

CENCOTECH INC.

**AMENDED 2ND QUARTER FINANCIAL STATEMENTS FOR
THE SIX MONTHS ENDED APRIL 30, 2005**

These amended financial statements are being filed because they include quarterly information in the consolidated statements of cash flows.

Cencotech Inc.

Form 51-901F – Schedule A

CONSOLIDATED BALANCE SHEETS (unaudited)

| | April 30 2005 | October 31 2004 |
|---|--------------------|--------------------|
| | \$ | \$ |
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents (Note 3) | 62,084 | 11,334 |
| Accounts receivable | 141,137 | 64,848 |
| Inventory (Note 4) | 45,291 | 430,688 |
| Prepaid expenses | 6,671 | 12,942 |
| | <u>664,183</u> | <u>519,811</u> |
| INTELLECTUAL ASSETS AND PROPERTY AND EQUIPMENT (Note 5) | 214,420 | 231,577 |
| | <u>878,603</u> | <u>751,389</u> |
| LIABILITIES | | |
| CURRENT LIABILITIES | | |
| Accounts payable and accrued liabilities | 667,861 | 596,589 |
| Deferred revenue | 282,052 | 506,225 |
| | <u>949,913</u> | <u>1,102,814</u> |
| Convertible debenture due within one year (Note 6) | 1,000,000 | 1,000,000 |
| Secured debt due within one year (Note 11) | 1,469,800 | 1,370,232 |
| | <u>3,419,713</u> | <u>3,473,046</u> |
| SHAREHOLDERS' EQUITY | | |
| Share capital (Note 8) | 5,095,800 | 5,095,800 |
| Deficit | (7,636,910) | (7,817,457) |
| | <u>(2,541,110)</u> | <u>(2,721,657)</u> |
| | <u>878,603</u> | <u>751,389</u> |

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

Cencotech Inc.

CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICITS (unaudited)

For the six months ended April 30

| | 2005 | 2004 |
|--|-------------|-------------|
| | \$ | \$ |
| REVENUE | 1,046,942 | 674,437 |
| COST OF SALES | 319,972 | 263,105 |
| GROSS PROFIT | 726,970 | 411,332 |
| EXPENSES | | |
| Selling | 87,240 | 287,691 |
| General and administration | 249,446 | 367,256 |
| Development | - | 220,411 |
| Amortization | 50,472 | 49,164 |
| Interest on convertible debenture and secured debt | 159,265 | 137,815 |
| | 546,423 | 1,062,337 |
| NET INCOME (LOSS) | 180,547 | (651,005) |
| DEFICIT, beginning of period | (7,817,457) | (6,575,875) |
| DEFICIT, end of period | (7,636,910) | (7,226,880) |
| INCOME (LOSS) PER SHARE (Note 9) | 0.01 | (0.04) |

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

Cencotech Inc.

CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICITS (unaudited)

For the three months ended April 30

| | 2005 | 2004 |
|--|-------------|-------------|
| | \$ | \$ |
| REVENUE | 390,341 | 311,224 |
| COST OF SALES | 124,687 | 80,645 |
| GROSS PROFIT | 265,654 | 230,579 |
| EXPENSES | | |
| Selling | 36,677 | 142,122 |
| General and administration | 97,667 | 206,157 |
| Development | - | 117,218 |
| Amortization | 25,716 | 25,473 |
| Interest on convertible debenture and secured debt | 79,237 | 75,074 |
| | 239,297 | 566,044 |
| NET INCOME (LOSS) | 26,357 | (335,465) |
| DEFICIT, beginning of period | (7,663,267) | (6,891,415) |
| DEFICIT, end of period | (7,636,910) | (7,226,880) |
| INCOME (LOSS) PER SHARE (Note 9) | 0.00 | (0.02) |

