

# ODESIA Group

## INTERIM CONSOLIDATED FINANCIAL STATEMENTS

*FOR THE THIRD QUARTER ENDED SEPTEMBER 30, 2009*

*(UNAUDITED)*

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# **ODESIA Group Inc.**

## **Notice to reader**

**The Company's interim consolidated financial statements  
for the nine-month period ended September 30, 2009  
have not been audited nor reviewed by the Company's external auditors.  
All amounts are in Canadian dollars, except as otherwise stated.  
You will find more information about the  
Company by visiting the Sedar's web site  
([www.sedar.com](http://www.sedar.com))**

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# ODESIA Group Inc.

## Table of Contents

Consolidated Earnings and Comprehensive Income (Loss)..... 1

Consolidated Retained Earnings (Deficit)..... 2

Consolidated Balance Sheets..... 3

Consolidated Cash Flows ..... 4

Notes to Consolidated Financial Statements ..... 5 - 10

# ODESIA Group Inc.

## Consolidated Earnings and Comprehensive Income (Loss)

(unaudited)

	For the three-month period ended September 30,		For the nine-month period ended September 30,	
	2009 \$	2008 \$	2009 \$	2008 \$
Sales	3,218,018	4,350,008	10,671,617	12,856,673
Cost of services provided, operating and administrative expenses	3,110,484	4,155,256	10,770,038	12,757,621
Earnings (Loss) before amortization of tangible and intangible assets, financial expenses, and income taxes	107,534	194,752	(98,421)	99,052
Amortization of tangible and intangible assets	17,450	167,635	66,147	607,825
Financial expenses and foreign exchange (Note 4)	83,391	226,410	365,114	424,567
Write-off of intangible assets	-	-	-	1,009,909
Earnings (Loss) before income taxes	6,693	(199,293)	(529,682)	(1,943,249)
Income taxes				
Current (recovered)	(17,940)	145,849	(29,488)	178,123
Future (recovered)	662	(213,065)	(969)	(572,642)
	(17,278)	(67,216)	(30,457)	(394,519)
Net earnings (loss) and comprehensive income (loss)	23,971	(132,077)	(499,225)	(1,548,730)
Basic and diluted weighted average number of shares outstanding during the period (Note 5)	29,620,286	29,239,851	29,620,286	28,325,414
Basic and diluted net earnings (loss) per share (Note 5)	0.001	(0.005)	(0.017)	(0.055)

The accompanying notes are an integral part of the consolidated financial statements and Notes 3 and 4 provide other information on consolidated earnings.

# ODESIA Group Inc.

## Consolidated Retained Earnings (Deficit)

(unaudited)

	For the three-month period ended September 30,		For the nine-month period ended September 30,	
	2009	2008	2009	2008
	\$	\$	\$	\$
Deficit at the beginning	(3,995,122)	(1,881,344)	(3,471,926)	(464,691)
Net earnings (loss) for the period	23,971	(132,077)	(499,225)	(1,548,730)
Deficit at the end	(3,971,151)	(2,013,421)	(3,971,151)	(2,013,421)

