



3rd Quarter Report
July 31, 2007



September 10, 2007

To our Shareholders,

Third quarter revenue was \$13.8 million, compared to \$14.8 million reported in the same period last year. Net income for the third quarter was \$2.04 million or \$0.08 per diluted share compared to the prior year's third quarter net income of \$2.67 million or \$0.10 per diluted share. On a year-to-date basis, revenue was \$42.3 million compared to \$46.6 million in the prior year, while net income was \$6.17 million compared to \$8.19 million in the prior fiscal year. The decrease in revenue and net income on a quarter and year-to-date basis continues to reflect the impact of license revenue and maintenance support revenue from one customer.

Operating expenses increased to \$7.5 million from \$7.0 million in the prior year's third quarter primarily as a result of the inclusion of incremental costs associated with the acquisition of Ontira Communications Inc. ("Ontira") completed on March 31, 2007. Also included in the operating expenses are non-cash amortization charges of \$1.5 million compared to \$1.4 million in the prior year's third quarter related to the amortization of software and intangibles including those recorded as part of the Ontira acquisition.

The Company generated cash flows from operations of \$4.3 million in the third quarter compared to \$3.3 million in the prior year's third quarter. On a year-to-date basis, the Company generated cash flows of \$14.0 million compared to \$16.8 million in the prior year, closing the quarter with \$105.3 million in cash and short-term investments. The Company continues to have no long-term debt.

During the quarter Enghouse spent \$2.4 million to repurchase 314,100 of its common shares under the Company's buyback program and paid an eligible cash dividend of \$0.025 per share. After the quarter, on August 31, 2007, a further eligible cash dividend of \$0.025 was paid.

The Company has a strong financial base and operating cash flows for its regular dividend program, its share buyback program and to seek accretive acquisitions to increase shareholder value.



Stephen J. Sadler
Chairman of the Board and Chief Executive Officer

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis should be read in conjunction with the Company's unaudited interim consolidated financial statements and the notes thereto for the periods ended July 31, 2007 and 2006, as well as the Company's audited Consolidated Financial Statements and Management's Discussion and Analysis for the fiscal year ended October 31, 2006, contained in the Company's 2006 Annual Report to Shareholders.

Accounting Policies, Accounting Standards and Estimates:

The Company's consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The preparation of the Company's consolidated financial statements is based on the selection and application of significant accounting policies, some of which require management to make significant estimates that affect the reported amounts of assets, liabilities, revenue and expenses and the related disclosure of contingent assets and liabilities. On an ongoing basis, the Company evaluates its estimates, including those related to revenue, bad debts, intangible assets, goodwill and income taxes. The Company bases its estimates on historical experience as well as on various other assumptions that are believed to be reasonable under the circumstances at the time. Under different assumptions or conditions, the actual results would differ, potentially materially, from those previously estimated. Many of the conditions impacting these assumptions and estimates are beyond the Company's control.

The Company believes that these accounting policies affect its more significant judgments and estimates used in the preparation of its consolidated financial statements. These policies remain substantially unchanged from those discussed in the Company's latest Management's Discussion and Analysis for the year ended October 31, 2006, contained in the Company's 2006 Annual Report to Shareholders, with the exception of two new accounting standards issued by The Canadian Institute of Chartered Accountant's (CICA) Accounting Standards Board and adopted on November 1, 2006.

CICA Section 1530, *Comprehensive Income*, introduces a new financial statement which shows the change in equity (net assets) of an enterprise during a reporting period from transactions and other events and circumstances from non-owner sources. It includes all changes in net assets during a period except those resulting from investments by owners and distributions to owners.

CICA Section 3855, *Financial Instruments – Recognition and Measurement*, prescribes when a financial asset, financial liability or non-financial derivative shall be recognized on the balance sheet and the measurement of such amount. It also specifies how financial statement gains and losses are to be recognized depending on their classification. Depending on the financial instruments' classification, changes in subsequent measurements are recognized in net income or comprehensive income.

