

Cencotech Inc.

Interim Consolidated Financial Statements
April 30, 2009 and 2008
(Unaudited)

Notice of No Auditor Review of Interim Financial Statements

Under National Instrument 51-502 "Continuous Disclosure Obligations", Subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by the auditor.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor, Smith, Nixon & Co. LLP, has not performed a review of these financial statements in accordance with the standards established by the Institute of Chartered Accountants for a review of interim financial statements by the company's auditor.

Cencotech Inc.,
June 29, 2009

Cencotech Inc.

CONSOLIDATED BALANCE SHEETS (unaudited)

	April 30, 2009	October 31, 2008
	\$	\$
ASSETS		
CURRENT ASSETS		
Cash	55,544	13,654
Accounts receivable	127,931	354,467
Parts inventory	2,482	3,364
Assigned promissory note, short term (Note 11)	159,002	319,303
Prepaid expenses	8,106	20,481
	<u>353,065</u>	<u>711,269</u>
ASSIGNED PROMISSORY NOTE (Note 11)	110,869	27,628
INTELLECTUAL ASSETS AND PROPERTY AND EQUIPMENT (Note 5)	24,147	22,363
	<u>488,081</u>	<u>761,260</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities (Note 13)	308,792	565,387
Deferred revenue	242,125	65,778
Convertible debenture (Note 6)	1,000,000	1,000,000
Secured debt (Note 13)	341,480	326,604
Contingent debt, short term (Notes 11 and 13)	159,002	319,303
	<u>2,051,399</u>	<u>2,277,072</u>
CONTINGENT DEBT (Notes 11 and 13)	110,869	27,628
	<u>2,162,268</u>	<u>2,304,700</u>
SHAREHOLDERS' DEFICIT		
Share capital (Note 8)	5,368,752	5,368,752
Deficit	(7,042,939)	(6,912,192)
	<u>(1,674,187)</u>	<u>(1,543,440)</u>
	488,081	761,260
Commitments and Contingencies (Notes 12 and 13)		

Approved on behalf of the Board:

K. Barry Sparks (signed), Director

Derek H.L. Buntain (signed), Director

Cencotech Inc.

CONSOLIDATED STATEMENTS OF INCOME AND DEFICIT (unaudited)

For the six months ended April 30,	2009	2008
	\$	\$
REVENUE	565,599	712,045
COST OF SALES	284,081	226,893
GROSS PROFIT	281,518	485,152
EXPENSES		
Selling	127,036	145,616
General and administration (Note 13)	214,985	200,569
Loss (gain) on foreign exchange	(7,281)	(3,193)
Amortization	3,141	5,344
Interest on convertible debenture	59,507	59,672
Interest on secured debt (Note 13)	14,877	10,902
	412,265	418,910
INCOME (LOSS) BEFORE INCOME TAXES	(130,747)	66,242
INCOME TAXES		
Future (Note 10)	-	-
NET INCOME (LOSS)	(130,747)	66,242
DEFICIT, beginning of period	(6,912,192)	(6,823,080)
DEFICIT, end of period	(7,042,939)	(6,756,838)
INCOME (LOSS) PER SHARE (Note 9)		
Basic	(0.01)	0.00
Diluted	(0.00)	0.00

Cencotech Inc.

CONSOLIDATED STATEMENTS OF INCOME AND DEFICIT (unaudited)

For the three months ended April 30,	2009	2008
	\$	\$
REVENUE	155,078	334,483
COST OF SALES	43,345	106,220
GROSS PROFIT	111,733	228,263
EXPENSES		
Selling	74,411	84,100
General and administration (Note 13)	125,417	106,800
Loss (gain) on foreign exchange	1,755	(11,000)
Amortization	2,127	835
Interest on convertible debenture	29,260	29,508
Interest on secured debt (Note 13)	7,315	5,860
	240,285	216,103
INCOME (LOSS) BEFORE INCOME TAXES	(128,552)	12,160
INCOME TAXES		
Future (Note 10)	-	-
NET INCOME (LOSS)	(128,552)	12,160
DEFICIT, beginning of period	(6,914,387)	(6,768,998)
DEFICIT, end of period	(7,042,939)	(6,756,838)
INCOME (LOSS) PER SHARE (Note 9)		
Basic	(0.01)	0.00
Diluted	(0.00)	0.00

