Management's Discussion and Analysis

Year ended October 31, 2011

January 19, 2012

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Management's Responsibility for Financial Reporting

Management's Discussion and Analysis ("MD&A") for 20-20 Technologies Inc. and all other information in this report are the responsibility of management and have been reviewed and approved by its Board of Directors. This MD&A has been prepared in accordance with the requirements of the Canadian Securities Administrators. 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 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 consists entirely of independent and financially literate directors.

This report was reviewed by the Company's Audit Committee and approved by 20-20's Board of Directors on January 19, 2012.

Unless otherwise noted or the context otherwise indicates, "20-20," the "Company," "we," "us" and "our" refer to 20-20 Technologies Inc. and its direct and indirect subsidiaries. Unless otherwise indicated, all dollar amounts in this report refer to US dollars. References to "$" or "US" are to US dollars and references to "C$" 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.

The primary objectives of the Company's MD&A are:

- To provide information regarding the Company's competitive environment or the market in which the Company operates to facilitate an informed analysis of the consolidated financial statements.
- To provide an explanation of our financial statements from management's perspective.
- To provide information allowing readers to assess the Company's past performance and determine whether it is likely to be reflected in future performance.

With a view to achieving these primary objectives, the MD&A includes the following sections:

Corporate Overview
A description of the Company's activities and markets, and the competitive environment in which we operate.

Corporate Strategy
Management's perspective on the economic environment and its impact on the market in which the Company operates, together with information on strategic objectives and activities.

Financial Review
An analysis of the fourth quarter and the year ended October 31, 2011 compared with the same periods in 2010 and 2009, key factors affecting earnings and revenues, by type, by geographic location and by sector, factors impacting operating expenses, and comparative quarterly financial data for the Company's last eight quarters.

Liquidity
An analysis of changes in cash flows related to operating, investing and financing activities, and a description of the Company's cash position.

Controls, Accounting Policies, Risks and Uncertainties
Controls and the monitoring of controls implemented to ensure that financial information is complete and reliable, new accounting policies that may affect the future presentation of the Company's consolidated financial statements, and the risks to which the Company's operations are exposed.

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1. Introduction

The following report, dated January 19, 2012, is a discussion relating to the consolidated financial results and position of 20-20 Technologies Inc. ("20-20" or the "Company") for the year ended October 31, 2011. The discussion should be read in conjunction with the selected consolidated financial information shown in this report, and our audited consolidated financial statements and accompanying notes. These financial statements have been prepared in accordance with Canadian generally accepted accounting principles (Canadian GAAP) and are presented in US dollars. The Company's financial statements have been translated from the measurement currency, the Canadian dollar, to the US dollar using the current rate method. Additional information relating to 20-20, including the Company's Annual Information Form, Annual Report and the audited financial statements for the year ended October 31, 2011, can be obtained from SEDAR at www.sedar.com as well as from the Company's website at 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.

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 the Company's future operating results and economic performance 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 the Company's actual future operating results and economic performance 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.

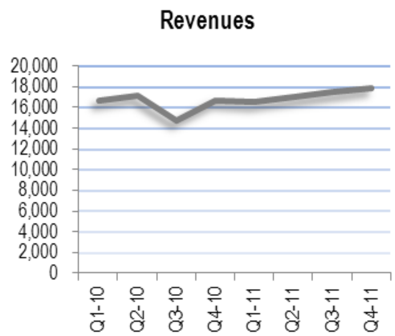
For more exhaustive information on these risks and uncertainties, please refer to our most recently filed Annual Information Form, which is available at www.sedar.com. Forward-looking information contained in this report is based on management's current estimates, expectations and projections, which management believes are reasonable as of the current date. The reader should not place undue reliance on forward-looking statements 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 fourth quarters and the years ended October 31, 2011 and 2010, this report also discusses certain important events that occurred between the end of the quarter and January 19, 2012.

EBITDA – Non-Canadian GAAP measure

EBITDA is a non-Canadian GAAP measure related to cash earnings and is defined for these purposes as operating income plus amortization, adjusted for non-recurring items and other items such as restructuring costs. EBITDA is reported for information purposes only and is a financial performance measure mainly used in the financial industry. This measure does not have a standardized meaning as prescribed by Canadian GAAP and therefore may not be comparable to similar measures reported by other public companies. The reader must know that EBITDA is not a substitute to net earnings as an indicator of our operating results neither under GAAP nor to cash flows from operating and financing activities as a measure of liquidity and cash flows.

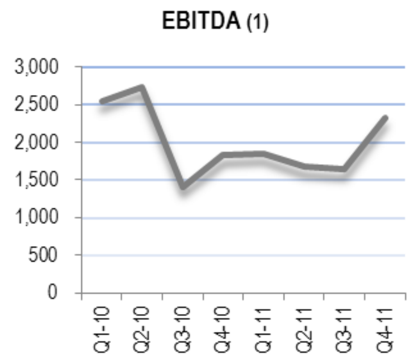
2. Financial Highlights

Revenues up 5.3%



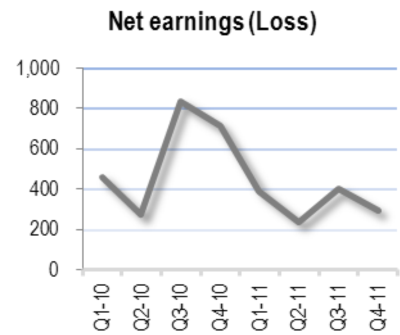
Revenues for the year ended October 31, 2011 were up 5.3% to $68.7 million from $65.2 million in 2010.

EBITDA(1) of $7.5 million or 10.9% of revenues



EBITDA for the year ended October 31, 2011 stood at $7.5 million (10.9% of revenues) compared with $8.5 million (13.0%) in 2010. In constant 2010 dollars, EBITDA amounted to $8.3 million (12.0% of revenues) in 2011.

Net earnings of $1.3 million (1.9%) or $0.07 per share



Despite an adverse exchange rate effect of $0.6 million in 2011, net earnings reached $1.3 million ($0.07 per share) compared with $2.3 million ($0.12 per share) in 2010.

(1) EBITDA is a non-GAAP measure for which we provide reconciliation on page 14.

Selected Consolidated Financial Information

The selected consolidated financial information set out below for the quarters and years ended October 31, 2011 and 2010 are based on and should be read in conjunction with our audited annual consolidated financial statements and accompanying notes.

(In thousands of dollars, except per share data)	Quarters ended October 31, (Unaudited)		Years ended October 31, (Audited)		
	2011	2010	**2011**	2010	2009
Revenues	**17,881**	16,668	**68,717**	65,233	63,107
Profitability					
Gross margin	**12,704**	12,073	**49,458**	48,155	47,004
Gross margin (%)	**71.0%**	72.4%	**72.0%**	73.8%	74.5%
EBITDA(1)	**2,319**	1,823	**7,461**	8,504	9,349
EBITDA (%)	**13.0%**	10.9%	**10.9%**	13.0%	14.8%
Net earnings	**292**	714	**1,325**	2,289	2,581
Net earnings (%)	**1.6%**	4.3%	**1.93%**	3.5%	4.1%
Earnings per share(2)					
Basic and diluted earnings per share	**$0.02**	$0.04	**$0.07**	$0.12	$0.14
Balance sheet					
Total assets	**108,713**	109,036	**108,713**	109,036	117,236
Total long-term liabilities(3)	**5,059**	7,822	**5,059**	7,822	18,012

(1) EBITDA is a non-GAAP measure for which we provide reconciliation on pages 14 and 19.
(2) Please refer to Note 7 to the audited consolidated financial statements for further details regarding the calculation of earnings per share.
(3) Including the current portion of long-term debt and excluding future income taxes.

Despite uncertain economic conditions, the Company has experienced growth over the past three fiscal years, with revenues rising to $68.7 million in 2011 from $63.1 million in 2009, a total increase of 8.8% or 7.6% in constant 2009 dollars. Gross margins, in constant 2009 dollars, have remained relatively stable within the past three fiscal years amounting to 74% in 2009, 75% in 2010 and 73% in 2011.Operating expenses have been adversely impacted by the fluctuations in different exchange rates since 2009 resulting in an unfavourable effect of $3.7 million in 2011 and $2.3 million in 2010 compared with fiscal 2009. In constant 2009 dollars, EBITDA amounted to 15.9% and 16.0% in 2011 and 2010, respectively, compared with 14.8% in 2009.

3. Corporate Overview

Our Mission

Provide furniture and interior design professionals with an industry-wide platform supporting the collaborative creation and delivery of customized products.

Our Strategy

Leverage our industry knowledge and relationships to design and direct an open platform integrating our strengths with partner talents to offer specialty software and services that connect industry players worldwide.

Company

Furniture retailers and manufacturers have made 20-20 Technologies the world's leading provider of computer-aided design, sales and manufacturing software for the interior design and furniture industry. 20-20 Technologies offers an integrated software platform for industry-wide use from showroom to factory floor tailored specifically to the interior design and furniture industry and employed across all environments, desktop and Web. This platform is a significant competitive advantage and a key success factor for the Company.

20-20 products and services are sold and marketed worldwide through a sales and marketing team in various locations complemented by a network of consultants and distributors. The Company has operations in the Americas, Europe, Africa, the Middle East and Asia-Pacific.

Markets Served

20-20 Technologies serves a variety of furniture and interior design professionals, including architects, home and office furniture dealers and retailers, installers, manufacturers, interior designers, homebuilders and remodelers. Users can choose the software that best meets their needs and professional objectives and those of their customers. While our focus has traditionally been on the dealer channels and their respective furniture manufacturers, primarily for kitchen and office, we are ramping up our sales and service initiatives for adjacent markets such as remodelers, homebuilders and furniture retailers by expanding our solution offering in other product categories such as for bathrooms, storage areas and other home furniture.

The Company also believes in nurturing promising design talent. This is why 20-20 Technologies offers an educational version of its 20-20 Design software to accredited academic design institutions.

Some 20-20 software is available in 20 languages and sold in over 90 countries. Each version is localized to reflect regional measurement units and currencies. 20-20 solutions include applications for business-to-consumer (B2C) (design and sales), business-to-business (B2B) (order processing and e-procurement) and manufacturing markets: enterprise resource planning (ERP), and computer-aided design (CAD) and computer-aided manufacturing (CAM) software.

Leadership Team

The diverse backgrounds of 20-20 Technologies' leadership team admirably reflect the Company's global culture. The 20-20 executive team's deep knowledge of interior design, furniture manufacturing and software design, and broad range of business and IT training are major contributors to 20-20's continued success, giving the Company its competitive edge. The team's industry insight and understanding of customer needs in global markets stand 20-20 Technologies in excellent stead to address these challenges.

