly by 36 equal installments of $27,789 blending interest and principal. These payments are current as of January 31, 2009. By agreement between the noteholder and the obligee, January 22, 2009, the terms of the note have been modified such that the amortization of the note has been extended to November 30, 2010. To assure the buyer fulfils its commitments and obligations pursuant to the Asset Purchase Agreement, the intellectual property that was sold under this Agreement has been assigned to an escrow agent until the buyer fulfils its commitments and obligations.

In December 2006, upon closing the sale of the intellectual property rights and inventory related to the Commercial Self Serve products, the $900,000 promissory note was assigned by NamSys to the Secured Lender as partial payment of the secured debt. In the event the buyer defaults in payment under the promissory note, the Secured Lender has the right to re-assign the promissory note to NamSys Inc. and the indebtedness then owing by NamSys to the Secured Lender shall be increased by the amount equal to the principal which remains unpaid under the promissory note at the time of default (the "Contingent Debt"). NamSys in turn would, in this event, be entitled to have the intellectual property held in escrow reassigned (the "Assigned Promissory Note").

New Accounting Policies

Going concern

Effective November 1, 2008, the Company adopted the amended recommendations of CICA Handbook Section 1400, General Standards of Financial Statement Presentation. This section has been amended for new requirements relating to the assessment of an entity's ability to continue as a going concern. Beyond additional disclosure, the adoption of the amendments did not have an effect on the Company's financial position or results of operations.

Recent Accounting Pronouncements

International Financial Reporting Standards

The CICA plans to converge Canadian GAAP for public companies with International Financial Reporting Standards (IFRS) over a transition period that is expected to end in 2011. The impact of the transition to IFRS on the Company's consolidated financial statements has not yet been determined.

Additional Information

Additional information relating to the Company including the interim and annual financial statements are available on SEDAR at www.sedar.com.

Outstanding Share Data

Summary of securities issued and outstanding as at January 31, 2009

Class	Authorized	Issued and Outstanding
Common	Unlimited	22,036,332

No common shares are reserved for issuance with respect to Options granted under the Company's stock option plan as at January 31, 2009.

Common shares reserved for issuance with respect to the outstanding convertible debentures as at January 31, 2009:	10,000,000

Currently, no options are outstanding under the Company's share option plan.

Disclosure Controls and Procedures and Internal Control over Financial Reporting

The Company's Chief Executive Officer and Chief Financial Officer are responsible for establishing and maintaining the Company's disclosure controls and procedures and internal control over financial reporting for the issuer. They are assisted in this responsibility by the Management team. The Chief Executive Officer and Chief Financial Officer, after evaluating the effectiveness of the Company's disclosure controls and procedures and the design of internal controls at January 31, 2009, have concluded that the Company's disclosure controls and procedures are adequate and effective to ensure that material information relating to the Company and its subsidiary would have been known to them. Through the evaluation of the design of its internal controls the Company has identified certain internal control weaknesses in the financial reporting process, specifically a lack of segregation of duties in the accounting process. This situation is common to many small companies. While this deficiency in segregation of duties could lead to a material misstatement in the financial statements, no such misstatement has occurred. Management believes it has remedied this control weakness by enhancing the review of the accounting process.

As the Company has a limited number of personnel, management has concluded that a weakness exists in the design of internal controls over financial reporting caused by a lack of adequate segregation of duties. This weakness has the potential to result in material misstatements in the Company's financial statements and should also be considered a weakness in its disclosure controls and procedures. Management has concluded that taking into account the present stage of the Company's development and the best interests of its shareholders, the Company does not have sufficient size and scale to warrant the hiring of additional personnel to correct this weakness at this time. To help mitigate the impact of this weakness and to ensure quality financial reporting, there are supervisory controls exercised by management and audit committee oversight, and interim financial statements are reviewed by the Company's board.

Critical Accounting Estimates

The preparation of the consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The estimates are made in the context of the assumption that the Company will continue as a going concern.

Significant areas requiring the use of estimates relate to:

Collectibility of accounts receivable – Management estimates the collectibility of each account receivable and based on that estimation an estimate of an allowance for doubtful accounts is established. The recording of such an allowance will have a corresponding increase in expenses and a reduction in net income for the period;

Valuation of inventory - Inventory is valued at the lower of cost and realizable value. Management reviews the inventory regularly and if in the estimation of Management the net realizable value of the inventory is less than cost, a provision is recorded to reduce the carrying value of the inventory and a corresponding expense is recognized thereby reducing the net income for the period; and

Carrying value of intellectual assets and property and equipment – Management establishes the rate of amortization for intellectual assets and property and equipment. Management assesses the carrying value of these assets based on the estimated revenue the products they relate to will generate or service potential. This estimation may result in the reduction of the carrying value of these assets and a corresponding increase in expenses and a reduction of net income for the period.