The Company has implemented the following classifications:

- Cash and short-term investments consisting of commercial paper, bonds and bankers acceptances are classified as *financial assets* and *held to maturity investments* respectively and are measured at cost and amortized cost using the effective interest rate method.
- Accounts receivable are classified as *loans and receivables*. After their initial fair value measurement, they are measured at amortized cost using the effective interest rate method. For the Company, this generally corresponds to cost.
- Short term investments consisting of equity investments are classified as *available for sale financial assets*. These financial assets are marked-to-market through comprehensive income at each period end and are only taken to income at the time of disposition.
- Accounts payable, accrued liabilities and customer deposits are classified as *financial liabilities*. After their initial fair value measurement, they are measured at amortized cost using the effective interest rate method. For the Company, the measured amount generally corresponds to cost.

These new standards are to be applied without restatement of prior period amounts with the exception of foreign exchange gains and losses on the translation of the financial statements of self-sustaining foreign subsidiaries. These were previously recorded in a separate section of shareholders' equity but have been restated and are now presented as accumulated other comprehensive loss. Upon initial application of the new standards, all adjustments to the carrying amounts of financial assets and liabilities were recognized as an adjustment to the opening balance of accumulated other comprehensive loss. The Company has recognized a \$0.4 million charge, net of income taxes, to the opening balance of accumulated other comprehensive loss with respect to the change to fair market value of short-term investments designated as available for sale.

Results of Operations:

Total revenue for the quarter was \$13.8 million compared to \$14.8 million in the prior year's third quarter. On a year-to-date basis, revenue was \$42.3 million compared to \$46.6 million. Revenue in the quarter includes \$3.1 million in license sales compared to \$3.6 million in the prior year's third quarter. The quarter and year-to-date results both reflect reduced revenue with the prior year including significant license and maintenance revenue from a major Asset Management Division customer.

The Syntellect Division contributed \$11.4 million in revenue in the quarter, down from \$11.8 million in the third quarter of fiscal 2006. On a year-to-date basis, the Syntellect Division has contributed revenue of \$35.3 million compared to \$34.2 million in the prior year. The year-to-date increase is attributable to the impact of incremental revenue reported by Apropos since the date of acquisition, November 28, 2005.

The Asset Management Division contributed \$2.4 million in revenue in the current year's third quarter, compared to \$3.1 million reported in the third quarter of fiscal 2006 for a total year-to-date revenue contribution of \$7.0 million compared to \$12.4 million in the prior year. These results include the operations of Ontira since the date of acquisition. The decrease in revenue is as a direct result of significant software license sales to a major customer in the prior year and of the termination of that customer's annual maintenance agreement, effective March 31, 2007.

Cost of sales for the quarter was \$4.4 million compared to \$4.7 million in the prior year's third quarter, consistent with the decrease in revenue in the quarter. On a year-to-date basis, cost of sales was \$13.7 million compared to \$13.4 million in the prior year and reflects increased proportional contributions from lower margin services revenue.

Operating expenses for the quarter were \$7.5 million compared to \$7.0 million reported in the third quarter of last year. On a year-to-date basis, operating expenses were \$23.1 million compared to \$22.8 million in the prior year, which included only five months of Apropos expenses due to the timing of the Apropos acquisition in November 2005. The increase in the quarter's selling, general and administrative costs reflect incremental expenses associated with the operations of Ontira since the date of acquisition as well as increased headcount costs in the Syntellect Division. Operating expenses also include non-cash charges related to compensation expense attributed to stock options granted, which added \$0.1 million in both the current and prior year's second quarters and \$0.3 million year-to-date.

Non-cash charges for amortization of acquired software and other intangibles related to prior acquisitions as well as to the acquisition of Ontira were \$1.5 million, an increase over the prior year's third quarter non-cash charges of \$1.4 million. On a year-to-date basis, amortization has increased by \$0.2 million as a result of the acquisition of Ontira and the timing of the Apropos acquisition.

During the third quarter, the Company recognized interest income of \$1.2 million compared to \$0.9 million in the third quarter of fiscal 2006 as a result of improved returns on investments and increased average cash balances invested. The Company recorded no other income in respect of gains on the sale of equity positions held in the quarter. On a year-to-date basis, the Company generated other income of \$0.8 million compared to \$36,000 in the prior year.

The Company established a tax provision of \$1.1 million for a 35.8% effective tax rate in the third quarter as compared to a provision of \$1.5 million and a 35.3% effective rate in the prior year's third quarter as the Company continues to provide for future tax obligations. On a year-to-date basis, the Company provided \$3.4 million in taxes compared to \$4.6 million in the prior fiscal year, at an effective tax rate of 35.8% for the year. During the third quarter, the Company paid \$0.7 million in tax installments.

