

Cencotech Inc.

Interim Consolidated Financial Statements
July 31, 2008 and 2007
(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.,
September 18, 2008

Cencotech Inc.

CONSOLIDATED BALANCE SHEETS (unaudited)

	July 31, 2008	October 31, 2007
	\$	\$
ASSETS		
CURRENT ASSETS		
Cash	31,405	117,798
Accounts receivable	346,874	43,151
Parts inventory	9,065	4,386
Assigned promissory note, short term (Note 10)	313,779	297,776
Prepaid expenses	20,481	8,095
Future income tax asset	6,973	6,973
	<u>728,577</u>	478,179
ASSIGNED PROMISSORY NOTE (Note 10)	109,555	346,931
INTELLECTUAL ASSETS AND PROPERTY AND EQUIPMENT (Note 4)	<u>24,118</u>	37,644
	<u>862,250</u>	862,754
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities (Note 12)	467,793	334,274
Deferred revenue	155,531	128,019
Convertible debenture (Note 5)	1,000,000	1,000,000
Secured debt (Note 12)	319,042	210,082
Contingent debt, short term (Note 12)	313,779	297,776
	<u>2,256,145</u>	1,970,151
CONTINGENT DEBT (Note 12)	<u>109,555</u>	346,931
	<u>2,365,700</u>	2,317,082
SHAREHOLDERS' DEFICIT		
Share capital (Note 7)	5,368,752	5,368,752
Deficit	<u>(6,872,202)</u>	(6,823,080)
	<u>(1,503,450)</u>	(1,454,328)
	<u>862,250</u>	862,754
Commitments and Contingencies (Notes 12 and 13)		

Approved on behalf of the Board:

_____, Director

_____, Director

Cencotech Inc.

CONSOLIDATED STATEMENTS OF INCOME AND DEFICIT (unaudited)

For the nine months ended July 31,	2008	2007
	\$	\$
REVENUE	1,024,325	822,711
COST OF SALES	407,819	372,605
GROSS PROFIT	616,506	450,106
EXPENSES		
Selling	222,965	179,094
General and administration (Note 12)	315,635	471,447
Loss on foreign exchange	12,550	32,334
Amortization	6,179	28,194
Interest on convertible debenture	89,836	89,753
Interest on secured debt	18,463	46,892
	665,628	847,714
INCOME (LOSS) FROM OPERATIONS	(49,122)	(397,608)
Gain on sale of intellectual assets and inventory (Note 10)	-	1,351,319
INCOME (LOSS) BEFORE INCOME TAXES	(49,122)	953,711
INCOME TAXES		
Future	-	(215,000)
NET INCOME (LOSS)	(49,122)	738,711
DEFICIT, beginning of period	(6,823,080)	(7,501,834)
DEFICIT, end of period	(6,872,202)	(6,763,123)
INCOME PER SHARE (Note 8)		
Basic	(0.00)	0.03
Diluted	0.00	0.03

Cencotech Inc.

CONSOLIDATED STATEMENTS OF INCOME AND DEFICIT (unaudited)

For the three months ended July 31,	2008	2007
	\$	\$
REVENUE	312,280	327,807
COST OF SALES	137,614	146,658
GROSS PROFIT	131,353	181,149
EXPENSES		
Selling	77,349	75,931
General and administration (Note 12)	115,065	92,264
Loss on foreign exchange	15,742	39,385
Amortization	835	2,619
Interest on convertible debenture	30,164	30,247
Interest on secured debt	7,562	6,685
	246,717	247,131
NET INCOME (LOSS)	(115,364)	(65,982)
DEFICIT, beginning of period	(6,756,838)	(6,697,141)
DEFICIT, end of period	(6,872,202)	(6,763,123)
INCOME (LOSS) PER SHARE (Note 8)		
Basic	(0.01)	(0.00)
Diluted	(0.00)	(0.00)

