Cencotech Inc.

Consolidated Financial Statements
October 31, 2009 and 2008

Collins Barrow
Chartered Accountants

Collins Barrow Toronto LLP
390 Bay Street, Suite 1900
Toronto, Ontario
M5H 2Y2 Canada

T. 416.361.1622
F. 416.480.2646

www.collinsbarrow.com

AUDITORS' REPORT

To the Shareholders of
Cencotech Inc.

We have audited the consolidated balance sheets of Cencotech Inc. as at October 31, 2009 and 2008 and the consolidated statements of loss and deficit and cash flows for the years ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at October 31, 2009 and 2008, and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Collins Barrow Toronto LLP

Licensed Public Accountants
Chartered Accountants

December 9, 2009
Toronto, Ontario

Cencotech Inc.

CONSOLIDATED BALANCE SHEETS

As at October 31,	**2009**	2008
	$	$
ASSETS		
CURRENT ASSETS		
Cash	**219,270**	13,654
Accounts receivable (Note 7(a))	**72,730**	354,467
Parts inventory	**1,978**	3,364
Assigned promissory note, short term (Note 12)	**194,426**	319,303
Prepaid expenses	**8,185**	20,481
	496,589	711,269
ASSIGNED PROMISSORY NOTE (Note 12)	**8,991**	27,628
INTELLECTUAL ASSETS AND PROPERTY AND EQUIPMENT (Note 5)	**20,770**	22,363
	526,350	761,260
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities (Note 12)	**362,587**	565,387
Deferred revenue	**180,634**	65,778
Convertible debenture (Note 6)	**990,833**	1,000,000
Secured debt (Note 12)	**402,744**	326,604
Contingent debt, short term (Note 12)	**194,426**	319,303
	2,131,224	2,277,072
CONTINGENT DEBT (Note 12)	**8,991**	27,628
	2,140,215	2,304,700
SHAREHOLDERS' DEFICIT		
Share capital (Note 8)	**5,615,652**	5,368,752
Deficit	**(7,229,517)**	(6,912,192)
	(1,613,865)	(1,543,440)
	526,350	761,260

Commitments (Note 13)

Approved on behalf of the Board:

K. Barry Sparks *(signed)*, Director

Derek H.L. Buntain *(signed)*, Director

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

Cencotech Inc.

CONSOLIDATED STATEMENTS OF LOSS AND DEFICIT

For the years ended October 31,	2009	2008
	$	$
REVENUE	933,847	1,503,435
COST OF SALES	410,471	719,866
GROSS PROFIT	523,376	783,569
EXPENSES		
Selling	231,770	304,062
General and administration (Note 12)	451,936	398,435
Loss (gain) on foreign exchange	(1,497)	12,549
Amortization	6,519	11,610
Interest on convertible debenture (Note 6)	120,833	120,000
Interest on secured debt (Note 12)	31,140	26,025
	840,701	872,681
NET LOSS	(317,325)	(89,112)
DEFICIT, beginning of year	(6,912,192)	(6,823,080)
DEFICIT, end of year	(7,229,517)	(6,912,192)
BASIC AND DILUTED LOSS PER SHARE (Note 9)	(0.01)	(0.00)

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

Cencotech Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended October 31,	**2009**	2008
	$	$
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	**(317,325)**	(89,112)
Non-cash items:		
Amortization	**6,519**	11,610
Accrued interest on secured debt	**31,140**	16,522
Write-off of future income tax asset	**-**	6,973
Accretion expense (Note 6)	**833**	-
	(278,833)	(54,007)
Changes in:		
Accounts receivable	**281,737**	(311,316)
Parts inventory	**1,386**	1,022
Prepaid expenses	**12,296**	(12,386)
Accounts payable and accrued liabilities	**(202,800)**	231,113
Deferred revenue	**114,856**	(62,241)
	(71,358)	(207,815)
INVESTING ACTIVITIES		
Transfer of showroom asset to inventory for sale	**-**	3,671
Purchase of intellectual assets and property and equipment	**(4,926)**	-
	(4,926)	3,671
FINANCING ACTIVITIES		
Increase in secured debt (Note 12)	**45,000**	100,000
Cost of convertible debenture renegotiation (Note 6)	**(10,000)**	-
Issuance of common shares, net of issuance costs (Note 8)	**246,900**	-
	281,900	100,000
NET INCREASE (DECREASE) IN CASH DURING THE YEAR	**205,616**	(104,144)
CASH, beginning of year	**13,654**	117,798
CASH, end of year	**219,270**	13,654
Supplemental cash flow information:		
Interest paid	**130,209**	144,973