Net income was \$2.04 million, or \$0.08 per diluted share in the third quarter compared to \$2.67 million or \$0.10 per share respectively in the third quarter of fiscal 2006. On a year-to-date basis, net income was \$6.17 million in the current year compared to \$8.19 million in the prior year, or \$0.23 and \$0.31 per diluted share, respectively. The decrease in both cases is largely attributable to decreased license and maintenance revenue from a significant Asset Management Division customer.

Liquidity and Capital Resources:

The Company closed the quarter with cash and short-term investments of \$105.3 million, an increase from the year end balance of \$98.2 million as a result of cash generated from operations of \$14.0 million year-to-date. In comparison, the Company generated \$16.8 million in operating cash flows in the prior year. In the third quarter, Enghouse generated \$4.3 million in cash from operations compared to \$3.3 million in the prior year's third quarter. The Company continues to have no long-term debt and has sufficient cash resources to fund both its current and future financial operating commitments. The Company's short-term investment portfolio does not include any asset-backed securities. The Company had 25,171,124 Common Shares outstanding as at July 31, 2007 and repurchased 314,100 shares of its common stock under its Normal Course Issuer Bid in the third quarter for \$2.4 million (Q3-2006 – 153,200 shares for \$1.2 million). During the quarter ended the Company paid an eligible quarterly dividend of \$0.025 per share and on August 31, 2007 the Company paid another \$0.025 dividend.

Risks and Uncertainties:

The primary risks and uncertainties that affect or may affect the Company and its business, financial condition, and results of operations are substantially unchanged from those discussed in the Company's latest Annual Information Form and its Management's Discussion and Analysis of Financial Condition and Results of Operations for the year ended October 31, 2006, contained in the Company's 2006 Annual Report to Shareholders and all such risks and uncertainties are incorporated herein by reference.

Internal Control Over Financial Reporting:

The Company's Chief Executive Officer and Vice President Finance are responsible for designing internal control over financial reporting or causing them to be designed under their supervision to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of financial statements in accordance with Canadian GAAP. During the quarter the Company implemented new ERP consolidation software at the Asset Management Division and Corporate offices in order to streamline its back office functions and to provide a common software platform across the enterprise. There were no other changes to the Company's internal control over financial reporting during the quarter ended July 31, 2007 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Notice of No Auditor Review of Interim Financial Statements

The accompanying unaudited interim financial statements of the Company for the three and nine months ended July 31, 2007 have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of the interim financial statements by an entity's auditor.

Consolidated Balance Sheets

(in thousands of Canadian dollars)

(Unaudited)

	July 31, 2007	October 31, 2006
Assets		
Current Assets:		
Cash	\$ 13,563	\$ 5,602
Short-term investments	91,758	92,621
Accounts receivable, net	10,339	15,253
Future income taxes	3,147	3,480
Prepaid expenses and other assets	1,900	2,074
	<u>120,707</u>	<u>119,030</u>
Property and equipment	2,058	1,667
Acquired software and other intangibles	17,773	21,370
Goodwill	14,007	13,929
Future income taxes	2,677	3,761
	<u>\$ 157,222</u>	<u>\$ 159,757</u>
Liabilities		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 9,773	\$ 12,688
Income taxes payable	6,320	7,629
Deferred revenue	16,000	16,143
	<u>32,093</u>	<u>36,460</u>
Future income taxes	8,883	10,227
Deferred revenue	944	64
	<u>41,920</u>	<u>46,751</u>
Shareholders' Equity		
Share capital	48,671	49,177
Contributed surplus	1,630	1,314
Retained earnings	71,844	68,367
Accumulated other comprehensive loss	(6,843)	(5,852)
	<u>115,302</u>	<u>113,006</u>
	<u>\$ 157,222</u>	<u>\$ 159,757</u>

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

Consolidated Statements of Operations and Retained Earnings

(in thousands of Canadian dollars except per share amounts)

(Unaudited)