Competitive Environment

The Company currently competes with software providers in both the CAD and ERP markets. The interior design software industry is highly fragmented and generally consists of point solutions (as opposed to full solutions) software providers targeting specific aspects of CAD functions, or software providers with limited geographic reach. As a result, no single rival competes with the Company's full range of products in all of its markets. Generally, competitors can be described as follows:

- Specialty CAD software: Competitors consist almost exclusively of smaller privately-owned companies whose products are focused primarily on specific aspects of design software that compete in only some of our markets.
- ERP software: As the Company increased the penetration of its ERP solution; it also faces competition from ERP software vendors that generally offer less targeted design, specification, photo-realistic rendering or 3-D visualization capabilities.

Larger software providers typically prefer forming alliances with providers of specialized software solutions, such as 20-20, rather than devoting resources to developing and marketing their own products.
Our leading market position, global reach, single technology platform, end-to-end solution and comprehensive electronic catalogs developed for our customers are all key competitive advantages that set us apart from existing competitors and would make it difficult for new entrants to compete effectively with us.

4. Corporate Strategy

Market Conditions

During the fourth quarter of 2011, despite turbulent financial markets, North American market conditions were stable, that is, relatively difficult in the Home sector and more positive in the Office sector. Large corporations in the retail and manufacturing segments are more active than smaller businesses in shopping for marketing support solutions, but continue to make cautious and selective investments. This results in slower decision-making and requires greater sales efforts from the Company. Investments by independent retailers and small manufacturers are still low owing to sales that are still well shy of historical levels.

Overall European market conditions are mainly affected by turbulent financial markets but, in our sector, remain stable and more favorable than in North America. Generally speaking, market conditions in the north and in the east are more favorable but are still difficult in the south amidst a general background of uncertainty arising from weak economies in certain countries saddled with high debt. Nonetheless, as in North America, major retailers and manufacturers are increasingly investing in our Web and sales support solutions and even more so in our manufacturing automation solutions. Our international operations continue to expand, particularly in higher growth countries, led by China where we continue to make inroads, notably in the manufacturing sector in the new storage product market. Overall, recovery is relatively slow in our markets, mainly in the independent retailer market.

Existing Business and Growth Strategy

We continue to grow with our comprehensive solution in the Home sector in Europe and Asia for kitchens and closets. We continue to improve and develop our marketing and sales initiatives, while maintaining stringent spending controls. In the Americas, we continue to actively market 20-20 and partner solutions to new prospects, while promoting complementary marketing, sales and management support solutions to existing customers. We have seen growing interest in the latest versions of our desktop design and Web-based solutions. Furthermore, we remain confident that our revenues will continue to grow from quarter to quarter, with some exposure, naturally, to seasonal factors.

5. Financial Review

Exchange Rates

As 20-20 operates in a global environment, foreign exchange rate assumptions and sensitivity analyses are particularly significant due to their potential impact on our results.

Given that the measurement currency for the Company and all of its subsidiaries is the Canadian dollar, assets, liabilities and transactions are translated using various exchange rates as required by GAAP. The Company has adopted the US dollar as its presentation currency.

Fluctuations in the Canadian dollar against its US counterpart can have a significant impact on net earnings, as revenues in North America are essentially in US dollars while a major portion of expenses are incurred in Canadian currency. European currencies affect earnings to a lesser extent, as only earnings are exposed to fluctuations.

The fourth quarter saw significant fluctuations in our main currencies: the US dollar, the Canadian dollar, the euro and the pound sterling.

The closing rates shown below were used to value our US dollar assets and liabilities as at October 31.

			As at October 31,
Closing rate	**2011**	2010	Change 2011/2010
C$	**1.0065**	0.9815	2.55%
Euro	**1.3947**	1.3894	0.38%
Pound sterling	**1.6141**	1.6020	0.76%

The following weighted average rates were used to measure our US dollar revenues and expenses.

			Quarters ended October 31,
Average rate	**2011**	2010	Change 2011/2010
C$	**1.0156**	0.9689	4.82%
Euro	**1.4104**	1.3368	5.51%
Pound sterling	**1.6116**	1.5680	2.78%

	Years ended October 31,		
Average rate	**2011**	2010	Change 2011/2010
C$	**1.0127**	0.9625	5.22%
Euro	**1.3899**	1.3525	2.77%
Pound sterling	**1.6060**	1.5579	3.09%

Revenues

Licenses – Revenues from license sales are primarily from licensing of the Company's desktop software and enterprise solutions. Each software license, for which users pay a one-time fee, is perpetual in nature. Each license is intended for use by a single user at a time and is non-transferable.

Recurring licenses – Revenues from recurring license sales are derived from user fees for licensing of the Company's desktop software and Web solutions. These licenses are renewable on an annual, quarterly or monthly basis at the customer's option.

Maintenance and other recurring services – Revenues from maintenance and other recurring services are generated by customer support, software and electronic catalog updates and Web services.

Maintenance and other recurring agreements are generally for terms of twelve months and are renewable at the customer's option.

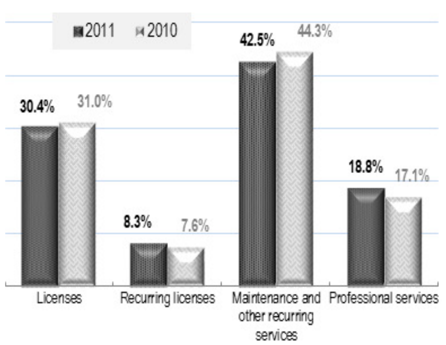
Professional services – Revenues from professional services include revenues derived from training, electronic catalog creation and management, and integration services such as consulting, application integration and hardware resale.

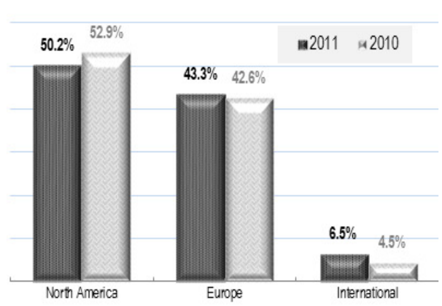
Revenue Distribution

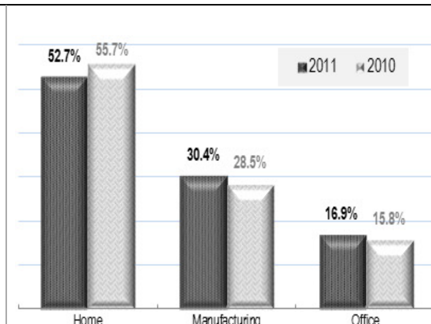
At the October 31, 2010 fiscal year-end, management reviewed the classification by sector of its various software solutions, giving rise to changes in revenue distribution between the Home and Manufacturing sectors. We therefore amended the comparative data accordingly.

The following charts provide information regarding our revenue composition for the years ended October 31.

(In thousands of dollars, except percentages)







Type			Geographic Location[1]			Sector		
	2011	**2010**		**2011**	**2010**		**2011**	**2010**
Licenses	**20,903**	20,237	North America	**34,504**	34,592	Home	**36,195**	36,354
Recurring licenses	**5,678**	4,947	Europe	**29,729**	27,719	Manufacturing	**20,913**	18,548
Maintenance and other recurring services	**29,250**	28,916	International	**4,484**	2,922	Office	**11,609**	10,331
Professional services	**12,886**	11,133						

(1) Geographic location is determined by client location.

Revenue Analysis

The following table summarizes the impact of foreign exchange rate changes on revenues between 2011 and 2010:

(In thousands of dollars, except percentages)	2010	2011	Years ended October 31, Change 2011/2010
Revenues	**68,717**	65,233	**5.3%**
FX impact			1.5%
Change at constant exchange rates			**3.8%**

Despite a continuing economic slowdown revenues climbed in 2011. Fiscal 2011 revenues totaled $68.7 million, up 5.3% or $3.5 million from 2010. The European foreign exchange effect accounted for 1.5% of revenue growth. The Manufacturing sector fuelled this revenue growth (up 12.8% compared with the previous year), followed by the Office sector (up 12.4%). Although the Home sector was significantly impacted by the economic slowdown in the U.S., revenues remained more or less stable, due to expansion of the European and International markets in 2011 compared with 2010. Revenues from recurring licenses continued to increase in fiscal 2011, up 14.8% compared with 2010, while revenues from professional services and licences, driven by Manufacturing sector growth, rose by 15.7% and 3.3%, respectively. Growth in revenues from maintenance and other recurring services was relatively weak at 1.2%. European and International revenues rose 7.3% and 53.4%, respectively, compared with 2010, while American revenues remained stable.

The following table summarizes the changes in revenues by type for the year ended October 31, 2011 compared with the same period of 2010.

Revenues by Type

(In thousands of dollars, except percentages)	2011	2010	Years ended October 31, Change
License revenues prior to FX impact	20,606	20,237	1.8%
FX impact	297		
License revenues	**20,903**	20,237	**3.3%**
Recurring license revenues prior to FX impact	5,602	4,947	13.2%
FX impact	76		
Recurring license revenues	**5,678**	4,947	**14.8%**
Maintenance and other recurring services revenues prior to FX impact	29,009	28,916	0.3%
FX impact	241		
Maintenance and other recurring services revenues	**29,250**	28,916	**1.2%**
Professional services revenues prior to FX impact	12,538	11,133	12.6%
FX impact	348		
Professional services revenues	**12,886**	11,133	**15.7%**

Licenses – License revenues for the year ended October 31, 2011 were up 3.3% to $20.9 million from $20.2 million in fiscal 2010.

The economic slowdown in the construction and renovation industry weighed heavily on American license revenues, resulting in a decline of 6.9% to $8.1 million in 2011 from $8.7 million in 2010. However, in Europe, the introduction of the inSight manufacturing solution contributed to a 3.7% growth in license revenues to $9.7 million in 2011 from $9.4 million in 2010. License revenues in the International market were also up by $0.9 million or 42% compared with 2010.

Bolstered throughout fiscal 2011 by the introduction of new software solutions and new market developments, license revenues in the Office and Manufacturing sectors rose by $0.8 million (36.9%) and $1.7 million (26.4%), respectively. License revenues in the Home sector decreased 16.4% to $9.6 million in 2011 from $11.5 million in 2010, due to weakness in the American market.

Recurring licenses – With continuing growth in Web solutions, revenues from recurring licenses grew 14.8% to $5.7 million in fiscal 2011 from $4.9 million in 2010.