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

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 year ended October 31, 2009, the Company incurred a loss from operations of $317,325 (2008 – $89,112). As at October 31, 2009, the Company had a deficit of $7,229,517 (2008 – $6,912,192) and its current liabilities exceeded its current assets by $1,634,635 (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. Following the economic downturn of 2008 and 2009, the Company anticipates increased market acceptance of its products and services in the future. However, if the economy remains the same or declines, the Company will look to extend its debt or raise equity, to finance operations, as it has done in the past. 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 years presented are not necessarily indicative of the results to be expected for any future periods.

3. SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

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

All significant intercompany transactions and balances have been eliminated.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Non-licensed software revenue, such as arrangements containing hosted services where the customer does not take possession of the software and has no contractual right to do so, is recognized when: persuasive evidence of an arrangement exists; services have been rendered; the fees are fixed or determinable; and collectibility is reasonably assured.

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 Statements of Loss and Deficit.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Goodwill and Intangible Assets

As of November 1, 2009, the Company will be required to adopt CICA Handbook Section 3064, Goodwill and Intangible Assets, which will replace Handbook Sections 3062, Goodwill and Other Intangible Assets, and 3450, Research and Development Costs. The new guidance reinforces a principles-based approach to the recognition of costs of assets in accordance with the definition of an asset and the criteria for asset recognition under Handbook Section 1000, Financial Statement Concepts. Section 3064 clarifies the application of the concept of matching revenues and expenses in Section 1000 to eliminate the current practice of recognizing items as assets that do not meet the definition and recognition criteria. Under this new guidance, fewer items meet the criteria for capitalization. The Company expects this standard will not have a material impact on its financial statements.

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. As a result, the Company will have to report its consolidated financial statements under IFRS starting with its fiscal year ended October 31, 2012, with restatement of comparative information presented. 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

	October 31, 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	144,083	17,600
Showroom equipment	9,155	6,085	3,070
Leasehold improvements	182,920	182,920	-
	353,758	333,088	20,670
	365,862	345,092	20,770

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
	12,104	12,004	100
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	-
	348,832	326,569	22,263
	360,936	338,573	22,363

6. CONVERTIBLE DEBENTURE

The convertible debenture in the principal amount of $1,000,000 (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 and conversion rate were amended on a number of occasions between fiscal 2003 and 2007. 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.

On October 5, 2009, 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, 2009, to extend the maturity date of the debenture to September 30, 2010. In consideration, a $10,000 extension fee was paid to the holder of the debenture. The Company deducted the extension fee from the convertible debenture and uses the effective interest method to recognize the amortization as accreted interest expense over the term to maturity. The effective interest rate on the convertible debenture is 13%.

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 (Note 12). The promissory note originally bore interest at 7% per annum payable monthly by equal installments of $27,789 blending interest and principal, and had a principal balance outstanding as at October 31, 2008, of $346,931. By agreement between the noteholder and the obligee, January 22, 2009, the terms of the note were modified such that the interest rate is now 9% per annum and the amortization of the note has been extended to November 30, 2010. As at October 31, 2009, the principal balance outstanding is $203,417. 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 October 31, 2009 approximately 75% of the trade accounts receivable balances are owed from three customers (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 October 31, 2009 and 2008, the Company believes that its allowance for doubtful accounts is sufficient to reflect the related credit risk, indicated as follows:

7. FINANCIAL INSTRUMENTS (continued)

Risk Disclosures (continued)

a) Credit risk (continued)