Cencotech Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

For the six months ended April 30,	2009	2008
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	(130,747)	66,242
Non-cash items:		
Amortization	3,141	5,344
Accrued interest on secured debt	14,877	10,902
	<u>(112,729)</u>	<u>82,488</u>
Changes in:		
Accounts receivable	226,536	(267,144)
Parts inventory	882	(4,680)
Prepaid expenses	12,375	(12,375)
Accounts payable and accrued liabilities	(256,595)	(27,421)
Deferred revenue	176,347	52,566
	<u>46,816</u>	<u>(176,566)</u>
INVESTING ACTIVITIES		
Transfer of showroom asset to inventory for sale, net	-	6,428
Purchase of intellectual assets and property and equipment	(4,926)	-
	<u>(4,926)</u>	<u>6,428</u>
FINANCING ACTIVITIES		
Increase in secured debt (Note 13)	-	105,579
Repayment of secured debt (Note 13)	-	(15,082)
	<u>-</u>	<u>90,497</u>
NET INCREASE (DECREASE) IN CASH DURING THE PERIOD	41,890	(79,641)
CASH, beginning of period	13,654	117,798
CASH, end of period	55,544	38,157
Supplemental cash flow information:		
Interest paid	49,616	65,301

Cencotech Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

For the three months ended April 30,	2009	2008
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	(128,552)	12,160
Non-cash items:		
Amortization	2,127	835
Accrued interest on secured debt	7,315	5,860
	<u>(119,110)</u>	<u>18,855</u>
Changes in:		
Accounts receivable	348,408	(33,169)
Parts inventory	832	(4,341)
Prepaid expenses	12,375	(10,970)
Accounts payable and accrued liabilities	(167,504)	(99,408)
Deferred revenue	(92,671)	61,866
	<u>(17,670)</u>	<u>(67,167)</u>
INVESTING ACTIVITIES		
Transfer of showroom asset to inventory for sale, net	-	6,428
Purchase of intellectual assets and property and equipment	(4,375)	-
	<u>(4,375)</u>	<u>6,428</u>
FINANCING ACTIVITIES		
Increase in secured debt (Note 13)	-	105,579
Repayment of secured debt (Note 13)	-	(15,082)
	-	<u>90,497</u>
NET INCREASE (DECREASE) IN CASH DURING THE PERIOD	(22,045)	29,758
CASH, beginning of period	77,589	8,399
CASH, end of period	55,544	38,157
Supplemental cash flow information:		
Interest paid	39,452	38,157

Cencotech Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Six months ended April 30, 2009 and 2008

1. NATURE OF OPERATIONS

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.

2. GOING CONCERN ASSUMPTION

These consolidated financial statements have been prepared on the assumption that the Company is a going concern, meaning that it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the normal course of operations. For the six months ended April 30, 2009, the Company incurred a loss from operations of \$130,747 (2008 – income of \$66,242). As at April 30, 2009, the Company had a deficit of \$7,042,939 (October 31, 2008 – \$6,912,192) and its current liabilities exceeded its current assets by \$1,698,334 (October 31, 2008 – \$1,565,803). Continuance of the Company as a going concern is dependent upon achieving profitable operations and the continued financial support of its debt holders, who in turn are its largest shareholders. While these consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, historical performance and the current global economic turbulence and liquidity crisis cast substantial doubt upon the validity of this assumption. If the going concern assumption was not appropriate for these consolidated financial statements, then adjustments would be necessary in the carrying values of assets and liabilities, the reported net loss and the balance sheet classifications used. In the opinion of management, all adjustments considered necessary for fair presentation of the Company's financial position, results of operations and cash flows have been included. Operating results for the periods presented are not necessarily indicative of the results to be expected for any future periods.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These interim financial statements are prepared in accordance with Section 1751 of the Canadian Institute of Chartered Accountants Handbook ("CICA Handbook"). Not all disclosures required by generally accepted accounting principles for annual financial statements are presented herein, and accordingly, these statements should be read in conjunction with the audited financial statements of October 31, 2008 to which the reader is assumed to have access.