In North America, revenues from recurring licenses increased by 10.1% or $0.3 million in 2011 compared with the year ended October 31, 2010. Europe also experienced growth in this type of revenues with a 12.0% or $0.2 million increase over 2010, mainly attributable to a significant win related to a major retailer in France. The International market was robust in fiscal 2011 with revenues from recurring licenses totalling $0.3 million compared with $0.1 million in fiscal 2010. Growth was particularly high in Brazil following new agreements signed with large retailers.

The Home sector continued to grow in 2011, with revenues up 27.9% to more than $3.7 million from $2.9 million in 2010. In 2011, all Office sector revenues were up, including a 7.7% or $0.1 million increase in revenues from recurring licenses compared with 2010. There are currently no Manufacturing sector solutions for which recurring licenses are granted.

Maintenance and other recurring services – Revenues from maintenance and other recurring services totaled $29.3 million in 2011, up 1.2% from $28.9 million in 2010, mainly stemming from the favorable foreign exchange impact (0.9%).

In North America, revenues from maintenance and other recurring services were up 0.8% to $18.1 million for the year ended October 31, 2011 from $18.0 million in 2010. In Europe, these revenues rose 1.2% to $10.7 million in 2011 from $10.6 million in 2010. However, in constant 2010 dollars, revenues in Europe fell slightly by 2.1% or $0.2 million. International market revenues for the year ended October 31, 2011 increased by 18.1% or $0.1 million over the same period in 2010.

Although license revenues in the Home sector were lower in fiscal 2011, revenues from maintenance and other recurring services rose 2.6% to $17.2 million from $16.8 million in 2010. Office and Manufacturing sector revenues fluctuated slightly in 2011, with a 0.8% ($0.04 million) increase and a 2.0% decrease ($0.1 million), respectively.

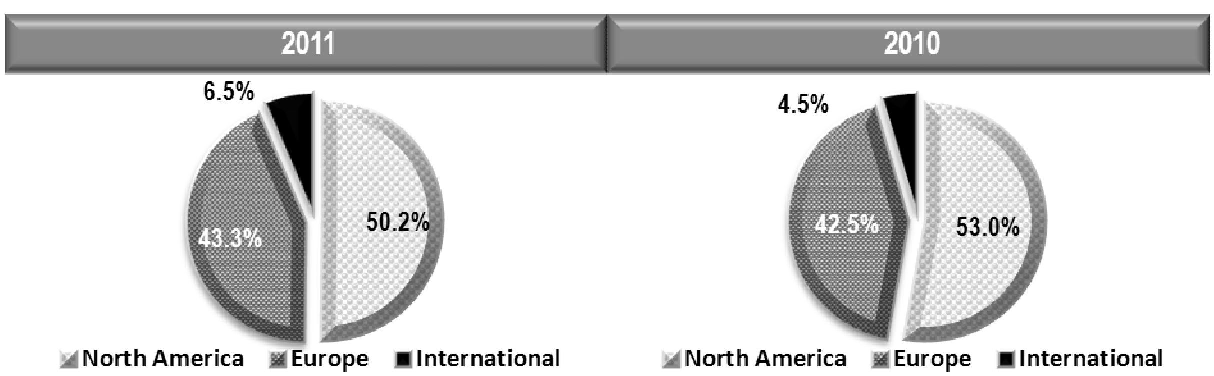
Professional services – In 2011, revenues from professional services were bolstered by several manufacturing solution integration projects, totalling $12.9 million, up 15.7% or $1.8 million from $11.1 million in 2010.

Growth was strongest in Europe with professional service revenues surging 21.9% to $7.4 million in 2011 from $6.1 million in 2010. This increase is attributable to the French market as well as to new market developments in Russia and Central Europe. The International market also performed strongly with revenues from professional services up 117.7% to $0.7 million in 2011 from $0.3 million in 2010. In North America, this source of revenue remained relatively stable with an increase of nearly 1%.

A number of new manufacturing solution integration projects were launched in the European, International and North American markets in fiscal 2011 compared with 2010. The Manufacturing sector recorded the strongest growth with revenues from professional services increasing 20.4% or $1.0 million to $5.9 million in 2011 from $4.9 million in 2010. Revenues from professional services in the Home sector were up 9.2% to $5.7 million in 2011 from $5.2 million in 2010, mainly resulting from integration and training services, particularly in France. The Office sector recorded a 26.8% increase in revenues from professional services to $1.3 million in 2011 from $1.0 million in 2010, mostly due to catalog development.

Revenues by Geographic Location

Geographic breakdown in revenues – Years ended October 31



North America – For the year ended October 31, 2011, North American revenues remained stable compared with fiscal 2010, partly due to difficult economic conditions.

Revenues from licenses totaled $8.1 million in fiscal 2011, down 6.9% from $8.7 million in 2010. But Web solutions grew 10.1% and revenues from recurring licenses increased to $3.5 million in 2011 from $3.2 million in 2010. Revenues from maintenance and other recurring services totaled $18.1 million in 2011, up 0.8% or $0.1 million from 2010.

In North America, Home sector revenues for fiscal 2011 were down 7.4% to $18.6 million from $20.0 million in 2010. On the upside, the Office and Manufacturing sectors reported increases of 12.4% and 2.9%, respectively, compared with fiscal 2010.

Europe – European revenues totaled $29.7 million in 2011, up 7.3% from $27.7 million in 2010. Significant foreign exchange fluctuations in Europe (+2.77% for the euro and +3.09% for the pound sterling) boosted revenues by 3.5% or $1.0 million. In constant 2010 dollars, growth stood at 3.8%.

In fiscal 2011, several projects were launched in Europe, bolstering revenues from professional services to $7.4 million, up 21.9% from $6.1 million in 2010. Revenues from licenses and recurring licenses totaled $11.6 million in 2011, up 4.9% from $11.0 million in 2010. Revenues from maintenance and other recurring services were stable in 2011, but given the foreign exchange impact, they declined by 2.1%.

Manufacturing sector revenues in Europe rose 10.4% to $14.4 million in 2011 from $13.1 million in 2010, partly driven by new market developments in Russia. Home sector revenues in Europe totaled $15.3 million in 2011, up 4.5% from $14.7 million in 2010.

International – Solid results in China and Brazil contributed to significant growth of 53.4% or $1.6 million in International market revenues to $4.5 million in 2011 from $2.9 million in 2010.

Revenues from licenses and recurring licenses in the International market totaled $3.4 million in 2011, up 50.0% from $2.3 million in 2010. Revenues from professional services more than doubled during the fiscal year to $0.7 million in 2011 to $0.3 million in 2010. Last, revenues from maintenance and other recurring services rose 18.1% in fiscal 2011 compared with fiscal 2010.

Home and Manufacturing sector revenues for fiscal 2011 were up 41.0% ($0.7 million) and 69.3% ($0.9 million), respectively, compared with the same period of 2010.

Revenues by Sector

The following table summarizes the changes in revenues by sector for the quarters and years ended October 31.

(In thousands of dollars, except percentages)	Years ended October 31,		
	2011	2010	Change
Home sector revenues prior to FX impact	35,754	36,354	**(1.7%)**
FX impact	441		
Home sector revenues	**36,195**	**36,354**	**(0.4%)**
Manufacturing sector revenues prior to FX impact	20,392	18,548	9.9%
FX impact	521		
Manufacturing sector revenues	**20,913**	**18,548**	**12.8%**
Office sector revenues prior to FX impact	11,609	10,331	12.4%
FX impact	-		
Office sector revenues	**11,609**	**10,331**	**12.4%**

Home sector – In fiscal 2011, Home sector revenues totaled $36.2 million, down 0.4% from $36.4 million in 2010.

In fiscal 2011, the combined increases in revenues from professional services and revenues from maintenance and other recurring services of 9.2% ($0.5 million) and 2.6% ($0.4 million), respectively, were fully offset by the 7.4% ($1.1 million) decline in revenues from licenses and other recurring licenses, compared with fiscal 2010.

The weak U.S. economy resulted in a 7.4% decrease in Home sector revenues in North America. In Europe and particularly in France, Home sector revenues were up 4.5% while revenues from Brazil resulted in growth of close to 41.0% for this sector in the International market, compared with the year ended October 31, 2010.

Manufacturing sector – This sector reported solid growth in 2011, with revenues increasing 12.8% to $20.9 million from $18.5 million in 2010. In constant 2010 dollars, the increase amounts to $1.8 million or 9.9%.

New manufacturing solution implementation projects resulted in a 22.2% or $1.5 million increase in revenues from licenses and recurring licenses as compared with 2010. Revenues from professional services rose 20.4% or $1.0 million compared with 2010. With respect to maintenance and other recurring service revenues, the European launch of inSight has garnered the attention of our existing manufacturing clients, prompting them to consider migrating to inSight. The short-term impact was that certain maintenance and update contracts were not renewed or were renewed only partially ahead of a planned migration, resulting in a $0.1 million decline.

Manufacturing sector revenues grew across all regions: 69.3% in the International market, 10.4% in Europe, and 2.9% in North America.

Office sector – Since the beginning of fiscal 2011, following the launch of Visual Impression, this sector's revenues have steadily increased to $11.6 million for the year compared with $10.3 million in 2010, an increase of 12.4% or $1.3 million.

Revenues rose across the board with licenses and recurring licenses totaling $5.0 million in 2011, up 24.1% from $4.0 million in 2010. Revenues from professional services and from maintenance and other recurring service revenues increased by 26.8% and 0.8%, respectively, in 2011, compared with 2010.

Cost of Revenues

Cost of revenues from license and recurring license sales consists primarily of:

- Cost of software products, including duplication, manuals and inserts, as well as packaging.
- Cost of resale of third-party products.
- Royalties payable on certain license sales to third parties whose technology is used by 20-20 software.

Cost of revenues from maintenance and other recurring services consists primarily of:

- Cost of personnel and other related costs incurred for customer support, and catalog design and maintenance.
- Cost of personnel assigned to Web services.

Cost of revenues from professional services consists primarily of:

- Cost of personnel, training, integration services and hardware and other related costs.
- Cost of personnel for the creation, updating and management of electronic catalogs.

