



## **Interim Consolidated Financial Statements**

Three and Nine Months Ended July 31, 2011 and 2010

# 3

**Unaudited**

September 12, 2011

**The interim consolidated financial statements for the three and nine months ended July 31, 2011 and 2010, which are included in this report, have not been subject to a review by the Company's external auditors.**

Interim Consolidated Financial Statements  
Three and Nine Months ended July 31, 2011 and 2010  
UNAUDITED

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September 12, 2011

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

	July 31, 2011 (Unaudited) \$	October 31, 2010 (Audited) \$
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents (Note 9)	11,610	14,681
Accounts receivable	20,127	16,685
Income taxes receivable	204	102
Contracts in progress	174	178
Prepaid expenses	1,316	1,019
Income tax credits recoverable	590	984
Future income taxes	250	263
	<b>34,271</b>	<b>33,912</b>
Property and equipment	2,380	2,345
Intangibles	6,596	6,968
Goodwill	65,661	61,472
Income tax credits recoverable	3,640	2,304
Future income taxes	1,686	2,745
Other assets	1,235	1,160
	<b>115,469</b>	<b>110,906</b>
<b>LIABILITIES</b>		
Current liabilities		
Bank loan	-	148
Accounts payable	12,050	11,907
Income taxes payable	725	413
Deferred revenue	16,273	13,644
Installment on long-term debt (Note 10)	2,125	2,833
Future income taxes	476	207
	<b>31,649</b>	<b>29,152</b>
Long-term debt (Note 10)	2,864	4,710
Leasehold inducements	285	279
Future income taxes	1,350	3,392
	<b>36,148</b>	<b>37,533</b>
<b>SHAREHOLDERS' EQUITY</b>		
Capital stock (Note 11)	58,346	58,569
Common stock options and warrants	1,709	1,553
Contributed surplus	1,040	1,050
Deficit	(946)	(1,979)
Accumulated other comprehensive income	19,172	14,180
	<b>18,226</b>	<b>12,201</b>
	<b>79,321</b>	<b>73,373</b>
	<b>115,469</b>	<b>110,906</b>

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

On behalf of the Board,

/s/ **Jean-François Grou**  
Director

/s/ **Benoît La Salle**  
Director

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

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

(Unaudited)	Three months ended July 31		Nine months ended July 31	
	2011	2010	2011	2010
	\$	\$	\$	\$
<b>Revenues</b>	<b>17,409</b>	14,806	<b>50,836</b>	48,565
<b>Cost of revenues</b>	<b>4,838</b>	3,973	<b>14,082</b>	12,482
<b>Gross margin</b>	<b>12,571</b>	10,833	<b>36,754</b>	36,083
Operating expenses				
Sales and marketing	5,347	4,126	15,107	12,891
Research and development (Note 4)	2,978	3,091	8,638	9,333
General and administrative	3,344	3,081	10,452	9,736
Restructuration expense (Note 5)	(3)	-	(198)	-
Stock-based compensation (Note 6)	123	66	192	358
	<b>11,789</b>	10,364	<b>34,191</b>	32,318
<b>Operating income</b>	<b>782</b>	469	<b>2,563</b>	3,765
Financial expenses				
Bank charges and interest expense, net (Note 3)	220	273	700	972
Exchange loss (gain)	30	(838)	494	614
	<b>250</b>	(565)	<b>1,194</b>	1,586
Non-controlling interest	-	(4)	-	35
<b>Earnings before income taxes</b>	<b>532</b>	1,038	<b>1,369</b>	2,144
Income taxes				
Current	133	328	1,144	1,128
Future	(4)	(130)	(808)	(559)
	<b>129</b>	198	<b>336</b>	569
<b>Net earnings</b>	<b>403</b>	840	<b>1,033</b>	1,575
Earnings per share (Note 7)				
Basic and Diluted	<b>0.02</b>	0.04	<b>0.05</b>	0.08

