



# ANNUAL REPORT 2007

## **Letter from the Chairman**

The past fiscal year has proven to be pivotal in terms of 20-20's achievement of a global integrated offering. As Jean Mignault details in his Message to Shareholders, we have taken huge strides in structuring both our product portfolio and organization to address wider opportunity. While building on proven strengths, we have added formidable new ones. The result is a company that has effectively entered an entirely new chapter in its evolution. Underlining this is the acquisition of the European-based Planit Fusion business, our largest worldwide kitchen and bath software competitor.

The nature of 20-20's corporate governance and company values directly reflect the manner in which we approach and conduct our business. As both a publicly traded entity and a leader in the interior design software industry, we take very seriously our objective to achieve excellence in every aspect of our dealings with clients, suppliers, employees and shareholders.

Our industry measures excellence through the quality of the technology. 20-20 recognizes there can be no substitute for innovation and takes its commitment to its clients to deliver cutting-edge solutions seriously. From our Management and Board to each and every professional and member of our support staff, that aim takes on substantive meaning. It ensures we provide the best possible products to our clients, while encouraging and rewarding excellence among our own people.

The Company's twenty-year history exemplifies a marked respect for a variety of cultures, expressed in the way 20-20 functions in many countries, in multiple languages, with an absolutely seamless acceptance of diversity.

20-20 values communication, integrity, creativity and accountability. Openness represents a hallmark of 20-20's corporate character. This tradition, I want to emphasize, is a constant work in progress we regard as infinitely perfectible.

The members of 20-20's Board of Directors are elected to ascertain continually that shareholder interests are being protected, and to ensure the long-term interests of the shareholders are being pursued. Over the last several years 20-20's Board has developed corporate governance procedures and policies to help it diligently carry out its obligations to shareholders.

The Board also performs an evaluation of Company leadership on an annual basis. During the last year, the Board of Directors together with the Company management has created a solid succession plan for the key executives of the company in order to secure continuity and development of the business.

It oversees financial reporting with a set of internal controls, and monitors all strategies with the aim of mitigating risk, while ensuring growth. It is also the responsibility of the Board to advance the long-term interests of shareholders through acknowledgment of all other involved stakeholders, including employees, clients, suppliers, and the general public.

The Board wields the requisite authority to review and assess certain aspects of the Company's performance. These policies also make certain Board members can effect decisions independently, wholly distinct from Company management. The policies themselves are subject to modification, should the Board find such modification necessary to assist 20-20 to achieve its strategic and organizational objectives.

As a leader in our industry, 20-20 looks to the future with great confidence. Gratitude for everything we have achieved is owed to our shareholders. You recognized the promise of 20-20, and you have enabled your Company's worldwide expansion. Thank you, and be assured we shall continue to translate your support into progress and growth.

**Jocelyn Proteau**  
**Co-Chairman of the Board and Lead Director**

## **Message to Shareholders**

### **The new 20-20: A World of Growth Opportunities**

The year 2007 marked a distinct turning point in the evolution of 20-20 Technologies. Though our vision and mission remained the same, in future I have no doubt we shall refer to what came “before” this year and what came “after” as a critical point in our history. We completed major processes of product integration and management re-organization during this period and, subsequent to year end, we concluded an agreement to acquire our largest worldwide competitor. The result has ideally positioned 20-20 as the principal software provider to every link in the chain of the interior design and furniture industries – and has unlocked diverse doors to growth opportunities for the Company on a global basis.

#### **Agreement to acquire our largest worldwide competitor**

Our agreement to acquire, subsequent to year end, the Planit Fusion business, the kitchen and bath design software business of the United Kingdom-based Planit Holdings Limited, increases our pro forma combined annual revenues by 21%. As the product mix of Fusion is complementary to that of 20-20, and approximately 90% of Fusion’s revenues are generated in Europe, this acquisition is contributing significantly to our projected leadership of the European market. Beyond immediately diversifying 20-20’s revenue stream and bringing European revenues to 40% of our total revenue, the strategic benefits abound.

The acquisition of Planit Fusion enhances the cross selling opportunities for both groups, namely point-of-sale desktops, as well as web solutions. Significant business synergies will result from our consolidation of catalog activities. Importantly too, we have welcomed the addition of Fusion’s specialized R&D/Catalog resources for our graphical retail systems. We are bringing together the development teams from 20-20 and Planit Fusion, the experts that built the two best kitchen and bath software programs in the world. This newly combined world-class team will be tasked with creating the ultimate Point of Sales Graphical tool for our customers. This new version of our software, to be introduced, shortens considerably the heretofore assumed lifecycle of our software products, as it will offer significantly improved features from the versions it will replace.

All in all, this acquisition creates major growth opportunities for 20-20. Furthermore, at a time of uncertainty in the U.S. market, this bolstering of our European presence helps us maintain our growth and worldwide momentum.

#### ***Product Integration Creates Unique Offering***

For many years we were recognized primarily for providing our industry’s most widely used point-of-sale technology. That vision has since grown to include an offering that has broadened and greatly strengthened. In recent years we acquired solutions for the manufacturing end of the interior design and furniture businesses. We did more than simply adjoin or append those solutions to our portfolio. We integrated them, and are continually refining our integration to achieve a uniquely powerful new whole. We have married the point-of-sale to the factory floor, synchronizing the retail function with the fabrication function. By flowing the data electronically from one to the other on the same technological platform – by digitizing the consumer’s order in the home centre for application by the numerically controlled machines in the factory – we have provided tremendous efficiencies and increased productivity for our clients at every stage of the interior design and production process.

The past year may be regarded as *the* pivotal period in terms of our ability to deliver this harmonious end-to-end solution. Whereas “before” we were seen as the established leader in point-of-sale and as a growing provider of manufacturing solutions, the reality of “after” is the elimination of demarcation between those two functions. The manufacturing solutions and point-of-sale technologies of 20-20 now comprise a seamless unity no competitor can match. The end-to-end solution has become our natural and exclusive mainstream product – it represents the new DNA of the company.

Our shining accomplishments encourage us to maintain our technological leadership and obtain additional market share. On both counts the prospects are extraordinarily bright, not least because of the talent we have in place and the manner in which we have aligned our management.

#### ***Structural Alignment to Achieve Accelerated Growth***

The assembly of our global team resulted in good part from our intensive acquisition program of previous years. A prominent executive in Europe recently told me 20-20 had clearly claimed the vast majority of the finest minds in our industry. Such a resource sets us significantly apart. It invests our brand with unrivaled authority. In an industry that combines software creativity with interior design expertise, the right management with the right experience is crucially important.

A central element of our preparation for accelerated growth involved the re-organization of 20-20's management structure. We have aligned our talent to leverage the strength of our global presence and maximize 20-20's ability to exploit all available opportunities. The gamut of our many resources is now geared as a *single company* to deliver the end-to-end solution.

The appointments of Craig Yamauchi as Executive Vice President, Manufacturing Solutions for North America; Joerg Witthus as Executive Vice President for Europe; and Klaus Gueniker as Vice President Manufacturing Operations worldwide, formed a key step in the unification of our manufacturing solutions teams in sales and service on the one hand, and product management and R&D on the other.

Craig Yamauchi was formerly CEO of a major developer of enterprise-wide solutions for the building materials industry. He now directs the manufacturing solutions sales and services teams in North America, for both residential and commercial furniture markets.

Joerg Witthus co-founded MBI Software which was acquired by 20-20 two years ago. Mr. Witthus is now in charge of all our sales and services teams in Europe for both point-of-sale and manufacturing solutions.

Klaus Gueniker joined 20-20 two years ago when we acquired the company he founded, Virtual Systems International (VSI). He will manage our global manufacturing solutions portfolio from Germany, where the core of our manufacturing solutions programming team makes its home.

The importance of these management alignments cannot be overstated; they represent a significant step forward for 20-20. The positioning under a unified direction of product management and product development professionals who have worked on different approaches to enterprise systems creates something new and powerful. It forms a pool of knowledge, skills and vision which can not only enhance our clients' efficiency on the basis of current technology and service, but also gives full promise of creating the matchless *next* generation of product.

In terms of potential competition to 20-20, it goes without saying that our assembly of the leading minds in our industry – together with our unparalleled product portfolio – has, at the minimum, raised the 'barrier to entry' to an extremely high level.

#### ***Impact of the Credit Crisis***

The year 2007 presented a challenge for 20-20 in respect to the North American credit crisis, as well as to the performance of the Canadian dollar which put pressure on our costs. Responding to the mortgage credit situation in the U.S., the major home centre chains opened fewer new stores than expected, which affected our new license sales. We are significantly protected against this kind of event in the marketplace because approximately half of our revenues are recurring. This revenue stream was generally not affected; however, our new license sales were affected.

When you command the largest share of a business, a strong headwind naturally delays you. We partially offset this headwind by virtue of our growing European presence where we have 30% of our residential business. Our operations in Europe were virtually immune from the credit crisis. Furthermore, the crisis did not involve office furniture which enjoyed significant increases.

Experience gives us confidence that the purchase of new licenses by our clients of residential point-of-sale technology and residential manufacturing solutions has not been cancelled, but rather delayed. Once the credit crisis eases and eventually ceases, 20-20's momentum will resume quickly and we'll see accelerated growth. Furthermore, our competitive position will likely have improved, since we have not been affected by the downturn to the same extent as the overall market.

#### ***Outlook***

The world of opportunities available to 20-20 encompasses the extension of our offering to the geographic regions where we are thus far under-represented, and within those geographic regions we already dominate, where gaps exist in our market leadership on components of our End-to-End Solution we will work diligently to fill these gaps. For example, the supremacy in manufacturing and vertical enterprise-wide solutions we enjoy in Central and Eastern Europe will be extended to the United Kingdom, France, Italy and Spain. The authority we have established in the UK with regard to point-of-sale – a market clout enhanced still further by our acquisition of Planit Fusion – will be taken in irresistible force to home centers throughout the continent.

In other words, with the European-wide unified strategy we have put in place, the regions of the continent will grow less and less disparate in terms of the penetration of our entire end-to-end solution. Having added the business of Planit Fusion to 20-20, we are already well on our way to achieving one of our principal priorities for

2008: increase our market share in Europe. Long term, we insist upon achieving a share of the European market that equals our leading share of the North American market.

Our well launched and accelerating strategy in Europe marks a decisive moment in our growth. It forms a blueprint for identical means of advance on every continent. Our aim to be the dominant supplier for all components of the end-to-end solution in every region of the world is being pursued and fulfilled.

We now have an employee devoted full-time to Russia, where a number of furniture manufacturers have become clients. In Brazil, the market has begun to welcome our solutions. In Asia, we are making significant inroads. Our new subsidiary, in China, is wholly owned and already employing over thirty people. With non-custom goods overwhelmingly manufactured in China, it's a natural for us to use our ability to create solutions for Chinese manufacturers, create data there, and bring the data to the point of contact between the sales person and the customer in North America and Europe. Such a development, charged with far-reaching opportunity, can prove as momentous as any on 20-20's horizon.

It should be noted too that in 2007 we mandated our team to create the next generation of our worldwide catalog. Our mastery of product data has always been the key to our supremacy in point-of-sale, and at the same time, the greatest obstacle to our competition. Now, with unified management on the operations side, we are making significant progress in data convergence and exploitation. With our Product Data Pool initiative, a continuing work in progress, we are reaching the point where data, once created, can be deployed for any and every purpose our industry requires. The cost efficiency afforded by such an accomplishment will only serve to strengthen 20-20's industry leadership.

The long-stated financial objectives that have formed part of every major communication of the company since it became public remain firmly in focus, fully realized, and more than confidently achievable going forward. On average, since our IPO, 20-20 has grown at a 20%-plus rate annually, of which approximately half has been in organic growth. The metrics are certainly in place to maintain, and surpass, that consistent average over the next twelve month period and in the years ahead.

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It is my privilege to acknowledge the contribution of our employees to 20-20's progress. Our highly skilled managers, technical specialists, creative programmers, and wholly professional support staff all share credit for the countless steps forward we took in 2007. We will also be welcoming the new team members from the Planit Fusion acquisition. I have no doubt that in this space a year from now I will again report on remarkable achievements of which all of them, through their teamwork and dedication, will have been collectively the principal author.

**Jean Mignault**  
**Chief Executive Officer**

# MANAGEMENT'S DISCUSSION AND ANALYSIS

(For the year ended October 31, 2007)

## 1. Introduction

The following report, dated January 29, 2008, is a discussion relating to the financial results and condition of 20-20 Technologies Inc. ("20-20" or the "Company") for the years ended October 31, 2007 and 2006. The discussion should be read in conjunction with the selected consolidated financial information shown in this report and with our audited consolidated financial statements and the accompanying notes thereto. These financial statements have been prepared in accordance with Canadian generally accepted accounting principles (Canadian GAAP) and are presented in U.S. dollars as a significant proportion of the Company's revenues are recorded in U.S. dollars. The Company's financial statements result from having been translated from the currency of measurement, the Canadian dollar, to the U.S. dollar using the current rate method. Additional information relating to 20-20, including the Company's Annual Information Form, Annual Report and the interim financial statements and related management reports for the year ended October 31, 2007, can be obtained on SEDAR at [www.sedar.com](http://www.sedar.com) as well as on the Company's web site at [www.2020technologies.com](http://www.2020technologies.com) in the Investors section. Information contained in this report is qualified by reference to the discussion concerning forward-looking statements detailed below.

Unless otherwise noted or the context otherwise indicates, "20-20", the "Company", "we", "us" and "our" refers to 20-20 Technologies Inc. and its direct and indirect subsidiaries. Unless otherwise indicated, all dollar amounts in this report are expressed in U.S. dollars. References to "\$" or "U.S." are to U.S. dollars and references to "C\$" are to Canadian dollars. Disclosure of information in this report has been limited to that which management has determined to be "material", on the basis that omitting or misstating such information would influence or change a reasonable investor's decision to purchase, hold or dispose of securities in the Company.

## Forward-looking Statements

Certain statements contained in this report constitute forward-looking information within the meaning of securities laws.

Implicit in this information, particularly in respect of future operating results and economic performance of the Company are assumptions regarding projected revenues and expenses. These assumptions, although considered reasonable by the Company at the time of preparation, may prove to be incorrect. Readers are cautioned that actual future operating results and economic performance of the Company are subject to a number of risks and uncertainties, including general economic, market and business conditions and could differ materially from what is currently expected.

For more exhaustive information on these risks and uncertainties you should refer to our most recently filed Annual Information Form which is available at [www.sedar.com](http://www.sedar.com). Forward-looking information contained in this report is based on management's current estimates, expectations and projections, which Management believes are reasonable as of the current date. The reader should not place undue importance on forward-looking information and should not rely upon this information as of any other date. While the Company may elect to, it is under no obligation and does not undertake to update this information at any particular time, unless required by applicable securities law. In addition to presenting an analysis of results for the years ended October 31, 2007 and 2006, this report also discusses certain important elements that occurred between such date and January 29, 2008.

## Non GAAP Measures

### *Adjusted Operating Income*

As the Company has made several acquisitions over the last two years we felt that it was important to provide a measure that enhances an overall understanding of our operational results and trends, on a comparable basis with the prior periods. Adjusted operating income is a non-GAAP measure related

to operating income and is defined for these purposes as operating income excluding stock-based compensation and amortization of business acquisition-related intangibles and development costs. Adjusted operating income is a supplemental measure and should not be construed as an alternative to operating income as defined under Canadian generally accepted accounting principles (Canadian GAAP) as a measure of profitability. Our method of measuring adjusted operating income is unlikely to be comparable to similar measures provided by other companies.

In the twelve months ended October 31, 2007, adjusted operating income decreased by 2.9 percentage points as a percentage of revenues with a decrease of \$968,000 from \$8.3 million in fiscal 2006 to \$7.3 million due to factors further described in section 6 of this report.

#### Adjusted Operating Income

(Amounts in thousands of dollars and percentage)

	Years ended October 31,	
	2007	2006
	\$	\$
<b>Operating Income (loss) (GAAP)</b>	<b>(7,493)</b>	6,295
Stock based compensation	351	416
Amortization of acquired intangibles	764	681
Amortization of acquired development costs	1,119	875
Unusual item - write off of development costs	12,558	-
<b>Adjusted Operating Income</b>	<b>7,299</b>	8,267
	<b>10.8%</b>	13.7%

#### EBITDA

EBITDA is a non-GAAP measure related to cash earnings and is defined for these purposes as operating income plus amortization and depreciation expenses, excluding the unusual write down of development costs (see section 4 of this report).

In the twelve months ended October 31, 2007, EBITDA decreased by 0.8 percentage points as a percentage of revenues with an increase of \$902,000 from \$11.8 million in fiscal 2006 to \$12.7 million due to factors further described in section 6 of this report.

#### EBITDA

(Amounts in thousands of dollars)

	Years ended October 31,	
	2007	2006
	\$	\$
<b>Operating Income (loss) (GAAP)</b>	<b>(7,493)</b>	6,295
Amortization of property and equipment	1,468	1,224
Amortization of intangibles	764	681
Amortization of internal development costs	4,318	2,757
Amortization of acquired development costs	1,119	875
Unusual item - write off of development costs	12,558	-
<b>EBITDA</b>	<b>12,734</b>	11,832
	<b>18.8%</b>	19.6%

In the fourth quarter of 2007, the Company had accentuated its conduct of a financial due diligence review related to a potential acquisition (Note 22). This due diligence process resulted in a review by the Company, as of October 31, 2007, of a portion of its business plan and of products commercialized or in development. Following this review, the Company concluded that certain criteria enabling, under generally accepted accounting principles, the continued deferral of development

costs were no longer met and, accordingly, recorded a \$12,558,000 charge for the write-off of certain development costs.

## **2. Business Summary**

Founded in 1987, 20-20 is the world's leading provider of computer-aided design, sales and manufacturing software tailored for the interior design and furniture industries, offering dealers and retailers design, specification, photo-realistic 3-D rendering and management software for configurable and standalone products in the residential point-of-sales solutions, commercial point-of-sales solutions and recreational interior design markets. The Company's proprietary end-to-end solution integrates the entire design, sales, supply chain and manufacturing processes of the industry, including an integration platform between sales and manufacturing, computer-aided engineering, shop floor automation and machining software tailored to the kitchen, bath and furniture industry's manufacturers. Moreover, we create, maintain, publish and update electronic catalogs with detailed 3-D graphics, product specifications and finishes, pricing information and product reference numbers for configurable products on behalf of our manufacturing customers.

20-20 solutions are available across both desktop and web environments. Its products and services are marketed and sold worldwide through a sales and marketing team in various locations complemented by a network of consultants and distributors. 20-20 has operations throughout North America and Europe as well as a direct presence in both the Asia-Pacific and Latin American markets.

### **Revenues**

*Revenues from license sales* are predominantly derived from licensing of the Company's desktop and client-server enterprise software as described above. Each software license, for which users pay a one-time fee, is typically perpetual in nature. Each license is typically intended for use by a single user and is non-transferable. Revenues of this type amounted to \$24.5 million, or 36.2% of total revenues for the twelve months ended October 31, 2007, and \$24.3 million, or 40.2% for fiscal 2006. Our *revenues from maintenance and other recurring revenues* are derived from providing customer support, software and electronic catalog updates, web services, and from annual software usage fees. Typical maintenance and other recurring service agreements have a twelve-month term and are renewable at the option of the customer. Revenues of a recurring nature amounted to \$28.6 million, or 42.2% of total revenues in fiscal 2007, and \$24.2 million, or 40.1% for the twelve months ended October 31, 2006. Finally, our *revenues from professional services* include revenues derived from training, electronic catalog creation and maintenance, and integration services, such as consulting and application customization, as well as hardware resale. These revenues amounted to \$14.6 million, or 21.6% of total revenues during fiscal 2007, and \$11.9 million, or 19.7% for the twelve months ended October 31, 2006.