Cencotech Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

For the nine months ended July 31,	2008	2007
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	(49,122)	738,711
Non-cash items:		
Amortization	6,179	28,194
Gain on sale of intellectual assets and inventory (Note 10)	-	(1,351,319)
Accrued interest on secured debt	18,463	-
Future income taxes	-	215,000
	<u>(24,480)</u>	<u>(369,414)</u>
Changes in:		
Accounts receivable	(303,723)	379,091
Inventory	(4,680)	3,242
Prepaid expenses	(12,386)	-
Accounts payable and accrued liabilities	133,519	(171,999)
Deferred revenue	27,512	62,899
	<u>(184,238)</u>	<u>(96,181)</u>
INVESTING ACTIVITIES		
Transfer of showroom asset to inventory for sale, net	7,348	-
Purchase of intellectual assets and property and equipment	-	(3,705)
Proceeds from disposal of intellectual assets and inventory (Note 10)	-	1,500,000
	<u>7,348</u>	<u>1,496,295</u>
FINANCING ACTIVITIES		
Increase in secured debt (Note 12)	105,579	-
Repayment of secured debt (Note 12)	(15,082)	(1,408,384)
	<u>90,497</u>	<u>(1,408,384)</u>
NET DECREASE IN CASH DURING THE YEAR	(86,393)	(8,270)
CASH, beginning of period	117,798	70,942
CASH, end of period	31,405	62,672
Supplemental cash flow information:		
Interest paid	80,301	225,663

Cencotech Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

For the three months ended July 31,	2008	2007
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	(115,364)	(65,982)
Non-cash items:		
Amortization	835	2,619
Accrued interest on secured debt	7,562	-
	<u>(106,967)</u>	<u>(63,363)</u>
Changes in:		
Accounts receivable	(36,579)	64,334
Inventory	-	2,974
Prepaid expenses	(11)	-
Accounts payable and accrued liabilities	160,940	13,188
Deferred revenue	(25,054)	(18,055)
	<u>(7,671)</u>	<u>(922)</u>
INVESTING ACTIVITIES		
Purchase of intellectual assets and property and equipment	-	7,001
Transfer of showroom asset to inventory for sale, net	919	-
	<u>919</u>	<u>7,001</u>
FINANCING ACTIVITIES		
Increase in secured debt (Note 12)	-	5,041
Repayment of secured debt (Note 12)	-	-
	<u>-</u>	<u>5,041</u>
NET INCREASE (DECREASE) IN CASH DURING THE YEAR	(6,752)	11,120
CASH, beginning of period	38,157	51,552
CASH, end of period	31,405	62,672
Supplemental cash flow information:		
Interest paid	15,000	10,225

Cencotech Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Six months ended July 31, 2008 and 2007

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. 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 to 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 ("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, 2007 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, 2007 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.

New accounting policies

a) Capital disclosures

Effective November 1, 2007, the Company adopted the recommendations of Section 1535, Capital Disclosures, of the CICA Handbook. This section establishes standards for disclosing information about a company's capital and how it is managed in order that a user of the financial statements may evaluate the company's objectives, policies, and processes for managing capital. Beyond additional disclosure, these new standards did not have an effect on our financial position or results of operations. The new disclosures are included in Note 11.

b) Inventory

Section 3031, Inventory, of the CICA Handbook replaces Section 3030 and establishes standards for the measurement of inventories, allocations of overhead, accounting for write-downs and disclosures. The new recommendations were adopted effective November 1, 2007, and had no material impact on the financial statements.

Cencotech Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Six months ended July 31, 2008 and 2007

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Financial instruments

Sections 3862, Financial Instruments – Disclosures, and 3863, Financial Instruments – Presentation, of the CICA Handbook replaced Section 3861, Financial Instruments – Disclosure and Presentation, and were adopted by the Company effective November 1, 2007. The new standards revise and enhance the disclosure requirements on the nature and extent of risks arising from financial instruments and how a company manages those risks. Beyond additional disclosure, the adoption of these new pronouncements did not have an effect on the Company's financial position or results of operations. The new disclosures are included in Note 6.

Financial instruments

Effective November 1, 2006, the Company adopted the recommendations of the following sections of the CICA Handbook: Section 3855, Financial Instruments - Recognition and Measurement, and Section 3861, Financial Instruments - Disclosure and Presentation.