Gross margin

	Years ended October 31,		
	2011	2010	Change
Gross margin on licenses and recurring licenses prior to FX impact	89.9%	90.3%	(0.4%)
FX impact	-		
Gross margin on licenses and recurring licenses	**89.9%**	90.3%	(0.4%)
Gross margin on maintenance and other recurring services revenues prior to FX impact	76.2%	78.7%	(2.5%)
FX impact	(0.3%)		
Gross margin on maintenance and other recurring services	**75.9%**	78.7%	(2.8%)
Gross margin on professional services prior to FX impact	26.9%	23.8%	3.1%
FX impact	(0.8%)		
Gross margin on professional services	**26.1%**	23.8%	2.3%
Total gross margin prior to FX impact	72.3%	73.8%	(1.5%)
FX impact	(0.3%)		
Total gross margin	**72.0%**	73.8%	(1.8%)

For the year ended October 31, 2011, the total gross margin stood at 72.0% compared with 73.8% for the same period in 2010. The foreign exchange effect was an insignificant 0.3% or $0.5 million in constant 2010 dollars. The increase in revenues from professional services, which have a gross margin lower than other products, combined with stable revenues from maintenance and other recurring services contributed to the decline in overall gross margin in 2011 compared with 2010.

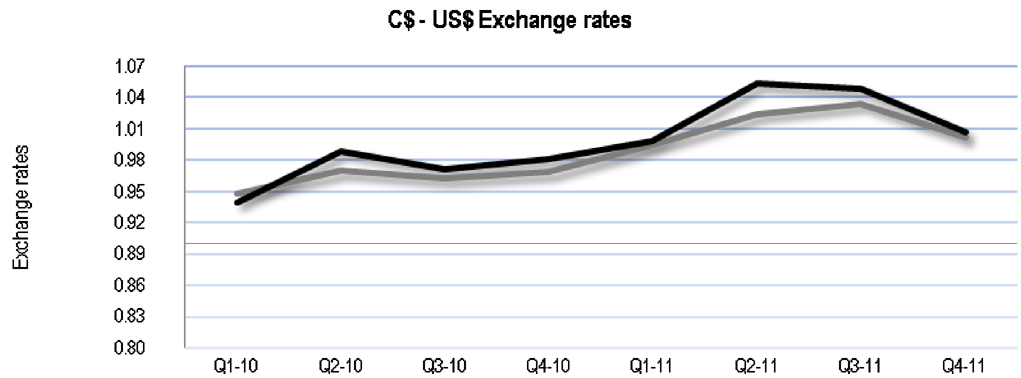
The breakdown of revenues from different sources had an impact on the overall gross margin. The table below shows the comparative percentages of revenues by type for the years ended October 31, 2011 and 2010.

Revenues by Type

	Years ended October 31,	
	2011	2010
License and recurring license revenues	**38.7%**	38.6%
Maintenance and other recurring services revenues	**42.5%**	44.3%
Professional services revenues	**18.8%**	17.1%

Revenues from licenses and recurring licenses accounted for 38.7% of total revenues in 2011, nearly matching the 2010 result. However, revenues from the resale of third-party licences were 28.5% more than in the previous fiscal year, leading to a decline in the gross margin on licences and recurring licenses to 89.9% in 2011 from 90.3% in 2010. The gross margin on revenues from maintenance and other recurring services fell slightly by 2.8% with revenues remaining relatively stable while costs increased at a typical rate. The professional services and maintenance services teams were reshuffled in the second half of 2010 as part of the continuous improvement of our customer service department, resulting in higher costs for maintenance services in 2011 compared with 2010. The 15.7% growth in revenues from professional services made a significant contribution to the improvement in the related gross margin to 26.1% in 2011 from 23.8% in 2010.

Foreign Exchange Impact on Costs, Operating Expenses and Financial Expenses



	Q1-10	Q2-10	Q3-10	Q4-10	Q1-11	Q2-11	Q3-11	Q4-11
Average Rate	0.948	0.969	0.962	0.968	0.994	1.024	1.034	1.001
Closing Rate	0.939	0.989	0.972	0.982	0.998	1.054	1.048	1.007

While the Company's measurement currency is the Canadian dollar, its presentation currency is the US dollar.

Unfavorable exchange rate fluctuations during the year ended October 31, 2011 had an impact on the Company's different costs, increasing direct costs, operating expenses and financial expenses by $1.7 million in constant 2010 dollars, year over year. The Canadian dollar's appreciation against the US currency resulted in a $1.1 million year-to-date increase in various costs while the unfavorable foreign exchange effect of European currencies amounted to $0.6 million, consisting of $0.5 million for the euro and $0.1 million for the pound sterling.

Operating Expenses

Operating expenses include:

- **Sales and marketing expenses** – consisting primarily of costs related to sales, marketing and product management activities, including salaries and commissions paid to our sales force, fees paid to industry consultants, commissions paid to distributing agents and fees for shipping, advertising, telemarketing, trade shows and promotional items.
- **Research and development expenses** – consisting mainly of costs related to personnel and subcontractors for new product development, enhancement of existing products, quality assurance, documentation, and tools and equipment. Research and development expenses are reported net of applicable tax credits.
- **General and administrative expenses** – consisting primarily of costs related to general management, information technology, legal services, financial functions, human resources, legal and professional fees, insurance and other indirect head office overhead expenses.
- **Stock-based compensation expense** – consisting of the Company's contribution to share purchases under the Employee Share Purchase Plan ("ESPP"), the cost of stock-based awards to employees over the option vesting period, and the cost associated with deferred share units awarded quarterly to Company directors.
- **Restructuring charge** – consisting of non-recurring costs related to severance packages, external career transition costs and other costs related to workforce reduction.

Operating Expenses

Exchange Rate Impact on Operating Expenses (excluding restructuring expense)

(In thousands of dollars, except percentages)		Years ended October 31,	
	2011	2010	Change
Sales and marketing expenses prior to FX impact	19,229	17,731	**8.4%**
FX impact	536		
Sales and marketing expenses	**19,765**	17,731	**11.5%**
Research and development expenses prior to FX impact	11,322	12,399	(8.7)%
FX impact	295		
Research and development expenses	**11,617**	12,399	**(6.3)%**
General and administrative expenses prior to FX impact	13,673	12,970	5.4%
FX impact	477		
General and administrative expenses	**14,150**	12,970	**9.1%**
Stock-based compensation expense prior to FX impact	204	565	(63.9)%
FX impact	12		
Stock-based compensation expense	**216**	565	**(61.8)%**
Operating expenses prior to FX impact (excluding restructuring expense)	44,428	43,665	1.7%
FX impact	1,320		
Operating expenses (excluding restructuring expense)	**45,748**	43,665	**4.8%**

Exchange rate fluctuations in the year ended October 31, 2011 had a significant unfavourable impact of $1.3 million. Operating expenses, excluding restructuring costs, amounted to $45.7 million in 2011, up $2.0 million from $43.7 million in 2010. The increase in the workforce during the year combined with adjustments to labor costs led to a $1.1 million rise in the salary expense. This increase is spread between marketing expenses ($0.9 million) and general and administrative expenses ($0.8 million) while the salary expense related to research and development declined by $0.6 million. Higher revenues generated a $0.5 million increase in the commission expense for the year ended October 31, 2011 compared with the same period of 2010. In fiscal 2011, the Company intensified its marketing efforts in trade fairs, resulting in a $0.4 million increase in trade fair and travel expenses. As 20-20 personnel were used for marketing activities, consulting fees fell by $0.3 million in 2011 compared with 2010. In 2011, the Company incurred legal fees of nearly $0.3 million related to litigation with a competitor to protect its intellectual property. Some expenses decreased slightly in fiscal 2011 compared with 2010, including the doubtful account expense ($0.1 million) and general expenses ($0.1 million). The 2010 closure of the Rodez research and development subsidiary in France generated savings of $0.2 million in fiscal 2011 compared with the previous year. The tax credits deducted from operating expenses increased by $0.2 million in 2011 following an application made under a new government assistance program in Canada (Québec). The amortization expense, particularly with respect to research and development expenses, decreased by $0.3 million in fiscal 2011 compared with fiscal 2010. Last, Deferred Share Units were remeasured to lower amounts in fiscal 2011, leading to a $0.4 million decrease in the stock-based compensation expense compared with 2010.

Non-recurring Expenses Included in General and Administrative Expenses

During the year ended October 31, 2010, a minority shareholder requested a special meeting of shareholders, which resulted in additional costs of $0.2 million. An amount of $0.1 million related to this meeting held on December 21, 2010 was incurred during the first quarter of 2011. In January 2011, the Company negotiated a $0.1 million out-of-court settlement related to an intellectual property.

Restructuring Costs

Following revenue growth in the Manufacturing sector in Europe, management decided to cancel part of its October 2010 restructuring plan. Accordingly, the restructuring provision for the year ended October 31, 2011 was reduced by $0.2 million. However, in 2011, the Company restructured its sales and marketing operations under its strategic plan, leading to a restructuring expense of $0.4 million in Canada and Europe.

Financial Expenses

(In thousands of dollars)	Years ended October 31,	
	2011	2010
Interest and bank charges	919	1,243
Foreign exchange loss	349	250
	1,268	1,493

Financial expenses for the year ended October 31, 2011 were down $0.2 million to $1.3 million from $1.5 million in 2010. This decrease resulted from the $0.5 million decline in the interest expense in 2011 following repayment of a significant portion of the long-term debt at the beginning of fiscal 2010. However, the repayments also led to lower interest income in the amount of $0.2 million in 2011 compared with fiscal 2010. The change in the foreign exchange loss is mainly attributable to the loss on translation of subsidiaries' assets and liabilities into Canadian dollars in fiscal 2011 compared with 2010.

EBITDA

(In thousands of dollars, except percentages)	Years ended October 31,	
	2011	2010
Operating income (GAAP)	3,517	3,975
Non-recurring items	197	120
Restructuring costs	193	515
Amortization of property and equipment	1,246	1,268
Amortization of intangible assets	2,308	2,626
EBITDA	**7,461**	8,504
Margin (%)	**10.9%**	13.0%

EBITDA for the year ended October 31, 2011 amounted to $7.5 million compared with $8.5 million for the same period of 2010, a drop of $1.0 million. The unfavourable foreign exchange impact of $0.8 million in 2011 led to a 1.1% decline in EBITDA compared with 2010. Accordingly, in constant 2010 dollars, EBITDA fell to 12.0% in 2011 from 13.0% in 2010. The lower EBITDA stemmed from the 1.8% change in total gross margin in 2011 compared with 2010 and the increase in operating expenses resulting from larger workforce in fiscal 2011.