The Company's operating income is derived after considering both cost of revenues and operating expenses, explained as follows.

### **Cost of Revenues**

*Cost of revenues from license sales* primarily consists of: (i) the costs of the actual software product media including duplication, manuals and inserts, and packaging; (ii) the cost of resale of third-party software; and (iii) royalties payable on certain license sales to third parties whose technology is used with 20-20 software. *Cost of revenues from maintenance and services* primarily consists of costs relating to personnel and other related costs incurred in providing customer support, software updates (other than research and development expenses), electronic catalog creation, updates and maintenance, web services, training, integration services and hardware.

### **Operating expenses**

Operating expenses include: (i) *sales and marketing expenses*, which primarily consist of costs relating to personnel and to sales and marketing activities as well as product management, including the salaries and commissions paid to our sales force and fees paid to our industry consultants, shipping, advertising, telemarketing, trade shows and other promotional activities and materials; (ii)

*research and development expenses* (including the amortization of capitalized development costs) primarily consist of costs relating to personnel and subcontractors for the development of new products, the enhancement of existing products, quality assurance and documentation activities and software development tools and equipment. Research and development expenses are shown net of applicable tax credits; (iii) *general and administrative expenses* primarily consist of costs relating to information technology, legal services, finance functions, human resources, legal and professional fees, insurance and other corporate overhead expenses; and (iv) *stock-based compensation expense* consists of the cost of stock-based awards to employees expensed on a straight-line basis over the options' vesting period, the Company portion of the employee share purchases under the Employee Share Purchase Plan (ESPP) and the cost associated with the deferred share units issued quarterly to the Company's Directors.

### **Acquisition Subsequent to Year End**

On January 29, 2008, the Company acquired the kitchen and bath design business from Planit Holdings Limited ("Planit Fusion") for total consideration of \$38.0 million (£ 19.0 million). The acquisition consists of the worldwide kitchen and bath software business including 2 subsidiaries Planit International Limited (U.K.), Planit S.A. (France) and all of their US assets related to that business. Revenues for the last twelve months ended October 31, 2007 amounted to \$14.3 million of which approximately 90.0% were generated in Europe. EBITDA amounted to \$5.0 million or 35.3% of revenues for the same twelve month period.

Planit Fusion is a leading provider of computer-aided design software tailored for the interior design industry. They offer residential point-of-sales, specialists (dealers) and corporate retailers, design, specification and photo-realistic 3-D rendering software for kitchen, bathroom and bedroom configurable products. Moreover, the Company creates, maintains, publishes and updates electronic catalogs with detailed 3-D graphics, product specifications and finishes, pricing information and product reference numbers for furniture and appliance manufacturers.

Planit Fusion solutions are available mostly as desktop applications with some web solutions. Its products and services are marketed and sold worldwide through the sales teams of its 3 main subsidiaries in the UK, in France and in the USA and a network of distributors.

### **Financial Highlights** (for the last 12 months ending October 31<sup>st</sup> 2007 - unaudited)

*Revenues from license sales* are predominantly derived from licensing of the Company's desktop software. Each software license, for which users pay a one-time fee, is typically perpetual in nature. Each license is typically intended for use by a single user and non-transferable. Revenues of this type amounted to \$7.1 million, or 49.9% of total revenues. *Revenues from maintenance and other recurring revenues* are derived from providing customer support, software and electronic catalog updates, Web services and from monthly software usage fees. Typical maintenance and other recurring service agreements have a twelve-month term and are renewable at the option of the customer. Revenues of a recurring nature amounted to \$4.9 million, or 34.4% of total revenues. Finally, *revenues from professional services* include revenues derived from training, electronic catalog creation and maintenance, and consulting services. These revenues amounted to \$2.2 million or 15.7% of total revenues.

Cost of Revenues and Operating Expenses are similar to those of the company with respect to definition and content of expense line items.

The acquisition will be accounted for using the purchase method, whereby the purchase price will be allocated to the assets acquired based on their estimated fair value as of the acquisition date. The unallocated balance of the purchase price will be allocated to goodwill.

### **3. Competitive Environment**

The Company currently faces competition from software providers in both the CAD and the ERP markets. The interior design software industry is highly fragmented and comprised generally of point

solution (as opposed to end-to-end solution) software providers that address specific aspects of design software or software providers that have limited geographic coverage. Accordingly, none of the Company's competitors competes in all of its product and geographic markets. Generally, competitors can be described as follows:

- CAD Software: Competitors include smaller, privately-owned, companies whose products generally have limited functionality when compared to those of the Company, are principally focused on specific aspects of design software, and compete generally in some of our geographic markets but not all. The Company's main competitors in North America are Project Matrix, Pro Kitchen and Microvellum, while in Europe we compete against Compusoft, Insitu and Eastern Graphics and in Asia, with Yuan Fang.
- ERP Software: As the Company increases the penetration of its ERP solution, it also faces competition from ERP software vendors, such as SAP, Lawson and Oracle, which generally offer less targeted design, specification, photo-realistic rendering or 3-D visualization capabilities. In addition, 20-20 also faces competition from Friedman Corporation, an ERP software vendor targeting the windows and doors and cabinet maker markets.

Large software providers typically find it more beneficial to form alliances with specialized software providers that provide a focused solution, like us, than to devote resources to developing and marketing their own specialized products.

#### **4. Year in Review**

The strength of the Canadian dollar versus the U.S. dollar also had a significant impact on operating and financial expenses, totaling \$2.6 million, as further discussed in section 6 of this report. The Company recorded a loss of \$1.5 million in its financial expenses (income) line for the year predominantly as a result of converting its monetary assets denominated in the U.S. dollar into Canadian dollars, being the currency of measure. In addition to this, the Company incurs a significant portion of its operating expenses and cost of revenues in Canadian dollars. With the recent strength of the Canadian dollar versus the U.S. dollar, when we convert these costs into U.S. dollars for presentation purposes, the total cost increased by \$1.2 million simply due to the currency movement.

The Joint Center of Housing Studies of Harvard University reported that economic conditions in North America for 2007 have driven a small decline in remodeling spending in the year versus 2006, mainly due to declining home values and continuing credit issues.

Revenues for the twelve months ended October 31, 2007 amounted to \$67.6 million, representing a \$7.2 million or 11.9% increase over what had been recorded in the same period in the preceding fiscal year. The increase in revenues is attributable to additional recurring support and maintenance services generated from a growing licensee base and to the increase in professional services revenues as well as \$2.8 million generated by MBI, Data One, VSI and PSI in fiscal 2007 for which there were no revenues in fiscal 2006. On an organic basis, excluding revenues from acquisitions over the last twelve months, revenues grew by 7.2% for the year ended October 31, 2007 over the comparable period in 2006.

License sales to customers in the commercial point-of-sales solutions (office) market showed strong organic growth at 43.0% over 2006, contributing to overall organic growth of 17.6% in the commercial point-of-sales solutions sector. Although license sales in the residential point-of-sales solutions sector decreased by 11.4% from fiscal 2006, total revenues from the residential point-of-sales solutions sector recorded a growth of 4.5%, largely due to growth in recurring revenues derived from our installed base and from professional services.

Revenues from our manufacturing solutions however saw a decline in fiscal 2007 of 0.7% on an organic basis excluding currency exchange rate contributions as sales cycles increased due to the uncertainty in the housing market and the tight credit conditions in the United States.

The Company's gross margin increased by \$3.6 million or 7.9% to \$49.2 million for the year ended October 31, 2007 compared with \$45.6 million for the comparable period in 2006, representing 72.7% and 75.4% of total revenues respectively. The overall gross margin (as a percentage of revenues) decreased by 2.7 percentage points versus 2006. The decline in overall margin as a percentage of revenues is namely attributable to the significant change in revenue mix from the comparable period last year. In particular, licenses generated 36.2% of revenues with a gross margin of 88.9% compared with 40.2% of revenues and 90.3% of gross margin for the same period last year.

Given the relative importance of both the volume and the margin percentage associated with licenses, variations in the revenue composition in both license types and overall revenue mix directly affect the gross margin percentage.

With respect to maintenance and recurring revenues and professional services for the year, overall gross margins are negatively affected because of their relative proportion of the revenue mix despite the fact that these revenues accounted for 63.8% of total revenues compared to 59.8% in 2006 and the gross margin is 63.6% in 2007 versus 65.5% in 2006.

The operating income, excluding the unusual item, for the year ended October 31, 2007, decreased by 19.5% to \$5.1 million compared to the same period last year, representing 7.5% and 10.4% of total revenues for each respective period. The decrease in operating income, excluding the unusual item – write-off of development costs, is namely attributable to the increase in gross margin dollars due to sales volumes more than offset by: (i) increases in sales and marketing costs related to salaries, rent and bad debt provision adjustments in both 2007 and 2006; and (ii) increase in research and development expenses due to increased amortization related to higher capitalized costs of prior periods as well as increased amortization related to development costs resulting from acquisition accounting for recent acquisitions.

On January 29, 2008, the Company acquired the kitchen and bath design business from Planit Holdings Limited ("Planit Fusion"), the Company's largest competitor on an international scale. The Fusion Group markets products and services similar to those of the Company.

The net loss for the 2007 fiscal year stood at \$5.2 million, compared to net earnings of \$5.9 million for the same period in 2006. Consolidated income taxes recoverable for fiscal 2007 stood at \$2.7 million or 33.6% of pre-tax losses compared to a consolidated tax expense of \$1.6 million or 21.3% for 2006.

## 5. Selected Consolidated Financial Information

The selected consolidated financial information set out below for the twelve months ended October 31, 2007, 2006 and 2005 has been derived from our audited consolidated financial statements. The following information should be read in conjunction with our audited financial statements and notes related thereto.

### Consolidated Statement of Earnings Data: (In thousands of dollars, except share and per-share data)

Years ended October 31,	2007	2006	2005
	\$	\$	\$
<b>Revenues</b>			
License sales	24,488	24,310	18,334
Maintenance and other recurring revenues	28,562	24,224	15,767
Professional services	14,577	11,927	6,374
	<b>67,627</b>	<b>60,461</b>	<b>40,475</b>
<b>Cost of revenues</b>			
License sales	2,720	2,365	1,183
Maintenance and services	15,719	12,489	6,809
	<b>18,439</b>	<b>14,854</b>	<b>7,992</b>
<b>Gross margin</b>	<b>49,188</b>	<b>45,607</b>	<b>32,483</b>
Gross margin (%)	<b>72.7%</b>	<b>75.4%</b>	<b>80.3%</b>
<b>Operating expenses</b>			
Sales and marketing	21,305	18,790	13,480
Research and development	10,200	7,456	4,796
General and administrative	12,267	12,650	7,936
Stock-based compensation	351	416	334
Unusual item - write off of development costs	12,558		
	<b>56,681</b>	<b>39,312</b>	<b>26,546</b>
<b>Operating income (loss)</b>	<b>(7,493)</b>	<b>6,295</b>	<b>5,937</b>
Operating income (loss) (%)	<b>(11.1%)</b>	<b>10.4%</b>	<b>14.7%</b>
Financial expenses (income)	407	(1,160)	(140)
Earnings (loss) before income taxes	<b>(7,900)</b>	<b>7,455</b>	<b>6,077</b>
<b>Income taxes</b>			
Current	222	579	943
Future	(2,873)	1,007	872
	<b>(2,651)</b>	<b>1,586</b>	<b>1,815</b>
<b>Net earnings (loss)</b>	<b>(5,249)</b>	<b>5,869</b>	<b>4,262</b>
<b>Earnings (loss) per share <sup>(1)</sup></b>			
Basic weighted average number of common shares	<b>18,814,722</b>	18,785,855	17,580,899
Basic earnings (loss) per share	<b>(\$0.28)</b>	\$0.31	\$0.24
Diluted weighted average number of common shares	<b>19,060,550</b>	19,068,537	17,996,569
Diluted earnings (loss) per share	<b>(\$0.28)</b>	\$0.31	\$0.24

(1) Please refer to Note 6 to the audited consolidated financial statements for further details relating to the calculation of basic and diluted earnings per share.

## 6. Comparison of the Years Ended October 31, 2007 and 2006

### Acquisitions

The following information with respect to acquisitions completed during the twelve months ended October 31, 2007 and 2006 should be read in conjunction with Note 8 to the audited consolidated financial statements for further details relating to basic considerations paid, future performance-based additional considerations, values attributed to the assets acquired (including intangible assets and goodwill) and assumed liabilities as of the date of the transactions, if applicable.

#### Fiscal 2007

##### ***Linkwood Engineering***

(\$203,080 – before acquisition costs)

On August 1, 2007, a wholly-owned subsidiary of the Company acquired a portion of the assets of Linkwood Engineering, a software distribution company that sells 20-20 Technologies Inc. products, based in the United Kingdom, in order to establish our presence in the manufacturing solutions market in the UK. The consideration for this acquisition was \$203,080 (£100,000) up to a maximum of \$304,620 (£150,000) upon attainment of certain revenue objectives. The consideration consisted of the following: \$81,232 (£40,000) payable at the closing of the transaction reduced by an amount payable by Linkwood Engineering to a subsidiary of 20-20 Technologies Inc. for a net payment of \$52,841 (£ 26,020), a second installment due in September 2008 equal to 20% of the revenues for the twelve months ended July 31, 2008 and a third installment due in September 2009 equal to 20% of the revenues for the twelve months ended July 31, 2009. The unallocated balance of the purchase price was allocated to goodwill. The preliminary allocation of the purchase price is subject to change as the Company completes its evaluation of the assets.

##### ***Pattern Systems International, Inc.***

(\$870,000 – before acquisition costs)

On January 8, 2007, the Company acquired substantially all of the assets of Pattern Systems International, Inc. (PSI), based in Mount Arlington, New Jersey. PSI develops computer software products for distribution through dealers and internal sales representatives, with some direct sales, mainly for the cabinetmaker, architectural millwork and woodworking industry. At that time, the transaction was established at a total consideration of \$1,025,000, of which \$225,000 was remaining as a balance of purchase price payable, as the seller completes development of additional software components for the Company. On July 17, 2007, the Company concluded an agreement with “PSI” whereby the balance of purchase price was settled at \$95,000, representing a full and final payment for development completed as of that date, with no further obligation to either party. The unallocated balance of the purchase price was allocated to goodwill.

#### Fiscal 2006

##### ***Data One, Inc.***

(\$1,249,000 – before acquisition costs)

Based in Indianapolis, Data One is a software developer of layout, specification, and catalog creation software for office furniture and case goods dealers and manufacturers (1,500 active customers) with minimal overlap to the Company’s existing business. The acquisition consolidates the Company’s market position within design centers and office manufacturers and will be instrumental in allowing 20-20 to further sales automation for the office furniture market – completed December 1, 2005.

##### ***MBI Software Company GmbH***

(\$3,167,000 – before acquisition costs)

Acquisition of all the assets, business and software solutions of the leading Germany-based software company involved in the development, sale and implementation of large-scale ERP solutions, supplemented by workflow management and business intelligence applications, specifically tailored for manufacturers of case goods and kitchen cabinets as well as office and other residential furniture. MBI has a large installed base of top-tier manufacturers in Europe and North America and has offices

in Osnabrueck (Germany), Toronto (Canada) and Vienna (Austria). Complementing 20-20's own solution offering to manufacturers, the MBI transaction allows the Company to gain access to product data for the furniture industry in Germany and complements 20-20's offering of an end-to-end solution for the various manufacturing segments in relation to the residential and commercial interior design market worldwide, while gaining a significant presence in Germany and Eastern Europe – completed December 1, 2005.

**Virtual Systems International, Inc.**

(\$5,125,000 – before acquisition costs)

Virtual Systems is a North Carolina-based software company involved in the development, sale and integration of manufacturing solutions for medium to large North American woodworking manufacturing operations which can be seamlessly integrated with various horizontal ERP platforms. Virtual Systems offers further potential for operational synergies once combined with that of MBI and 20-20. This transaction represents a further step in establishing the Company as the world leading vertically - integrated ERP, engineering and manufacturing solutions provider in its addressable markets – completed on February 9, 2006.

**Shanghai Rena and DesignTec Co. Ltd.**

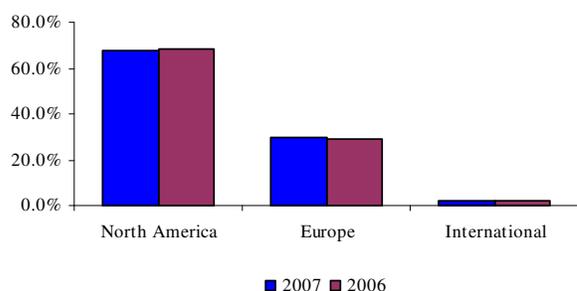
The Company entered into an agreement to purchase all of the assets of Shanghai Rena (China) and DesignTec Co. Ltd. (Taiwan), in December 2005. The transaction closed subsequently to year end for a total consideration of \$399,000.

**Revenues**

Total revenues increased by 11.9% compared to the same period in 2006. On an organic basis, total revenues of fiscal 2007 grew by 7.2%.

**Revenues – by Geography**

**Revenue Mix by Customer Location**  
**Years ended October 31, 2007 and 2006**



Revenues continued to be generated mainly in North America, representing 67.9% of total revenues for the twelve months ended October 31, 2007.

The dollar increase in revenues year-over-year attributable to our North American market segment amounted to \$4.5 million representing growth of 10.9% over last year, to \$45.9 million for the twelve months ended October 31, 2007. On an organic basis, revenues in North America grew by 5.5% for

the twelve months ended October 31, 2007.

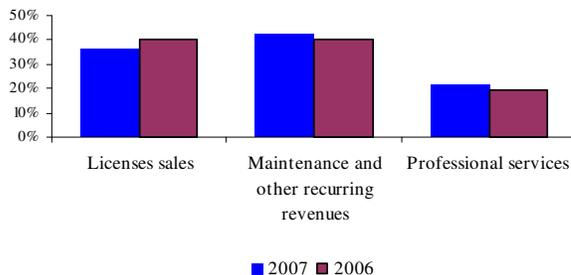
The increase in North America is principally attributable to:

- (i) for fiscal 2007, revenues from a full year for VSI, MBI and Data One as well as revenues from PSI for the ten months ended October 2007;
- (ii) an increase in maintenance and recurring revenue resulting from the expansion of our installed customer base, which in turn resulted from strong license sales recorded in North America in the last two fiscal years;
- (iii) several catalog projects in North America.

Revenues generated in European countries accounted for 29.9% of revenues or \$20.2 million in fiscal 2007 increasing by 13.7% (10.6% on an organic basis) over last year. European growth accounted for \$2.4 million in dollar revenue growth.

Revenues generated in the rest of the world increased by 16.2% to \$1.5 million for fiscal 2007.

**Revenues – by Type**  
**Revenue Mix**  
**Years ended October 31, 2007 and 2006**



Revenues from license sales increased by 0.7%, or \$178,000 to \$24.5 million for the year ended October 31, 2007. License sales revenues recorded by MBI, Data One, VSI and PSI in fiscal 2007 for which there were no revenues in the comparable period last year amounted to \$986,000.