Measurement of debt and assigned promissory note - The carrying value of the convertible debenture and secured debt approximates the fair value due to the relatively short-term maturity of these financial instruments. The fair values of the assigned promissory note and contingent debt are approximately $290,000, calculated using a 14% discount rate, which is the rate originally used for valuation purposes. It would be equally reasonable to use a discount rate of 12% or 16%. The resulting fair values do not vary significantly using these alternative assumptions given the relatively short-term nature of these instruments. Fair value represents the amount that would be exchanged in an arm's length transaction between willing parties and is best evidenced by a quoted market price, if one exists.

Investor Relations

Personnel employed directly by the Company handle all investor relations. The duties include news releases, investor communications and general day to day operations of this department.

Legal Proceedings

There are no outstanding legal proceedings.

Environmental Issues

Given the nature of the Company's business, there are no material environmental issues.

Risk Factors

Seasonality and Inflation

Although the Company's sale cycle is quite lengthy, sales of the Company's products are generally not seasonal. Inflation, in recent years, has not adversely affected the Company's results of operations and unless inflation increases substantially is not expected to adversely affect the Company in the future.

Market Risks

Market risks represent the risk of loss that may impact the consolidated financial statements of the Company due to adverse changes in financial market prices and rates. The Company's market risk is primarily the result of fluctuations in interest rates and in foreign currency values, particularly the United States dollar. Management monitors the movement in interest rates and currency exchange rates and, on that basis, decides on the appropriate measures to take. Interest rates and exchange rates at the present time are such that no measures are being taken at this time.

The Company does not hold or issue financial instruments for trading purposes.

Market Condition Risks

The Company's products are sold to large participants in the currency management marketplace including banks, currency providers and in turn their large retail clients. While all of these participants are interested in improving their efficiency in managing and handling cash and coin, the reality is the present economic downturn may well cause them to restrict capital budgets required to bring this efficiency to their operations. Further, the merger and acquisition activity in the financial services sector at the present time creates both an opportunity and risk for suppliers to the industry. When two banks merge, the continuing entity usually selects one technology provider for a given function. Our experience in the past would suggest that the provider with the largest installed base in the combined entity will replace the provider with the smaller installed base, predicated upon a smaller cost of conversion rather than ultimate efficiency of one service versus another. The good news, however, is that currency management and handling systems are absolutely required by the surviving entity.

While large retailers may not be prepared to make capital acquisitions of sophisticated cash and coin handling systems, the major currency providers and carriers have for the last few years been transitioning their business to the provision of a complete turnkey service as opposed to merely transporting currency and coin to and from retail establishments. Our technology for this market is leading edge and has been adopted by the largest of these currency transport and providers.

The Company has a going concern issue as set out in Note 2 of the financial statements. Management notes, however, that all of the development expenses for the Company's products over the past years have been expensed. This created a sizeable deficit that has been largely financed by the convertible debenture and secured debt as set out in Notes 6 and 13 to the financial statements. These debt instruments are in turn owned by the two largest shareholders of the Company who cumulatively own approximately 50% of the issued common shares of the Company. Further, the Deferred Revenue of $334,000 on the Balance Sheet represents prepaid maintenance fees, which are earned by the Company over the next fiscal year. Management is comfortable that it can manage its finances within this structure based upon its Business Plan for the year, which if successfully achieved, notwithstanding the current risks in the marketplace, should result in markedly better financial ratios within the next twelve months.

Financing Risk

There is risk associated with the Company's ability to secure additional or replacement financing for debt instruments presently outstanding.

Dependence on Management

The Company's success is dependent on its founders, directors and management team. The loss of the services of key personnel could make it more difficult to successfully operate the Company's business and pursue its business goals.

Competition Risk

The Company's business is in a competitive market and it competes with companies that have greater resources, experience and market stature.

Product Performance and Availability Risk

The Company's products are tested extensively and must meet certain quality assurance tests prior to delivery to customers. However, many of the products sold to the market utilize subassemblies produced by other manufacturers. The Company's sole supplier of the patented self service products relies upon the quality assurance processes and representations of the subassembly suppliers. Product failures or lack of availability can result in a number of risks to the business including: market reputational risks and warranty/cost of goods expense risks.

Market for Securities

The common shares of the Company are listed and posted for trading on the TSX Venture Exchange under the trading symbol "CTZ".

Toronto, Ontario
March 25, 2009