These interim financial statements follow the same accounting policies and methods of application as the October 31, 2008 financial statements.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

New accounting policies

a) 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. The new disclosures are included in Note 2.

Financial instruments

All financial instruments are classified into one of the following five categories: held-for-trading ("HFT") assets or liabilities, held-to-maturity ("HTM") investments, loans and receivables, available-for-sale ("AFS") financial assets or other financial liabilities. HFT financial instruments are measured at fair value and all gains and losses are included in net income in the period in which they arise. AFS financial instruments are measured at fair value with revaluation gains and losses included in accumulated other comprehensive income until the instruments are derecognized or impaired. Loans and receivables, HTM investments and other financial liabilities are measured at amortized cost using the effective interest method.

The Company has made the following classifications:

Cash	Held-for-trading
Accounts receivable	Loans and receivables
Assigned promissory note	Loans and receivables
Accounts payable and accrued liabilities	Other liabilities
Convertible debenture	Other liabilities
Secured debt	Other liabilities
Contingent debt	Other liabilities

Transaction costs are expensed as incurred for financial instruments classified as HFT. For other financial instruments, transaction costs are capitalized on initial recognition.

The company accounts for regular purchases and sales of financial assets using trade-date accounting.

Revenue recognition and deferred revenue

Software License fees are recognized when: the products and services to be provided are contained in a contractual agreement signed by the customer; delivery of the software has occurred; all significant vendor obligations have been completed; 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.

Systems maintenance fees relate to a defined period of time and are paid in advance. Deferred revenue is comprised of systems maintenance fees for which services have not yet been provided and customer deposits on purchase orders where the product is yet to be delivered. Revenue is recognized on a straight line basis over the term of the maintenance contract. Associated costs are recognized as incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 current year-end rates of exchange and non-monetary assets and liabilities at historical exchange rates. Revenues and expenses are translated at average rates in the month they occurred except for amortization, which is translated using the same rates as the related assets. Translation gains and losses are recorded in the statement of income.

Parts inventory

Parts inventory is stated at the lower of cost or net realizable value. Cost is determined on a first-in, first-out basis. Inventory is reviewed on an ongoing basis for impairment of its value. When events and circumstances indicate that the carrying amounts may not be recoverable, a write-down to estimated net realizable value is charged to income in the period such that a determination is made and disclosed as a provision until such time as the inventory is disposed of or sold.

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.

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. Significant estimates include allowance for doubtful accounts, useful lives of intellectual assets and property and equipment. 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 bases (temporary differences).

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

Cencotech Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Six months ended April 30, 2009 and 2008

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 and the "if converted" method for convertible debt.

Stock-based compensation plans

The Company has a stock option plan, which is described in Note 8. 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. Currently, no options are outstanding.

4. 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.

5. INTELLECTUAL ASSETS AND PROPERTY AND EQUIPMENT

	April 30, 2009		
	Cost	Accumulated Amortization	Net Book Value
	\$	\$	\$
Intellectual Assets			
Recognition technology - Hardware	12,004	12,004	-
Trademarks and patents	100	-	100
	12,104	12,004	100
Property and Equipment			
Office equipment	161,683	142,052	19,631
Showroom equipment	9,155	4,739	4,416
Leasehold improvements	182,920	182,920	-
	353,758	329,711	24,047
	365,862	341,715	24,147

Cencotech Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Six months ended April 30, 2009 and 2008

5. INTELLECTUAL ASSETS AND PROPERTY AND EQUIPMENT (continued)

	October 31, 2008		
	Cost	Accumulated Amortization	Net Book Value
	\$	\$	\$
Intellectual Assets			
Recognition technology - Hardware	12,004	12,004	-
Trademarks and patents	100	-	100
	<u>12,104</u>	<u>12,004</u>	<u>100</u>
Property and Equipment			
Office equipment	159,873	139,910	19,963
Showroom equipment	6,039	3,739	2,300
Leasehold improvements	182,920	182,920	-
	<u>348,832</u>	<u>326,569</u>	<u>22,263</u>
	<u>360,936</u>	<u>338,573</u>	<u>22,363</u>

6. CONVERTIBLE DEBENTURE

The convertible debenture in the principal amount of \$1,000,000 (October 31, 2008 - \$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 with a conversion price of \$0.40 per share and was originally repayable on December 31, 2002, if not previously converted into shares or redeemed under the terms of the debenture. 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.

