# CPL Technologies Inc.

Interim Consolidated Financial Statement
(Unaudited)

2nd Quarter ended
June 30th 2008 and 2007

NOTICE REQUIRED UNDER INSTRUMENT 51-102
"CONTINUOUS DISCLOSURE OBLIGATIONS"

***The attached consolidated financial statements have been prepared by the management of "CPL TECHNOLOGIES INC" and have not been reviewed by our auditor.***

## CPL TECHNOLOGIES INC.

Interim consolidated statement (unaudited)
2nd Quarter ended June 30th 2008 and 2007

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**CPL TECHNOLOGIES INC.**

**CONSOLIDATED STATEMENTS OF EARNINGS AND DEFICIT**

Periods ended June 30th 2008 and 2007
(unaudited)

| | Three months period ended June 30th | | Six months period ended June 30th | |
|---|---|---|---|---|
| | **2008** | 2007 | **2008** | 2007 |
| **Revenue** | **$ 539 617** | $ 602,498 | **$ 1 061 693** | $ 1,250,848 |
| Cost of sales | **611** | 5,238 | **1 315** | 20,154 |
| Direct salaries | **132 340** | 40,908 | **244 256** | 106,056 |
| **Gross earnings** | **406 667** | 556,352 | **816 123** | 1,124,638 |
| Selling and administrative expenses | **525 285** | 436,023 | **849 682** | 823,647 |
| Research and development costs | **26 408** | 3,166 | **63 818** | 6,395 |
| **Earnings (losses) before the followings items** | **(145 027)** | 117,163 | **(97 378)** | 294,596 |
| Financial expenses | **8 751** | 22,584 | **15 185** | 33,128 |
| Loss on assets disposal | **-** | 2,699 | **--** | 2,699 |
| Depreciation of capital assets | **4 043** | 6,242 | **8 087** | 12,271 |
| Depreciation of intangible assets | **1 242** | 1,476 | **1 490** | 2,916 |
| Depreciation of deferred expenses | | 40,358 | | 82,170 |
| **Earnings (losses) before income taxes** | **(159 063)** | 43,804 | **(122 140)** | 161,412 |
| **Income taxes** | | | | |
| Current | **(12 791)** | | **-** | |
| Future | **(32 080)** | 6,900 | **(44 871)** | 38,400 |
| **Net earnings (losses)** | **$ (114 192)** | $ 36,904 | **$ (77 269)** | $ 123,012 |
| Deficit at beginning of period / year | **(430 927)** | (115,502) | **(467 850)** | (201,610) |
| **Deficit at end of year** | **$ (545 119)** | $ (78,598) | **$ (545 119)** | $ (78,598) |
| **Result per share** | | | | |
| **- Basic** | **$ (0,0084)** | $ 0.0028 | **$ (0,0057)** | $ 0.0094 |
| **- Diluted** | **$ (0.0084)** | $ 0.0026 | **$ (0,0057)** | $ 0.0086 |
| **Weighted average number of common shares outstanding** | **13 583 657** | 13 053 848 | **13 583 657** | 13 053 848 |