The appreciation of the Canadian dollar against the U.S. dollar during such period had little effect on revenues derived from license sales realized in North America as the majority

of those sales are recorded in U.S. dollars.

License sales declined by 3.3% on an organic basis over the same period in 2006. Europe recorded a 10.6% organic growth in licenses largely due to the appreciation of European Currencies, while North America reported an organic decrease of 8.2%, representing a combination of 43.0% growth in the commercial point-of-sales solutions sector (30.6% for proprietary licenses), a 19.3% decline in the residential point-of-sales solutions sector and a decrease of 12.3% in the manufacturing sector.

On a global basis, residential point-of-sales solutions licenses decreased by 11.4 % and manufacturing licenses decreased by 5.9%, both on an organic basis. These decreases were partially offset by an increase in commercial point-of-sales solutions licenses of 43.0%.

Revenues from maintenance and other recurring revenues increased by 17.9%, or \$4.3 million, to \$28.6 million for the year ended October 31, 2007. On an organic basis, these revenues grew by \$3.2 million or 13.3% for the year ended October 31, 2007, compared to the same period last year. The increase in revenues is attributable to additional recurring support and maintenance service revenues generated from a growing licensee base, following record license sales revenues generated in the last two fiscal years in the residential point-of-sales solutions market and more recently in the commercial point-of-sales solutions market. Revenues attributable to MBI, Data One, VSI and PSI in 2007 amounted to \$1.1 million for the twelve months ended October 31, 2007. In addition, recurring annual software usage fees increased by \$616,000 or 36.0% compared to the same period last year.

The improvement in overall license sales activity during fiscal 2006, reaching \$24.3 million, together with the \$24.5 million of revenues from license sales recorded in fiscal 2007, contributed to maintenance and other recurring revenues climbing to \$28.6 million for the year ended October 31, 2007.

Revenues from professional services increased by 22.2%, or \$2.7 million, to \$14.6 million for the year ended October 31, 2007. On an organic basis, these revenues grew by \$1.9 million or 16.3% in fiscal 2007, compared to the same period last year. This growth was largely in North America (24.0%) in both the residential point-of-sales solutions and commercial point-of-sales solutions sectors with Europe adding the remaining dollar increase.

## **Revenues Outlook**

Forecasts from industry organizations as well as opinions from remodeling professionals indicate stable, if not a slightly declining remodeling spending for 2008 with growth resuming in 2009. Longer term indications are positive. We expect the Company's revenue mix weighting in fiscal 2008 to change slightly as licenses are expected to account for a greater proportion of total revenues.

Revenues from license sales, maintenance and other recurring revenues, and professional services are expected to increase across all our geographical market segments in future periods as we expect to continue to add new customers and to introduce and sell new products to our existing customer base.

In North America, we expect that the coming quarters will continue to be affected by the current economic conditions with respect to the residential point-of-sales solutions and manufacturing markets. However we expect that our newer solutions as well as ERP systems for the office furniture markets and automating the office furniture sales processes will help compensate for these factors.

In Europe, we will gradually introduce our North American product portfolio. More specifically, we will continue in Northern Europe, to leverage our strengths in the U.K. residential point-of-sales solutions market, and also enter the office furniture segment and develop the market for our web applications. In Southern Europe, we will build upon our electronic catalogs and ERP solutions for the kitchen and closet sectors, along with our solutions for residential furniture manufacturers. As for Central and Eastern Europe, we will take advantage of the expansion opportunities offered by the acquisition of MBI, which delivers to office and residential furniture manufacturers mission-critical ERP solutions, a position that gives us an entry into this geographical market, especially in eastern European countries.

Concurrently, we will seize further growth opportunities in emerging markets, namely in the Asia-Pacific region, especially in China with the recent conclusion of our acquisition in Shanghai. In Brazil and other Latin American countries we will continue to selectively introduce our sales and design software for office furniture.

Following the launch of new products and our software integration and localization efforts accomplished to date, our focus in product management and marketing is on introducing these products in other geographical markets where we are already active and also expand our activities into adjacent markets in order to increase our licenses sales. This will not only contribute to our organic growth but also progressively improve our gross margins over the coming quarters.

## **Cost of Revenues**

Cost of revenues from license sales increased by \$355,000 to 11.1% of licenses sales, or \$2.7 million in fiscal 2007 compared to 9.7% or 2.4 million in fiscal 2006. The increase is principally attributable to having a greater proportion of license reselling in 2007 as compared to 2006. The MBI, Data One, VSI, and PSI acquisitions contributed \$84,000 to the overall dollar amount increase compared to the same period last year where they were not included.

Despite the results in fiscal 2007 attributable to softer than expected license revenues, we expect that although it should continue to increase in dollar amount, the cost of license revenues as a percentage of revenues from licenses is expected to improve in fiscal 2008, favored by the considerably higher selling price of ERP solutions licenses without the proportionally higher direct product cost (media, packaging, etc), as well as a lower proportion of third party license sales.

The cost of revenues from maintenance, other recurring revenues and professional services increased by 25.9% or \$3.2 million, to \$15.7 million, compared to \$12.5 million for fiscal 2006, representing 36.4% and 34.5% of related revenues, respectively. This increase is attributable to: (i) cost of revenues from maintenance and recurring revenues recorded by MBI, VSI, Data One and PSI in fiscal 2007 for which no revenues were recorded in comparable periods last year, amounting to

\$927,000; (ii) the reallocation of some staff from research and development functions to maintenance and services in order to allocate more resources to service the growing installed base; (iii) an increase of \$799,000 related to the weakening of the U.S. dollar versus the other major currencies in the year compared to last year; and (iv) reclassification of some expenses among the expense lines.

## Gross Margin

For the twelve months ended October 31, 2007, the revenue mix changed significantly from the comparable period last year. In particular, licenses generated 36.2% of revenues with a gross margin of 88.9% compared with 40.2% of revenues and 90.3% of gross margin for the same period last year.

Given the relative importance of both the volume and the margin percentage associated with licenses, variations in the revenue composition in both license types and overall revenue mix directly affect the gross margin percentage.

MBI revenues recorded during fiscal 2007 were significantly weighted to maintenance and integration services revenue, with a smaller contribution from higher-margin license sales revenues. This situation was anticipated following the acquisition, as 20-20 repositioned the business of MBI following its financial difficulties in mid-2005, by first securing follow-on services revenues from existing MBI customers which had temporarily postponed their investments, waiting for a definitive resolution to MBI's financial difficulties.

Since the acquisition date, license sales had begun to increase. However, in the twelve months ended October 31, 2007, license sales declined by 3.7% to represent 14.2% of total revenues from MBI for the year. Given the relatively low license sales volume and the high average transaction value the quarterly license revenues are and will remain variable for some periods to come, we anticipate that these higher margin license sales will resume their growth in coming periods thereby generating the expected increase in gross margin from this acquisition.

With respect to maintenance and recurring revenues and professional services for fiscal 2007, overall gross margins are negatively affected because of their relative proportion of the revenue mix as these revenues accounted for 63.8% of total revenues compared to 59.8% in 2006 and the gross margin is 63.6% in 2007 versus 65.5% in 2006.

As a result, although gross margins increased by \$3.6 million or 7.9%, the gross margin percentage decreased slightly from 75.4% in fiscal 2006 to 72.7% in the twelve months ended October 31, 2007.

## Gross Margin Mix

(Amounts in thousands except percentages)

	For the Years ended October 31,					
	2007			2006		
	Revenue \$	Margin \$	%	Revenue \$	Margin \$	%
Licenses	24,488	21,768	88.9	24,310	21,945	90.3
Maintenance, recurring and professional services	43,139	27,420	63.6	36,151	23,662	65.5
	67,627	49,188	72.7	60,461	45,607	75.4

## Operating Expenses

### *Human resources*

As at October 31, 2007, the Company employed 534 people on a full time and part time basis in the following geographies:

As at October 31,	2007		2006	
	Number of employees	%	Number of employees	%
Canada	239	44.8	229	45.4
U.S.A.	107	20.0	97	19.3
Germany	62	11.6	55	10.9
Rest of Europe	99	18.5	98	19.4
Rest of the World	27	5.1	25	5.0
	534	100%	504	100%

### *Sales and marketing expenses*

During fiscal 2007, sales and marketing expenses increased by 13.4% or \$2.5 million, to \$21.3 million compared with \$18.8 million for the comparable period in 2006, representing 31.5% and 31.1% of total revenues for each period, respectively. This increase is attributable to several factors: (i) \$936,000 related to a weaker U.S. dollar versus other major currencies compared to last year; (ii) an increase in salaries, rent and bad debt provision; and (iii) bad debt accrual adjusted in 2006 amounted to \$541,000. In addition to the items above, the increase in dollars is namely attributable to sales and marketing expenses incurred by MBI, Data One, VSI and PSI for which there were no expenses incurred in the comparative period last year amounting to \$825,000. These increases were partially offset by lower sales commissions compared to the prior year in North America.

It is expected that selling and marketing expenses will increase in dollars in future periods as amounts paid out to our sales force and to industry consultants, increase commensurate with the growth in our sales. It is not expected, however, that as a percentage of sales, sales and marketing costs will vary significantly in the near future.

### *Research and development (R&D) expenses*

We continue to focus in the coming quarters on integrating and localizing solutions recently acquired in order to deliver an industry-specific and fully-integrated solutions offering for all participants in the interior design market – from sales, design, and product configuration software, to ERP and manufacturing execution systems. In essence, 20-20 will continue to reinforce its position as the world leading provider of an end-to-end solution that effectively integrates all of the interior design industry's critical business processes. This will be done by maintaining and leveraging a unique comprehensive foundation of industry data that will be used seamlessly across all of 20-20's tools and solutions. Management believes this strategy will allow the Company to increasingly offer its customers the ability to produce and deliver customized products on an industrial scale, which is rapidly becoming vital for those participants wishing to remain competitive and profitable in today's operating environment. As a result of these efforts, the Company continues to maintain additional resources on research and development work, advancing the integration of Company-wide products and follow-on versions as well as data for maintaining, improving and localizing our new or recently introduced products in order to further enhance their marketability and expand their target markets.

**R&D Expenses and Development Costs**

(Amounts in thousands of dollars)

	Years ended October 31,	
	2007	2006
	\$	\$
<b>Research and Development</b>		
Gross Expenditure	12,971	11,222
Less : tax credits	(241)	(253)
	<b>12,730</b>	10,969
Capitalized cost	7,967	7,145
Development costs acquired	-	473
Less: tax credits	(1,698)	(1,270)
<b>Net capitalized costs</b>	<b>6,269</b>	6,348
Gross Expenditure	12,971	11,222
Less : Expenses capitalized	7,967	7,145
<b>As per note 4 to the Financial Statements</b>	<b>5,004</b>	4,077
Less : Tax credits	(241)	(253)
Amortization – Development costs internal	4,318	2,757
Amortization – Development costs acquired	1,119	875
Per earnings statement	<b>10,200</b>	7,456
<b>Investment tax credits</b>		
Credited to Earnings	241	253
Reducing Capitalization	1,698	1,270
	<b>1,939</b>	1,523

For the year ended October 31, 2007, gross research and development expenses increased by \$1.7 million to \$13.0 million, representing 19.2% of total revenues for the period compared to 18.6% for the same period in 2006. Research and development expenditures increased between the periods namely as a result of research and development expenses incurred by MBI, Data One, VSI and PSI in the twelve months where no expense was incurred last year totaling \$826,000 and the addition of employees to research and development functions. A portion of the increase amounting to \$722,000 is related to the weakening U.S. dollar compared to other major currencies for the year compared to 2006.

Net research and development expenses increased by \$2.7 million or 36.8%, to \$10.2 million for fiscal 2007, representing 15.1% of total revenues for the period compared to \$7.5 million for the same period in 2006, or 12.3% of total revenues for the period. Net research and development expenditures increased between the periods as a result of: (i) an increase of \$1.6 million related to the amortization with respect to internally generated development costs; (ii) research and development expenses incurred by MBI, Data One, VSI and PSI for the period totaling \$752,000 which included amortization expenses amounting to \$200,000 due to acquired development costs related to the said acquisitions which did not have a corresponding charge in fiscal 2006; (iii) an increase of \$435,000 related to a weaker U.S. dollar versus other major currencies compared to last year; and (iv) a reallocation of certain expenses in 2007 related to information systems to other line items.

**General and administrative expenses**

General and administrative expenses decreased by 3.0% or \$383,000 to \$12.3 million for the year ended October 31, 2007, compared with the same period in 2006, representing 18.1% and 20.9% of total revenues for each respective period. The decrease is attributable to a reallocation of certain

expenses in 2007 related to information systems to other line items, offset in part by: (i) general and administrative expenses incurred by MBI, Data One, VSI and PSI amounting to \$513,000; and (ii) \$572,000 related to the weakening U.S dollar compared to the other major currencies for the year.

On an organic basis, general and administrative expenses decreased by 7.1% for fiscal 2007 compared to the same period last year.

### **Stock-based compensation expenses**

Stock-based compensation expenses amounted to \$351,000 for the year of 2007 compared to \$416,000 for the comparable period in the previous year. Refer to Note 17 of the audited consolidated financial statements for further details relating to the stock-based compensation expense.

### **Operating Income**

As a result of the above, the Company's operating income, excluding the unusual item - write off of development costs, decreased by 19.5% to \$5.1 million for the year of 2007, representing 7.5% of total revenues compared to \$6.3 million or 10.4% of total revenues for the same period in 2006.

#### **Operating Income** (Amounts in percentage)

	Years ended October 31,	
	2007	2006
	%	%
<b>Revenue</b>	<b>100.0</b>	100.0
Cost of Sales	<b>27.3</b>	24.6
<b>Gross Margin</b>	<b>72.7</b>	75.4
Sales and marketing	<b>31.5</b>	31.1
Research and development	<b>15.1</b>	12.3
General and administrative	<b>18.1</b>	20.9
Stock based compensation	<b>0.5</b>	0.7
<b>Operating Income (excluding unusual item - write off of development costs)</b>	<b>7.5</b>	10.4

### **Other Expenses**

The Company recorded an unusual item - write off of development costs amounting to \$12.6 million as more fully described in section 2 of this report.

As a result of the sharp drop in value of the U.S. dollar compared to the Canadian dollar and in turn the relative decrease in value of the Canadian dollar against the Euro and the Pound Sterling particularly in the second half of the year, the Company recorded a translation exchange loss of approximately \$ 1.5 million (2006 - gain of \$191,000) relating principally to its net monetary asset holdings in each of the three currencies and in particular the U.S. Dollar. This loss was partially offset by financial income in the year of \$1.0 million (2006 - \$969,000) for a net other expense of \$407,000 compared to a net other income of \$1.2 million in fiscal 2006.

## **7. Liquidity**

The Company's cash and investments are essentially held in AAA and R1 rated instruments issued by major Canadian chartered banks and governments. The Company has no exposure to asset-backed instruments.

### **Cash from Operations**

For the year ended October 31, 2007, cash flow from operating activities before changes in working capital items amounted to \$12.0 million, essentially from net cash earnings compared to \$12.8 million last year. During the year, \$1.4 million in cash was used in working capital items compared to cash

used amounting to \$2.6 million for the same period last year (excluding those working capital items from acquisitions as at the effective date of transactions, which are included in the Business acquisitions item shown in investing activities in the cash flow statement).

**Investing activities**

Our principal investing activities consist of development costs (internal capitalized costs and those resulting from acquisitions), business acquisitions and the purchase of property and equipment.

For the year ended October 31, 2007, the Company capitalized internal development costs in the amounts of \$6.3 million, net of applicable credits (2006 - \$5.9 million) and expended \$1.2 million (2006 – \$1.6 million) towards the purchase of property and equipment, principally comprising computers, software and leasehold improvements. No major projects have been undertaken during these periods and expenditures are essentially sustaining in nature.

In fiscal 2007, \$948,000 in cash was used to acquire PSI and Linkwood Engineering. Please refer to Note 8 to the audited consolidated financial statements for further details relating to the allocation of purchase prices and other specifics of these acquisitions. Cash used for acquisitions in the same period last year amounted to \$9.3 million.

For the year, the Company increased available cash on hand by reducing short term investments by \$14.5 million in commercial paper and bankers acceptances. We will continue in the future to invest available cash on hand in short term investments in order to maintain financing availability and flexibility while ensuring a minimum return on such amounts.

**Financing activities**

During fiscal 2005, the Company successfully completed (December 8, 2004) an initial public offering (IPO) and listing of its common shares on the TSX for net proceeds of \$30.8 million. Consistent with what had been explained at the time of the IPO, the net proceeds from the offering have been, and continue to be, deployed and invested in: (i) augmenting our sales and marketing teams and initiatives, and; (ii) furthering our research and development efforts; (iii) completing strategic acquisitions and for general corporate purposes. We do not see any significant deviation from this deployment plan in the near future. Please refer to the Company’s final prospectus dated December 8, 2004, which can be obtained on SEDAR at [www.sedar.com](http://www.sedar.com), as well as in the Investors section on the Company’s web site at [www.2020technologies.com](http://www.2020technologies.com) for further details pertaining to the IPO.

**Use of Proceeds – Initial Public Offering**

(Amounts in millions of dollars)

<b>Investment Area</b>	<b>Investment range indicated at IPO</b>	<b>Investment as at October 31, 2007</b>
Sales and Marketing	\$3.1 to \$4.6 10% - 15%	\$4.7
Research and Development	\$9.2 to \$10.8 30% - 35%	\$8.8
Acquisitions	\$15.4 to \$16.9 50% - 55%	\$11.2

## 8. Capital Resources

### Consolidated Balance Sheet Data: (In thousands of dollars)

	October 31, 2007	October 31, 2006
Cash and cash equivalents	25,280	5,337
Short-term investments	18,495	29,937
Working capital (considering deferred revenue)	37,150	27,600
Total assets	104,063	96,105
Deferred revenue	15,384	12,672
Long-term debt (including current portion)	517	621
Total shareholders' equity	75,635	68,088

As at October 31, 2007, our working capital stood at \$37.2 million compared to \$27.6 million at the end of our 2006 fiscal year. The main items that contributed to the increase in our working capital position in the twelve months ended October 31, 2007 were related to: (i) the strengthening Canadian dollar compared to U.S. dollar for the year for an amount of \$6.7 million on cash and cash equivalent as well as short-term investments; (ii) an increase in accounts receivable of \$3.2 million due to an increase of \$1.9 million in tax credit receivable; and (iii) a decrease in income taxes payable of \$1.5 million. These were partially offset by an increase in deferred revenue of \$2.7 million related to the unearned portion of support and services and an increase in accounts payable of \$1.7 million.

We believe that our cash, investments and anticipated cash flow from operations will be sufficient to meet our working capital, contractual obligations, capital expenditure and corporate development program requirements for the foreseeable future. Furthermore, the Company has at its disposal, authorized but unused bank credit facilities of C\$5.0 million for our ongoing operational needs. In addition to this amount, two wholly-owned subsidiaries of the Company have at its disposal, authorized but unused credit facilities available for its ongoing operational needs amounting to approximately 160,000 Euros.

## 9. Balance Sheet and Financial Situation

The variations in balance sheet items as at October 31, 2007, compared with the year ended on October 31, 2006, resulted principally from the completion of the PSI acquisition and working capital variations. The reader should refer to Note 8 to the audited consolidated financial statements for further details relating to the accounting of the business acquisition completed in fiscal 2007.