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

## 20-20 Technologies Inc.

### CONSOLIDATED SHAREHOLDERS' EQUITY

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

(Unaudited)	Common Shares		Common stock options and warrants	Contributed surplus	Accumulated other comprehensive income	Deficit	Total
	Number	Amount					
Balance as at October 31, 2009	18,926,692	58,582	1,279	1,015	10,295	(4,268)	66,903
Net earnings	-	-	-	-	-	1,575	1,575
Translation adjustment	-	-	-	-	3,143	-	3,143
Comprehensive income	-	-	-	-	3,143	1,575	4,718
Options expired	-	-	(39)	39	-	-	-
Options granted	-	-	247	-	-	-	247
Options exercised	1,400	6	(6)	-	-	-	-
Common shares buyback for a cash consideration	(200)	-	-	-	-	-	-
<b>Balance as at July 31, 2010</b>	<b>18,927,892</b>	<b>58,588</b>	<b>1,481</b>	<b>1,054</b>	<b>13,438</b>	<b>(2,693)</b>	<b>71,868</b>

(Unaudited)	Common Shares		Common stock options and warrants	Contributed surplus	Accumulated other comprehensive income	Deficit	Total
	Number	Amount					
Balance as at October 31, 2010	18,921,792	58,569	1,553	1,050	14,180	(1,979)	73,373
Net earnings	-	-	-	-	-	1,033	1,033
Translation adjustment	-	-	-	-	4,992	-	4,992
Comprehensive income	-	-	-	-	4,992	1,033	6,025
Options granted	-	-	156	-	-	-	156
Common shares buyback for a cash consideration (Note 11)	(49,400)	(223)	-	(10)	-	-	(233)
<b>Balance as at July 31, 2011</b>	<b>18,872,392</b>	<b>58,346</b>	<b>1,709</b>	<b>1,040</b>	<b>19,172</b>	<b>(946)</b>	<b>79,321</b>

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

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

(Unaudited)	Three months ended		Nine months ended	
	2011	2010	2011	2010
	\$	\$	\$	\$
<b>OPERATING ACTIVITIES</b>				
Net earnings	403	840	1,033	1,575
Non-cash items				
Amortization	853	941	2,580	2,917
Leasehold inducements	(35)	(20)	(78)	(61)
Stock-based compensation	110	54	167	324
Capitalized interest on long term debt	12	12	36	52
Non-controlling interest	-	(4)	-	35
Future income taxes	(4)	(130)	(808)	(559)
Unrealized gain on long term debt exchange	-	245	-	(314)
Unrealized loss (gain) on forward exchange contracts and currency options	(291)	43	(196)	26
Changes in working capital items (Note 8)	270	(2,214)	(1,604)	(3,759)
Cash flows from (used in) operating activities	1,318	(233)	1,130	236
<b>INVESTING ACTIVITIES</b>				
Business acquisition	-	-	(137)	98
Property and equipment – acquired	(130)	(268)	(726)	(747)
Intangible assets – acquired	(324)	(24)	(879)	(24)
Product of disposition of property and equipment	2	(2)	24	41
Other assets	8	(6)	3	(3)
Cash flows used in investing activities	(444)	(300)	(1,715)	(635)
<b>FINANCING ACTIVITIES</b>				
Repayment of bank loan	-	-	(148)	-
Long-term debt	1,047	-	1,152	1,300
Repayment of long-term debt	(175)	(2,000)	(4,253)	(5,382)
Leasehold inducements	67	-	67	-
Common shares repurchased	(205)	-	(233)	-
Cash flows from (used in) financing activities	734	(2,000)	(3,415)	(4,082)
Effect of changes in exchange rate on cash held in foreign currencies	(135)	(370)	929	1,051
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>1,473</b>	<b>(2,903)</b>	<b>(3,071)</b>	<b>(3,430)</b>
Cash and cash equivalents, beginning of period	10,137	22,694	14,681	23,221
Cash and cash equivalents, end of period (Note 9)	11,610	19,791	11,610	19,791

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

## 20-20 Technologies Inc.

### Notes to Interim Consolidated Financial Statements

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

#### 1 – BASIS OF PRESENTATION AND NATURE OF OPERATION

The interim unaudited 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) unless otherwise noted. They are consistent with the principles used in the preparation of our annual audited consolidated statements. These interim unaudited consolidated financial statements should be read in conjunction with our audited consolidated financial statements for the year ended October 31, 2010.