Human Resources

As at October 31, 2011, the Company had 540 full- and part-time employees in the following countries and regions:

As of October 31,		**2011**		2010
	Number of employees	**%**	Number of employees	%
Canada	**184**	**34.1**	179	35.0
United States	**87**	**16.1**	85	16.6
United Kingdom	**66**	**12.2**	66	12.9
Germany	**58**	**10.7**	53	10.4
France	**50**	**9.3**	50	9.8
Other-Europe	**7**	**1.3**	8	1.6
Other-Worldwide	**88**	**16.3**	70	13.7
	540	**100**	511	100

Liquidity

The Company's operations are funded by cash flows from operating activities and credit facilities. As at October 31, 2011, cash and cash equivalents totaled $11.4 million compared with $14.7 million as at October 31, 2010. The following table summarizes cash inflows and outflows for the years ended October 31, 2011 and 2010.

(In thousands of dollars)		Years ended October 31,	
	2011	2010	Change
Cash flows before working capital items	4,894	5,597	(703)
Working capital items	(2,699)	(2,718)	19
Cash flows from operating activities	2,195	2,879	(684)
Cash flows used in investing activities	(2,052)	(1,624)	(428)
Cash flows used in financing activities	(3,840)	(10,772)	6,932
FX impact on cash and cash equivalents	378	977	(599)
Net decrease in cash and cash equivalents	**(3,319)**	(8,540)	5,221

Cash flows from operating activities

Cash flows from operating activities decreased to $2.2 million in fiscal 2011 from $2.9 million for the same period of 2010, primarily due to the $1.0 million decline in net earnings for the fiscal year. Cash flows from operating activities related to working capital items decreased slightly in fiscal 2011, by under $0.1 million, compared with 2010. As always, changes in inflows and outflows of working capital items related to accounts receivable and accounts payable and in deferred revenues had a significant impact on cash flows from (used in) operating activities.

Cash flows used in investing activities

Cash flows used in investing activities totaled $2.1 million in fiscal 2011 compared with $1.6 million for the same period in 2010. The intangible assets acquired in fiscal 2011 included a large amount ($1.0 million) in Europe and in the U.S. for the intellectual property of a software solution that was already integrated into one of our products. Additions to property and equipment used cash flows in the amount of $0.9 million for the fiscal year, down $0.1 million compared with investments made during fiscal 2010. The $0.1 million amount recorded under business acquisition represents the purchase price for 49% of 20-20 Icovia Inc. shares—a transaction that took place in September 2010. Last, a loan of $0.7 million had been made to a strategic partner in fiscal 2010.

Cash flows used in financing activities

Cash flows of $3.8 million were used in financing activities during the year ended October 31, 2011 compared with $10.8 million for fiscal 2010. This change is attributable to significant repayments made on the long-term debt of $11.9 million in 2010 compared with $4.3 million in 2011. Other reasons underlying the change were the share repurchase in 2011 by the Company under the existing bid which amounted to $0.4 million more than in the previous year; the $0.1 million repayment of a bank loan by a subsidiary in 2011; and the $0.2 million decrease in long-term debt disbursements compared with fiscal 2011.

Capital Resources

Consolidated Balance Sheet Data

	Years ended October 31,	
(In thousands of dollars)	**2011**	2010
Cash and cash equivalents	**11,362**	14,681
Working capital (including deferred revenues)	**3,563**	4,760
Total assets	**108,713**	109,036
Deferred revenues	**12,057**	11,774
Long-term debt (including current portion)	**4,709**	7,543
Total shareholders' equity	**76,285**	73,373

Our cash holdings, bank line of credit and cash flows generated from operations are sufficient to fund the Company's growth.

Working capital was down $1.2 million to $3.6 million as at October 31, 2011 from $4.8 million as at October 31, 2010, mainly due to the following:

- $3.3 million change in cash and cash equivalents, stemming primarily from significant reduction of long-term debt by an amount of close to $2.8 million since November 2010;
- Investments totaling $1.9 million in intangible assets and property and equipment in 2011;
- $1.2 million increase in accounts receivable combined with a $0.3 million increase in deferred revenues resulting from revenue growth in the fourth quarter of 2011 compared with the same period in 2010;
- $0.7 million decrease in the current portion of long-term debt in fiscal 2011 compared with the same period in 2010.

Contractual Obligations

The Company has contractual obligations with various maturity dates. These obligations are mainly related to leases of office space, IT equipment or vehicle rentals for certain representatives abroad.

During the fiscal year, the Company amended the lease for head office premises, extending it for an additional ten years.

The table below shows the minimum amounts payable over the next few years.

		Years ended October 31,
	Operating leases	Long-term debt
2012	2,460	2,134
2013	2,271	1,214
2014	1,266	1,158
2015	1,017	276
2016	627	-
2017 and thereafter	5,887	-

Balance Sheet and Financial Position

Changes in balance sheet items as at October 31, 2011 compared with October 31, 2010 resulted mainly from the change in the Canadian dollar exchange rate with the US dollar exchange rate.

Accumulated other comprehensive income included in shareholders' equity rose $1.8 million, due primarily to the increase in the value of net assets denominated in Canadian dollars on translation into US dollars for presentation purposes. The exchange rate used to translate balance sheet items from the measurement currency, the Canadian dollar, to the presentation currency, the US dollar, was $1.007 as at October 31, 2011 compared with $0.982 as at October 31, 2010. The main items contributing to the increase are the translation of: (i) $1.6 million in goodwill; (ii) $0.5 million in accounts receivable; (iii) $0.4 million in cash and cash equivalents; and (iv) $0.2 million effect on tangible and intangible assets. These increases were partially offset by decreases of: (i) $0.3 million in deferred revenues; (ii) $0.3 million in accounts payable and income taxes payable; and (iii) $0.2 million in long-term debt including the current portion.

Off Balance Sheet Arrangements

The Company's off balance sheet arrangements comprise operating leases which are deemed to have been entered into in the normal course of business. The Company has no other off balance sheet arrangements and does not anticipate entering into any such arrangement other than in the normal course of business.

Share Capital

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

Common Share Data

	Issued and outstanding as at	
	October 31, 2011	January 19, 2012
Common shares[(1)]	**18,817,192**	18,762,792
Stock options	**825,134**	825,134
Warrants	**102,459**	102,459

(1) Shares repurchased under the normal course issuer bid but not yet cancelled have not been deducted.

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 on March 31, 2012. The Company may repurchase for cancellation purposes up to 946,089 common shares over a maximum period of 12 months, which represents approximately 5% of its 18,921,792 shares issued and outstanding as at March 29, 2011. The consideration payable by the Company for these common shares under the Bid is their market value at the time of repurchase.
During the year ended October 31, 2011, 133,900 shares were repurchased for a total cash consideration of $407,000. A total of 29,300 repurchased shares had not been cancelled as at October 31, 2011 but were cancelled subsequently. Also, the 25,100 shares repurchased since October 31, 2011 had not been cancelled as at January 19, 2012.

Related Party Transactions

For the year ended October 31, 2011, consulting fees totalling $75,000 were incurred in respect of Desjardins Securities, a shareholder of the Company. These transactions were in the normal course of business and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

6. Comparative Quarterly Financial Data

The following quarterly information is presented on the same basis as the audited consolidated financial statements and all necessary adjustments have been included in the following amounts to fairly present the unaudited quarterly results which should be read in conjunction with our audited consolidated financial statements and the accompanying notes. Quarterly operating results are not necessarily representative of future period results.

Certain factors give rise to quarterly variances which may not be reflective of the Company's future performance, such as:

- Seasonality and quarterly performance are affected by events such as vacation time, 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.
- The foreign exchange impact factors into changes from quarter to quarter, and this variability may increase as the percentage of revenues and monetary assets denominated in foreign currencies increases.
- Cash flows related to operating activities may vary significantly from quarter to quarter due to the timing of monthly payments from large clients, cash requirements for major acquisitions and outsourcing contracts, and the timing of various refundable tax credits.

Financial Analysis for the Fourth Quarter of 2011

Revenues up 7.3%	EBITDA[(1)] of $2.3 million or 13.0% of revenues	Net earnings of $0.3 million (1.6%) or $0.02 per share
During the last quarter of the year, revenues rose 7.3% to $17.9 million from $16.7 million compared with the same period of 2010 including a favorable European exchange difference. In constant 2010 dollars, the increase was 5.4%.	EBITDA for the fourth quarter of 2011 totaled $2.3 million (13.0%) compared with $1.8 million (10.9%) for the same period of 2010.	Net earnings for the fourth quarter of 2011 amounted to $0.3 million ($0.02 per share) compared with $0.7 million ($0.04 per share) for the corresponding period of 2010. A $0.3 million valuation allowance pertaining to the future income taxes of our French subsidiary was recorded in 2011.

(1) EBITDA is a non-GAAP measure for which we provide reconciliation on page 21.

Revenue Analysis

The following table summarizes the impact of foreign exchange rate changes on revenues between 2011 and 2010:

(In thousands of dollars, except percentages)	Quarters ended October 31,		
(Unaudited)	**2011**	2010	Change
Revenues	**17,881**	16,668	**7.3%**
FX impact			1.9%
Change at constant exchange rates			**5.4%**

The following table summarizes the changes in revenues by type for the fourth quarter ended October 31, 2011 compared with the same period of 2010.

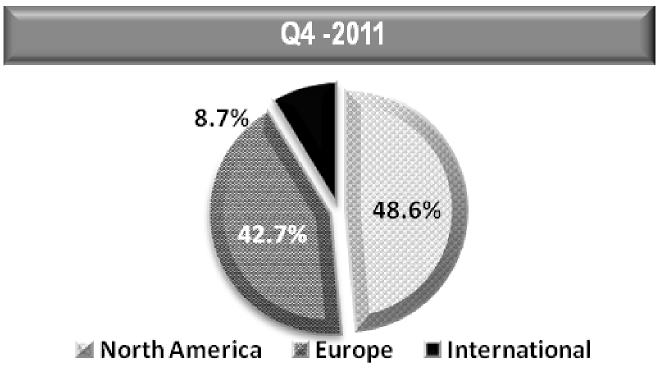
Revenues by Type

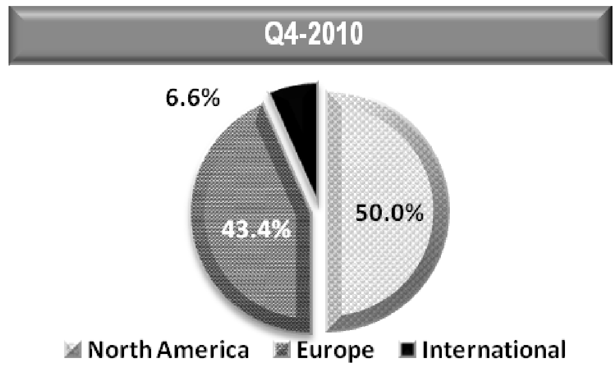
(In thousands of dollars, except percentages)	Quarters ended October 31,		
(Unaudited)	**2011**	2010	Change
License revenues	5,500	5,353	**2.7%**
Recurring license revenues	1,460	1,328	**9.9%**
Maintenance and other recurring services revenues	7,226	6,865	**5.3%**
Professional services revenues	3,695	3,122	**18.4%**
Total revenues	**17,881**	16,668	**7.3%**