Development costs are also higher due to an excess of \$832,000 of capitalized costs versus the amortization and the decline in value of the U.S. dollar versus most major currencies for \$2.3 million. Following the acquisition of the Planit Fusion (see section 2 of this report), the Company wrote off development costs amounting to \$12.6 million.

Accumulated other comprehensive income included in shareholders' equity increased by \$12.9 million essentially representing the increase in value of net assets denominated in Canadian Dollars when translating these amounts into U.S. dollars for presentation purposes. The conversion rate used to translate balance sheet items from the currency of measurement, the Canadian dollar, to the currency of presentation, the U.S. dollar, stood at C\$0.9499 as at October 31, 2007, compared to C\$1.1227 as at October 31, 2006. The major components of this increase are the conversion of: (i) Cash and cash equivalents and short-term investments totaling \$6.7 million; (ii) Goodwill for \$4.5 million; and (iii) Accounts receivable for \$2.3 million. These increases were partially offset by a decrease related to deferred revenues amounting to \$2.4 million and accounts payable for \$1.5 million.

### **Share Capital Information**

We are authorized to issue an unlimited number of common shares without par value and an unlimited number of preferred shares without par value. The common shares are voting and participating. The preferred shares may be issued in one or more series with specific terms, privileges and restrictions to be determined for each class created by the Board of Directors of the Company at the time such class is created.

	<b>Authorized</b>	<b>Issued as at October 31, 2007</b>	<b>Issued as at January 18, 2008</b>
Common shares	Unlimited	18,850,302	18,839,002
Preferred shares	Unlimited	None	None
Stock options – currently issued and outstanding		704,640	704,640

On April 26, 2007, the Company announced its intention to purchase for cancellation purposes, by way of a normal course issuer bid (the "Bid"), some of its common shares, beginning on May 2, 2007 and ending May 1, 2008.

Under the Bid, the Company may repurchase for cancellation up to 940,200 common shares. The consideration to be paid by the Company for any common shares it will repurchase under the Bid will be at the market price of such common shares at the time of acquisition.

During the year ended October 31, 2007, 59,700 common shares were repurchased and cancelled, for a total cash consideration of \$368,833 attributed as follows: \$184,021 to the common shares book value, \$2,535 to contributed surplus and \$182,277 to retained earnings.

Following the year end until January 18, 2008, the Company repurchased 11,300 common shares for a total cash consideration of \$69,685.

The Company Employee Share Purchase Plan (ESPP) came into effect on May 23, 2007. The purpose of this plan is to provide the participants with an incentive to become shareholders of the Company. The ESPP allows an employee, to contribute up to the lesser of 10% of his admissible compensation and C\$10,000 annually. The Company contributes one-third of each employee's contribution. All contributions are then remitted to the Administrative Agent who will purchase monthly, on behalf of the employees, Common shares on the open market. The Company also assumes all transaction fees related with the purchases of shares.

During the year ended October 31, 2007, an amount of \$34,192 related to the Company's contribution, was charged to stock-based compensation expense.

## **10. Responsibilities, Controls and Policies**

### ***Management's Responsibility for Financial Reporting***

The Consolidated Financial Statements and Management discussion and analysis ("MD&A") of 20-20 Technologies Inc. (the "Company" or "20-20") and all other information in this Annual Report are the responsibility of Management and have been reviewed and approved by its Board of Directors.

The Consolidated Financial Statements have been prepared by Management in accordance with Canadian generally accepted accounting principles. The MD&A has been prepared in accordance with the requirements of securities regulators. The financial statements and MD&A include items that are based on best estimates and judgments of the expected effects of current events and transactions. Management has determined such items on a reasonable basis in order to ensure that the financial statements and MD&A are presented fairly in all material respects. Financial information

presented elsewhere in the Annual Report is consistent with that in the Consolidated Financial Statements.

The Company's Chief Executive Officer (CEO) and Chief Financial Officer (CFO) have designed disclosure controls and procedures, or have caused them to be designed under their supervision, to provide reasonable assurance that material information related to the Company has been made known to them and has been properly disclosed in the Consolidated Financial Statements and MD&A. The Company's Chief Executive Officer and Chief Financial Officer have also evaluated the effectiveness of such disclosure controls and procedures as of the end of fiscal year 2007. As at year end, Management believes that the disclosure controls and procedures effectively provide reasonable assurance that material information related to the Company has been disclosed in the Consolidated Financial Statements and MD&A. In compliance with Multilateral Instrument 52-109, the Company's Chief Executive Officer and Chief Financial Officer have provided to the Canadian Securities Administrators a certification related to the Company's annual disclosure documents, including the Consolidated Financial Statements and MD&A.

The Board of Directors is responsible for ensuring that Management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the Consolidated Financial Statements and MD&A. The Board of Directors carries out this responsibility principally through its Audit Committee.

The Audit Committee is appointed by the Board of Directors and is comprised entirely of independent and financially literate directors. The Audit Committee meets periodically with Management, as well as with the external auditors, to review the Consolidated Financial Statements, the MD&A, auditing matters and financial reporting issues, to discuss internal controls over the financial reporting process, and to satisfy it that each party is properly discharging its responsibilities. In addition, the Audit Committee has the duty to review the appropriateness of the accounting policies and significant estimates and judgments underlying the Consolidated Financial Statements as presented by Management, and to review and make recommendations to the Board of Directors with respect to the fees of the external auditors. The Audit Committee reports its findings to the Board of Directors for its consideration when it approves the Consolidated Financial Statements and MD&A for issuance to shareholders.

Raymond Chabot Grant Thornton LLP, external auditors appointed by the shareholders, meets regularly with the Audit Committee to discuss audit activities, financial reporting matters and other related subjects.

This report and our audited consolidated financial statements were reviewed by the Company's Audit Committee on January 25, 2008 and approved by 20-20's Board of Directors on January 29, 2008.

### ***Disclosure Controls***

The CEO and CFO are responsible for establishing and maintaining disclosure controls and procedures for the Company. As at October 31, 2007, the CEO and CFO concluded that the design and operation of these disclosure controls and procedures were effective and that material information relating to the Company is known to Management and was recorded and reported within the time periods specified under applicable securities legislation.

### ***Internal control over financial reporting***

Management is responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. The CEO and CFO have evaluated whether there were changes to internal control over financial reporting during the year ended October 31, 2007 that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting. No such changes were identified through their evaluation.

### **Changes in Accounting Policies**

#### *Comprehensive income and financial instruments*

On November 1, 2006, the Company adopted the recommendations of the Canadian Institute of Chartered Accountants Handbook (CICA Handbook) Section 1530, *Comprehensive Income*; Section 3855, *Financial Instruments - Recognition and Measurement*; Section 3861, *Financial Instruments - Disclosure and Presentation*; Section 3865, *Hedges*; and Section 3251, *Equity*. These sections apply to fiscal years beginning on or after October 1, 2006 and provide standards for recognition, measurement, disclosure and presentation of financial assets, financial liabilities and non-financial derivatives, and describe when and how hedge accounting may be applied. Section 1530 provides standards for the reporting and presentation of comprehensive income, which represents the change in equity, from transactions and other events and circumstances from non-owner sources. Other comprehensive income elements consist of revenues, expenses, gains and losses that are recognized in comprehensive income, but excluded from net income, in conformity with generally accepted accounting principles (GAAP). Section 3251 establishes standards for the presentation of equity and changes in equity during the reporting fiscal year.

Under the new standards, all financial assets are classified as held for trading, held-to-maturity investments, loans and receivables or available-for-sale categories. Also, all financial liabilities must be classified as held for trading or other financial liabilities. All financial instruments are recorded on the consolidated balance sheet at fair value. After initial recognition, the financial instruments should be measured at their fair values, except for held-to-maturity investments, loans and receivables and other financial liabilities, which should be measured at amortized cost. The effective interest related to the financial liabilities and the gain or loss arising from a change in the fair value of a financial asset or financial liability classified as held for trading are included in net income for the period in which it arises. If a financial asset is classified as available-for-sale, the gain or loss should be recognized in other comprehensive income until the financial asset is derecognized and all cumulative gain or loss is then recognized in net income.

The Company has classified its cash and cash equivalents, short-term investments and forward exchange contracts and currency options as held for trading. The accounts receivable, rental deposits and balance of sale receivable were classified as loans and receivables, and the accounts payable and the long-term debt were classified as other financial liabilities. The initial measurement resulted in a gain of \$86,615 for the long term debt, at an interest rate of 4.5%, and in a loss of \$25,558 for the short-term investments at their fair value. This net gain of \$61,057 is presented as an adjustment to the opening retained earnings. The forward exchange contracts were already recognized at fair value. During the year ended October 31, 2007, the impact of these recommendations is an amount of \$21,865 recorded in interest on long-term debt, and they have no impact in basic and diluted earnings per share. The Cumulative translation adjustment of \$6,493,000 as of October 31, 2006 presented in the consolidated balance sheet has been reclassified to Accumulated other comprehensive income.

Transactions costs, related to financial assets and liabilities, are accounted for in the financial expenses.

An embedded derivative is a component of a hybrid instrument that also includes a non-derivative host contract, with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. If certain conditions are met, an embedded derivative is separated from the host contract and accounted for as a derivative in the balance sheet, at his fair value. The Company has decided to recognize embedded derivative in its consolidated balance sheet, if applicable. This rule has had no impact in the financial statements of the Company.

#### **Accounting changes**

Effective July 1, 2007, the Company adopted the new CICA Handbook Section 1506, *Accounting Changes*, providing standards for accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates and corrections of errors. The section also specifies that a change in accounting policy, if not required by a primary source of Canadian GAAP, should be made only if it results in a more reliable and relevant information. Section 1506 includes disclosure rules

regarding the description and the impact on the Company's financial results of future accounting standards not yet applied. The adoption of the new section did not have an effect on the Company's financial results.

**Future Accounting Standards**

In December 2006, the CICA issued the following new recommendations which apply to fiscal years beginning on or after October 1, 2007. The Company expects these new standards relating to presentation and disclosure will have no impact on the financial results of the Company.

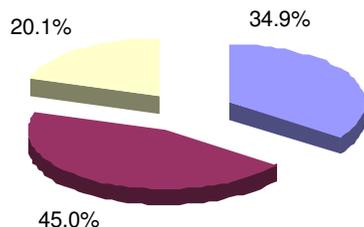
*Financial Instruments – Disclosures*, Section 3862, describes the required disclosures related to the significance of financial instruments on the entity's financial position and performance and the nature and extent of risks arising from financial instruments to which the entity is exposed and how the entity manages those risks. This section complements the principles of recognition, measurement and presentation of financial instruments of Section 3855, *Financial Instruments – Recognition and Measurement*.

*Financial Instruments – Presentation*, Section 3863, establishes standards for presentation of financial instruments and non-financial derivatives. It complements standards of Section 3861, *Financial Instruments – Disclosure and Presentation*.

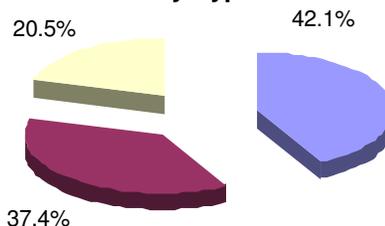
*Capital Disclosures*, Section 1535, establishes standards for disclosing information about the entity's capital and how it is managed to enable users of financial statements to evaluate the entity's objectives, policies and procedures for managing capital.

**11. Fourth Quarter 2007**

**Revenues by Type - Q4 2007**



**Revenues by Type - Q4 2006**

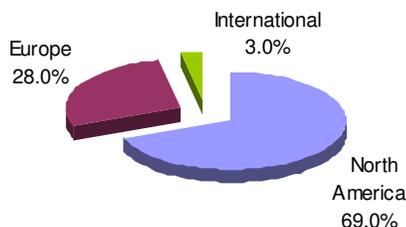


- License sales
- Maintenance and other recurring revenues
- Professional fees

Revenues for the fourth quarter of 2007 amounted to \$17.6 million, which represents a 0.9% increase over the same quarter last year. The Company's operating income amounted to \$1.1 million excluding the unusual write down of development costs, representing a 65.1% decrease from the \$3.1 million reported for the fourth quarter of fiscal 2006.

Gross margins remained essentially the same at \$12.9 million, despite the fact that the fourth quarter revenue mix for 2007 included 34.9% in license revenues compared to 42.1% in 2006. However, license revenues for the fourth quarter of 2006 included a greater proportion of third party resale licenses at significantly lower margins.

**Revenues by Geography - Q4-2006**

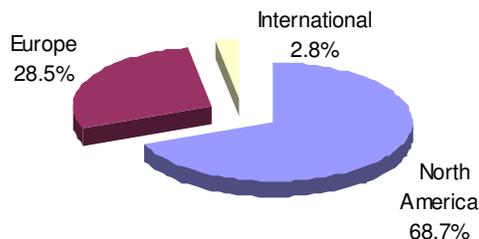


Operating expenses increased by \$2.0 million over the fourth quarter of 2006, accounting for virtually the entire decline in operating income. The increase in expenses is explained as follows: (i) increase in amortization of development costs \$0.4 million; and (ii) increase in U.S. dollar equivalent of Canadian dollar expenses due to the strengthening of the Canadian dollar over the U.S. dollar \$0.6 million; and (iii) a downward adjustment in the bad debt provision in 2006 amounting to \$0.5 million.

The North American market continued to be affected by the sub-prime and tight credit issues as well as the general economic environment in the United States for both our residential point-of-sales solutions and manufacturing markets. Management expects these conditions to be prevalent in the coming quarters.

The Company also recorded an unusual item - write off of development costs amounting to \$12.6 million in the fourth quarter as a result of its acquisition of Planit Fusion as more fully described in section 2 of this report.

**Revenues by Geography - Q4-2007**



In addition, the significant strengthening of the Canadian dollar versus the U.S. dollar during the quarter resulted in net unrealized exchange losses amounting to approximately \$0.7 million as the U.S. dollar decreased by approximately 9.0%.

As a result, the loss before taxes amounted to \$11.8 million for the fourth quarter of fiscal 2007 compared to earnings of \$3.5 million for the same period last year. The net loss stood at \$8.3 million or (\$0.43) per share compared to net earnings of \$2.7 million or \$0.14 per share for the fourth quarter of fiscal 2006.

## 12. Quarterly Financial Data

The following quarterly information has been presented on the same basis as the audited consolidated financial statements, and all necessary adjustments, have been included in the amounts stated below to present fairly the unaudited quarterly results when read in conjunction with our audited consolidated financial statements and the notes thereto. The operating results for any quarter should not be relied upon as any indication of results for any future period.

There are factors causing quarterly variances which may not be reflective of the Company's future performance. First, there is seasonality, and the quarterly performance of these operations is impacted by occurrences such as vacations and the number of statutory holidays in any given quarter. Second, the workflow from some clients may fluctuate from quarter to quarter based on their business cycle and the seasonality of their own operations.

In general, cash flow from operating activities could vary significantly from quarter to quarter depending on the timing of monthly payments received from large clients, cash requirements associated with large acquisitions and outsourcing contracts, the timing of the reimbursements for

various tax credits as well as profit sharing payments to members and the timing of restructuring cost payments.

Third, foreign exchange fluctuation also contributes to quarterly variances, and these variances are likely to increase as the percentage of revenue and monetary assets held in foreign currencies increases.

### Selected Quarterly Unaudited Financial Information

(In thousands of U.S. dollars, except per-share amounts)

	2007 Fourth	2007 Third	2007 Second	2007 First	2006 Fourth	2006 Third	2006 Second	2006 First
	\$	\$	\$	\$	\$	\$	\$	\$
<b>As reported</b>								
Revenues	17,583	16,941	17,525	15,578	17,421	14,864	16,140	12,036
Net earnings (loss)	(8,272)	549	1,694	780	2,672	677	1,747	773
Basic earnings (loss) per share	(0.44)	0.03	0.09	0.04	0.14	0.04	0.09	0.04
Diluted earnings (loss) per share	(0.43)	0.03	0.09	0.04	0.14	0.04	0.09	0.04

### 13. Other Disclosure

#### ***Currency Exchange Risk***

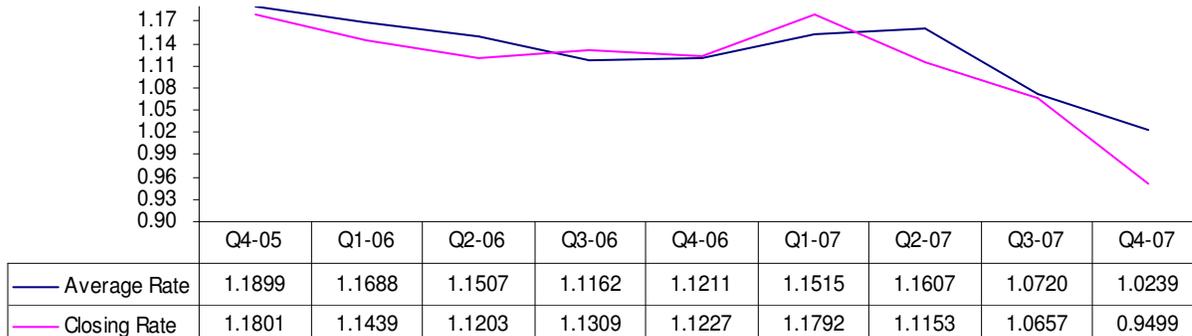
The Company's currency of measure is the Canadian dollar. However, financial statements are presented in U.S. dollars. With the decline in value of the U.S. dollar versus most major currencies in the last two fiscal years, the company's operating results have been affected, particularly in cases where the expenditure is in a currency other than the U.S. dollar. The most significant impact was due to expenses incurred in Canadian dollars, given that most North American sales are in U.S. dollars. With respect to other currencies such as the Euro and the British Pound, however, we had a natural hedge since most revenues and expenses are incurred in the same currency.

During the first six months of fiscal 2007 however, the impact of this variation was not as significant as it has been in the second half of 2007. In the third quarter the total impact on operating expenses and cost of sales incurred in Canadian dollars amounted to approximately \$595,000 as the average Canadian dollar exchange rate was \$0.933 compared to \$0.896 for the same period in fiscal 2006. In the fourth quarter, the total impact on operating expenses and cost of sales incurred in Canadian dollars amounted to \$579,000 as the CA\$ rate was \$0.9767 compared to \$0.892 in Q4 of 2006. The Company incurred cost in Canadian dollars of approximately C\$30 million for the year ended October 31, 2007.

In addition to the exposure identified above which affects operating income due to variation in operating expenses and cost of sales denominated in Canadian dollars, the Company is exposed to unrealized exchange gains and losses with respect to the translation of monetary assets and liabilities held in currencies other than the Canadian dollar. Into the Canadian dollar, which is our currency of measure, the largest exposure is with respect to the U.S. dollar.

During 2007, the closing rate of the U.S. dollar versus the Canadian dollar varied substantially on a quarterly basis, particularly in the second half of the year, as indicated below, for an overall decrease in value of the U.S. dollar of 15.0% for the year.

## US\$ - CA\$ Exchange rates



As of October 31, 2007, the Company had approximately \$10.0 million in net monetary assets denominated in U.S. dollars.

The Company enters into forward exchange contracts and currency options in order to improve predictability in the short term with respect to the impact of the variations in exchange rates between the Canadian and U.S. dollars. Gains resulting from these contracts amounting to \$940,000 for the year ended October 31, 2007, compared to a gain of \$242,000 for the corresponding period in 2006 are recorded in the “Financial Income” line of our Audited Consolidated Earnings Statement.

### 14. Risks and Uncertainties

Please refer to our 2007 Annual Information Form for the complete text and description of the risks and uncertainties which the Company faces.