	Three months ended July 31		Nine months ended July 31	
	2007	2006	2007	2006
Revenue				
Software licenses	\$ 3,133	\$ 3,604	\$ 8,973	\$ 13,467
Services	10,249	10,793	31,882	32,209
Hardware	448	451	1,439	957
	13,830	14,848	42,294	46,633
Cost of Sales				
Software licenses	387	486	1,554	1,627
Services	3,712	3,799	11,017	10,988
Hardware	312	374	1,101	795
	4,411	4,659	13,672	13,410
Gross Margin	9,419	10,189	28,622	33,223
Operating expenses				
Selling, general and administrative	3,710	3,264	11,546	11,154
Research and development	2,005	1,864	6,120	6,084
Stock based compensation	112	145	332	388
Amortization of property and equipment	180	295	612	965
Amortization of acquired software and other intangibles	1,483	1,440	4,430	4,188
	7,490	7,008	23,040	22,779
Income before the undernoted	1,929	3,181	5,582	10,444
Interest income, net	1,240	909	3,218	2,269
Other income	-	36	810	36
Income before income taxes	3,169	4,126	9,610	12,749
Provision for income taxes	1,134	1,460	3,445	4,559
Net income for the period	\$ 2,035	\$ 2,666	\$ 6,165	\$ 8,190
Retained Earnings, beginning of period	\$ 72,270	\$ 63,814	\$ 68,367	\$ 58,452
Dividends	(637)	-	(637)	-
Purchase and cancellation of common shares	(1,824)	(926)	(2,051)	(1,088)
Retained Earnings, end of period	\$ 71,844	\$ 65,554	\$ 71,844	\$ 65,554
Earnings per share				
Basic	\$ 0.08	\$ 0.10	\$ 0.24	\$ 0.32
Diluted	\$ 0.08	\$ 0.10	\$ 0.23	\$ 0.31
Weighted average shares outstanding during period (millions)				
- basic	25.4	25.6	25.4	25.6
- diluted	26.3	26.6	26.3	26.6

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

Consolidated Statements of Comprehensive Income (Loss)

(in thousands of Canadian dollars)

(Unaudited)

	Three months ended		Nine months ended	
	July 31		July 31	
	2007	2006	2007	2006
Net income for the period	\$ 2,035	\$ 2,666	\$ 6,165	\$ 8,190
Other comprehensive income (loss):				
Unrealized (loss) gain on translating financial statements of self-sustaining foreign operations	(547)	408	(1,358)	(986)
Transfer to net income of realized gains on available for sale investments, net of tax of \$292	-	-	(518)	-
Unrealized gain on available for sale investments, net of tax of \$6 (year-to-date - \$532)	11	-	941	-
Unrealized foreign currency translation loss on available for sale investments, net of tax of \$37 (year-to-date - \$32)	(66)	-	(56)	-
Other comprehensive (loss) income	\$ (602)	\$ 408	\$ (991)	\$ (986)
Comprehensive income	\$ 1,433	\$ 3,074	\$ 5,174	\$ 7,204
Accumulated other comprehensive loss, beginning of period	\$ (6,241)	\$ (5,154)	\$ (5,852)	\$ (3,760)
Other comprehensive (loss) income	(602)	408	(991)	(986)
Accumulated other comprehensive loss, end of period	\$ (6,843)	\$ (4,746)	\$ (6,843)	\$ (4,746)

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

Consolidated Statements of Cash Flows

(in thousands of Canadian dollars)

(Unaudited)