During the last quarter of 2011, several new European clients, in particular, entered into agreements in the Manufacturing sector, which boosted revenues by 7.3% to $17.9 million from the same period of 2010. The integration of these solutions sparked greater demand for professional services, which translated into year-over-year growth of 18.4% in this revenue type for the last quarter of 2011. During the fourth quarter of 2011, license revenues rose 2.7% (0.9% in constant dollars) to $5.5 million from $5.4 million for the same period of 2010. Revenues from recurring licenses were up 9.9% for the last quarter of 2011, totalling $1.5 million compared with $1.3 million for the corresponding period of 2010. Due to rate increases in 2011, revenues from maintenance and other recurring services for the fourth quarter grew 5.3% to $7.2 million from $6.9 million year over year. All regions logged growth in the fourth quarter of 2011: 4.2% in North America ($0.4 million), 5.7% in Europe ($0.4 million) and 40.8% in the International market ($0.4 million). In North America, the Office and Manufacturing sectors posted growth of 8.4% and 45.5%, respectively, while the Home sector recorded a 6.3% decline in revenues compared with the same period of 2010. In Europe, as previously mentioned, the Manufacturing sector was the main growth driver in the region with its 11.6% increase in revenues compared with the same period of 2010, while the Home sector was relatively stable. In the International market, Home sector revenues for the fourth quarter of 2011 rose 76.0% to $1.1 million from $0.6 million for the same period of 2010, while the Manufacturing sector edged slightly lower, reporting a 3.6% decline.

Revenues by Geographic Location

Geographic breakdown in revenues – Quarters ended October 31





Gross Margin

		Quarters ended October 31,	
(Unaudited)	**2011**	2010	Change
Gross margin on licenses and recurring licenses	**89.8%**	88.6%	1.2%
Gross margin on maintenance and other recurring services	**72.4%**	78.0%	(5.6%)
Gross margin on professional services	**33.1%**	25.6%	7.5%
Total gross margin	**71.0%**	72.4%	(1.4%)

Aggregate gross margin for the last quarter of 2011 fell to 71.0% from 72.4% for the same period of 2010. The narrower margin resulted from higher labor costs arising from improvements across all professional services. Gross margin on revenues from licenses and recurring licenses increased 1.2% in the fourth quarter of 2011, owing to a higher percentage of proprietary versus third party license revenues compared with the same period of 2010. As of the third quarter of 2010, the reorganization of professional services, and maintenance and other recurring services resulted in employees shifting between these groups, triggering cost transfers and changes in their respective margins. In addition, revenue growth in professional services for the fourth quarter of 2011 pushed up year-over-year gross margin on these services by 7.5%. Generally, aggregate gross margin for professional services, and maintenance and other recurring services slipped to 59.1% from 61.6%, owing to increased labor costs and higher staffing levels required to expand capacity in professional services.

Operating Expenses

Exchange Rate Impact on Operating Expenses (excluding restructuring expense)

(In thousands of dollars, except percentages)	Quarters ended October 31,		
(Unaudited)	**2011**	2010	Change
Sales and marketing expenses prior to FX impact	4,548	4,839	(6.0%)
FX impact	110		
Sales and marketing expenses	**4,658**	4,839	**(3.7%)**
Research and development expenses prior to FX impact	2,917	3,066	(4.9%)
FX impact	62		
Research and development expenses	**2,979**	3,066	**(2.8%)**
General and administrative expenses prior to FX impact	3,618	3,235	11.8%
FX impact	80		
General and administrative expenses	**3,698**	3,235	**14.3%**
Stock-based compensation expense prior to FX impact	23	207	(88.9%)
FX impact	1		
Stock-based compensation expense	**24**	207	**(88.4%)**
Operating expenses prior to FX impact (excluding restructuring expense)	11,106	11,347	(2.1%)
FX impact	253		
Operating expenses (excluding restructuring expense)	**11,359**	11,347	**0.1%**

For the fourth quarter of 2011, operating expenses were relatively flat year over year. The unfavorable exchange effect (2.2%) resulted primarily from the Canadian dollar's 5.22% appreciation against the US currency in the fourth quarter of 2011 compared with the same period of 2010. Higher sales in the fourth quarter of 2011 generated a $0.1 million increase in commissions paid compared with the last quarter of 2010. Year over year, research and development tax credits for the final quarter of 2011 were down $0.2 million. In the fourth quarter of fiscal 2011, the allowance for doubtful accounts was reduced by $0.1 million compared with the corresponding period of 2010. Lastly, the decline in the expenses incurred owing to rent payable and to employee transfers to professional services led to $0.2 million in savings for the fourth quarter of 2011 compared with the same period of 2010.

EBITDA

(In thousands of dollars, except percentages)	Quarters ended October 31,	
(Unaudited)	**2011**	2010
Operating income (GAAP)	954	211
Non-recurring items	-	120
Restructuring expense	391	515
Amortization of property and equipment	403	332
Amortization of intangible assets	571	645
EBITDA	**2,319**	1,823
Margin (%)	**13.0%**	10.9%

EBITDA for the last quarter of 2011 amounted to $2.3 million compared with $1.8 million for the same period last year, an increase of $0.5 million or 2.1% of revenues. EBITDA growth was mainly driven by a larger revenue base in the fourth quarter of 2011 than in the same period of 2010. The year-over-year foreign exchange difference did not result in any significant changes for the quarter.

Comparative Quarterly Financial Data

(In thousands of dollars, except per share data)

(Unaudited)				**2011**				2010
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenues	**17,881**	17,409	16,950	16,477	16,668	14,806	17,155	16,604
Profitability								
Gross margin	**12,704**	12,571	12,393	11,790	12,073	10,833	12,913	12,336
Gross margin (%)	**71.0%**	72.2%	73.1%	71.6%	72.4%	73.2%	75.3%	74.3%
EBITDA(1)	**2,319**	1,632	1,668	1,842	1,823	1,410	2,730	2,541
EBITDA (%)	**13.0%**	9.4%	9.8%	11.2%	10.9%	9.5%	15.9%	15.3%
Net earnings	**292**	403	237	393	714	840	273	462
Net earnings (%)	**1.6%**	2.3%	1.4%	2.4%	4.3%	5.7%	1.6%	2.8%
Earnings per share(2)								
Basic and diluted earnings per share	**$0.02**	$0.02	$0.01	$0.02	$0.04	$0.05	$0.01	$0.02
Balance sheet								
Total assets	**108,713**	115,469	115,712	116,060	109,036	115,797	121,256	120,279
Total long-term liabilities	**5,059**	5,274	4,404	6,669	7,822	14,238	16,396	18,116

(1) EBITDA is a non-GAAP performance measure for which we provide reconciliation on page 19.
(2) See Note 7 to the audited consolidated financial statements for further details regarding the calculation of earnings per share.

7. Responsibilities, Controls and Accounting Policies

Management's Responsibility for Financial Reporting

Management assumes the responsibility for maintaining appropriate information systems, procedures and controls to ensure that information used internally and disclosed externally is complete and reliable. The Board of Directors' duties include assessing the integrity of the Company's internal control and information systems. The Company's disclosure policy aims to raise awareness of 20-20's approach to disclosure among the Board of Directors, senior management and employees.

The Company's Audit Committee consists entirely of independent directors who meet the independence and experience requirements under Canadian securities regulation. The responsibilities of the Audit Committee include:

- Reviewing all of the Company's public disclosure documents containing audited or unaudited financial results;
- Reviewing and assessing the effectiveness of our accounting policies and practices concerning financial reporting;
- Reviewing our internal control procedures and policies and assessing their adequacy and effectiveness;
- Reviewing the adequacy of our internal audit resources or internal audit consultants including the internal audit mandate and objectives;
- Submitting recommendations to the Board of Directors regarding the appointment of external auditors, ensuring the external auditors' independence, reviewing the terms of their engagement and pursuing ongoing discussions with them;
- Reviewing the audit procedures and program;
- Assuming such other responsibilities explicitly attributed to the Audit Committee by the Company's Board of Directors.

The Company evaluated the effectiveness of its disclosure controls and procedures, supervised by and with the participation of the CEO and CFO as of October 31, 2011. The CEO and CFO concluded, based on this evaluation, that disclosure controls and procedures were effective and appropriate and provided reasonable assurance that material information related to the Company and its consolidated subsidiaries would be made known to them by other individuals in those entities.

Disclosure Controls and Procedures and 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 the Company made changes to internal control over financial reporting during the year ended October 31, 2011 that materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

The Company's internal control over financial reporting includes policies and procedures that:

- Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of the assets of the Company;

- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with Canadian generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with authorizations of management and the directors of the Company; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the Company's consolidated financial statements.

At the end of the Company's 2011 fiscal year, management conducted an assessment of the effectiveness of the Company's internal control over financial reporting based on the framework established in *Internal Control – Integrated Framework* of the Committee of Sponsoring Organizations of the Treadway Commission.

Based on this assessment, the CEO and CFO have determined that the Company's internal control over financial reporting as at October 31, 2011 was effective.

Critical Accounting Estimates

The Company's significant accounting policies are described in Note 2 to the October 31, 2011 audited annual consolidated financial statements. The preparation of the consolidated financial statements under GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Because of the use of estimates inherent in the financial reporting process, actual results could differ from those estimates.

An accounting estimate is considered critical if the estimate requires management to make assumptions about matters that were highly uncertain at the time the estimate was made, if different estimates could reasonably have been used in the period, or changes in the accounting estimates that are reasonably likely to occur, could have a material impact on the presentation of our financial condition, changes in financial condition or results of operations.

		Consolidated Statements of Earnings			
Areas impacted by estimates	Consolidated Balance Sheets	Revenues	Cost of revenues and operating expenses	Amortization and impairment	Income taxes
Goodwill	X			X	
Income taxes	X				X
Contingencies and other liabilities	X		X		
Revenue recognition	X *(a)*	X			
Stock-based compensation	X		X		
Investment tax credits and other government programs	X		X		
Impairment of long-lived assets	X			X	

(a) Includes accounts receivable, contracts in progress and deferred revenue

Goodwill – Goodwill is tested for impairment at least annually or when events or changes in circumstances exist such that the carrying amount may not be recoverable. Impairment testing requires a comparison of the fair value of the reporting unit to its carrying amount. The Company considers that it carries out its operations through a single reporting unit. Accordingly, the estimate of fair value of the reporting unit is based on a discounted cash flow analysis using management approved key assumptions such as future cash flows, growth forecasts, terminal values, discount rates and industry data. Any change in the estimates used could have a material impact on the calculation of fair value and the resulting impairment charge. Significant changes in the estimates and assumptions used in goodwill impairment testing will not impact cash flows generated from the Company's operations.