The Company's operations are affected in varying degrees by market cycles and/or seasonality. As such, operating performance over a given interim period should not necessarily be considered indicative of full fiscal year performance. Seasonality and quarterly performance are affected by events such as vacations, major trade shows and the number of statutory holidays in a given quarter. The workflow from certain clients may vary from quarter to quarter based on their business cycles and the seasonality of their own operations.

#### 2- ACCOUNTING POLICIES

These interim consolidated financial statements have been prepared using the same accounting policies and methods of their application as the annual audited consolidated financial statements for the year ended October 31, 2010.

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

(Unaudited)	Three months ended		Nine months ended	
	2011	2010	2011	2010
Amortization of property and equipment	272	290	843	936
Amortization of intangible assets	581	651	1,737	1,981
<b>Total amortization expense</b> <sup>(a)</sup>	<b>853</b>	<b>941</b>	<b>2,580</b>	<b>2,917</b>
Interest on long-term debt	95	208	294	666
Other interest expense	46	85	209	250
Bank charges	93	102	255	266
Gain on cash and cash equivalent and short-term investments	(14)	(122)	(58)	(210)
<b>Total bank charges and interest expense</b>	<b>220</b>	<b>273</b>	<b>700</b>	<b>972</b>
Research and development tax credits	303	207	895	932
Carrefour de la Nouvelle Économie and other tax credits	356	171	1,206	518
<b>Total tax credits</b> <sup>(b)</sup>	<b>659</b>	<b>378</b>	<b>2,101</b>	<b>1,450</b>

a) Amortization expense on property and equipment and on intangible assets is allocated between the cost of revenues and the different operating expenses in the consolidated statement of earnings.

b) The total tax credits recovered are subject to an allocation between the cost of revenues and the research and development expenses. During the nine months period ended July 31, 2011, the company revised upwards its estimate of the tax credits for an amount of \$508,000.

#### 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:

(Unaudited)	Three months ended		Nine months ended	
	2011	2010	2011	2010
Research and development expenses	3,309	3,111	9,601	9,683
Less: Tax credits - research and development	(514)	(308)	(1,612)	(1,249)
Plus: Amortization of software	183	288	649	899
	<b>2,978</b>	<b>3,091</b>	<b>8,638</b>	<b>9,333</b>

## 20-20 Technologies Inc.

### Notes to Interim Consolidated Financial Statements

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

## 5 - RESTRUCTURING EXPENSE

### Operational Restructuring Plan

During the 2009 and 2010 year end, the Company approved restructuring plans to align its cost structure to its strategic plan and due to slow market conditions. The Company expects to complete all payments under these plans by October 2011. Any changes to the estimates of executing the Operational Restructuring Plan will be reflected in the future results of operations. The following table summarizes the amounts payable and the effect on consolidated income:

July 31, 2011	Total estimated cost	Accounts payable as at October 31, 2010	Restructuring expense	Cash payments	Adjustment	Foreign exchange adjustment	Accounts payable as at July 31, 2011
		(Audited)					(Unaudited)
<b>Operational Restructuring Plan</b>							
Severance	1,482	473	-	(145)	(198)	6	136
Other	155	73	-	(73)	-	-	-
<b>Total</b>	<b>1,637</b>	<b>546</b>	<b>-</b>	<b>(218)</b>	<b>(198)</b>	<b>6</b>	<b>136</b>

Due to manufacturing market recovery in 2011 management canceled a part of the 2010 restructuring plan and adjusts the operational restructuring provision.