	For the three months ended July 31		For the nine months ended July 31	
	2007	2006	2007	2006
Cash flows from operating activities:				
Net income for the period	\$ 2,035	\$ 2,666	\$ 6,165	\$ 8,190
Add (deduct) items not involving cash:				
Amortization of property and equipment	180	295	612	965
Amortization of acquired software and other intangibles	1,483	1,440	4,430	4,188
Stock-based compensation expense	112	145	332	388
Gain on sale of short-term investments	-	(36)	(810)	(36)
Future income taxes	199	259	203	2,058
	4,009	4,769	10,932	15,753
Changes in operating assets and liabilities				
Decrease (increase) in accounts receivable, net	546	(950)	4,916	(2,908)
Decrease in prepaid expenses and other assets	159	-	101	42
Decrease in accounts payable and accrued liabilities	(202)	(741)	(2,007)	(307)
(Decrease) increase in current income taxes payable	(47)	1,087	(1,301)	1,888
(Decrease) increase in deferred revenue	(306)	(1,147)	1,277	3,046
Unrealized foreign exchange gain (loss)	135	284	36	(763)
Cash flows from operating activities	4,294	3,302	13,954	16,751
Cash flows from investing activities				
Purchase of property and equipment	(699)	(100)	(972)	(269)
Acquisitions, net of cash acquired (Note 4)	-	-	(2,210)	(38,203)
Net (purchase) sale of short-term investments	(330)	(1,607)	1,178	24,991
	(1,029)	(1,707)	(2,004)	(13,481)
Cash flows from financing activities				
Issuance of share capital	110	39	151	872
Payment of cash dividend	(637)	-	(637)	-
Purchase and cancellation of common shares	(2,423)	(1,218)	(2,724)	(1,430)
	(2,950)	(1,179)	(3,210)	(558)
Effect of foreign exchange rate changes on cash	(467)	66	(779)	(305)
Net (decrease) increase in cash during the period	(152)	482	7,961	2,407
Cash – Beginning of period	13,715	7,187	5,602	5,262
Cash – End of period	\$ 13,563	\$ 7,669	\$13,563	\$ 7,669
Supplementary Cash Flow Information:				
Cash paid during the year for				
Interest paid	-	-	-	-
Income taxes	\$ 738	\$ 59	\$ 4,624	\$ 496

Cash excludes short-term investments

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

Notes to Interim Consolidated Financial Statements

(Unaudited)

July 31, 2007 and 2006

(in thousands of Canadian dollars)

1. Significant Accounting Policies

These unaudited interim consolidated financial statements have been prepared in Canadian dollars in accordance with Canadian generally accepted accounting principles and follow the same accounting policies and methods of application as the October 31, 2006 annual audited consolidated financial statements, with the exception of accounting for financial instruments. These interim consolidated financial statements do not conform in all respects with disclosures required for annual financial statements and should be read in conjunction with the audited consolidated financial statements and notes thereto and Management's Discussion and Analysis contained in the Company's Annual Report for the fiscal year ended October 31, 2006.

2. New Accounting Policies

Effective November 1, 2006 the Company adopted the new Canadian Institute of Chartered Accountants (CICA) accounting recommendations for the recognition, presentation and disclosure of financial instruments and comprehensive income. The standards have been adopted on a prospective basis, with the exception of the cumulative translation adjustment, which has been applied retroactively. These standards include CICA Handbook Section 3855, *Financial Instruments – Recognition and Measurement*; Section 1530, *Comprehensive Income*; Section 3861, *Financial Instruments – Disclosure and Presentation*; and Section 3251, *Equity*.

The new recommendations require the Company to present, among other things, certain unrealized gains and losses outside of net income or loss. Section 1530 defines comprehensive income as the change in equity (net assets) arising from transactions and other events and circumstances from non-owner sources. The new standard requires presentation of a statement of comprehensive income. In accordance with the provisions of these new standards, foreign exchange gains and losses on the translation of the financial statements of the Company's self-sustaining foreign operations, previously recorded in a separate section of shareholders' equity, are now presented as accumulated other comprehensive income. The Company's earnings per share presented on the consolidated statements of income are based upon its net income and not comprehensive income.

The new standard for financial instruments prescribes when a financial instrument is to be recognized on the balance sheet and at what amount. It also specifies how gains and losses on financial instruments are to be presented. Financial instruments are classified into various categories. Held to maturity investments and loans and receivables are measured at amortized cost, with the amortization of premiums or discounts, losses and impairments being included in current period interest income or expense. Held for trading financial assets and liabilities are measured at fair market value with all gains and losses included in net income in the period in which they arise. Available for sale financial assets are measured at fair market value, except where the instrument does not have a quoted market price in an active market, with revaluation gains and losses included in other comprehensive income until the asset is removed from the balance sheet. Losses due to impairment are included in net income. All other financial liabilities are carried at amortized cost.

The Company's cash, banker's acceptances, bonds, commercial paper and accounts receivables are classified as held-to-maturity investments and continue to be recorded at cost or amortized cost. The Company accrues interest income over the expected life of each instrument. The Company does not recognize gains and losses arising from changes in the fair value of these instruments until the gains and losses are realized, or there is an impairment in the value of an asset. When recognized, such gains and losses are recorded directly in net income.