Income taxes – The Company measures income tax assets and liabilities, both current and future, according to enacted or substantively enacted income tax legislation that is expected to apply when the asset is realized or the liability settled. The applicable income tax legislation and regulations are subject to the Company's interpretation. An assessment of the ultimate realization of the future income taxes generated from temporary differences between the carrying amount and the tax value of assets and liabilities as well as tax losses carried forward is performed regularly. To determine whether it is more likely than not a future tax asset will be realized, the Company must estimate its future taxable income. The ultimate amount of future income taxes and income tax provisions could be materially different from those recorded on the balance sheet, as it is influenced by the Company's future operating results and its interpretations of tax laws.

Contingencies and other liabilities – The Company accrues for costs incurred to restructure and for other liabilities requiring significant judgment. Contingencies for pending or threatened litigation, guarantees and other possible liabilities involve uncertainty as to possible gain or loss to the Company that will ultimately be resolved when one or more future events occur or fail to occur. Resolution of the uncertainty may confirm the reduction of a liability or the occurrence of a liability. The accrued liabilities are based on historical experience, current trends and other assumptions that are believed to be reasonable under the circumstances.

Revenue recognition – The major part of our revenues is recognized using criteria that do not require us to make significant estimates. However, the Company provides services containing other pricing mechanisms such as fixed-price arrangements under the percentage-of-completion method. The percentage-of-completion method requires estimates of costs and profits over the entire term of the arrangement, including estimates of resources and costs necessary to complete performance. Further, if total costs from a contract are more likely than not to exceed the total revenue from the contract, then a provision for the probable loss is made in the period in which the loss first becomes evident. Revenues from professional services are recognized only to the extent it can be predicted, with reasonable certainty, that the benefit stream will generate amounts sufficient to fund the value on which revenue recognition is based. Another assessment, related to a contract which involves the provision of multiple-service elements, is to determine whether the total estimated contract revenue that is allocated to each element is based on the relative fair value, internal estimates or vendor specific objective evidence of each element. Revenues are then recognized for each element as for single-element contracts.

Management regularly reviews arrangement profitability and the underlying estimates. Estimates of total revenue at the start of the contract may differ materially from actual revenue generated due to volume variations, changes in technology and other factors which may not be foreseen at inception.

Stock-based compensation – The Company accounts for its stock option plan in accordance with *CICA Handbook* Section 3870, *Stock-based Compensation and Other Stock-based Payments*. Pursuant to the recommendations of this section, the Company has elected to use the Black-Scholes valuation model to value the options granted as part of its share-based payment transactions. The variables in the model include, but are not limited to: the expected stock price volatility over the term of the awards, expected forfeitures, the expected life of the options and the risk-free interest rate.

In addition, the Company has a Deferred Share Unit (DSU) plan under which, at the end of each quarter, an amount of DSUs equal to the number of shares 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. The account balance is remeasured monthly using the share value on the open market. Different assumptions and changes in circumstances could cause material differences in our results of operations.

Management must estimate whether performance measures tied to Executive Committee members' long-term compensation plan will be met. If the assumptions on which the estimate is based were to change, it could give rise to changes in operating results.

Investment tax credits and other government programs – The Company receives refundable tax credits on salaries and tax credits on research and software development costs, which meet the criteria of investment tax credits and government programs. The Company is subject to annual audits to verify the amount for which it is entitled and whether it operates eligible activities under the terms of various government tax credit programs. The Company periodically assesses the eligibility and recoverability of expenses for tax credits and its operational compliance with the criteria set by government programs.

Impairment of long-lived assets – The Company tests the recoverability of long-lived assets, such as intangibles and property and equipment when events or changes in circumstances indicate that the carrying amount may not be recoverable. For software licenses and client and distributor relationships, estimates and assumptions include determining the appropriate period over which to amortize the capitalized costs based on the estimated useful lives and estimating the related future cash flows, and assessing these against the unamortized balances. For internal-use software and property and equipment, the appropriate amortization period is based on estimates of the Company's ability to utilize these assets on an ongoing basis. To assess the recoverability of capitalized software costs, the Company must estimate future revenues, costs and future cash inflows and outflows. Changes in the estimates and assumptions used in long-lived assets impairment testing will not impact the cash flows generated by the Company's operations.

Accounting information

New accounting methods – The Company did not adopt any changes in accounting policies during the year ended October 31, 2011 and no new accounting policies became effective during said fiscal year.

Future changes in accounting policies – Based on the information currently available, the Company considers that there are no future changes in accounting policies that will have an impact on the Company's next financial statements, except for the adoption of International Financial Reporting Standards (IFRS) that the Company will adopt for fiscal 2012.

IFRS Conversion

The Canadian Accounting Standards Board has confirmed that Canadian publicly accountable enterprises will be required to use International Financial Reporting Standards ("IFRS") in the preparation of their financial statements for fiscal years beginning on or after January 1, 2011. As of that date, IFRS will replace Canadian GAAP for those companies. The Company will adopt IFRS for fiscal 2012 and report its consolidated financial statements under IFRS, including the comparative figures for fiscal 2011 using the same reporting standards.

In order to issue its first consolidated financial statements under IFRS, as of the first quarter of fiscal 2012, including the initial comparative opening balance sheet as at November 1, 2010, which is the transition date, the Company has prepared an IFRS conversion plan consisting of several phases:

1) Diagnostic	In-depth analysis of differences between GAAP and IFRS, and identifying the main differences that could impact the Company.
2) Detailed impact assessment	Review of the various options for IFRS adoption and detailed impact assessment of the differences. Documenting and assessing accounting policy choices, new disclosures, and quantitative impact evaluations, if applicable.
3) Design and planning	Selection of accounting policies and exemptions, if any. Assessing the impacts on the Company's information systems and internal controls.
4) Developing solutions and implementation	Implementation plan and developing solutions for implementing the conversion plan.

Quarterly updates of the conversion project status are provided to the Audit Committee. With the assistance of external consultants, we have completed the first phase—Diagnostic—and have identified the main differences between GAAP and IFRS that could have an impact.

Implementation of the plan as a whole has been practically completed. Based on its initial assessment and in-depth analysis, the Company has identified the following list of International Accounting Standards Board pronouncements that differ from Canadian GAAP and that could impact the Company's consolidated financial statements. The list should not be construed as a comprehensive list of changes that will result from transition to IFRS, but rather highlights those areas of accounting differences the Company currently believes to be most significant. This list is subject to change following potential changes to IFRS before the Company's first consolidated financial statements are issued under these reporting standards.

Significant accounting differences between Canadian GAAP and IFRS

Foreign exchange translation

IAS 21, *The Effects of Changes in Foreign Exchange Rates*, requires an operation to determine its functional currency in accordance with the standard and translate all foreign currency items into its functional currency. Canadian GAAP, on the other hand, requires a company to classify each foreign operation as integrated or self-sustaining operations. The Company then translates the financial statements using the temporal method for integrated operations and the current rate method for self-sustaining operations.

While similar to those under Canadian GAAP, the indicators used in determining the functional currency of a foreign operation under IAS 21 are based on a hierarchy of criteria used in analyzing the transactions carried out in the primary economic environment of that operation. Currently under Canadian GAAP, management has determined that all group subsidiaries use the Canadian dollar as their functional currency. Management's preliminary analysis indicates that under IFRS, several foreign subsidiaries will change their functional currency to their local currency. Note that the presentation currency of the consolidated financial statements will remain the US dollar.

Accordingly, exchange gains on translation into the presentation currency of foreign operations with a functional currency other than the functional currency of the parent company will be recognized as foreign currency translation adjustment ("CTA") through accumulated other comprehensive income in the statement of shareholders' equity.

The change in the functional currency of several subsidiaries will result in certain assets being remeasured to lower amounts, such as intangibles and goodwill for an estimated total of $11 million on the transition date.

IFRS 1 allows a first-time adopter on its day of transition to record its CTA from all its foreign operations to retained earnings and reset the CTA balance to nil. The Company has decided to make this election.

Impairment of assets (IAS 36)

Canadian GAAP impairment testing involves two steps, the first of which compares the long-lived asset carrying values with undiscounted future cash flows to determine whether impairment exists. If the carrying value exceeds the amount recoverable on an undiscounted basis, then the cash flows are discounted to calculate the amount of the impairment and the carrying values are written down to estimated fair value. IAS 36, *Impairment of Assets*, uses a one-step approach for both testing for and measurement of impairment, with asset carrying values compared directly with the higher of fair value less costs to sell and value in use (which uses discounted future cash flows). Under Canadian GAAP, goodwill is tested for impairment by comparing the carrying amount of the reporting unit(s) to which it is allocated, including the allocated goodwill, to the fair value of the reporting unit(s). If the fair value is less than the carrying amount of the reporting unit(s), then an impairment loss is calculated. The impairment loss is measured as the difference between the implied fair value of the goodwill and its carrying amount. The implied fair value of the goodwill is determined based on the value that would be ascribed to goodwill if the reporting unit(s) was acquired in a business combination. Under IFRS, goodwill is allocated to the Company's cash generating units (CGUs) and is always tested for impairment at the level of a CGU or groups of CGUs. An impairment loss is recognized if a CGU's carrying amount exceeds its recoverable amount. The recoverable amount is the greater of fair value less costs to sell and value in use, which is based on the net present value of future cash flows. The impairment loss equals the amount of this excess.

The Company has determined that a sole cash generating unit (CGU) will be used for impairment testing purposes. In addition, the Company calculated the estimates of its CGU's recoverable amount as at November 1, 2010 and October 31, 2011, respectively, and concluded that there was no difference to be recognized that would impact the respective balances.

Share-based payment

With respect to compensation costs for stock options, IFRS require the use of the graded vesting method for grants with vesting periods greater than one year. Under IFRS, for grants of options exercisable in tranches, each tranche must be treated as a separate grant with a different market value. The Company will need to retroactively apply IFRS to any unvested grant options on transition. As with other sections, we will also expand our disclosure to meet IFRS standards. The difference is currently expected to have a trivial impact on the Company's financial statements.