	2009	2008
	$	$
Neither impaired nor past due	**22,042**	171,904
Impaired	**2,024**	2,024
Not impaired and past due in the following periods:		
31 to 60 days	**28,386**	30,651
61 to 90 days	**2,594**	77,828
Over 90 days	**18,398**	73,913
Allowance for doubtful accounts	**(2,024)**	(2,024)
Trade receivables	**71,419**	354,296
Other receivables	**1,311**	171
Total accounts receivable	**72,730**	354,467

During the 2009 fiscal year, the Company charged $nil (2008 – $2,024) 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 89% 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 October 31, 2009 accounts receivable included U.S. $54,125 (2008 - U.S. $294,062) and accounts payable included U.S. $46,818 (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 the Company 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 loss.

Interest income on the assigned promissory note of $24,275 (2008 – $35,696) exactly off-sets the interest expense on the contingent debt.

7. FINANCIAL INSTRUMENTS (continued)

Risk Disclosures (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 October 31, 2009:

	Total	Less than 1 year	1 to 2 years
	$	$	$
Accounts payable and accrued liabilities	362,587	362,587	-
Convertible debenture	990,833	990,833	-
Secured debt	402,744	402,744	-
Contingent debt	203,417	194,426	8,991
	1,959,581	1,950,590	8,991

Fair Value

The carrying value of cash, accounts receivable, accounts payable and accrued liabilities, convertible debenture, secured debt, and the assigned promissory note and contingent debt approximates the fair value due to the relatively short-term maturity of these financial 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

8. SHARE CAPITAL (continued)

Issued and outstanding

Issued common shares of the Company are as follows:

	Number of Shares	Stated Capital $
Balance, October 31, 2008 and 2007	22,036,332	5,368,752
Shares issued pursuant to a private placement (a)	5,000,000	250,000
Share issuance costs (a)		(3,100)
Balance, October 31, 2009	**27,036,332**	**5,615,652**

(a) On October 30, 2009, the Company completed a non-brokered private placement raising gross proceeds of $250,000 ($246,900 net of issuance costs) through the issuance of an aggregate of 5,000,000 common shares at a price per share of $0.05.

Reserved for issuance

Common shares reserved for issuance are a result of: (i) grants of options under a share option plan established by the Company whereby officers, directors and selected employees can be granted options to purchase common shares of the Company; 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 (2008 – 10,000,000) against the convertible debenture as follows:

	Price	Number
Balance, October 31, 2007		8,000,000
Convertible debenture - conversion feature amended	0.10	2,000,000
Balance, October 31, 2009 and 2008		**10,000,000**

Share option plan

The Company has established a share option plan under which officers, directors and selected employees can be granted options to purchase common shares of the Company. The aggregate number of shares issuable under the plan and any previous plan cannot exceed 2,500,000 in total, and the number of shares issuable to any one person under any option plan cannot exceed 5% of the total number of common shares outstanding from time to time. Options granted vest evenly on an annual basis over a three-year period. The exercise price of the option is fixed at the date of grant and may not be less than the fair market value per share of the common stock on that date. Any unexercised options that expire or are forfeited, thirty days after an employee ceases to be employed by the Company, become available again for issuance under the plan. The shareholders approved the existing plan on May 1, 2000. Currently, no options are outstanding.

9. INCOME PER SHARE

For fiscal 2009, the weighted average number of shares outstanding used to calculate basic income per share was 22,050,030 (2008 – 22,036,332).