The maturity date was extended on a number of occasions between fiscal 2003 and 2006. On April 25, 2007, the Company reached agreement with the holder of the debenture to extend the maturity date of the debenture to September 30, 2007. In consideration, the conversion privilege on the debenture was amended such that the holder may convert the principal amount or any part thereof into common shares of Cencotech Inc. at \$0.125 per share on or before maturity.

On February 22, 2008, concurrent with an extension agreement with the Secured Lender of the Company's subsidiary, the Company reached agreement with the holder of the debenture with effect from October 1, 2007, to extend the maturity date of the debenture to September 30, 2008, for no additional consideration.

On October 22, 2008, concurrent with an extension agreement with the Secured Lender of the Company's subsidiary, the Company reached agreement with the holder of the debenture with effect from October 1, 2008, to extend the maturity date of the debenture to September 30, 2009. In consideration, the conversion privilege on the debenture was amended such that the holder may convert the principal amount or any part thereof into common shares of Cencotech Inc. at \$0.10 per share on or before maturity.

7. FINANCIAL INSTRUMENTS

Risk Disclosures

The Company has exposure to credit risk, market risk and liquidity risk. The Company's primary risk management objective is to protect earnings and cash flow and, ultimately, shareholder value. The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework and reviews the Company's policies on an ongoing basis. Risk management strategies, as discussed below, are designed and implemented to ensure the Company's risks and the related exposure are consistent with the business objectives and risk tolerance.

a) Credit risk

Credit risk represents the financial loss that the Company would experience if a counterparty to a financial instrument held by the Company failed to meet its obligations in accordance with the terms and conditions of its contract with the Company or if there is a concentration of transactions carried out with the same counterparty. The carrying amount of financial assets represents the maximum credit exposure.

The Company's credit risk is primarily attributable to its accounts receivable. The amounts disclosed in the Consolidated Balance Sheets are net of allowances for doubtful accounts, estimated by the Company's management based on prior experience and their assessment of the current economic environment. The Company establishes an allowance for doubtful accounts that represents its estimate of expected losses in respect of accounts receivable. This allowance relates to individual exposures for accounts receivable that are considered impaired, which is defined as amounts outstanding beyond normal credit terms and conditions for the respective customers and, based upon management's evaluation, a risk of non-payment exists.

In addition, the Company's wholly-owned subsidiary, NamSys Inc., on December 15, 2006, assigned a promissory note to the Secured Lender (a company owned by the President of Cencotech Inc.) as partial paydown on liabilities owed to the Secured Lender (Notes 11 and 13(c)). The promissory note bears interest at 7% per annum payable monthly by equal installments of \$27,789 blending interest and principal, and has a principal balance outstanding as at April 30, 2009, of \$269,871 (October 31, 2008 – \$346,931). 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. The Company does not believe an allowance against this promissory note is required, as there remains intellectual assets held in escrow as security.

The Company is exposed to concentration of credit risk on the accounts receivable from its customers. As at April 30, 2009 approximately 68% of the trade accounts receivable balances are owed from three customers (October 31, 2008 – 89% owed from three customers).