Provisions

IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, requires a provision to be recognized when: there is a present obligation as a result of a past transaction or event; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate can be made of the obligation. "Probable" in this context means more probable than improbable. Under Canadian GAAP, the criterion for recognition in the financial statements is "likely," which is a higher threshold than "probable." Therefore, it is possible that there may be some provisions or contingent liabilities that would meet the recognition criteria under IFRS that were not recognized under Canadian GAAP. Other differences between IFRS and Canadian GAAP exist in relation to the measurement of provisions, such as the methodology for determining the best estimate where there is a range of equally possible outcomes (IFRS uses the mid-point of the range, whereas Canadian GAAP uses the low-end of the range), and the requirement under IFRS for provisions to be discounted where material. Management is currently quantifying the impact of this change on the Company's consolidated financial statements, but it is not currently expected to be significant.

Leases

We do not see a material impact to our financial statements outside of enhanced disclosure. Unlike GAAP today, when classifying capital leases (or "finance leases") under IFRS, management must apply more judgment due to the lack of quantitative thresholds. IFRS includes additional qualitative indicators that assist in determining lease classification. After our review during the detailed assessment phase, we concluded that we had no specific classification issues. When quantifying the value of a finance lease, IFRS requires the use of the interest rate implicit in the lease. This differs from current GAAP in that the rate to use is the lower of the incremental borrowing rate and the implicit rate of the lease. No adjustment will be made to our opening balance sheet on the transition date since the amount is immaterial.

Financial instruments

We do not foresee any material impact in terms of recognition and financial reporting. There are certain differences between current GAAP and IFRS for the definition of the classification of financial assets and financial liabilities. This difference could have an impact on the classification currently being made by the Company and on the value of the financial assets and liabilities under current GAAP. However, the difference is not currently expected to be significant.

Property and equipment

We have assessed IFRS against current GAAP and have not identified any major impact to our financial statements outside of additional disclosure. We do not expect any modifications to the groupings of our major assets. Management will continue to use historical cost as its measurement basis and will assess indicators of impairment if a triggering event occurs.

Revenue (IAS 18)

The applicable revenue recognition standards under IFRS are of particular significance to the Company's financial reporting. In order to harmonize its revenue recognition policy with trends in industry practice at similar companies, the Company will adopt a change in accounting policy for the recognition of revenues from recurring licenses. Since this type of revenue represents the granting of time-limited usage rights (normally for a 12-month period) in respect of certain software products, such revenue will now be recognized based on the expected period of the usage rights, whereas the current policy is to recognize such revenue when the right is granted.

Management is currently quantifying the impact of this change on the Company's consolidated financial statements as at the transition date and for the comparative period, but it is not currently expected to be significant.

Consolidation

We have not identified any material impact to our financial statements. Group entities apply the same accounting policies and reporting periods as the parent company.

The Company intends to avail itself of the optional IFRS exemption to not reclassify prior business acquisitions on transition.

Government grants

No accounting impact is expected under IFRS for government grants as IAS 20 permits substantially the same accounting treatment as current GAAP. As a result, the Company will not have any additional disclosure requirements.

Presentation of financial statements (IAS 1)

A number of financial statement presentation differences exist between IFRS and Canadian GAAP, including but not limited to, the classification of the statement of earnings by nature or function. The Company addressed these presentation differences while preparing its draft IFRS financial statements throughout 2011. The Company has made significant progress in the preparation of its draft IFRS financial statements and related note disclosures to reflect the revised presentation and disclosure requirements under IFRS. The Company will present its financial statements in accordance with the presentation standards required under IFRS as of the first quarter of fiscal 2012.

Information technology and data systems

To date, the Company has not identified any material system impact as it converts to IFRS.

Internal control over financial reporting

The Company has concluded that internal controls applicable to its reporting processes under current GAAP are fundamentally the same as those required in its IFRS reporting environment.

Disclosure controls and procedures

The Company is currently implementing the appropriate controls and procedures to ensure additional information can be gathered and reported on. As communicated earlier, our financial statement note disclosures will be expanded. The working team is also producing a draft of our first set of interim financial statements under IFRS. Documentation will be substantially amended, including accounting policy disclosures.

8. Risks and Uncertainties

Management is confident regarding the Company's long-term prospects, but the Company must take into account the risks and uncertainties described below, which could have an impact on its capacity to achieve its growth objectives. The following factors should be taken into consideration when assessing the Company's future prospects as an investment.

Economic Risks

Current economic conditions – An economic slowdown could cause demand for our products to decline. Growth in our clients' businesses is affected by the economic environment and could therefore have an impact on the Company's operating results. We can neither predict the impact current economic conditions will have on our future results, nor predict when the economy will show meaningful improvement. During this period of economic instability, our existing and potential clients might reduce or delay purchases or projects or defer contracts currently underway. This situation could also lead to greater delays and defaults in payments or debt collection, resulting in lower operating results. Because of lower sales and contracts during an economic slowdown, competition increases and prices might be reduced by certain competitors to maintain or expand their market share. Our pricing and profitability could be adversely affected as a result of such factors.

Foreign exchange risk – A substantial portion of our revenues are earned in US dollars while a substantial portion of our operating expenses are incurred in Canadian dollars. Fluctuations in the exchange rate between the US dollar and other currencies, such as the Canadian dollar, may have a material adverse effect on our business, financial position and operating results. With respect to other currencies such as the euro and the pound sterling, however, we have a natural hedge since most revenues and expenses are incurred in the same currency. Our policy is to hedge a portion of our foreign exchange exposure to minimize the impact of adverse foreign exchange movements. However, we do not entirely hedge exposure to foreign currencies. In addition, the use of forward contracts to hedge our foreign exchange exposure carries risk and could limit our gains, or result in a loss.

In addition to the exposure identified above which affects operating income due to variations 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. For the Canadian dollar, our measurement currency, the largest exposure is with respect to the US dollar.

Capacity to attract and retain personnel – To ensure success for the Company, management and key technical personnel must have sound knowledge of products, the industry, clients and the market. Against the current economic background, the Company must be able to retain its key personnel and attract new employees for continued growth. Personnel are currently spread across the world according to the products and markets. With such decentralization of human capital, the Company can better manage its growth and reduce the risk of exposure to a single market. The IT labor market is highly competitive and we may not be able to hire and retain the employees we need and, as a result, the Company may have to resort to subcontractors, which would have an impact on our operating margins.

International activities – We currently conduct operations in Canada, the United States, Europe, Latin America, Asia, Africa and the Middle East. We intend to continue to expand our international operations and to increase the proportion of our revenues from outside North America. These operations require significant management attention and financial resources while subjecting us to risks inherent in doing business internationally. Our failure to properly comply or address any of the above factors could greatly mitigate the success of our international operations and have a material adverse effect on our operating performance and financial condition.

Transfer pricing risk – 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 method for determining transfer pricing is well documented and supported. 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.

New economy centre tax credit program and e-business development credit – The new economy centre ("CNE") program offers tax incentives to companies that conduct their business activities in CNE-designated buildings in Québec. As a result of the June 12, 2003 Québec budget, the credit would be eliminated in the event of an acquisition of control of the Company. There can be no assurance that we will continue to meet the eligibility criteria or that the CNE program will not be amended or canceled in the future.

Since the beginning of the current fiscal year, the Company has undertaken to secure accreditation for the Refundable Tax Credit for the Development of E-Business ("CDAE" in French). This change will be retroactive to the fiscal year ended October 31, 2010. There can be no assurance at the present time that we will meet all of the eligibility criteria.

Other tax issues – Although we are of the view that all expenses and tax credits claimed by the Company, including research and development 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 Canadian taxation authorities successfully challenge the deductibility of our expenses or the correctness of 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, our future income and cash may be adversely affected if taxation authorities were successful in challenging our liabilities for such foreign taxes. In addition, if the Company does not generate enough taxable income, it could be unable to realize the taxes and/or tax credits that it has accounted for.

Business Risks

Sales and implementation cycle – 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 revenues 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 operating revenues.

Competitive environment – The Company currently faces competition from software providers in both the computer-aided design (CAD) and enterprise resource planning (ERP) markets. The interior design software industry is highly fragmented and comprised generally of point-of-sale solution (as opposed to full 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.

As our software solutions expand, potential competitors may have significantly greater resources than ours, and we may therefore be at a disadvantage when competing against them. They may be able to adapt more quickly to new or emerging technologies and changes in customer requirements or 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 position.

Capacity to adapt our business model – Customer behavior in response to market conditions and/or industry and technology trends might change their buying and contractual habits such as renting software as opposed to buying. Any such change could impact our business model and practices, which could have a material adverse effect on our operating performance and financial position.

Capacity to capitalize on new software solutions – The addition of new software solutions also gives rise to risks. There may be little demand for our new solutions, and they may not be broadly accepted by the market. If we do not derive any benefit from our efforts to market our new solutions, our operating results could be adversely affected.

Capacity to improve our software offering – We do our best to remain the leader in our industry. To do so, we have to develop new products or enhance and improve our existing software platforms, and position and price our products to meet market demand. We have to continually invest in accelerating product introductions and shortening product life cycles, which requires ongoing expenditures for research and development. 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 revenues. Our competitors are alert and if we are unable to continue product development and marketing, our operating revenue and margins could be affected.

Capacity to manage strategic alliances, partnerships and distributor relationships that will contribute to future growth – We may be unable to (i) retain distributor relationships under acceptable business terms; (ii) partner with parties that are suitable for driving future growth; or (iii) complete required agreements on a timely basis. Furthermore, identifying alliances and partnerships and concluding such agreements, could divert management's attention and financial resources which may negatively affect our operating results.

Capacity to protect our intellectual property – 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 management's attention, cause significant delays, materially disrupt the conduct of our business or adversely affect our revenues, financial position 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 management's attention, cause significant delays, materially disrupt the conduct of our business or adversely affect our revenues, financial position and results of operations.

Bugs in our products could result in significant costs and hurt sales – Our products are complex and, accordingly, they may contain errors or "bugs" that may be detected at any point in the 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.

Risk of legal proceedings – In the normal course of business, the Company may be subject to lawsuits, claims and litigation for amounts not covered by our liability insurance. Some of these proceedings may result in significant costs. Although the outcome of such proceedings is not predictable with assurance, the Company has no reason to believe that the disposition of such matters could have a significant impact on its financial position, operating results or ability to carry on its business activities. As at January 19, 2012, no claims or litigation have been brought against the Company,

Capacity to identify and complete strategic acquisitions that will contribute to future growth – We may be unable to (i) identify suitable acquisition targets available for sale at reasonable prices; (ii) properly evaluate the fair value of target businesses; or (iii) complete an 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.

Capacity to maintain rights to use third party software – 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.