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.

Comprehensive income

Effective November 1, 2006, the Company adopted the recommendations of Section 1530, Comprehensive Income, of the CICA Handbook which introduced new standards for the presentation and disclosure of the components of comprehensive income.

Comprehensive income consists of net earnings and other comprehensive income. Other comprehensive income comprises revenues, expenses, gains and losses that, in accordance with GAAP, are recognized in comprehensive income but excluded from net income. Amounts included in accumulated other comprehensive income are reclassified to net income when realized.

The Company had no other comprehensive income or loss transactions during the periods ended July 31, 2008 and 2007. Accordingly a statement of comprehensive income has not been presented.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include allowance for doubtful accounts, inventory obsolescence, useful lives of intellectual assets and property and equipment, and measurement of debt. 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.

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 7. 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.

3. RECENT ACCOUNTING PRONOUNCEMENTS

Going concern

CICA Handbook Section 1400, General Standards of Financial Statement Presentation, has been amended for new requirements relating to the assessment of an entity's ability to continue as a going concern. The Company will adopt the amendments to this section beginning November 1, 2008. Beyond additional disclosure, the adoption of this new pronouncement is not expected to have an effect on the Company's financial position or results of operations.

Goodwill and Intangible Assets

In February 2008, the CICA issued Handbook Section 3064, Goodwill and Intangible Assets, effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008. Section 3064, which replaces Section 3062, Goodwill and Other Intangible Assets, and section 3450, Research and Development Costs, establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. This new standard is effective for the Company's fiscal year commencing November 1, 2008. The Company is evaluating the impact of the adoption of this new standard on its consolidated financial statements.

Cencotech Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Six months ended July 31, 2008 and 2007

3. RECENT ACCOUNTING PRONOUNCEMENTS (continued)

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.

4. INTELLECTUAL ASSETS AND PROPERTY AND EQUIPMENT

	July 31, 2008		
	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	159,873	138,658	21,215
Showroom equipment	6,039	3,236	2,803
Leasehold improvements	182,920	182,920	-
	348,832	324,814	24,018
	360,936	336,818	24,118

Cencotech Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Six months ended July 31, 2008 and 2007

4. INTELLECTUAL ASSETS AND PROPERTY AND EQUIPMENT (continued)

	October 31, 2007		
	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	134,905	24,968
Showroom equipment	17,052	4,476	12,576
Leasehold improvements	182,920	182,920	-
	<u>359,845</u>	<u>322,301</u>	<u>37,544</u>
	<u>371,949</u>	<u>334,305</u>	<u>37,644</u>

5. CONVERTIBLE DEBENTURE

The convertible debenture in the principal amount of \$1,000,000 (October 31, 2007 - \$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 2007. 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 debentures 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.

During the period ended April 30, 2008 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.

6. FINANCIAL INSTRUMENTS

Risk Disclosures

The main risks the Company's financial instruments are exposed to are foreign exchange risk, credit risk, liquidity risk and market risk.

a) Foreign exchange risk

The Company operates in American and other foreign markets giving rise to exposure to market risks from changes in foreign exchange rates.

6. FINANCIAL INSTRUMENTS (continued)

Approximately 87% of the Company's sales revenues are denominated in U.S. dollars (2007 – 87%). 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 July 31, 2008 accounts receivable included U.S. \$313,234 (October 31, 2007 - U.S. \$41,787) and accounts payable included U.S. \$201,395 (October 31, 2007 – U.S. \$42,998).

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.

b) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises primarily from the Company's accounts receivable. The carrying amount of financial assets represents the maximum credit exposure.

The Company is exposed to concentration of credit risk on the accounts receivable from its customers. As at July 31, 2008 approximately 67% of the trade accounts receivable balances are owed from three customers (October 31, 2007 – 87% 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 July 31, 2008 and October 31, 2007, the Company had no material past due trade receivables.