**CPL TECHNOLOGIES INC.**

**CONSOLIDATED BALANCE SHEETS**

**As at June 30th 2008 and December 31st 2007**

| | June 30th 2008 (unaudited) | December 31st 2007 (audited) |
|---|---|---|
| **ASSETS** | | |
| **CURRENT ASSETS:** | | |
| Cash and Cash equivalent | $ - | $ 198 448 |
| Banker's acceptances | - | 21 685 |
| Account receivable | 662 958 | 565 441 |
| Current portion of loan and advances | 615 412 | 620 000 |
| Tax credit receivable | 236 459 | 173 859 |
| Prepaid expenses | 206 077 | 26 184 |
| | 1 720 906 | 1 605 617 |
| **LOAN AND ADVANCES** | - | 21 919 |
| **CAPITAL ASSETS** | 63 744 | 62 824 |
| **INTANGIBLE ASSET** | 4 775 | 6 265 |
| **FUTURE INCOME TAXES** | 649 727 | 562 316 |
| | $ 2 439 153 | $ 2 258 941 |
| **LIABILITIES** | | |
| **CURRENT LIABILITIES:** | | |
| Bank Loan | $ 268 822 | $ |
| Accounts payable and accrued liabilities | 482 036 | 237 556 |
| Deferred revenues | 294 343 | 305 993 |
| Current portion of long-term debt (note 3) | 227 567 | 439 456 |
| | 1 272 768 | 983 005 |
| **LONG-TERM DEBT (note 3)** | 122 855 | 170 135 |
| | 1 395 623 | 1 153 140 |
| **SHAREHOLDERS' EQUITY** | | |
| Capital stock (note 4) | 1 535 113 | 1 520 113 |
| Contributed surplus | 53 537 | 53 538 |
| Deficit | (545 120) | (467 850 0 |
| | 1 040 403 | 1 105 801 |
| | $ 2 439 153 | $ 2 258 941 |

ON BEHALF OF THE BOARD OF DIRECTORS

(Signed) ***Roger Plourde*** — Roger Plourde, president

(Signed) ***Jean-Guy Proulx*** — Jean-Guy Proulx, secretary

**CPL TECHNOLOGIES INC.**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

**Six months period ended June 30th**
(unaudited)

| | Three months period ended June 30th | | Six months period ended June 30th | |
|---|---|---|---|---|
| | **2008** | 2007 | **2008** | 2007 |
| **Operating activities** | | | | |
| Net earnings (losses) | $ **(114 192)** | $ 36,904 | $ **(77 269)** | $ 123,012 |
| Adjustment for: | | | | |
| Depreciation of capital assets | **4 043** | 6,242 | **8 087** | 12,271 |
| Depreciation of intangible asset | **1 242** | 1,476 | **1 490** | 2,916 |
| Depreciation of deferred expenses | | 40,358 | | 82,170 |
| Stock-based compensation expense | | - | | 16,300 |
| Future income taxes | **(19 088)** | 6,900 | **(44 871)** | 38,400 |
| Loss on assets disposal | | 2,699 | | 2,699 |
| | **(127 995)** | 94,579 | **(112 563)** | 277,768 |
| Net changes in non-cash working capital items | **(94 086)** | 28,251 | **(95 931)** | (87,009) |
| **Cash flows from operating activities** | **(222 081)** | 122 830 | **(208 094)** | 190 759 |
| **Investment activities** | | | | |
| Banker's acceptances | $ **-** | $ - | $ **21 685** | $ - |
| Acquisition of capital assets | **(6 606)** | (7,006) | **(9 008)** | (9,962) |
| Acquisition of intangible assets | **-** | ( 350) | **-** | (1,300) |
| Increase in deferred expenses | **(73 663)** | (66,128) | **(11 650)** | (125,974) |
| Disposal of assets | **-** | 7,500 | **-** | 7,500 |
| Variation loan and advances | **24 332** | - | **4 588** | - |
| Variation in other receivables | **10 549** | - | **21 919** | - |
| Variation R&D tax credit | **(4 623)** | - | **(42 539)** | - |
| | | - | | - |
| **Cash flows used in investment activities** | **(50 011)** | (65,984) | **(15 065)** | (129,736) |
| **Financing activities** | | | | |
| Long-term debt | **-** | - | **-** | 22,982 |
| Capital stock issued through stock option plan | **-** | - | **15 000** | - |
| Repayment of long-term debt | **(103 585)** | (9,866) | **(259 169)** | (36,173) |
| **Cash flows (used in) from financing activities** | **(103 585)** | (9,866) | **(244 169)** | (13,191) |
| **Net increase (decrease) in cash and cash equivalent** | **(375 677)** | 46,980 | **(467 268)** | 47,832 |
| **Cash and cash equivalent at beginning of period** | **106 856** | 291,262 | **198 447** | 290,410 |
| **Cash and cash equivalents at end of period** | $ **(268 821)** | $ 338,242 | $ **(268 821)** | $ 338,242 |