## 6 - STOCK BASED-COMPENSATION

### Stock option plans

The following table presents the changes in the number of options outstanding for the previous stock option plan and the Share Option Plan:

	Nine months ended July 31, 2011	
(Unaudited)	Number	Weighted Average Exercise Price (C\$)
Balance, beginning of year and end of period	825,134	5.38
Options exercisable, end of period	563,333	6.48

## 20-20 Technologies Inc.

### Notes to Interim Consolidated Financial Statements

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

#### 6 - STOCK BASED-COMPENSATION (continued)

The following table summarizes information about options outstanding and exercisable:

(Unaudited)		July 31, 2011				
				Weighted Average Remaining Contractual Life in Years		
Exercise Price	Expiration date	Outstanding Number	Exercisable Number	Outstanding	Exercisable	
C\$						
2.44	September 2019	120,000	40,000	8.1	8.1	
3.24	October 2019	197,277	23,333	8.2	8.2	
3.24	March 2020	7,857	-	8.6	-	
4.65	October 2013	120,000	120,000	2.3	2.3	
6.01	November 2013	100,000	100,000	2.3	2.3	
6.50	November 2014	15,000	15,000	3.3	3.3	
8.03	November 2013	100,000	100,000	2.3	2.3	
8.26	January 2016	115,000	115,000	4.5	4.5	
9.41	April 2015	50,000	50,000	3.7	3.7	
		<b>825,134</b>	<b>563,333</b>	<b>5.0</b>	<b>3.5</b>	

The impact of the stock based-compensation expense in the consolidated statement of earnings would be as follows:

(Unaudited)	Three months ended July 31		Nine months ended July 31	
	2011	2010	2011	2010
Stock options plans	53	82	156	247
Deferred share unit plan (DSU)				
Expense of the period	37	26	87	58
Reevaluation of the liability	20	(54)	(76)	19
	57	(28)	11	77
Total non-cash stock based-compensation expense	110	54	167	324
Employee share purchase plan (ESPP)	13	12	25	34
Total stock based-compensation expense	123	66	192	358

#### Deferred share unit plan

During the nine months ended July 31, 2011 and 2010, 26,501 DSUs (18,958 in 2010) were issued under the plan. As of July 31, 2011, the Company has recorded account payable of \$487,019 (\$573,637 as of October 31, 2010), which will be paid as any Director leaves the Board of Directors.

## 20-20 Technologies Inc.

### Notes to Interim Consolidated Financial Statements

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

#### 7 - EARNINGS PER SHARE

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

(Unaudited)	Three months ended		Nine months ended	
	2011	2010	2011	2010
Basic				
Net earnings	403	840	1,033	1,575
Weighted average number of common shares outstanding	18,878,487	18,926,820	18,907,066	18,926,735
Basic earnings per share	0.02	0.04	0.05	0.08
Diluted				
Net earnings	403	840	1,033	1,575
Weighted average number of common shares outstanding	18,878,487	18,926,820	18,907,066	18,926,735
Effect of dilutive stock options	8,561	2,860	10,480	2,829
Effect of dilutive warrants	21,930	17,660	26,169	15,737
Adjusted weighted average number of common shares outstanding	18,908,978	18,947,340	18,943,715	18,945,301
Diluted earnings per share	0.02	0.04	0.05	0.08

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

(Unaudited)	Three months ended		Nine months ended	
	2011	2010	2011	2010
Options	785,134	825,134	761,801	825,134
Warrants	-	-	-	-

#### 8- ADDITIONAL INFORMATION RELATED TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

The changes in working capital items are detailed as follows:

(Unaudited)	Three months ended		Nine months ended	
	2011	2010	2011	2010
Accounts receivable	1,245	456	(2,039)	(1,615)
Income taxes receivable	-	123	(92)	(197)
Contracts in progress	146	9	16	170
Prepaid expenses	(194)	(334)	(221)	71
Income tax credits recoverable	(245)	-	(696)	-
Accounts payable	646	(629)	(495)	(2,071)
Income taxes payable	(126)	(18)	275	(583)
Deferred revenue	(1,202)	(1,821)	1,648	466
	270	(2,214)	(1,604)	(3,759)

## 20-20 Technologies Inc.

### Notes to Interim Consolidated Financial Statements

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

#### 8- ADDITIONAL INFORMATION RELATED TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

- The amount recorded as a business acquisition in the investing activities of the statement of cash flows for the nine months period ended July 31, 2011 represents the payment of the remaining purchase price of Icovia, a transaction that took place in the year ended October 31, 2010.
- The company acquired for \$445,000 of intangibles during the nine months ended July 31, 2011 related to intellectual property of software solutions that will improve our current product.