The Company's exposure to credit risk with its customers is influenced mainly by the individual characteristics of each customer. The Company closely monitors extensions of credit and has not experienced significant credit losses in the past. As at April 30, 2009 and October 31, 2008, the Company believes that its allowance for doubtful accounts is sufficient to reflect the related credit risk, indicated as follows:

Cencotech Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Six months ended April 30, 2009 and 2008

7. FINANCIAL INSTRUMENTS (continued)

	April 30, 2009	October 31, 2008
	\$	\$
Neither impaired nor past due	29,228	171,904
Impaired	2,024	2,024
Not impaired and past due in the following periods:		
31 to 60 days	3,096	30,651
61 to 90 days	9,207	77,828
Over 90 days	81,331	73,913
Allowance for doubtful accounts	(2,024)	(2,024)
Trade receivables	122,862	354,296
Other receivables	5,069	171
Total accounts receivable	127,931	354,467

During the 2009 first two quarters, the Company charged \$nil (2008 – nil) to allowance for doubtful accounts.

b) Market risk

Market risk is the risk of loss that may arise from changes in market prices, such as foreign exchange rates and interest rates, which will affect the Company's income or the value of its financial instruments.

The Company operates in American markets giving rise to exposure to market risks from changes in foreign exchange rates. Approximately 88% of the Company's sales revenues are denominated in U.S. dollars (2008 – 89%). The Company is exposed to fluctuations on expenditures which are denominated in U.S. dollars. These potential currency fluctuations could have a significant impact on the cost of producing goods and services sold and thereby the profitability of the Company. At April 30, 2009 accounts receivable included U.S. \$102,167 (October 31, 2008 - U.S. \$294,062) and accounts payable included U.S. \$41,329 (October 31, 2008 – U.S. \$263,492). The U.S. dollar denominated accounts receivable and accounts payable balances are not substantially different and act as a natural hedge such that the Company is not exposed to significant foreign exchange risk. The Company monitors the movement in currency exchange rates and, on that basis, decides on the appropriate measures to take. Exchange rates at the present time are such that no measures are currently being taken.

The convertible debenture, secured debt, contingent debt and assigned promissory note bear interest at a fixed rate, and as such is subject to interest rate price risk resulting from changes in fair value from market fluctuations in interest rates. As these financial instruments are classified as other liabilities or loans and receivables, there is no potential impact on net income.

Interest income on the assigned promissory note of \$13,230 (2008 – \$20,446) exactly off-sets the interest expense on the contingent debt.

Cencotech Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Six months ended April 30, 2009 and 2008

7. FINANCIAL INSTRUMENTS (continued)

c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due or can do so only at excessive cost. The Company has significant financial liabilities outstanding including accounts payable and accrued liabilities, convertible debenture, secured debt and contingent debt. The Company is exposed to the risk that it may not have sufficient liquid assets to meet its commitments associated with these financial liabilities.

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Company's reputation. To the extent that the Company does not believe it has sufficient liquidity to meet these obligations, management will consider securing additional funds through debt or equity transactions. The Company manages its liquidity risk by continuously monitoring forecast and actual gross profit and cash flows from operations.

The following are the contractual maturities, excluding interest payments, reflecting undiscounted future cash disbursements of the Company's financial liabilities at April 30, 2009:

	Total	Less than 1 year	1 to 3 years
	\$	\$	\$
Accounts payable and accrued liabilities	308,792	308,792	-
Convertible debenture	1,000,000	1,000,000	-
Secured debt	341,480	341,480	-
Contingent debt	269,871	159,002	110,869
	1,920,143	1,809,274	110,869

Fair Value

The carrying value of accounts receivable, accounts payable and accrued liabilities, 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 \$260,000, 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.

8. SHARE CAPITAL

Authorized

Unlimited number of common shares

Unlimited number of preferred shares

Cencotech Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Six months ended April 30, 2009 and 2008

8. SHARE CAPITAL (continued)

Issued and outstanding

Issued common shares of the Company are as follows:

	Number of Shares	Stated Capital
		\$
Balance, April 30, 2009 and October 31, 2008	22,036,332	5,368,752

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; and (ii) common shares reserved for issuance with respect to the outstanding convertible debenture (Note 6).

There are a total of 10,000,000 common shares reserved for issuance (October 31, 2008 – 10,000,000) against the convertible debenture.

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. Currently, no options are outstanding.

9. INCOME PER SHARE

For the period ended April 30, 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 \$39,820 (2008 – \$39,421) for the after-tax impact of eliminating interest if the debenture was converted.