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

Cencotech Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

For the six months ended April 30

| | 2005 | 2004 |
|--|-----------------|------------------|
| | \$ | \$ |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income (loss) | 180,547 | (315,540) |
| Non-cash item: | | |
| Amortization | 50,472 | 23,691 |
| | <u>231,019</u> | <u>(291,849)</u> |
| Changes in: | | |
| Accounts receivable | (76,289) | 63,466 |
| Inventory | (23,603) | 118,799 |
| Prepaid expenses | 6,271 | 12,211 |
| Accounts payable and accrued liabilities | 71,272 | (81,447) |
| Deferred revenue | (224,173) | 207,905 |
| | <u>(15,503)</u> | <u>29,085</u> |
| INVESTING ACTIVITIES | | |
| Purchase of intellectual assets and property and equipment | (33,315) | (1,249) |
| FINANCING ACTIVITIES | | |
| Increase in secured debt | 99,568 | 32,494 |
| | <u>99,568</u> | <u>32,494</u> |
| NET INCREASE (DECREASE) IN CASH DURING THE PERIOD | | |
| | 50,750 | 60,330 |
| CASH, beginning of period | 11,334 | 14,762 |
| CASH, end of period | <u>62,084</u> | <u>75,092</u> |
| Cash flows from operating activities include: | | |
| Interest paid: | - | 30,247 |

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

Cencotech Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

For the three months ended April 30

| | 2005 | 2004 |
|--|------------------|------------------|
| | \$ | \$ |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income (loss) | 26,357 | (335,465) |
| Non-cash item: | | |
| Amortization | 25,716 | 25,473 |
| | <u>52,073</u> | <u>(309,992)</u> |
| Changes in: | | |
| Accounts receivable | 11,995 | 178,452 |
| Inventory | (53,988) | 26,515 |
| Prepaid expenses | - | 19,040 |
| Accounts payable and accrued liabilities | 57,606 | 306,520 |
| Deferred revenue | (266,650) | (303,479) |
| | <u>(198,964)</u> | <u>(82,944)</u> |
| INVESTING ACTIVITIES | | |
| Purchase of intellectual assets and property and equipment | (3,210) | (4,047) |
| FINANCING ACTIVITIES | | |
| Increase in secured debt | 49,981 | 45,647 |
| | <u>49,981</u> | <u>45,647</u> |
| NET INCREASE (DECREASE) IN CASH DURING THE PERIOD | (152,193) | (41,344) |
| CASH, beginning of period | 214,277 | 75,092 |
| CASH, end of period | 62,084 | 33,748 |
| Cash flows from operating activities include: | | |
| Interest paid: | - | - |

Cencotech Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

April 30, 2005

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 April 30, 2005 the Company has an accumulated deficit of \$7,663,267 (October 31, 2004 - \$7,817,457) and earned net income of \$180,547 for the six months ended April 30, 2005 (2004 - net loss of \$651,005). 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. 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. 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, 2003, 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, 2003 financial statements except as noted here. In November 2003, the CICA revised Handbook Section 3870, *Stock-based Compensation and other Stock-based Payments*, with respect to the accounting for stock-based compensation and other stock-based payments. The revised recommendations require that beginning January 1, 2004, the fair-based method be used to account for all employee stock awards. Under this method, compensation cost is measured at the fair value at the date of granting to the employee and is expensed over the award's vesting period. In accordance with one of the transitional provisions permitted under Section 3870, the Company has elected to early adopt the new recommendations effective November 1, 2003 and prospectively apply the standard for employee stock awards after November 1, 2003.

Cencotech Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

April 30, 2005

3. INVENTORY

| | April 30 2005 | October 31 2004 |
|-------------------------|------------------|--------------------|
| | \$ | \$ |
| Raw materials and parts | 292,505 | 298,587 |
| Finished goods | 447,271 | 447,271 |
| | <u>739,776</u> | <u>745,858</u> |
| Less: Provision | 285,485 | 315,170 |
| | <u>454,291</u> | <u>430,688</u> |

5. INTELLECTUAL ASSETS AND PROPERTY AND EQUIPMENT

| | April 30, 2005 | | | October 31, 2004 |
|----------------------------|------------------|-----------------------------|-------------------|---------------------|
| | Cost | Accumulated Amortization | Net Book Value | Net Book Value |
| | \$ | \$ | \$ | \$ |
| Intellectual Assets | | | | |
| Recognition technology | | | | |
| Software | 200,720 | 200,720 | - | - |
| Hardware | 12,004 | 11,714 | 290 | 344 |
| Self-service technology | 221,679 | 221,679 | - | - |
| Software | 12,935 | 12,935 | - | - |
| Trademarks and patents | 310,700 | 203,725 | 106,975 | 133,767 |
| | <u>758,038</u> | <u>650,773</u> | <u>107,265</u> | <u>134,111</u> |
| Property and Equipment | | | | |
| Office equipment | 195,509 | 140,944 | 54,565 | 62,203 |
| Showroom and lab equipment | 43,055 | 43,055 | - | - |
| Leasehold improvements | 182,920 | 130,330 | 52,590 | 35,263 |
| | <u>421,484</u> | <u>314,329</u> | <u>107,155</u> | <u>97,466</u> |
| | <u>1,179,522</u> | <u>965,102</u> | <u>214,420</u> | <u>231,577</u> |

Cencotech Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

April 30, 2005

6. CONVERTIBLE DEBENTURE DUE WITHIN ONE YEAR

The convertible debenture in the principal amount of \$1,000,000 (2004 - \$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.