#### ***Economic Conditions***

Our business may be affected by the spending patterns of our customers, which, in turn, are subject to prevailing economic and business conditions. Therefore, if our customers are adversely affected by prevailing economic and business conditions, we may be similarly affected.

#### ***Failure to manage our growth successfully may adversely impact our operating results.***

The growth of our business places a strain on managerial, financial and human resources. Our ability to manage future growth will depend in large part upon a number of factors, including the ability to rapidly:

- build and train sales and marketing staff;
- attract and retain qualified technical personnel;
- develop customer support capacity as sales increase;
- expand our internal management and financial controls, commensurate with internal growth and growth by acquisition; and
- expand our marketing and distribution channels.

Our inability to achieve any of these objectives could harm our business and operating results.

#### ***We cannot assure you that we will sustain our profitability. If we fail to do so, our share price may decline.***

We expect to increase our expenses in the near term in order to expand our business. These increased operating expenses may adversely affect our operating results and may result in or contribute to net losses in future periods. Our business strategies may not be successful. If we are not able to sustain profitability, our share price may decline and we may require additional financing, which may not be available.

***If we do not derive revenues from new software, our results could be materially affected.***

There may be little demand for our new solutions, and it may not be widely accepted by the market. If we do not derive revenues as a result of our efforts to market our new solutions, our results could be materially affected.

***Our success depends on our ability to enhance our existing products and develop new products.***

If we are unable to successfully develop new products or enhance and improve our existing software platform or if we fail to position and/or price our products to meet market demand, our business and operating results will be adversely affected. Accelerating product introductions and shortening product life cycles require high levels of expenditures for research and development that could adversely affect our operating results. Furthermore, any new products we develop could require long development and testing periods and may not be introduced in a timely manner or may not achieve the broad market acceptance necessary to generate significant revenue and as such, may result in the write-down of amounts capitalized as development costs.

***Currency fluctuations may adversely affect us.***

A substantial portion of our revenue is earned in U.S. dollars, but a substantial portion of our operating expenses is incurred in Canadian dollars. Fluctuations in the exchange rate between the U.S. dollar and other currencies, such as the Canadian dollar, may have a material adverse effect on our business, financial condition and operating results. Our policy is to hedge a portion of our foreign currency exposure with the objective of minimizing the impact of adverse foreign currency exchange movements. However, we do not hedge entirely the exposure related to any one foreign currency. In addition, the use of forward contracts to hedge our foreign currency exposure carries risk and could limit our gains or result in a loss.

***We may be unable to identify and complete strategic acquisitions that will contribute to future growth.***

There is a risk that we will not be able to: (i) identify suitable acquisition candidates available for sale at reasonable prices; (ii) properly evaluate the fair value of the businesses being acquired, or; (iii) complete any acquisition in a given timeframe. In addition, if we proceed with acquisitions, available cash may be used to complete such transactions, diminishing our liquidity and capital resources, or shares may be issued which could cause significant dilution to existing shareholders. Furthermore, identifying acquisitions and the completion of acquisitions per se, could divert management's attention and financial resources which may negatively affect our operating results.

***Failure in attaining expected results from integrating acquisitions may materially impact our operating results.***

If we do not successfully address risks or potential problems encountered in connection with acquisitions (whether of a product or a business), these acquisitions could have a material adverse effect on our business, results of operations and financial condition, including the possibility of having to write down the carrying values of intangible assets recorded at the time of acquisition. The Company intends to grow both organically and through acquisitions. Based on the acquisitions completed as of the date of this report, it can be expected that a significant portion of revenue growth in fiscal 2007 will stem from results related to those acquired businesses. The ability to successfully integrate them into the Company's operations and realize expected profit and returns from them are inherent risks related to these acquisitions.

***The future results from, and the integration of, the business of MBI Software Company GmbH ("MBI") poses specific risk in that its business, prior to our acquiring the company, was facing financial difficulties and was forced to undertake a financial restructuring under the management of a reorganization trustee.***

Following a significant growth period from 1994 through 2001, MBI made significant investments in both Italy and North America, at a time when the German market was experiencing a downturn

affecting MBI's sales and creating financial problems for many of its clients. The funds required to support its expansion and the downturn in its main market resulted in financial difficulties, forcing MBI to undertake a financial restructuring in mid-2005, in accordance with German law, under the management of a reorganization trustee. Pursuant to the terms of the acquisition, 20-20 purchased certain assets and intellectual property of MBI including its ongoing business conducted principally in Germany as well as the assets of its North American subsidiary and the shares of its Austrian subsidiary. MBI retained approximately half of its employee base compared to what it had been prior to the company experiencing financial difficulties. There exists risks that the restructuring of the MBI business, including the difficulties associated with adjusting the workforce to business volumes in the social context of Germany, the uncertainty related to the extent and strength of the ongoing recovery of the German market and the impact the financial difficulties may have had on MBI's customers' perception of the company could materially impact the returns and operating results expected from the MBI acquisition.

***Our ability to recruit and retain key management and other qualified personnel from our acquired businesses is crucial to our ability to realize expected profit and returns from them.***

The product, industry, customer and market knowledge of key technical and management personnel of acquired businesses are instrumental to realizing expected profit and returns from said acquisitions in the short to medium term. The loss of said key technical and management personnel could have a material adverse effect on our business, results of operations and financial condition. Our inability to retain the necessary management, technical, sales and marketing personnel in those acquired businesses may adversely affect our future growth and profitability.

***Acquisitions may lengthen overall sales cycle of the Company which could impair our ability to forecast revenues and increase fluctuations or revenues and results from quarter to quarter.***

Certain recent acquisitions' principal business is to market and sell manufacturing solutions (i.e. enterprise resource planning systems – "ERP") to their customers. Due namely to their considerably higher selling price, inherent complexity and general impact on a customer's business operations, ERP systems typically present a significantly longer sales cycle than that of our desktop products such as 20-20 Design, 20-20 Giza and 20-20 CAP. The ensuing lengthening and variability of our product sales cycles resulting from these and future acquisitions could impair our ability to forecast and predict revenues and increase fluctuations of revenues and profitability from a given quarter to another. Furthermore, anticipated revenue and operating results from these businesses will be more subject to the discretionary nature of their customers' purchase and budget cycles and changes in their budgets for, and timing of, software, implementation services and related purchases.

***Recent acquisitions may increase the Company's overall percentage of total revenues represented by maintenance and services and thereby possibly reduce overall gross margins.***

Certain recent acquisitions' principal business is to market and sell manufacturing and ERP solutions to their customers, which typically comprise a significantly higher services-to-software revenue ratio compared to that of our desktop products such as 20-20 Design, 20-20 Giza, 20-20 CAP and other solutions currently offered by 20-20. As such, completed and future acquisitions of businesses involved in the marketing and sale of manufacturing and enterprise solutions may increase the Company's overall percentage of total revenues represented by maintenance and services and thereby possibly reduce 20-20's overall gross margins. Future mergers and acquisitions activity may further increase the percentage of total revenues represented by maintenance and services which would adversely affect our overall gross margins.

***As our software solutions expand, potential competitors may have significantly greater resources than we do, and therefore, we may be at a disadvantage in competing with them.***

As a result, they may be able to adapt more quickly to new or emerging technologies and changes in customer requirements or to devote greater resources to the development, promotion and sale of their products than we can. Any of these factors could materially impair our ability to compete and have a material adverse effect on our operating performance and financial condition.

***Errors in our products could result in significant costs to us and could impair our ability to sell our products.***

Our products are complex and, accordingly, they may contain errors, or "bugs", that could be detected at any point in their product life cycle. Errors in our products could materially and adversely affect our reputation, result in significant costs to us, delay planned release dates and impair our ability to sell our products in the future.

***If a successful product liability claim were made against us, our business could be seriously harmed.***

While we carry product liability insurance, a successful product liability claim could result in monetary liability in excess of our insurance coverage or may not be covered by our insurance and could seriously disrupt our business.

***Economic uncertainty and downturns in the overall software market may lead to decreases in our revenue and margins.***

Downturns in the economy may cause businesses to delay or cancel software projects, reduce their overall information technology budgets or reduce or cancel orders for our products. This, in turn, may lead to longer sales cycles, delays or failures in payment and collection, and price pressures, causing us to realize lower revenue and margins.

***Our international operations pose risks for our business and financial condition.***

We currently conduct operations in Canada, United States, Europe, Latin America and in Asia. We intend to continue to expand our international operations and to increase the proportion of our revenue from outside North America. These operations require significant management attention and financial resources and additionally subject us to risks inherent in doing business internationally. Our failure to properly comply or address any of the above factors could adversely affect the success of our international operations and could have a material adverse effect on our operating performance and financial condition.

***If our intellectual property is not adequately protected, we may lose our competitive advantage.***

We rely on various intellectual property protections, including contractual provisions, copyright, trademark and trade secret laws, to preserve our intellectual property rights. To protect our intellectual property, we may become involved in litigation, which could result in substantial expenses, divert the attention of our management, cause significant delays, materially disrupt the conduct of our business or adversely affect our revenue, financial condition and results of operations.

We cannot determine with certainty whether any existing third-party trademarks or patents or the issuance of any third-party trademarks or patents would require us to alter our names or our technology, obtain licenses or cease certain activities. We may become subject to claims by third parties that we infringe their property rights due to the growth of software products in our target markets, the overlap in functionality of these products and the prevalence of software products. Litigation may be necessary to determine the scope, enforceability and validity of such third-party proprietary rights or to establish our proprietary rights. Regardless of their merit, any such claims could result in substantial expenses, divert the attention of our management, cause significant delays, materially disrupt the conduct of our business or adversely affect our revenue, financial condition and results of operation.

***Our ability to recruit and retain management and other qualified personnel is crucial to our ability to develop market and support our products and services.***

We depend on the services of our key technical and management personnel. The loss of such services could have a material adverse effect on our business, results of operations and financial condition. Our inability to attract and retain the necessary management, technical, sales and marketing personnel may adversely affect our future growth and profitability. It may be necessary for us to increase the level of compensation paid to existing or new employees to a degree that our operating expenses could be materially increased.

***We may lose sales, or sales may be delayed, due to the lengthening sales and implementation cycles for certain of our new enterprise solutions.***

Typically, the larger the potential sale, the more time, money and other resources will be invested. As a result, it may take an extended period of time after our first contact with a customer before a sale can actually be completed. We may invest significant sales and other resources in a potential customer that may not generate revenue for a substantial period of time, if at all. During these lengthening sales and implementation cycles, events may occur that affect the size or timing of the order or even cause it to be cancelled. If these events were to occur, sales of certain of our new enterprise solutions or services may be adversely affected, which would reduce our revenue.

***The loss of our rights to use software currently licensed to us by third parties could increase our operating expenses by forcing us to seek alternative technology and adversely affect our ability to compete.***

We license certain technologies used in our products from third parties, generally on a non-exclusive basis. The termination of any of these licenses, or the failure of the licensors to adequately maintain or update their products, could delay our ability to ship our products while we seek to implement alternative technology offered by other sources and require significant unplanned investments on our part. In addition, alternative technology may not be available on commercially reasonable terms.

***We may be subject to transfer pricing challenges by taxation authorities which may adversely affect our income tax expense.***

We conduct business operations through subsidiaries in various jurisdictions. Certain of these subsidiaries provide products and services to, and may from time to time undertake certain significant transactions with, other of our subsidiaries in different jurisdictions. Our future earnings and cash may be adversely affected if any of the taxation authorities in these various jurisdictions were successful in challenging our documentation and transfer pricing policies.

***Our operating results could be adversely affected if the CNE tax credits were to cease or be significantly reduced.***

The program of Carrefour de la nouvelle économie ("CNE") offers tax incentives to companies that conduct their business activities in CNE-designated buildings in Quebec. As a result of the June 12, 2003 Quebec budget, the credit would be eliminated in the event of an acquisition of control of the Company. There can be no guarantee that we will continue to meet the eligibility criteria or that the CNE program will not be amended or cancelled in the future.

***Our operating results could be adversely affected as a result of certain other tax matters.***

Although we are of the view that all expenses and tax credits claimed by the Company, including research and development ("R&D") expenses and tax credits, are reasonable and deductible and have been correctly determined, there can be no assurance that the Canadian taxation authorities will agree. If the Canadian taxation authorities successfully challenge such expenses or the correctness of such income tax credits claimed, our operating results could be adversely affected. We may directly or indirectly, through our subsidiaries, be subject to taxes with respect to our operations in foreign jurisdictions. Although we are of the view that the liability with respect to such foreign taxes has been provided for in our books and financial statements, the taxation authorities of these foreign jurisdictions could however challenge our liabilities for such foreign taxes, which could adversely affect our operating results.



## **Consolidated Financial Statements**

Years Ended October 31, 2007 and 2006

**Consolidated Financial Statements**  
**Years Ended October 31, 2007 and 2006**

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## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The Consolidated Financial Statements and Management discussion and analysis ("MD&A") of 20-20 Technologies Inc. (the "Company" or "20-20") and all other information in this Annual Report are the responsibility of Management and have been reviewed and approved by its Board of Directors.

The Consolidated Financial Statements have been prepared by Management in accordance with Canadian generally accepted accounting principles. The MD&A has been prepared in accordance with the requirements of securities regulations. The Financial Statements and MD&A include items that are based on best estimates and judgments of the expected effects of current events and transactions. Management has determined such items on a reasonable basis in order to ensure that the Financial Statements and MD&A are presented fairly in all material respects. Financial information presented elsewhere in the Annual Report is consistent with that in the Consolidated Financial Statements.

The Company's Chief Executive Officer and Chief Financial Officer have designed disclosure controls and procedures, or have caused them to be designed under their supervision, to provide reasonable assurance that material information related to the Corporation has been made known to them and has been properly disclosed in the Consolidated Financial Statements and MD&A. The Company's Chief Executive Officer and Chief Financial Officer have also evaluated the effectiveness of such disclosure controls and procedures as of the end of fiscal year 2007. As at year end, Management believes that the disclosure controls and procedures effectively provide reasonable assurance that material information related to the Company has been disclosed in the Consolidated Financial Statements and MD&A. In compliance with Multilateral Instrument 52-109, the Company's Chief Executive Officer and Chief Financial Officer have provided to the Canadian Securities Administrators a certification related to the Company's annual disclosure documents, including the Consolidated Financial Statements and MD&A.

The Board of Directors is responsible for ensuring that Management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the Consolidated Financial Statements and MD&A. The Board of Directors carries out this responsibility principally through its Audit Committee.

The Audit Committee is appointed by the Board of Directors and is comprised entirely of independent and financially literate directors. The Audit Committee meets periodically with Management, as well as with the external auditors, to review the Consolidated Financial Statements, the MD&A, auditing matters and financial reporting issues, to discuss internal controls over the financial reporting process, and to satisfy it that each party is properly discharging its responsibilities. In addition, the Audit Committee has the duty to review the appropriateness of the accounting policies and significant estimates and judgments underlying the Consolidated Financial Statements as presented by Management, and to review and make recommendations to the Board of Directors with respect to the fees of the external auditors. The Audit Committee reports its findings to the Board of Directors for its consideration when it approves the Consolidated Financial Statements and MD&A for issuance to shareholders.

Raymond Chabot Grant Thornton LLP, external auditors approved by the shareholders, meets regularly with the Audit Committee to discuss audit activities, financial reporting matters and other related subjects.

This report and our audited consolidated financial statements were reviewed by the Company's Audit Committee on January 25, 2008 and approved by 20-20's Board of Directors on January 29, 2008.

/s/ Jean Mignault  
Co-chairman &  
Chief Executive Officer

/s/ Jean-François Grou  
President & Chief Operating Officer

/s/ Steve Perrone, C.A  
Chief Financial Officer

## Auditors' Report

To the Shareholders of  
20-20 Technologies Inc.

We have audited the consolidated balance sheets of 20-20 Technologies Inc. as at October 31, 2007 and 2006 and the consolidated statements of earnings, shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these 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, 2007 and 2006 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

/s/ Raymond Chabot Grant Thornton LLP

Chartered Accountants

Montréal, Canada  
December 21, 2007  
(January 29, 2008 for Note 22)

**20-20 Technologies Inc.**  
**CONSOLIDATED BALANCE SHEETS**  
(Amounts in thousands of U.S. dollars)

	October 31,	
	2007	2006
	\$	\$
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	25,280	5,337
Short-term investments (Note 9)	18,495	29,937
Accounts receivable (Note 10)	16,629	13,434
Contracts in progress	378	556
Prepaid expenses	1,949	1,229
Future income taxes (Note 5)	167	873
	<b>62,898</b>	51,366
Property and equipment (Note 11)	3,941	3,731
Intangibles (Note 12)	3,630	3,384
Development costs (Note 13)	2,035	11,599
Goodwill (Note 14)	29,407	24,157
Future income taxes (Note 5)	995	414
Other assets	1,157	1,454
	<b>104,063</b>	96,105
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	9,885	8,151
Income taxes payable	355	1,853
Deferred revenue	15,384	12,672
Deferred credit	-	1,037
Long-term debt (Note 16)	54	53
Future income taxes (Note 5)	70	-
	<b>25,748</b>	23,766
Long-term debt (Note 16)	463	568
Leasehold inducements	410	308
Future income taxes (Note 5)	1,807	3,375
	<b>28,428</b>	28,017
<b>SHAREHOLDERS' EQUITY</b>		
Capital stock (Note 18)	58,183	57,886
Common stock options	1,600	1,847
Contributed surplus	963	966
Retained earnings (deficit)	(4,474)	896
Accumulated other comprehensive income (Note 2)	19,363	6,493
	<b>75,635</b>	68,088
	<b>104,063</b>	96,105

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

On behalf of the Board,

**/s/Jean Mignault**  
Director

**/s/Benoît La Salle**  
Director

**20-20 Technologies Inc.****CONSOLIDATED EARNINGS**

(Amounts in thousands of U.S. dollars, except per-share data)

	Years ended October 31,	
	2007	2006
	\$	\$
<b>Revenues</b>		
License sales	24,488	24,310
Maintenance and other recurring revenues	28,562	24,224
Professional services	14,577	11,927
	<b>67,627</b>	60,461
<b>Cost of revenues</b>		
License sales	2,720	2,365
Maintenance and services	15,719	12,489
	<b>18,439</b>	14,854
<b>Gross margin</b>	<b>49,188</b>	45,607
<b>Operating expenses</b>		
Sales and marketing	21,305	18,790
Research and development (Note 4)	10,200	7,456
General and administrative	12,267	12,650
Stock-based compensation (Note 17)	351	416
Unusual item - write off of development costs (Note 13)	12,558	-
	<b>56,681</b>	39,312
<b>Operating income (loss)</b>	<b>(7,493)</b>	6,295
Financial expenses (income)	407	(1,160)
Earnings (loss) before income taxes	<b>(7,900)</b>	7,455
Income taxes (Note 5)		
Current	222	579
Future	<b>(2,873)</b>	1,007
	<b>(2,651)</b>	1,586
<b>Net earnings (loss)</b>	<b>(5,249)</b>	5,869
Earnings (loss) per share (Note 6)		
Basic	<b>(0.28)</b>	0.31
Diluted	<b>(0.28)</b>	0.31

The accompanying notes are an integral part of the consolidated financial statements and Note 3 provides additional information on consolidated earnings.