Due to the loss from continuing operations, the conversion of the convertible debenture 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:

	2009	2008
	$	$
Combined basic Canadian federal and provincial income tax rate	**33.08%**	33.94%
Recovery for income taxes based on above rates	**(104,971)**	(30,245)
Adjustments to determine taxable income	**9,038**	6,976
Non-capital losses not recognized	**95,933**	23,269
Recovery of income taxes per Statements of Loss and Deficit	**-**	-

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

	2009	2008
	$	$
Future income tax asset is comprised of:		
Losses carried forward	**1,109,000**	1,321,000
Investment tax credits	**253,000**	253,000
Property and equipment	**119,000**	136,000
Corporate minimum taxes	**6,973**	6,973
	1,487,973	1,716,973
Valuation allowance	**(1,487,973)**	(1,716,973)
Future income tax asset	**-**	-

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

	$
2010	**1,928,000**
2014	**1,074,000**
2015	**458,000**
2026	**286,000**
2027	**139,000**
2028	**259,000**
2029	**290,000**
	4,434,000

10. INCOME TAXES (continued)

The Company has available investment tax credits (ITCs) of approximately $253,000 to reduce future income taxes payable, expiring $73,000 in 2018, $129,000 in 2019, and $51,000 in 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. 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.

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 $31,500 were incurred in the year ended October 31, 2009 (2008 - $31,550) from a company that is partially owned by the President of the Company. In addition, consulting expenses for sales and marketing in the amount of $120,000 were incurred in the year ended October 31, 2009 (2008 - $70,000) from a company that is owned by the President of NamSys Inc ("NamSys").

b) Included in accounts payable and accrued liabilities at October 31, 2009, are amounts due to directors of $79,000 (2008 – $67,000), to a company that is partially owned by the President of the Company $12,265 (2008 – $36,800), and to a company owned by the President of NamSys $63,879 (2008 – $10,500).

c) A company controlled by the President of Cencotech ("the Secured Lender") has a first secured loan agreement ("the Credit Facility") with the Company's subsidiary NamSys. The Credit Facility bears interest at the rate of 10% per annum, which is its effective rate, payable monthly, and 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.

   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.

   On July 31, 2009, the Secured Lender agreed to increase the maximum principal amount of the facility to $320,000, for no additional consideration.

12. RELATED PARTY TRANSACTIONS AND CONTINGENT DEBT (continued)

On October 5, 2009, 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 increase the facility to $350,000 and extend the maturity date of the Credit Facility to September 30, 2010, 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 October 31, 2009, the indebtedness under the Credit Facility is $402,744 including $57,744 in interest payable (2008 – $326,604 and $26,604 respectively). Interest expense related to the Credit Facility during the year was $31,140 (2008 – $26,025).

d) Upon closing the sale of intellectual property rights and inventory related to the Commercial Self Serve products in December, 2006, a $900,000 promissory note issued by the buyer as part consideration for the sale was assigned by NamSys to the Secured Lender as partial payment of the secured debt. In the event the buyer defaults in payment under the promissory note, the Secured Lender has the right to re-assign the second 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"). As at October 31, 2009, the Contingent Debt has an outstanding principal balance of $203,417 (2008 – $346,931) and an effective interest rate of 9%.

In an unrelated transaction, the buyer of the Commercial Self Service intellectual property also purchased certain assets from the Secured Lender for a promissory note secured by the assets purchased from the Secured Lender. By agreement August 1, 2009, the Secured Lender agreed to the release of the assets pledged by the buyer in return for inclusion of the outstanding debt in the escrow agreement covering the intellectual property rights to the Commercial Self Service products, which previously only secured Namsys' promissory note. As part of the amending agreement dated August 1, 2009, to which NamSys is also a party, in the event of payment default by the buyer NamSys now has responsibility to repay the Secured Lender the amount of the outstanding note, with concurrent recourse to the escrowed intellectual property rights. Management does not believe that it is more likely than not that the Company will bear any loss as a result of this agreement, and accordingly no liability has been recorded. At year-end the amount of the promissory note was $190,200.

These transactions, with the exception of (c) and (d) above, 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:

	$
2010	60,000
2011	10,000

14. SALES TO MAJOR CUSTOMERS

In the year ended October 31, 2009, three customers accounted for 42.7%, 13.9% and 7.4% respectively of the Company's consolidated revenues (2008 – 46.9%, 12.4% and 9.1% respectively).

15. SEGMENT INFORMATION

In fiscal 2009, the Company recognized revenues of $827,202 (2008 - $1,330,935) in sales to U.S. customers and $106,645 (2008 - $172,500) in sales to customers in Canada.

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