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, 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.

d) Market risk

Market risk arises from the possibility that changes in market prices will affect the value of the financial instruments of the Company. The Company is exposed to fair value fluctuations on the following instruments: assigned promissory note, convertible debenture, secured debt and contingent debt. The Company's short-term instruments (accounts receivable, accounts payable and accrued liabilities) are not subject to market risk.

e) Interest rate risk

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.

Cencotech Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Six months ended July 31, 2008 and 2007

6. FINANCIAL INSTRUMENTS (continued)

The Company believes that the interest rate risk is remote due to the relative stability of interest rates. Consequently, no financial contracts are in place to offset interest rate risk.

Fair Value

The carrying value of cash, 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. Based on discounted cash flows, the fair values of the assigned promissory note and contingent debt are \$380,000. 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.

7. 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, July 31, 2008 and October 31, 2007	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 5).

There are a total of 8,000,000 common shares reserved for issuance (October 31, 2007 – 8,000,000) on 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.

8. INCOME PER SHARE

For the period ended July 31, 2008, the weighted average number of shares outstanding used to calculate basic income per share was 22,036,332 (2007 – 22,036,332).

Cencotech Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Six months ended July 31, 2008 and 2007

8. INCOME PER SHARE (continued)

In determining diluted income per share for the period ended July 31, 2008, the weighted average number of shares outstanding was increased by 8,000,000 for the effect of dilutive potential common shares issuable under conversion of the convertible debenture (2007 – 8,000,000). Net income was increased by \$59,346 for the after-tax impact of eliminating interest if the debenture was converted (2007 – \$57,334).

9. INCOME TAXES

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

	2008	2007
	\$	\$
Combined basic Canadian federal and provincial income tax rate	33.94%	36.12%
Provision for (recovery of) income taxes based on above rate	(16,670)	215,000
Valuation allowance	16,670	-
Provision of income taxes per Statements of Income and Deficit	-	215,000

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

	Provincial	Federal
	\$	\$
2008	827,000	827,000
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
	5,123,000	5,123,000

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.

Cencotech Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Six months ended July 31, 2008 and 2007

10. 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.

Upon closing the \$900,000 promissory note was assigned by NamSys Inc. to the Secured Lender (Note 12(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

11. 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, 2007.

12. RELATED PARTY TRANSACTIONS AND CONTINGENT DEBT

The following summarizes the Company's related party transactions:

- a) Rent and administration expenses in the amount of \$23,675 were incurred in the nine months ended July 31, 2008 (2007 - \$25,970) from a company that is partially owned by the President of the Company.
- b) Included in accounts payable and accrued liabilities at July 31, 2008, are amounts due to directors of \$66,300 (October 31, 2007 - \$57,200) and to a company that is partially owned by the President of the Company \$36,925 (October 31, 2007 - \$14,250).

Cencotech Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Six months ended July 31, 2008 and 2007

12. RELATED PARTY TRANSACTIONS AND CONTINGENT DEBT (continued)

- 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 (Note 10) 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").

During the period ended April 30, 2008 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 \$300,000. The changes to the Credit Facility did not involve 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 July 31, 2008, the indebtedness under the Credit Facility is \$319,042 including \$19,042 in interest payable (October 31, 2007 – \$210,082 and \$10,082 respectively). Interest expense related to the Credit Facility during the six month period ended July 31, 2008 was \$18,463 (2007 – \$46,892).

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.

13. COMMITMENTS

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

	\$
Remaining for 2008	15,000
2009	60,000
2010	60,000
2011	10,000

14. SALES TO MAJOR CUSTOMERS

In the nine months ended July 31, 2008, two customers accounted for 35.5% and 18.2% respectively of the Company's consolidated revenues (2007 – 37.6% and 27.2% respectively).

Cencotech Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

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14. SALES TO MAJOR CUSTOMERS (continued)

In addition, the Company was economically dependent on a third customer whose revenues accounted for approximately 13.0% (2007 – 10.1%) of the Company's consolidated revenues.

15. SEGMENT INFORMATION

The Company recognized revenues of \$887,325 (2007 - \$715,211) in sales to U.S. customers and \$137,000 (2007 - \$107,500) in sales to customers in Canada, during the period ending July 31st.

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