**20-20 Technologies Inc.**  
**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**  
(Amounts in thousands of U.S. dollars, except share numbers data)

	Common Shares		Common stock options	Contributed surplus	Accumulated other comprehensive income	Retained earnings (deficit)	Total
	Number	Amount					
		\$	\$	\$	\$	\$	\$
Balance as at November 1, 2005	18,749,102	57,608	1,763	920	3,411	(4,973)	58,729
Net earnings	-	-	-	-	-	5,869	5,869
Translation adjustment	-	-	-	-	3,082	-	3,082
Comprehensive income	-	-	-	-	3,082	5,869	8,951
Options exercised	55,935	278	(206)	-	-	-	72
Options granted	-	-	361	-	-	-	361
Options cancelled	-	-	(71)	46	-	-	(25)
Balance as at October 31, 2006, as reported	18,805,037	57,886	1,847	966	6,493	896	68,088
Adjustment for financial instruments (Note 2)	-	-	-	-	-	61	61
Balance as at November 1, 2006, as restated	18,805,037	57,886	1,847	966	6,493	957	68,149
Net loss	-	-	-	-	-	(5,249)	(5,249)
Translation adjustment	-	-	-	-	12,870	-	12,870
Comprehensive income	-	-	-	-	12,870	(5,249)	7,621
Options exercised	104,965	481	(399)	-	-	-	82
Options granted	-	-	152	-	-	-	152
Common shares buyback for cash consideration	(59,700)	(184)	-	(3)	-	(182)	(369)
Balance as at October 31, 2007	18,850,302	58,183	1,600	963	19,363	(4,474)	75,635

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

**20-20 Technologies Inc.**  
**CONSOLIDATED CASH FLOWS**  
(Amounts in thousands of U.S. dollars)

	Years ended October 31,	
	2007	2006
	\$	\$
<b>OPERATING ACTIVITIES</b>		
Net earnings (loss)	(5,249)	5,869
Non-cash items		
Amortization	7,669	5,537
Unusual item - write off of developments costs	12,558	-
Leasehold inducements	39	57
Stock-based compensation	317	416
Capitalized interest on long-term debt	22	-
Future income taxes	(2,873)	1,007
Unrealized gain on foreign exchange	(68)	-
Unrealized gain on forward exchange contracts and currency options	(455)	(118)
Changes in working capital items (Note 7)	(1,354)	(2,579)
Cash flows from operating activities	<b>10,606</b>	10,189
<b>INVESTING ACTIVITIES</b>		
Business acquisitions (Note 8)	(948)	(9,294)
Short-term investments	(15,942)	(25,321)
Short-term investments dispositions	30,472	33,142
Property and equipment	(1,163)	(1,639)
Development costs - acquired	-	(473)
Development costs - internal	(6,269)	(5,875)
Other assets	(84)	(402)
Cash flows from investing activities	<b>6,066</b>	(9,862)
<b>FINANCING ACTIVITIES</b>		
Bank indebtedness	-	(59)
Long-term debt	-	10
Repayment of long-term debt	(51)	(603)
Options exercised	82	72
Common shares buyback	(369)	-
Cash flows from financing activities	<b>(338)</b>	(580)
Effect of changes in exchange rate on cash held in foreign currencies	3,609	56
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>19,943</b>	(197)
Cash and cash equivalents, beginning of year	5,337	5,534
Cash and cash equivalents, end of year	<b>25,280</b>	5,337

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

## 20-20 Technologies Inc.

### Notes to Consolidated Financial Statements

(Amounts in U.S. dollars, tabular amounts in thousands, except share and per-share data)

#### 1- GOVERNING STATUTES AND NATURE OF OPERATIONS

The Company, incorporated under Part IA of the Companies Act (Québec), is a developer and provider of computer-aided design, sales and manufacturing software tailored for the interior design industry, including a suite of proprietary e-commerce solutions and related services.

#### 2- ACCOUNTING POLICIES

##### Changes in accounting policies

###### *Comprehensive income and financial instruments*

On November 1, 2006, the Company adopted the recommendations of the Canadian Institute of Chartered Accountants Handbook (CICA Handbook) Section 1530, *Comprehensive Income*; Section 3855, *Financial Instruments - Recognition and Measurement*; Section 3861, *Financial Instruments - Disclosure and Presentation*; Section 3865, *Hedges*; and Section 3251, *Equity*. These sections apply to fiscal years beginning on or after October 1, 2006 and provide standards for recognition, measurement, disclosure and presentation of financial assets, financial liabilities and non-financial derivatives, and describe when and how hedge accounting may be applied. Section 1530 provides standards for the reporting and presentation of comprehensive income, which represents the change in equity, from transactions and other events and circumstances from non-owner sources. Other comprehensive income elements consist of revenues, expenses, gains and losses that are recognized in comprehensive income, but excluded from net income, in conformity with generally accepted accounting principles (GAAP). Section 3251 establishes standards for the presentation of equity and changes in equity during the reporting fiscal year.

Under the new standards, all financial assets are classified as held for trading, held-to-maturity investments, loans and receivables or available-for-sale categories. Also, all financial liabilities must be classified as held for trading or other financial liabilities. All financial instruments are recorded on the consolidated balance sheet at fair value. After initial recognition, the financial instruments should be measured at their fair values, except for held-to-maturity investments, loans and receivables and other financial liabilities, which should be measured at amortized cost. The effective interest related to the financial liabilities and the gain or loss arising from a change in the fair value of a financial asset or financial liability classified as held for trading are included in net income for the period in which it arises. If a financial asset is classified as available-for-sale, the gain or loss should be recognized in other comprehensive income until the financial asset is derecognized and all cumulative gain or loss is then recognized in net income.

The Company has classified its cash and cash equivalents, short-term investments and forward exchange contracts and currency options as held for trading. The accounts receivable, rental deposits and balance of sale receivable were classified as loans and receivables, and the accounts payable and the long-term debt were classified as other financial liabilities. The initial measurement resulted in a gain of \$86,615 for the long term debt, at an interest rate of 4.5%, and in a loss of \$25,558 for the short-term investments at their fair value. This net gain of \$61,057 is presented as an adjustment to the opening retained earnings. The forward exchange contracts were already recognized at fair value. During the year ended October 31, 2007, the impact of these recommendations is an amount of \$21,865 recorded in interest on long-term debt, and they have no impact in basic and diluted earnings per share. The Cumulative translation adjustment of \$6,493,000 as of October 31, 2006 presented in the consolidated balance sheet has been reclassified to Accumulated other comprehensive income.

## 20-20 Technologies Inc.

### Notes to Consolidated Financial Statements

(Amounts in U.S. dollars, tabular amounts in thousands, except share and per-share data)

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#### 2- ACCOUNTING POLICIES (Continued)

Transactions costs, related to financial assets and liabilities, are accounted for in the financial expenses.

An embedded derivative is a component of a hybrid instrument that also includes a non-derivative host contract, with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. If certain conditions are met, an embedded derivative is separated from the host contract and accounted for as a derivative in the balance sheet, at its fair value. The Company has decided to recognize embedded derivative in its consolidated balance sheet, if applicable. This rule has had no impact in the financial statements of the Company.

#### *Accounting changes*

Effective July 1, 2007, the Company adopted the new CICA Handbook Section 1506, *Accounting Changes*, providing standards for accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates and corrections of errors. The section also specifies that a change in accounting policy, if not required by a primary source of Canadian GAAP, should be made only if it results in a more reliable and relevant information. Section 1506 includes disclosure rules regarding the description and the impact on the Company's financial results of future accounting standards not yet applied. The adoption of the new section did not have an effect on the Company's financial results.

#### **Future Accounting Standards**

In December 2006, the CICA issued the following new recommendations which apply to fiscal years beginning on or after October 1, 2007. The Company expects these new standards relating to presentation and disclosure will have no impact on the financial results of the Company.

*Financial Instruments – Disclosures*, Section 3862, describes the required disclosures related to the significance of financial instruments on the entity's financial position and performance and the nature and extent of risks arising from financial instruments to which the entity is exposed and how the entity manages those risks. This section complements the principles of recognition, measurement and presentation of financial instruments of Section 3855, *Financial Instruments – Recognition and Measurement*.

*Financial Instruments – Presentation*, Section 3863, establishes standards for presentation of financial instruments and non-financial derivatives. It complements standards of Section 3861, *Financial Instruments – Disclosure and Presentation*.

*Capital Disclosures*, Section 1535, establishes standards for disclosing information about the entity's capital and how it is managed to enable users of financial statements to evaluate the entity's objectives, policies and procedures for managing capital.

## 20-20 Technologies Inc.

### Notes to Consolidated Financial Statements

(Amounts in U.S. dollars, tabular amounts in thousands, except share and per-share data)

## 2- ACCOUNTING POLICIES (Continued)

### Basis of presentation

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (Canadian GAAP) and are presented in United States of America dollars (U.S. dollars).

### Use of estimates

The consolidated financial statements have been prepared in conformity with Canadian GAAP, which requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses, the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from these estimates.

Significant estimates in these consolidated financial statements include the valuation of accounts receivable, intangibles and goodwill, research and development (R&D) and Carrefour de la nouvelle économie tax credits, income taxes, capitalization and amortization of development costs, and the determination of the amount and timing of revenue to be recognized. In its determination of the valuation of accounts receivable, including the allowance for doubtful accounts, management relies on current customer information and its planned course of action as well as assumptions about future business and economic conditions in the future period over which the receivables are collectible. Management has estimated the useful life of its intangibles based upon rapidly changing industry trends and changes in its customers' businesses. Management is required to make assumptions for the R&D tax credits and those are subject to review and approval by tax authorities. Management is required to determine the estimated period of benefit over which the capitalized development costs will be amortized. In its determination of the amount and timing of revenue to be recognized, management relies on assumptions supporting its revenue recognition policy. Estimates of the percentage of completion for contracts are based upon current actual and forecasted information and contractual terms.

### Principles of consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries:

	October 31,	
	2007	2006
	%	%
Twenty-Twenty Europe B.V. and its subsidiaries	100	100
Twenty-Twenty UK Ltd.	100	100
Interior Design Software Ltda.	100	100
20-20 Technologies (Asia), Co., Ltd.	100	100
20-20 Technologies SAS and its subsidiary	100	100
Power Computing Technologies Ltd.	100	100
20-20 Technologies Commercial Corp.(a)	100	100
20-20 Technologies International Inc.	100	100
20-20 Technologies Bangladesh Ltd.	100	100
Virtual Systems International, Inc. (a)	-	100
Data One, Inc. (a)	-	100
20-20 Technologies GmbH (formerly MBI 20-20 Technologies GmbH) and its subsidiary	100	100

(a) Virtual Systems International, Inc., Data One, Inc. and 20-20 Technologies Commercial Corp were combined as of November 1, 2006.

## 20-20 Technologies Inc.

### Notes to Consolidated Financial Statements

(Amounts in U.S. dollars, tabular amounts in thousands, except share and per-share data)

#### 2- ACCOUNTING POLICIES (Continued)

##### Reporting currency and translation of foreign currencies

The Company uses the U.S. dollar as its reporting currency since a significant proportion of the Company's revenues is recorded in U.S. dollars.

The Company's financial statements have been translated from the currency of measurement, the Canadian dollar (C\$), into the reporting currency using the current rate method as follows: assets and liabilities are translated using the exchange rate in effect at year-end and revenues and expenses are translated using the average rate for the period. The cumulative translation gains or losses have been included as a separate component of shareholders' equity, under "Accumulated other comprehensive income".

Transactions concluded in currencies other than the currency of measurement have been translated as follows:

- Monetary assets and liabilities in foreign currencies of Canadian companies and of integrated foreign operations have been translated at the exchange rates in effect at the balance sheet dates, whereas other assets and liabilities have been translated at the rate in effect at transaction dates;
- Revenues and expenses have been translated at the weighted average exchange rates for the fiscal years, except for amortization, which is translated at the historical rate.

Exchange gains and losses arising from such transactions have been included in earnings.

##### Revenue recognition

The Company's revenues are derived from license, maintenance and other service fees. The Company licenses its desktop and client-server enterprise solutions software under single-user license agreements that are non-transferable. Each software license, for which the user pays a one-time fee, is typically perpetual in nature. The Company also provides maintenance and other recurring revenues, including customer support, software and electronic catalog updates and web services, which are renewable at the option of the client. Finally, the Company provides professional services that include training, electronic catalog creation and maintenance and integration services. The Company recognizes revenue in accordance with provisions of Section 3400, *Revenue*, Emerging Issues Committee Abstracts No. 141 (EIC-141), *Revenue Recognition*, and No. 142 (EIC-142), *Revenue Arrangements with Multiple Deliverables* of the CICA Handbook and is in conformity with relevant U.S. accounting standards, including the American Institute of Certified Public Accountants (AICPA) Statement of Position (SOP) 97-2, *Software Revenue Recognition* and SOP 98-9, *Modification of SOP 97-2, Software Recognition, With Respect to Certain Transactions*.

The Company recognizes license revenue when it has persuasive evidence that an agreement exists, the software product has been delivered, the amount to be paid by the customer is fixed and determinable, and collection is deemed probable.

Revenue from maintenance and other recurring services is recognized over the term of the agreement, which typically is 12 months. If it is not considered probable that the revenue is collectible, then it is only recognized when the fee is collected.

Revenue from professional services is recognized when the services are provided.

## **20-20 Technologies Inc.**

### **Notes to Consolidated Financial Statements**

(Amounts in U.S. dollars, tabular amounts in thousands, except share and per-share data)

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#### **2- ACCOUNTING POLICIES (Continued)**

For contracts with multiple deliverables (e.g., licenses, maintenance services and other services), the Company allocates revenue to each element of the contract based on the relative fair value of each of the elements. The fair value of an element must be based on evidence that is specific to the vendor. The Company limits its assessment of vendor-specific objective evidence (VSOE) of fair value for each element to the price charged when the same element is sold separately. If VSOE of all undelivered elements exists but evidence does not exist for one or more delivered elements, then revenue is recognized using the residual method. Under the residual method, the fair value of the undelivered elements is deferred, and the remaining portion of the agreement fee related to the delivered elements is recognized as revenue provided that all other revenue recognition criteria are met. If evidence of fair value of one or more undelivered elements cannot be established, revenue is deferred and recognized ratably over the last undelivered element.

The Company also enters into various contracts with its clients for services such as electronic catalog creation and updates, training and integration services. Contract income is recorded under the percentage-of-completion method. Under this method, contract income and profits are recognized proportionately with the degree of completion of work.

The Company uses the efforts expended method to calculate the degree of completion of work based on direct labour cost incurred at the date of the financial statements compared to estimated total direct labour costs. Contracts in progress are valued considering labour, including estimated profits. Contracts in progress represent contracts for which services have been rendered and which have not yet been invoiced. Losses are recorded when total cost estimates indicate a loss.

Deferred revenue is comprised of revenue from services invoiced that have not yet been provided.

#### **Research and development costs and related tax credits**

Research and development costs, net of tax credits, are charged to the consolidated earnings in the period in which they are incurred unless the criteria for capitalization under Canadian GAAP are met, in which case development costs are deferred and amortized.

The Company is entitled to certain Canadian tax credits for qualifying research and development activities performed in Canada and credits pursuant to the Carrefour de la nouvelle économie program.

Tax credits are recognized once the Company has reasonable assurance that they will be realized. The tax credits recorded by the Company are subject to review and approval by tax authorities and it is possible that these amounts will be different from the amounts accounted for. Tax credits are accounted for as a reduction of the related expenditures for items expensed in the consolidated earnings and a reduction of the related asset cost for items capitalized on the consolidated balance sheets.

## **20-20 Technologies Inc.**

### **Notes to Consolidated Financial Statements**

(Amounts in U.S. dollars, tabular amounts in thousands, except share and per-share data)

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## **2- ACCOUNTING POLICIES (Continued)**

### **Income taxes**

The Company uses the liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are determined according to differences between the carrying amounts and tax bases of assets and liabilities. They are measured by applying enacted or substantively enacted tax rates and laws at the date of the financial statements for the years in which the temporary differences are expected to reverse. The Company records a valuation allowance against any future income tax asset if, according to management, it is more likely than not that the asset will not be realized.

### **Stock-based compensation and other stock-based payments**

The Company has stock-based compensation plans as described in note 17. The Company uses the fair value method to account for stock options, using the Black-Scholes option pricing model. Compensation expense is recognized over the applicable vesting period with a corresponding increase in Shareholders' Equity under Common stock options. When stock options are exercised, the exercise price and the related portion previously recorded in Common stock options are credited to Common shares.

### **Earnings (loss) per share**

Earnings (loss) per share are calculated by dividing net earnings (loss) by the weighted average number of common shares outstanding during the year. Diluted earnings (loss) per share are calculated taking into account the dilution that would occur if the securities or other agreement for the issuance of common shares were exercised or converted into common shares at the later of the beginning of the period or the issuance date. The treasury stock method is used to determine the dilutive effect of the stock options. This method assumes that proceeds of the stock options during the year are used to redeem common shares at their average price during the period.

### **Cash and cash equivalents**

Cash and cash equivalents include cash and short-term investments with original maturities of three months and less are presented at their fair value.

### **Short-term investments**

Short-term investments consist of debt instruments of companies meeting investment guidelines established by the Board of Directors. Short-term investments are recorded at fair market value.

## 20-20 Technologies Inc.

### Notes to Consolidated Financial Statements

(Amounts in U.S. dollars, tabular amounts in thousands, except share and per-share data)

## 2- ACCOUNTING POLICIES (Continued)

### Depreciation and amortization

Property and equipment, intangible assets and development costs are accounted for at cost and are amortized over their estimated useful lives according to the straight-line method and the following periods:

Property and equipment (Note 11)	
Office furniture	5 years
Computer equipment	3 years
Leasehold improvements	Lease term equivalent to 10 years
Automotive equipment	6 years
Intangibles (Note 12)	
Client list	3 or 7 years
Trade names	3 or 5 years
Non-compete agreement	15 years
Catalogs and databases	3 years
Development costs (Note 13)	3 or 5 years

### Impairment of long-lived assets

The Company reviews the carrying values of its property and equipment and intangible assets for impairment on a regular basis or whenever events or circumstances indicate that the carrying amount may not be recoverable. If the carrying value exceeds the amount recoverable, based on undiscounted estimated future cash flows, a write-down to their fair value is charged to the consolidated statement of earnings.

### Goodwill

Goodwill is the excess of the cost of acquired enterprises over the net of the amounts assigned to assets acquired and liabilities assumed. Goodwill is not amortized and is tested for impairment annually or more frequently if events or circumstances indicate that it might be impaired. Any impairment in the carrying value of goodwill would be charged to earnings. Testing for impairment is accomplished mainly by determining whether the fair value of the reporting unit, based upon market capitalization, exceeds the net carrying amount of that reporting unit as of the assessment date. If the fair value is greater than the carrying amount, no impairment is necessary. In the event that the carrying amount exceeds fair value, a second step must be performed whereby the fair value of the reporting unit's goodwill must be estimated to determine if it is less than its carrying amount. Fair value of goodwill is estimated in the same way as the fair value of goodwill is determined at the date of acquisition in a business combination, that is, the excess of the fair value of the reporting unit over the fair value of the identifiable net assets of the reporting unit. As at October 31, 2007 and 2006, the Company determined that it has one reporting unit.

### Leasehold inducements

Leasehold inducements received in connection with the leasing of premises are amortized on a straight-line basis over the lease term.