Cencotech Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Six months ended April 30, 2009 and 2008

10. INCOME TAXES

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

	<u>2009</u>	<u>2008</u>
	\$	\$
Combined basic Canadian federal and provincial income tax rate	33.08%	33.94%
Provision (recovery) for income taxes based on above rate	(43,251)	22,483
Recognition (application) of benefit of losses carried forward	-	(22,483)
Valuation allowance	43,251	-
Recovery (provision) of income taxes per Statements of Income and Deficit	-	-

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

	<u>Provincial</u>	<u>Federal</u>
	\$	\$
2009	411,000	411,000
2010	1,928,000	1,928,000
2014	1,074,000	1,074,000
2015	458,000	458,000
2026	286,000	286,000
2027	139,000	139,000
2028	259,000	259,000
	4,555,000	4,555,000

The Company 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 these financial statements.

11. SALE OF INTELLECTUAL ASSETS AND INVENTORY

On December 15, 2006, the Company's wholly-owned subsidiary, NamSys Inc., entered into an Asset Purchase Agreement to sell intellectual property rights and inventory related to the Commercial Self Serve products to an arms length third party. The purchase price of \$1,500,000 was comprised of \$600,000 cash and a \$900,000 promissory note bearing interest at 7% per annum payable monthly by 36 equal installments blending interest and principal. 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.

Cencotech Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Six months ended April 30, 2009 and 2008

11. SALE OF INTELLECTUAL ASSETS AND INVENTORY (continued)

Upon closing the \$900,000 promissory note was assigned by NamSys Inc. to the Secured Lender (Note 13(c)) 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 Inc. to the Secured Lender shall be increased by the amount equal to the amount of principal which remains unpaid under the promissory note at the time of default.

	\$
Proceeds from sale	1,500,000
Less carrying value of items sold:	
Inventory	131,779
Intellectual assets	16,902
<hr/>	
Gain on sale of intellectual assets and inventory	1,351,319

12. MANAGEMENT OF CAPITAL

The Company defines capital that it manages as the aggregate of its convertible debenture, secured debt, contingent debt, share capital and deficit. Its objectives when managing capital are to ensure that the Company will continue as a going concern, so that it can provide products and services to its customers and returns to its shareholders.

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will make changes to its capital structure as deemed appropriate under the specific circumstances.

The Company is not subject to any externally imposed capital requirements or debt covenants, and does not presently utilize any quantitative measures to monitor its capital. The Company's overall strategy with respect to management of capital remains unchanged from the year ended October 31, 2008.

13. RELATED PARTY TRANSACTIONS AND CONTINGENT DEBT

The following summarizes the Company's related party transactions:

- a) Rent and administration expenses in the amount of \$15,750 were incurred in the six months ended April 30, 2009 (2008 - \$15,800) from a company that is partially owned by the President of the Company.
- b) Included in accounts payable and accrued liabilities at April 30, 2009, are amounts due to directors of \$73,600 (October 31, 2008 – \$67,000) and to a company that is partially owned by the President of the Company \$38,550 (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.

Cencotech Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Six months ended April 30, 2009 and 2008

13. RELATED PARTY TRANSACTIONS AND CONTINGENT DEBT (continued)

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 (Note 11) 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 April 30, 2009, the indebtedness under the Credit Facility is \$341,480 including \$41,480 in interest payable (October 31, 2008 – \$326,604 and \$26,604 respectively). Interest expense related to the Credit Facility during the period was \$14,877 (2008 – \$10,902).

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.

14. COMMITMENTS

The Company has leased their operating premises until December 31, 2010, at the following amounts each fiscal year:

	\$
Remaining 2009	30,000
2010	60,000
2011	10,000

15. SALES TO MAJOR CUSTOMERS

In the six months ended April 30, 2009, three customers accounted for 49.8%, 9.6% and 5.1% respectively of the Company's consolidated revenues (2008 – 26.8%, 25.0% and 18.0% respectively).

16. SEGMENT INFORMATION

The Company recognized revenues of \$496,601 (2008 - \$632,045) in sales to U.S. customers and \$68,998 (2008 - \$80,000) in sales to customers in Canada, during the period ended April 30th.

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