#### 9- CASH AND CASH EQUIVALENTS

	July 31 2011 (Unaudited)	October 31 2010 (Audited)
Cash	11,610	12,347
Cash equivalent	-	2,334
	<b>11,610</b>	<b>14,681</b>

#### 10 - LONG-TERM DEBT

	Current portion	July 31 2011 (Unaudited)	October 31 2010 (Audited)
<b>Payable in Canadian dollars</b>			
Government loan	-	-	3,082
Government loan	1,077	3,734	4,330
Revolving credit line	1,048	1,048	-
<b>Payable in Pounds Sterling</b>			
Other loans	-	207	131
	2,125	4,989	7,543
Installments due within one year		2,125	2,833
		<b>2,864</b>	<b>4,710</b>

#### 11 - 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.

	July 31, 2011 (Unaudited)	October 31, 2010 (Audited)
<b>Issued:</b>		
Common Shares	18,872,392	18,921,792

## 20-20 Technologies Inc.

### Notes to Interim Consolidated Financial Statements

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

#### 11 – CAPITAL STOCK (continued)

##### Normal Course Issuer Bid

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 April 1, 2011 and ending March 31, 2012. The Company may repurchase for cancellation, up to 946,089 common shares over a maximum period of 12 months representing approximately 5% of its 18,921,792 issued and outstanding as of March 29, 2011. The consideration to be paid by the Company for any common shares it will repurchase under the Bid will be the market price of such common shares at the time of acquisition.

During the nine months ended July 31, 2011, 72,000 shares were repurchased for a total cash consideration of \$233,000 (\$574 in 2010). As of July 31, 2011, 22,600 out of 72,000 shares repurchased were not cancelled yet.

#### 12- COMMITMENTS

During this quarter, the Company completed the amendment of a major operating lease and extended it until June 30, 2024. The extension represents for the Company additional commitment of \$3,770,000 net of leasehold inducements offered up to the next renewal date. Upon signature of the extension, the Company was offered additional leasehold inducements and an allowance for leasehold improvements totaling \$1,934,000. According to the company accounting policies, the incentives received in connection with the leasing of the premise are amortized on a straight-line basis over the renegotiated lease term.

#### 13 - 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:

(Unaudited)	Three months ended		Nine months ended	
	2011	July 31 2010	2011	July 31 2010
Revenue by geographic location				
Canada	4,419	4,184	13,776	15,000
United States	4,200	3,563	12,672	11,772
United Kingdom	2,980	2,520	8,057	7,999
Germany	2,450	2,039	7,164	5,932
France	2,214	1,687	6,034	5,462
Europe – others	257	223	831	1,096
Other countries	889	590	2,302	1,304
	<b>17,409</b>	<b>14,806</b>	<b>50,836</b>	<b>48,565</b>

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.

## 20-20 Technologies Inc.

### Notes to Interim Consolidated Financial Statements

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

#### 13 - SEGMENTED INFORMATION (continued)

	July 31 2011 (Unaudited)	October 31 2010 (Audited)
Property and equipment by geographic location		
Canada	1,232	1,291
United States	138	141
United Kingdom	439	401
Germany	185	150
France	256	279
Europe – others	10	5
Other countries	120	78
	<b>2,380</b>	<b>2,345</b>
Goodwill by geographic location		
Canada	1,118	1,049
United States	21,907	20,510
United Kingdom	30,133	28,210
Germany	4,158	3,892
France	6,383	5,975
Europe-others	1,509	1,412
Other countries	453	424
	<b>65,661</b>	<b>61,472</b>