## 1- SIGNIFICANT ACCOUNTING POLICIES

The unaudited consolidated interim financial statements were prepared by the Corporation in accordance with Canadian generally accepted accounting principles applicable to interim financial statements following the same accounting policies and methods and their applications in the most recent annual financial statements. In the opinion of the Management, all adjustments necessary for fair presentation are reflected in the interim financial statements. The unaudited consolidated interim financial statements should be read in conjunction with the audited annual consolidated financial statements and notes thereto for the year ended December 31, 2007.

## 2- LONG TERM DEBT

| | June 30th 2008 | December 31st 2007 |
|---|---|---|
| Economic development Canada's contribution, without interest, repayable in 8 semi-annual instalments, starting in March 2009, maturing in September 2012. | **$ 47 201** | $ 47 201 |
| Bank loan, of a maximal consideration of $ 242 350, bearing interest at prime rate plus 3%, repayable in 48 monthly instalments, starting in January 2008,secured by Investissement Québec maturing in December 2011. | **59 881** | 68 436 |
| Economic development Canada's contribution, without interest, repayable in 8 semi-annual instalments of $ 16 441, starting in January 2007, maturing in June 2010. | **65 764** | 98 646 |
| Bank loan, bearing interest at prime rate plus 3%, repayable in 48 monthly instalments of $ 3 289 principal only, maturing in January 2009. | **25 576** | 45 308 |
| Loan from a company controlled by a Director, without interest and fixed term of repayment. | **152 000** | 350 000 |
| | | 609 591 |
| Current portion of the long-term debt | **227 567** | 439 456 |
| Long-term debt | **$ 122 855** | $ 170 135 |

## 3- CAPITAL STOCK

During this quarter there were no changes in the capital stock

**Stock-based compensation plan:**

Under the terms of the employee stock option plan, the Company may from time to time grant options to its employees, directors and officer. The Plan provides for the grant of non-transferable and non assignable options for the purchase of common shares. The Board of Directors has the authority to select those officers, directors, employees and suppliers to whom options will be granted, to determine the limits, restrictions and conditions of the granting of options, and to interpret the Plan and make all decisions regarding thereto. The option price shall not be less than the market value of the common shares at the time the option is granted. The options may be exercised during periods which may vary but not exceed 10 years from the date of the grant.

**Variations in stock-options outstanding and the effect on the weighted average exercise price are summarized in the following table:**

| | June 30th 2007 | | June 30th 2006 | |
|---|---|---|---|---|
| | **Number of options** | **Weighted average exercise price** | Number of options | Weighted average exercise price |
| Balance at beginning of year | **581,870** | **0.17$** | 1,205,968 | $ 0.20 |
| Exercised | **100,000** | **0.15 $** | - | - |
| Granted | **-** | **-** | 390,000 | $ 0.22 |
| Balance at end of year | **481,870** | **0.18 $** | 1,595,968 | $ 0.21 |

## 4- RELATED PARTY TRANSACTIONS

During the period ended June 30th 2008 the company, paid some professional fees and commissions to a member of the board or to persons related to a member of the board, for a total amount of $29 734 ($33 861 in 2007). These transactions have been made in the normal course of its activities at a fair exchange value accepted by the related parties.

## 5- SEGMENTED INFORMATION

The following table sets out certain geographic market information based on the client's location:

| | Six months period ended June 30th | |
|---|---|---|
| GEOGRAPHIC INFORMATIONS (a) | **2008** | 2007 |
| Province of Quebec | $ **816 806** | $ 1,022,451 |
| Canada outside Quebec | **140 697** | 123,391 |
| United States | **60 416** | 72,137 |
| Europe | **43 774** | 32,869 |
| | $ **1 061 693** | $ 1,250,848 |

(a) The sales are allocated to the different countries according to where the installation has occurred.