## 20-20 Technologies Inc.

### Notes to Consolidated Financial Statements

(Amounts in U.S. dollars, tabular amounts in thousands, except share and per-share data)

#### 2- ACCOUNTING POLICIES (Continued)

##### Forward exchange contracts and currency options

The Company enters into forward contracts and currency options to manage portions of its currency risk exposure. The Company does not account for these forward contracts and currency options using hedge accounting and therefore forward exchange contracts and currency options are recorded at fair value. Gains or losses resulting from changes in fair values are included in the financial expenses or income, in consolidated earnings.

##### Deferred credit

On June 30, 2005, the Company acquired 100% of the shares of MindAvenue Inc, a designer of 3-D web-enabled animation software. In accordance with EIC-124, *Definition of a business*, the transaction was treated as an asset acquisition because MindAvenue was in the development stage. In accordance with EIC-110, *Accounting for Acquired Future Tax Benefits in Certain Purchase Transactions That are Not Business Combinations*, any excess of the amounts assigned to the acquired assets over the consideration paid, should be allocated pro rata to reduce the values assigned to non-monetary assets acquired. As the allocation reduced the non-monetary assets to zero, the excess was accounted as a deferred credit that will be amortized in the same proportion that the future income tax asset, accounted for in the transaction, is recognized in the consolidated earnings. As at October 31, 2007, the deferred credit is completely amortized.

#### 3- INFORMATION INCLUDED IN THE CONSOLIDATED STATEMENT OF EARNINGS

	Years ended October 31,	
	2007	2006
	\$	\$
Amortization of property and equipment	1,468	1,224
Amortization of development costs - acquired	1,119	875
Amortization of development costs - internal	4,318	2,757
Amortization of intangible assets	764	681
Interest on long-term debt	27	28
Other interest	19	43
Bank charges	182	446
Exchange loss (gain)	1,456	(191)
Interest revenue	1,277	1,486
Tax credits (a)	598	618

- (a) The Company's investment tax credit claims previously submitted for the fiscal years ended October 31, 2001 and 2002 were reviewed by the tax authorities resulting in the Company recording an amount of \$109,845 in credits, previously unclaimed for such years, in its statement of earnings for the year ended October 31, 2006.

## 20-20 Technologies Inc.

### Notes to Consolidated Financial Statements

(Amounts in U.S. dollars, tabular amounts in thousands, except share and per-share data)

#### 4- RESEARCH AND DEVELOPMENT EXPENSES

The research and development expenses and the related tax credits included in the consolidated statement of earnings are as follows:

	Years ended October 31,	
	2007	2006
	\$	\$
Research and development expenses	5,004	4,077
Less: Tax credits	(241)	(253)
Plus : Amortization of capitalized development costs	5,437	3,632
	<b>10,200</b>	7,456

#### 5- INCOME TAXES

	Years ended October 31,	
	2007	2006
	%	%
Combined statutory income tax rate in Canada (a)	32.0	32.0
Foreign income taxed at different rates	1.0	2.4
Other permanent differences	(6.0)	2.7
Change in valuation allowance	(9.0)	3.5
Deferred credit	17.0	(12.8)
Impact of reduction in income tax rates on future income taxes	-	(1.0)
Other differences	(1.4)	(5.5)
Effective income tax rate	<b>33.6</b>	21.3

- (a) The Company's combined statutory income tax rate in Canada includes the appropriate provincial income tax rates.

The income tax effects of temporary differences that give rise to significant future income tax assets and liabilities are as follows:

	October 31,	
	2007	2006
	\$	\$
Future income tax assets		
Property and equipment	156	459
Intangible assets and goodwill	91	63
Development costs	335	-
Financing costs	591	825
Leasehold inducement	127	92
Net operating loss carry-forwards	1,367	1,968
Capital loss	182	-
Other	278	186
	<b>3,127</b>	3,593
Valuation allowance	(990)	(284)
Total future income tax assets	<b>2,137</b>	3,309

## 20-20 Technologies Inc.

### Notes to Consolidated Financial Statements

(Amounts in U.S. dollars, tabular amounts in thousands, except share and per-share data)

#### 5- INCOME TAXES (Continued)

Future income tax liabilities		
Research and development tax credits	(318)	(175)
Carrefour de la nouvelle économie tax credits	(398)	(330)
Property and equipment	(32)	(150)
Intangible assets and goodwill	(1,425)	(1,328)
Development costs	(629)	(3,372)
Other	(50)	(42)
Total future income tax liabilities	(2,852)	(5,397)
Net future income tax liabilities	(715)	(2,088)

Amounts recognized in the consolidated balance sheet consist of :

	October 31,	
	2007	2006
	\$	\$
Future income tax assets – current	167	873
Future income tax assets – non-current	995	414
Future income tax liabilities – current	(70)	-
Future income tax liabilities – non-current	(1,807)	(3,375)
Net future income tax liabilities	(715)	(2,088)

#### 6- EARNINGS (LOSS) PER SHARE

The following table presents a reconciliation of earnings (loss) per share and diluted earnings (loss) per share:

	Years ended October 31,	
	2007	2006
	\$	\$
Basic		
Net earnings (loss)	(5,249)	5,869
Weighted average number of common shares outstanding	18,814,722	18,785,855
Basic earnings (loss) per share	(0.28)	0.31
Diluted		
Net earnings (loss)	(5,249)	5,869
Weighted average number of common shares outstanding	18,814,722	18,785,855
Effect of dilutive stock options	245,828	282,682
Adjusted weighted average number of common shares outstanding	19,060,550	19,068,537
Diluted earnings (loss) per share	(0.28)	0.31

## 20-20 Technologies Inc.

### Notes to Consolidated Financial Statements

(Amounts in U.S. dollars, tabular amounts in thousands, except share and per-share data)

#### 6- EARNINGS (LOSS) PER SHARE (Continued)

The options not included in the computation of the diluted earnings (loss) per share because their exercise prices were greater than the average market price of the common shares for the periods are as follows:

	Years ended October 31,	
	2007	2006
	285,000	285,000

#### 7- INFORMATION INCLUDED IN THE CONSOLIDATED STATEMENT OF CASH FLOWS

The changes in working capital items are detailed as follows:

	Years ended October 31,	
	2007	2006
	\$	\$
Accounts receivable	383	(1,250)
Contracts in progress	241	(140)
Prepaid expenses	(427)	(330)
Accounts payable	7	(154)
Income taxes payable	(1,582)	765
Deferred revenues	24	(1,470)
	(1,354)	(2,579)

Cash flows relating to interest and income taxes on operating activities are detailed as follows:

	Years ended October 31,	
	2007	2006
	\$	\$
Interest paid	16	72
Income taxes paid	2,059	406

As of October 31, 2007, the accounts payable included \$39,595 (\$85,055 in 2006) in relation with the acquisition of property and equipment.

## 20-20 Technologies Inc.

### Notes to Consolidated Financial Statements

(Amounts in U.S. dollars, tabular amounts in thousands, except share and per-share data)

#### 8- BUSINESS ACQUISITIONS

During the past two fiscal years, the Company completed business acquisitions that were recorded using the purchase method. Results from these acquisitions have been included in the statement of earnings from the date of acquisition.

##### Year ended October 31, 2007

###### *Linkwood Engineering*

On August 1, 2007, a wholly-owned subsidiary of the Company acquired a portion of the assets of Linkwood Engineering, a software distribution company that sells 20-20 Technologies Inc. products, based in United Kingdom, for a minimum consideration of \$ 203,080 (£ 100,000) up to a maximum of \$ 304,620 (£ 150,000) upon attainment of certain revenue objectives. The consideration consisted of the following: \$ 81,232 (£ 40,000) payable at the closing of the transaction reduced by an amount payable by Linkwood Engineering to a subsidiary of 20-20 Technologies Inc., for a net payment of \$ 52,841 (£ 26,020), a second instalment due in September 2008 equal to 20% of the revenues for the 12 months ended July 31, 2008 and a third instalment due in September 2009 equal to 20% of the revenues for the 12 months ended July 31, 2009. The unallocated balance of the purchase price was allocated to goodwill. The preliminary allocation of the purchase price is subject to change as the Company completes its evaluation of the assets.

The values attributed to the assets acquired as of August 1, 2007 were:	\$
Client list	102
Goodwill, deductible for tax purposes	101
Total consideration	<b>203</b>
<hr/>	
Consideration:	\$
Cash	53
Application of accounts payable due from the vendor	28
Balance of purchase price payable, without interest	122
Total consideration	<b>203</b>

###### *Pattern Systems International, Inc.*

On January 8, 2007, the Company acquired substantially all of the assets of Pattern Systems International, Inc. ("PSI"), based in Mount Arlington, New Jersey. At that time, the transaction was established at a total consideration of \$1,025,000, of which \$225,000 was remaining as a balance of purchase price payable, as the seller completes development of additional software components for the Company. On July 17, 2007, the Company concluded an agreement with PSI whereby the balance of purchase price was settled at \$95,000, representing a full and final payment for development completed as of that date, with no further obligation to either party. The unallocated balance of the purchase price was allocated to goodwill.

## 20-20 Technologies Inc.

### Notes to Consolidated Financial Statements

(Amounts in U.S. dollars, tabular amounts in thousands, except share and per-share data)

#### 8- BUSINESS ACQUISITIONS (Continued)

PSI develops computer software products for distribution through dealers and internal sales representatives, with some direct sales, mainly for the cabinetmaker, architectural millwork and woodworking industry.

The values attributed to the assets acquired as of January 8, 2007 were :	\$
Accounts receivable	13
Development costs	260
Client list	350
Deferred revenue	(327)
Goodwill, deductible for tax purposes	599
Total cash consideration, including acquisition costs of \$25	<b>895</b>

#### Year ended October 31, 2006

##### *Virtual Systems International, Inc.*

On February 9, 2006, the Company acquired 100% of the shares of Virtual Systems International, Inc., ("VSI"), based in Raleigh, North Carolina. The consideration of \$5,508,000 included a maximum variable component of \$1,374,489 payable as a balance of purchase price that was based on VSI's financial results as of December 31, 2005. On July 21, 2006, following agreement between the parties concerned, this variable component was established and paid for at \$1,108,140, for a total cash consideration of \$5,233,690. The unallocated balance of the purchase price was allocated to goodwill.

VSI develops, sells and integrates advanced manufacturing software for North America's cabinet, furniture and woodworking industries.

The values attributed to the assets acquired as of February 9, 2006 were:	\$
Cash	388
Accounts receivable	1,191
Prepaid expenses	33
Property and equipment	105
Development costs	1,430
Client list	487
Non-compete agreement	325
Other assets	16
Accounts payable	(342)
Deferred revenue	(1,046)
Long-term debt	(36)
Future income taxes	(928)
Goodwill, not deductible for tax purposes	3,611
Total consideration, including acquisition costs of \$109	<b>5,234</b>
Consideration:	\$
Cash	5,234
Less : Cash acquired	(388)
Net Cash disbursement	<b>4,846</b>

## 20-20 Technologies Inc.

### Notes to Consolidated Financial Statements

(Amounts in U.S. dollars, tabular amounts in thousands, except share and per-share data)

#### 8- BUSINESS ACQUISITIONS (Continued)

##### *Data One, Inc.*

Effective December 1, 2005, the Company acquired 100% of the shares of Data One, Inc., ("DOI") based in Indianapolis, Indiana, for a total consideration of \$1,303,000 paid in cash. The unallocated balance of the purchase price was allocated to goodwill.

DOI develops services and sells layout, specification and catalog creation software for dealers, manufacturers and facilities managers of office furniture and case goods.

<u>The values attributed to the assets acquired as of December 1, 2005 were:</u>		<u>\$</u>
Cash		62
Accounts receivable		273
Prepaid expenses		5
Property and equipment		29
Development costs		318
Clients list		457
Accounts payable		(62)
Deferred revenue		(486)
Future income taxes		(310)
Goodwill, not deductible for tax purposes		1,017
Total consideration, including acquisition costs of \$54		<u>1,303</u>
<u>Consideration:</u>		<u>\$</u>
Cash		1,303
Less : Cash acquired		(62)
Net Cash disbursement		<u>1,241</u>

##### *MBI Software Company GmbH*

On December 1, 2005, the Company acquired a portion of the assets of MBI Software Company GmbH, ("MBI") based in Germany, Austria and North America for a total consideration of 2,804,764 Euros (\$3,332,000) in cash. The unallocated balance of the purchase price was allocated to goodwill.

MBI develops markets and implements software solutions for the furniture manufacturing industry.

<u>The values attributed to the assets acquired as of December 1, 2005 were:</u>		<u>\$</u>
Cash		125
Accounts receivable		1,934
Contracts in progress		47
Prepaid expenses		48
Property and equipment		131
Development costs		506
Clients list		1,787
Bank indebtedness		(59)
Accounts payable		(613)
Income taxes payable		(17)
Deferred revenue		(3,091)
Future income taxes		(871)
Goodwill, deductible for tax purposes		3,405
Total consideration, including acquisition costs of \$165		<u>3,332</u>

## 20-20 Technologies Inc.

### Notes to Consolidated Financial Statements

(Amounts in U.S. dollars, tabular amounts in thousands, except share and per-share data)

#### 8- BUSINESS ACQUISITIONS (Continued)

Consideration:	\$
Cash	3,332
Less : Cash acquired	(125)
Net Cash disbursement	<b>3,207</b>

#### 9 - SHORT-TERM INVESTMENTS

	2007	October 31, 2006
	\$	\$
Commercial paper, bearing interest at 4.32% (4.11% to 5.05% in 2006), maturing in December 2007 (maturing in January and February 2007 for 2006) (Note 15)	4,331	16,124
Investment in bonds, bearing interest from 4.08% to 4.25%	-	13,813
Bankers acceptance, bearing interest from 4.58% to 4.94% maturing between January and March 2008 (Note 15)	14,164	-
	<b>18,495</b>	29,937

#### 10 - ACCOUNTS RECEIVABLE

	2007	October 31, 2006
	\$	\$
Trade accounts	12,246	11,826
Sales taxes	154	138
Fair value of forward exchange contracts and currency options	524	-
Interest on investments	244	126
Balance of sale receivable, without interest	54	54
Loan receivable, without interest	100	-
Research and development tax credits receivable	1,977	221
Carrefour de la nouvelle économie tax credits receivable	1,248	1,069
Other	82	-
	<b>16,629</b>	13,434

## 20-20 Technologies Inc.

### Notes to Consolidated Financial Statements

(Amounts in U.S. dollars, tabular amounts in thousands, except share and per-share data)

#### 11 - PROPERTY AND EQUIPMENT

	October 31, 2007		
	Cost	Accumulated amortization	Net
	\$	\$	\$
Office furniture	1,698	1,091	607
Computer equipment	5,367	3,572	1,795
Leasehold improvements	2,172	695	1,477
Automotive equipment	134	72	62
	<b>9,371</b>	<b>5,430</b>	<b>3,941</b>

	October 31, 2006		
	Cost	Accumulated amortization	Net
	\$	\$	\$
Office furniture	1,207	609	598
Computer equipment	3,172	1,446	1,726
Leasehold improvements	1,778	443	1,335
Automotive equipment	111	39	72
	<b>6,268</b>	<b>2,537</b>	<b>3,731</b>

#### 12- INTANGIBLE ASSETS

	October 31, 2007		
	Cost	Accumulated amortization	Net
	\$	\$	\$
Client lists	5,487	2,202	3,285
Trade names	250	250	-
Non-compete agreement	391	46	345
	<b>6,128</b>	<b>2,498</b>	<b>3,630</b>

	October 31, 2006		
	Cost	Accumulated amortization	Net
	\$	\$	\$
Client lists	4,180	1,135	3,045
Trade names	211	185	26
Non-compete agreement	330	17	313
	<b>4,721</b>	<b>1,337</b>	<b>3,384</b>

## 20-20 Technologies Inc.

### Notes to Consolidated Financial Statements

(Amounts in U.S. dollars, tabular amounts in thousands, except share and per-share data)

#### 13- DEVELOPMENT COSTS

	October 31, 2007			
	Cost	Accumulated amortization	Unusual item - write off	Net
	\$	\$	\$	\$
Acquired	7,100	2,695	2,370	2,035
Internal	22,130	11,560	10,570	-
	29,230	14,255	12,940	2,035

	October 31, 2006			
	Cost	Accumulated amortization	Net	
	\$	\$	\$	
Acquired	5,526	1,164	4,362	
Internal	12,762	5,525	7,237	
	18,288	6,689	11,599	

During the years ended October 31, 2007 and 2006, development costs were reduced by research and development tax credits totaling \$960,366 and \$544,748, respectively and Carrefour de la nouvelle économie tax credits totaling \$737,768 and \$724,840, respectively.

In the fourth quarter of 2007, the Company had accentuated its conduct of a financial due diligence review related to a potential acquisition (Note 22). This due diligence process resulted in a review by the Company, as of October 31, 2007, of a portion of its business plan and of products commercialized or in development. Following this review, the Company concluded that certain criteria enabling, under generally accepted accounting principles, the continued deferral of development costs were no longer met and, accordingly, recorded a \$12,558,000 charge for the write off of certain development costs.

#### 14 – GOODWILL

	October 31,	
	2007	2006
	\$	\$
Balance, beginning of year	24,157	15,256
Business acquisitions (Note 8)	700	8,033
Change in purchase price (a)	-	123
Recognition of previously unrecognized tax losses (b)	-	(281)
Effect of foreign currency exchange rate changes	4,550	1,026
Balance, end of year	29,407	24,157

(a) Under the terms of the acquisition agreement for CMS Informatique SA, an additional amount of \$123,000 (90,000 Euros) was payable to the selling shareholder as a result of certain performance thresholds which were met in the year ended October 31, 2006.

(b) During 2006, the Company reversed a valuation allowance it had taken on unused tax losses pertaining to Data One, Inc. as it was determined that it was more likely than not that the benefit related to these losses will be realized.

## 20-20 Technologies Inc.

### Notes to Consolidated Financial Statements

(Amounts in U.S. dollars, tabular amounts in thousands, except share and per-share data)

#### 15 - AUTHORIZED BANK LINE OF CREDIT

The Company has credit facilities available of \$5,263,712 (\$4,453,549 in 2006) for its ongoing operational needs bearing interest at the prime rate in 2007 and 2006. Such facilities are renegotiable annually, in March. These facilities were not utilized as at October 31, 2007 and 2006 and are denominated in Canadian dollars. The facilities are secured by a movable hypothec of \$ 6,316,454 (\$ 5,344,259 in 2006) on fluctuating credit balances in U.S. and Canadian dollar current accounts and fluctuating investments held at the bank's treasury department.

Two wholly-owned subsidiaries of the Company have credit facilities available but not utilized as at October 31, 2007 and 2006, for their ongoing operational needs (denominated in Euros):

- \$231,472 (\$204,368 in 2006), bearing interest at Euribor one month rate plus 3.10% to 3.15%, secured for \$144,670 (\$127,730 in 2006) by specific accounts receivable, without fixed renewal dates.
- Nil (\$191,595 in 2006), bearing interest at Euribor three months rate plus 3.5% secured for Nil (\$191,595 in 2006) by specific accounts receivable, ended in June 2007.
- Nil (\$38,319 in 2006), bearing interest at 7.75%, ended in December 2006.

#### 16 - LONG-TERM DEBT

		October 31,	
	Current portion	2007	2006
	\$	\$	\$
<b>Payable in Canadian dollars</b>			
Government loan, payable in three equal semi-annual installments, without interest, maturing on April 1, 2009 (Note 19)	41	61	86
<b>Payable in U.S. dollars</b>			
Balance of purchase price, without interest, effective rate of 4.5%, payable by installments of \$500 for each copy of the Build-Rite software sold by the Company. The remaining balance is payable in July 2010 (Note 19)	-	439	500
Other loans	13	17	30
<b>Payable in euros</b>			
Other loans	-	-	5
	54	517	621
Installments due within one year		54	53
		463	568

The installments on long-term debt for the next three years ending October 31, 2008 to 2010, are: \$54,225, \$134,698 and \$389,499, respectively.