Notes to Interim Consolidated Financial Statements

(Unaudited)

July 31, 2007 and 2006

(in thousands of Canadian dollars)

The Company considers its portfolio equity investments to be available for sale assets. As such, these investments are carried at fair market value with foreign exchange and revaluation gains and losses included in other comprehensive income or loss until the gains and losses are realized or there is an impairment in the value.

The Company's accounts payable, accrued liabilities and customer deposits are classified as financial liabilities. After their initial fair value measurement, they are measured at amortized cost using the effective interest rate method. For the Company the measured amount generally corresponds to cost.

3. Segmented Information

The Company has two reportable segments, the Syntellect Division and Asset Management Division, based on the nature of the operations and markets that each of these segments serves. The accounting policies followed by these segments are the same as those described in the summary of significant accounting policies.

The Company's reportable segments each develop and market software products and provide services for their respective markets. The Syntellect Division, which also includes the operations of Apropos and Teloquent, develops, markets and integrates self-service software solutions including voice and speech based applications as well as traditional Interactive Voice Response (IVR) systems, with a vertical market focus on the financial services, media, telecommunications, public utility and healthcare industries. The Asset Management Division, which includes the results of operations of Ontira Communications Inc. since the date of acquisition, March 31, 2007, develops, markets and provides services related to visual based network management software solutions to customers in the telecommunications, cable, electric, gas and public and private transit markets. The Company evaluates segment performance based on revenue and profit or loss before investment income and income taxes.

	Syntellect Division	Asset Management Division	Total
Three months ended July 31, 2007			
Revenue	\$ 11,432	\$ 2,398	\$ 13,830
Amortization of property and equipment	\$ 142	\$ 38	\$ 180
Amortization of acquired software and intangibles	\$ 1,348	\$ 135	\$ 1,483
Segment profit	\$ 2,364	\$ 42	\$ 2,406
Corporate expense			(492)
Foreign exchange			15
Other income			-
Interest income			1,240
Income before income taxes			<u>\$ 3,169</u>
Goodwill	\$ 10,430	\$ 3,577	\$ 14,007
Other assets	\$ 41,368	\$ 10,089	51,457
Corporate assets including cash and short-term investments			91,758
Total Assets			<u><u>\$ 157,222</u></u>

Notes to Interim Consolidated Financial Statements

(Unaudited)

July 31, 2007 and 2006

(in thousands of Canadian dollars)

	Syntellect Division	Asset Management Division	Total
Three months ended July 31, 2006			
Revenue	\$ 11,752	\$ 3,096	\$ 14,848
Amortization of property and equipment	\$ 256	\$ 39	\$ 295
Amortization of acquired software and intangibles	\$ 1,355	\$ 85	\$ 1,440
Segment profit	\$ 2,596	\$ 1,102	\$ 3,698
Corporate expense			(586)
Foreign exchange			69
Other income			36
Interest income			909
Income before income taxes			<u>\$ 4,126</u>
Goodwill	\$ 12,963	\$ 2,378	\$ 15,341
Other assets	\$ 48,298	\$ 7,219	55,517
Corporate assets including cash and short-term investments			88,371
Total Assets			<u><u>\$ 159,229</u></u>

	Syntellect Division	Asset Management Division	Total
Nine months ended July 31, 2007			
Revenue	\$ 35,259	\$ 7,035	\$ 42,294
Amortization of property and equipment	\$ 523	\$ 89	\$ 612
Amortization of acquired software and intangibles	\$ 4,078	\$ 352	\$ 4,430
Segment profit	\$ 6,728	\$ 563	\$ 7,291
Corporate expense			(1,627)
Foreign exchange			(82)
Other income			810
Interest income			3,218
Income before income taxes			<u><u>\$ 9,610</u></u>

Notes to Interim Consolidated Financial Statements

(Unaudited)

July 31, 2007 and 2006

(in thousands of Canadian dollars)

	Syntellect Division	Asset Management Division	Total
Nine months ended July 31, 2006			
Revenue	\$ 34,240	\$ 12,393	\$ 46,633
Amortization of property and equipment	\$ 850	\$ 115	\$ 965
Amortization of acquired software and intangibles	\$ 3,933	\$ 255	\$ 4,188
Segment profit	\$ 6,080	\$ 6,419	\$ 12,499
Corporate expense			(1,843)
Foreign exchange			(212)
Other income			36
Interest income			2,269
Income before income taxes			<u>\$ 12,749</u>