The debenture remains outstanding. The Company is currently in negotiations to extend the debenture; until it does the debenture remains due upon demand. Interest has been paid up to July 31, 2004. Unpaid accrued interest at April 30, 2005 amounts to \$89,670

7. 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 net of accounts payable at April 30 include U.S. \$45,104 (October 31, 2004- U.S. \$18,222). 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.

8. 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, 2003, 2004 and April 30, 2005 | 15,818,332 | 5,095,800 |

Common shares reserved for issuance

Common shares reserved for issuance are a result of 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.

Cencotech Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

April 30, 2005

8. SHARE CAPITAL (continued)

There are a total of 440,000 common shares reserved for issuance (October 31, 2004 – 490,000) as follows:

| | Price \$ | Expiry Date | Number |
|--|-------------|-------------|--------------------|
| 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 |
| 2005 | | | |
| Issued under the Company's share option plan during the year | | | |
| Forfeited | 0.50 | | (50,000) |
| Balance – Common shares reserved for issuance, April 30, 2005 | | | <u>440,000</u> |

9. INCOME (LOSS) PER SHARE

The Income (loss) per share figures have been calculated using the weighted-average number of common shares outstanding during the respective fiscal periods, which amounted to 15,818,332 for the six months ended April 30, 2005 and 2004. The diluted income (loss) per share for the six months ended April 30, 2005 and 2004 have not been presented as the exercise of the outstanding stock options and the conversion of convertible debentures would be anti-dilutive.

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>2005</u> | <u>2004</u> |
|--|-----------------|----------------|
| | \$ | \$ |
| Combined basic Canadian federal and provincial income tax rate | 36.12% | 36.62% |
| Provision (recovery of) for income taxes based on above rate | 65,213 | (238,398) |
| Valuation allowances | <u>(65,213)</u> | <u>238,398</u> |
| Recovery of income taxes per Statement of Operations | - | - |

Cencotech Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

April 30, 2005

10. INCOME TAXES (continued)

The tax benefit of tax losses carry forward 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.

11. RELATED PARTY TRANSACTIONS

The following summarizes the Company's related party transactions:

- a) Rent and administration in the amount of \$22,470 was paid in the six month periods ended, April 30, 2005 (2004 - \$21,000) 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 \$36,000 (April 30, 2004 - \$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 April 30, 2005, the indebtedness under the Credit Facility is \$1,469,800 (April 30, 2004 - \$1,089,982). Accounts payable and accrued liabilities include interest payable under the Credit Facility of \$15,032 (2004- \$13,168). Interest expense related to the Credit Facility during the six months ended April 30 was \$99,763 (2003 - \$78,141).

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.

Cencotech Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

April 30, 2005

12. COMMITMENTS

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

| | \$ |
|------|----------------|
| 2005 | 30,000 |
| 2006 | 60,000 |
| 2007 | 60,000 |
| 2008 | 10,000 |
| 2009 | - |
| | <u>160,000</u> |

13. SEGMENTED INFORMATION

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

| | Software ⁽ⁱ⁾ | | Self-Service Systems ⁽ⁱⁱ⁾ | | Peripheral ⁽ⁱⁱⁱ⁾ | | Total | |
|--------------|-------------------------|----------------|--------------------------------------|----------------|-----------------------------|----------------|------------------|----------------|
| | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Domestic | 70,514 | 84,664 | - | - | - | - | 70,514 | 84,664 |
| U.S. | 803,493 | 348,254 | 154,920 | 117,506 | 18,015 | 124,013 | 976,428 | 589,773 |
| Total | 874,007 | 432,918 | 154,920 | 117,506 | 18,015 | 124,013 | 1,046,942 | 674,437 |

(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 capital assets are located in Canada.