## 20-20 Technologies Inc.

### Notes to Consolidated Financial Statements

(Amounts in U.S. dollars, tabular amounts in thousands, except share and per-share data)

#### 17- STOCK-BASED COMPENSATION

##### Stock option plans

Under a stock option plan adopted in 1999, the Company could grant a maximum of 720,000 options to its officers and key employees, all of which have been granted. Since its inception, 210,160 shares have been issued following the exercise of options. The options granted to officers could be exercised as of the grant date or on another basis as determined by the Board. Unless determined otherwise by the Board, options granted to other employees could be exercised at the rate of 20% per year beginning on the grant date anniversary. These options expire 6 to 12 years after being granted. When an employee leaves the Company, options held must be exercised within 90 days.

In connection with the acquisition of 20-20 Giza Inc. in 2001, 172,860 common share stock options were issued outside of the stock option plan. These options can be exercised for \$0.71 each and expire in 2010. An employee who leaves the Company has 90 days during which to exercise the options.

The following table presents the changes in the number of options outstanding, related to the 20-20 Giza options, in the years ended October 31, 2007 and 2006:

	Number
Balance as at October 31, 2005	117,060
Options exercised in 2006	(4,200)
Options cancelled in 2006	(5,600)
Balance, as at October 31, 2006	107,260
Options exercised in 2007	(97,460)
Balance as at October 31, 2007	9,800

On May 27, 2004, the Board of Directors approved the termination of the above plans, and such resolution was effective following the completion of the initial public offering. Such terminations did not affect options previously granted under these plans which were not exercised or expired.

In conjunction with its initial public offering, the Company established a new share option plan (the "Share Option Plan"). Under the Share Option Plan, options to acquire Common Shares may be granted to officers, consultants and full-time employees of the Company and its subsidiaries. The terms, exercise price and number of Common Shares covered by each option as well as the vesting periods of such options will be determined by the Board of Directors at the time the options are granted but will not be more favorable than those permitted under applicable securities legislation. The total number of Common Shares that will be reserved for issuance under the Share Option Plan and the previous stock option plans will not exceed, in the aggregate, 10% of the issued and outstanding Common Shares. Since its inception, 215,000 options have been granted under the Share Option Plan. All options granted vest 33.3% each anniversary date of the grant and expire 10 years after being granted.

## 20-20 Technologies Inc.

### Notes to Consolidated Financial Statements

(Amounts in U.S. dollars, tabular amounts in thousands, except share and per-share data)

#### 17- STOCK-BASED COMPENSATION (Continued)

The following table presents the changes in the number of options outstanding for the previous stock option plan and the Share Option Plan (excluding 20-20 Giza options):

	October 31, 2007		October 31, 2006	
	Number	Weighted Average Exercise Price C\$	Number	Weighted Average Exercise Price C\$
Balance, beginning of year	702,345	5.65	664,080	4.89
Options granted	-	-	120,000	8.26
Options exercised	(7,505)	1.55	(51,735)	1.55
Options cancelled	-	-	(30,000)	6.50
Balance, end of year	694,840	5.69	702,345	5.65
Options exercisable, end of year	593,171	5.23	471,191	4.50

The following table summarizes information about options outstanding and exercisable:

Exercise Price C\$	Expiration date	Outstanding Number	Exercisable Number	October 31, 2007 Weighted Average Remaining Contractual Life in Years	
				Outstanding	Exercisable
1.55	October 2008	146,620	146,620	1.0	1.0
4.65	October 2013	160,000	160,000	6.0	6.0
6.01	November 2013	103,220	103,220	6.0	6.0
6.50	November 2014	15,000	10,000	7.1	7.1
8.03	November 2013	100,000	100,000	6.0	6.0
8.26	January 2016	120,000	39,998	8.2	8.2
9.41	April 2015	50,000	33,333	7.4	7.4
		694,840	593,171	5.5	5.0

## 20-20 Technologies Inc.

### Notes to Consolidated Financial Statements

(Amounts in U.S. dollars, tabular amounts in thousands, except share and per-share data)

#### 17- STOCK-BASED COMPENSATION (Continued)

The fair value of the stock options granted was estimated at the grant date using the Black-Scholes option-pricing model on the basis of the following weighted average assumptions for the stock options granted during the year :

	Year ended October 31, 2006
Risk-free interest rate	5.0%
Expected dividend rate	0%
Expected fair value of common shares	C\$ 8.26
Weighted average expected life of the options (years)	7
Expected volatility	34%
Weighted average fair value per option granted	\$3.83

The estimated fair value of the options is expensed on a straight-line basis over the options' vesting period.

#### Deferred share unit plan:

On November 29, 2004, the Board of Directors of the Company approved a deferred share unit ("DSU") plan for the benefit of the directors under which they will receive 100% or less of their annual retainer or total compensation in the form of DSUs. Under the terms of the DSU plan, at the end of each quarter, a number of DSUs equal to the number of common shares that could be purchased on the open market for a dollar amount equal to the elected deferral amount is credited to an account the Company will maintain for each director. At such time as any director leaves the Board of Directors, such director will receive a lump sum cash payment equal to his credit balance under the DSU plan. Since its inception, 60,283 DSUs were issued.

During the year ended October 31, 2007, 22,629 DSUs (20,125 in 2006) were issued under the plan and an amount of \$164,558 (\$79,559 in 2006) was charged to stock-based compensation expense. As of October 31, 2007, the Company has recorded an account payable of \$423,362 (\$196,071 in 2006), which will be paid as any Director leaves the Board of Directors. The account payable includes an amount of \$32,789 related to 4,580 DSUs due to a Director who has left the Board of Directors in September 2007.

#### Employee Share Purchase Plan (ESPP)

The Company Employee Share Purchase Plan (ESPP) came into effect on May 23, 2007. The purpose of this plan is to provide the participants with an incentive to become Shareholders of the Company. The ESPP allows employees, to contribute up to the lesser of 10% of his admissible compensation and C\$10,000 annually. The Company contributes one-third of each employee's contribution. All contributions are then remitted to the Administrative Agent who will purchase monthly, on behalf of the employees, Common shares on the open market. The Company also assumes all transaction fees related with the purchases of shares.

During the year ended October 31, 2007, an amount of \$34,192 related to the Company's contribution, was charged to stock-based compensation expense.

## Notes to Consolidated Financial Statements

(Amounts in U.S. dollars, tabular amounts in thousands, except share and per-share data)

### 18- CAPITAL STOCK

#### Authorized:

- Unlimited number of Common shares, voting and participating
- Unlimited number of preferred shares whose privileges, terms and conditions are to be established when they are issued.

	October 31,	
	<u>2007</u>	<u>2006</u>
<b>Issued:</b>		
Common Shares	<b>18,850,302</b>	18,805,037

#### Normal Course Issuer Bid

On April 26, 2007, the Company announced its intention to purchase for cancellation purposes, by way of a normal course issuer bid (the "Bid"), some of its common shares, beginning on May 2, 2007 and ending on May 1, 2008.

Under the Bid, the Company may repurchase for cancellation up to 940,200 common shares. The consideration to be paid by the Company for any common shares it will repurchase under the Bid will be at the market price of such common shares at the time of acquisition.

During the year ended October 31, 2007, 59,700 common shares were repurchased and cancelled, for a total cash consideration of \$368,833 attributed as follows: \$184,021 to the common shares book value, \$2,535 to contributed surplus and \$182,277 to retained earnings.

#### Shareholder rights plan

The Company's shareholder rights plan requires anyone who seeks to acquire 20% or more of the Company's voting shares to make a bid complying with specific provisions.

### 19 - FINANCIAL INSTRUMENTS

#### Fair value of derivative financial instruments

The Company enters into forward exchange contracts and currency options to sell amounts of currency in the future at predetermined exchange rates. These forward exchange contracts and currency options serve to protect against the risk exposure to future exchange rate fluctuations. As at October 31, 2007, the total amount of committed currency sales is a minimum of US\$10,878,750 or a maximum of US\$14,878,750 depending on whether a call currency option of \$4 million or a put currency option of \$8 million is exercised and also an amount of £ 3 million. The fair value of such derivative financial instruments is determined based on prices obtained from the Company's financial institution for identical or similar financial instruments. The following table summarizes the amounts of committed currency sales, the average rate and the favorable (unfavorable) fair value at the specified date of the forward contracts according to their remaining terms:

## 20-20 Technologies Inc.

### Notes to Consolidated Financial Statements

(Amounts in U.S. dollars, tabular amounts in thousands, except share and per-share data)

#### 19 - FINANCIAL INSTRUMENTS (Continued)

Remaining term	Contract amount	October 31, 2007	
		Average rate	Fair value
	\$	C\$	\$
Less than three months			
Forward contracts	4,600	1.0051	294
Put option	8,000	1.0403	-
Call option	4,000	1.0050	255
Three to six months	2,279	0.9490	11
	£		
Less than three months	3,000	1.9753	(36)
			524

The net fair value of forward exchange contracts and currency options has been accounted for as an unrealized foreign exchange gain, presented in financial expenses or income in the consolidated earnings, and in accounts receivable for \$ 524,000. The accrued loss of \$3,248 as of October 31, 2006 is included in accounts payable. The realized gain on forward exchange contracts amounted to \$485 000 for the year ended October 31, 2007 and is accounted for as a foreign exchange gain, presented in financial expenses or income in the consolidated earnings.

#### Credit risk

The financial instruments that potentially expose the Company to credit risk mainly relate to cash and cash equivalent, short-term investments, accounts receivable, forward exchange contract and currency options. This credit risk is generally diversified since the Company deals with many different establishments. The Company assesses its customers' credit situation and usually does not obtain guarantees.

## 20-20 Technologies Inc.

### Notes to Consolidated Financial Statements

(Amounts in U.S. dollars, tabular amounts in thousands, except share and per-share data)

#### 19 - FINANCIAL INSTRUMENTS (Continued)

##### Foreign exchange risk

The Company is exposed to financial risk arising from fluctuations in foreign exchange rates and their degree of volatility. As of October 31, 2007 and 2006, financial assets totaling \$59,471,000 (\$49,182,000 in 2006) and financial liabilities totaling \$11,167,000 (\$9,246,000 in 2006) include these amounts expressed in foreign currencies:

<b>As at October 31, 2007</b>	<b>C\$</b>	<b>€</b>	<b>£</b>	<b>KRD</b>	<b>¥</b>	<b>BRL</b>
<i>Financial assets</i>						
Cash and cash equivalents	19,588	884	185	13	3,351	75
Short-term investments	17,568	—	—	—	—	—
Accounts receivable	2,896	2,493	847	251	1,385	189
	40,052	3,377	1,032	264	4,736	264
<i>Financial liabilities</i>						
Accounts payable	4,174	2,074	543	444	1,052	121
Long-term debt	61	—	—	—	—	—
	4,235	2,074	543	444	1,052	121
<b>As at October 31, 2006</b>						
<i>Financial assets</i>						
Cash and cash equivalents	1,292	732	329	48	6,849	20
Short-term investments	30,299	—	—	—	—	—
Accounts receivable	2,629	2,837	523	207	4,151	99
	34,220	3,569	852	255	11,000	119
<i>Financial liabilities</i>						
Accounts payable	4,065	1,871	367	323	1,885	99
Long-term debt	86	3	—	—	—	—
	4,151	1,874	367	323	1,885	99

##### **Currencies Legend:**

<b>C\$</b>	-	Canadian Dollar
<b>€</b>	-	European Euro
<b>£</b>	-	U.K. Pound Sterling
<b>KRD</b>	-	Danish Krone
<b>¥</b>	-	Japanese Yen
<b>BRL</b>	-	Brazilian Real

## 20-20 Technologies Inc.

### Notes to Consolidated Financial Statements

(Amounts in U.S. dollars, tabular amounts in thousands, except share and per-share data)

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#### 19 - FINANCIAL INSTRUMENTS (Continued)

##### Fair value of financial instruments

Accounts receivable, balance of sale receivable as well as accounts payable are short-term financial instruments whose fair value is equivalent to their carrying value given that they will mature shortly.

The fair value of rental deposits is \$ 490,000 compared to a carrying value of \$ 528,000. For the rental deposits consisting in mutual investments funds, the fair value was established using the issue market value. For the other rental deposits, the present value of future cash in flows at the current market rate the Company could have obtained at the balance sheet date for bankers acceptances was used.

The fair value of the Build-Rite balance of purchase price was calculated with the present value of future payments using interest rates which the Company could have obtained, as of October 31, 2007, for a loan with similar terms, conditions and maturity dates. The fair value was approximated to the carrying value. The fair value of the government loan and other loans approximates the carrying value at the balance sheet date because of their shorter term maturities.

#### 20 - COMMITMENTS

The Company has entered into various leases expiring on different dates until September 30, 2017, which call for lease payments of \$14,530,738 for the rental of buildings and other operating leases. The minimum lease payments for the coming years are:

	Years ending October 31,
	\$
2008	3,230
2009	2,745
2010	2,261
2011	1,760
2012	1,607
Subsequent years	2,928
	<u>14,531</u>

The Company received a certificate of eligibility for the Carrefour de la nouvelle économie (CNE) program, which enables it to receive refundable tax credits on eligible salaries until October 2012.

## 20-20 Technologies Inc.

### Notes to Consolidated Financial Statements

(Amounts in U.S. dollars, tabular amounts in thousands, except share and per-share data)

#### 21- SEGMENTED INFORMATION

The Company operates in a single reportable operating segment. The single reportable operating segment derives its revenue from the sale of software solutions and related services. The following information provides the required enterprise-wide disclosures:

	Years ended October 31,	
	2007	2006
	\$	\$
Revenue by geographic location		
Canada	27,129	27,880
United States	19,815	14,426
Germany	7,162	7,077
Europe – others	13,041	10,692
Other foreign countries	480	386
	<b>67,627</b>	60,461

Revenue is attributed to geographic locations based on the selling point of origin. Most of the revenues originating from Canada are destined to customers in the United States.

	October 31,	
	2007	2006
	\$	\$
Property and equipment by geographic location		
Canada	2,464	2,549
United States	532	550
Germany	276	171
Europe – others	540	404
Other foreign countries	129	57
	<b>3,941</b>	3,731
Goodwill by geographic location		
Canada	1,124	951
United States	20,291	16,539
Germany	4,189	3,544
Europe – others	3,746	3,075
Other foreign countries	57	48
	<b>29,407</b>	24,157

## **20-20 Technologies Inc.**

### **Notes to Consolidated Financial Statements**

(Amounts in U.S. dollars, tabular amounts in thousands, except share and per-share data)

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#### **22 – SUBSEQUENT EVENTS**

As at November 1, 2007, the Company concluded a transaction to purchase all of the assets of Shanghai Rena and DesignTec Co. Ltd for a total consideration of \$399,000. Shanghai Rena and DesignTec Co. Ltd are related companies with a common shareholder and they have been distributors for the Company in China and Taiwan respectively, since March 2002. The acquisition will be accounted for using the purchase method, whereby the purchase price will be allocated to the assets acquired based on their estimated fair value as of the acquisition date. The unallocated balance of the purchase price will be allocated to goodwill.

On January 29, 2008, the Company acquired the kitchen and bath design business from Planit Holdings PLC (“Planit Fusion”) for total consideration of \$ 38 million (£ 19 million), excluding acquisition costs. The acquisition consists of the worldwide kitchen and bath software business including 2 subsidiaries Planit International Limited (U.K.), Planit S.A. (France) and all of their US assets related to that business.

The transaction will be financed in part by a partial drawing on a C\$25 million secured and committed revolver credit facility in place with a Canadian bank, concluded subsequent to the end of the year.

The acquisition will be accounted for using the purchase method, whereby the purchase price will be allocated to the assets acquired based on their estimated fair value as of the acquisition date. The unallocated balance of the purchase price will be allocated to goodwill.

#### **23 – COMPARATIVE FIGURES**

Certain comparative figures have been reclassified in order to comply with the current year's presentation.

**BANKING INSTITUTION**

TD Commercial Banking

**AUDITORS**

Raymond Chabot Grant Thornton LLP  
Chartered Accountants

**EXTERNAL LEGAL COUNSEL**

Stikeman Elliott LLP

**TRANSFER AGENT**

Computershare Trust Company of Canada

**HEAD OFFICE**

20-20 Technologies Inc.  
400 Armand-Frappier Blvd.  
Suite 2020  
Laval, Quebec  
CANADA H7V 4B4

**STOCK LISTING**

Toronto Stock Exchange (TSX)  
Ticker symbol: TWT

**INVESTOR RELATIONS**

For further information about the Company, copies of this report and any other financial information, please contact us:

**Investor Relations**

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Chief Financial Officer  
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Suite 2020  
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CANADA H7V 4B4  
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**DIRECTORS****Jocelyn Proteau**<sup>(2) (3)</sup>

Co-Chairman of the Board and Lead  
Director  
20-20 Technologies Inc.

**Jean Mignault**

Co-Chairman of the Board and  
Chief Executive Officer  
20-20 Technologies Inc.

**Jacques Malo**<sup>(2) (3)</sup>

Vice President  
Global Business Engineering  
Groupe CGI

**Jean-François Grou**

President and Chief Operating Officer  
20-20 Technologies Inc.

**Yves Archambault**<sup>(1)</sup>

Corporate Director

**Philippe Frenière**<sup>(1)</sup>

Vice President, Investments  
Montreal Partners & Bourgie Financial  
Corporation

**Me Pierre L. Lambert**<sup>(3)</sup>

Partner, Dunton Rainville S.E.N.C.R.L.

**Benoit La Salle**<sup>(1)</sup>

President and Chief Executive Officer  
Semafo Inc.

**Richard Lord**<sup>(1)</sup>

President and Chief Executive Officer  
Richelieu Hardware Ltd.

**Ghislain St-Pierre**<sup>(2)</sup>

President and Chief Operating Officer  
LVL Studio Inc.

*(1) Member of the Audit Committee*

*(2) Member of the Human Resources Committee*

*(3) Member of the Governance Committee*

## MANAGEMENT

**Jean Mignault**

Co-Chairman of the Board and  
Chief Executive Officer

**Jean-François Grou**

President and Chief Operating Officer

**Steve Perrone**

Chief Financial Officer

**Richard Carruthers**

Vice President,  
Commercial business development  
Europe

**André Chartier**

Vice President, Operations

**Louise Chartier**

Vice President,  
Sales Residential Dealers/Retailers  
North America

**Christian Dubuc**

Vice President, Product Management

**Me Yannick Godeau**

General Counsel

**Klaus Gueniker**

Vice President Manufacturing Operations  
International

**Igor Krichevsky**

Vice President, Online Solutions

**Luc Larocque**

Executive Vice President, Sales  
North America and International

**Thierry Racinais**

Vice President, Sales  
Southern Europe

**Craig Rothwell**

Vice President, Sales  
Northern Europe

**Stephane Vidal**

Director of Marketing and  
Communications

**Lorenz Weber**

Managing Director, Operations  
Central and Eastern Europe

**Joerg Witthus**

Executive Vice President for Europe

**Craig Yamauchi,**

Executive Vice President,  
Manufacturing Solutions,  
North America