4. Acquisition

On March 31, 2007, Transched Systems Limited, a wholly owned subsidiary of Enghouse, acquired 100% of the issued and outstanding common shares of Ontira Communications Inc. ("Ontira") for a nominal sum and acquired debt of \$2.36 million including transaction costs. Of this total \$0.5 million is subject to a holdback and is payable September 30, 2007. Ontira is a supplier of Automated Travel Information Systems ("ATIS") for the transit and transportation industries, including a variety of solutions including enhanced interactive voice response ("IVR") and multi-media systems.

The acquisition has been recorded under the purchase method of accounting and results have been included in the consolidated statements of operations from the acquisition date. Accordingly, the allocation of the purchase price to assets and liabilities is based on their fair value, with the excess of the purchase price over the fair value of the assets acquired being allocated to goodwill. Management has established the preliminary purchase price allocation taking into account all relevant information at the time of preparing these consolidated financial statements. However, the preliminary purchase price allocation is subject to further refinements.

Goodwill is not amortized but is assessed annually for any potential impairment in value. Other intangibles representing acquired software, patents and customer relationships are being amortized over a period of five, three and seven years, respectively.

Notes to Interim Consolidated Financial Statements

(Unaudited)

July 31, 2007 and 2006

(in thousands of Canadian dollars)

The Company's preliminary purchase price allocation is as follows:

Cash	\$ 150
Accounts receivable, net	381
Prepays and other current assets	11
Property and equipment	60
Future income tax assets	366
Acquired software	850
Patents	140
Other intangibles	210
Goodwill	1,415
Total assets acquired	<u>3,583</u>
Less: Current liabilities assumed	(1,146)
Less: Future income tax liabilities	(77)
Total liabilities assumed	<u>(1,223)</u>
Net assets acquired	<u>\$ 2,360</u>

5. Dividends

In March 2007, the Company announced its plans to commence paying an eligible dividend of \$0.025 per common share per quarter. The Company has paid dividends on May 31, 2007 to shareholders of record as of May 14, 2007 and after the quarter end on August 31, 2007 to shareholders of record as of August 14, 2007.

6. Litigation and Contingencies

Apropos Technology, Inc. ("Apropos") was named as a defendant in a shareholder class action litigation suit filed in federal court in New York City in November 2001 against Apropos and certain of its former directors and officers and the underwriters of Apropos' initial public offering ("IPO"). This lawsuit alleges that the prospectus and registration statement for the IPO failed to disclose that the underwriters allegedly solicited and received excessive commissions from investors and that some of the investors in the IPO allegedly agreed with the underwriters to buy additional shares in the aftermarket in order to inflate the price of Apropos' stock. The Company understands that approximately 300 other publicly traded companies and their public offering underwriters have had similar suits filed against them.

In June 2003, Apropos and certain issuer defendants entered into a proposed settlement which will be funded from participating issuers' directors and officers insurance proceeds, less any settlement amounts by the underwriter defendants. Apropos expects that its insurance proceeds will be sufficient to cover its allocable share of the settlement costs.

Prior to consummation of the proposed settlement on December 5, 2006, the Third Circuit Court of Appeals issued a ruling concerning class certification that may complicate or prevent final approval of the proposed settlement by the issuer plaintiffs. The Court of Appeals concluded that no class of IPO purchasers can appropriately be certified as the issues are not common among all class members. In light of this Court of Appeals ruling, it appears that the plaintiffs would need to pursue whatever claims they have against the underwriters on an individual, non-class-action basis. A petition seeking a rehearing of this December 5, 2006 ruling was denied by the Court on April 6, 2007. All proceedings against Apropos and the 300 other publicly

Notes to Interim Consolidated Financial Statements

(Unaudited)

July 31, 2007 and 2006

(in thousands of Canadian dollars)

traded companies have been stayed pending further submissions to the Court regarding class certification. As a result of the Court's ruling on the class certification, the viability of the proposed settlement cannot yet be determined.

7. Comparative consolidated financial statements

Certain of the prior year's figures have been reclassified to conform to the current year's presentation