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

# ODESIA Group Inc.

## Consolidated Balance Sheets

	September 30, 2009 (unaudited) \$	December 31, 2008 (audited) \$
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	416,749	370,256
Accounts receivable	3,482,296	3,640,915
Contracts in progress	123,773	257,301
Prepaid expenses	124,085	83,062
Research tax credit recoverable	-	300,794
Future income taxes	124,043	138,080
	<b>4,270,946</b>	<b>4,790,408</b>
Tangible assets	77,563	134,610
Other assets	103,596	70,427
Intangible assets	15,000	20,165
Goodwill	983,437	983,437
Future income taxes	336,025	334,372
	<b>5,786,567</b>	<b>6,333,419</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Bank indebtedness	1,638,087	1,563,664
Accounts payable and accrued liabilities	2,817,745	2,876,461
Deferred revenue	159,710	88,094
Installments on convertible debentures	30,000	22,500
Installments on long-term debt	20,000	310,699
Future income taxes	177,213	190,567
	<b>4,842,755</b>	<b>5,051,985</b>
Convertible debentures	493,941	479,567
Long-term debt	289,620	149,724
	<b>5,626,316</b>	<b>5,681,276</b>
<b>SHAREHOLDERS' EQUITY</b>		
Capital stock and warrants	3,499,743	3,499,743
Equity component of the convertible debentures	206,532	206,532
Contributed surplus	425,127	417,794
Deficit	(3,971,151)	(3,471,926)
	<b>160,251</b>	<b>652,143</b>
	<b>5,786,567</b>	<b>6,333,419</b>

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

On behalf of the Board,

(signed) : Michael Perrault, director

(signed) : Nicolas Bonnafous, director

# ODESIA Group Inc.

## Consolidated Cash Flows

(unaudited)

	For the three-month period ended September 30,		For the nine-month period ended September 30,	
	2009	2008	2009	2008
	\$	\$	\$	\$
<b>Operating activities</b>				
Net earnings (loss) for the period	23,971	(132,077)	(499,225)	(1,548,730)
Non-cash items				
Amortization of tangible assets	17,450	30,064	60,982	85,753
Amortization of intangible assets	-	126,326	5,165	510,827
Write-off of intangible assets	-	-	-	1,009,909
Amortization of convertible debentures issue expenses	3,222	-	9,631	-
Implicit interest (Note 4)	19,167	6,545	58,640	49,151
Stock-based compensation	1,833	7,308	7,333	34,107
Adjustment to goodwill	-	21,639	-	(29,361)
Future income taxes	662	(213,065)	(969)	(572,642)
Unrealized foreign exchange loss (gain) on research tax credit recoverable	-	19,940	-	(8,364)
Changes in working capital items (Note 6)	(15,583)	(1,268,216)	564,818	(654,591)
	<b>50,722</b>	<b>(1,401,536)</b>	<b>206,375</b>	<b>(1,123,941)</b>
<b>Investing activities</b>				
Acquisition of tangible assets	639	(1,503)	(3,935)	(50,541)
Other assets	1,344	(3,023)	(33,169)	(23,264)
	<b>1,983</b>	<b>(4,526)</b>	<b>(37,104)</b>	<b>(73,805)</b>
<b>Financing activities</b>				
Bank indebtedness	44,118	35,960	74,422	41,808
Installments on convertible debentures	-	-	(22,500)	-
Installments on long-term debt	(14,700)	(125,000)	(174,700)	(250,000)
Convertible debentures issue	-	750,000	-	750,000
Convertible debentures issue expenses	-	(64,654)	-	(64,654)
Shares and warrants issue	-	700,000	-	700,000
Shares and warrants issue expenses	-	(60,345)	-	(60,345)
	<b>29,418</b>	<b>1,235,961</b>	<b>(122,778)</b>	<b>1,116,809</b>
<b>Increase (Decrease) in cash</b>	<b>82,123</b>	<b>(170,101)</b>	<b>46,493</b>	<b>(80,937)</b>
<b>Cash - beginning of period</b>	<b>334,626</b>	<b>350,546</b>	<b>370,256</b>	<b>261,382</b>
<b>Cash - end of period</b>	<b>416,749</b>	<b>180,445</b>	<b>416,749</b>	<b>180,445</b>

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

# ODESIA Group Inc.

## Notes to Consolidated Financial Statements

For the nine-month period ended September 30, 2009  
(unaudited)

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### 1. Basis of presentation

The unaudited, interim, consolidated financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP") for interim financial statements. These financial statements do not contain all disclosures required by Canadian GAAP for annual financial statements. These financial statements have been prepared in accordance with the same accounting policies and methods of application as the annual audited consolidated financial statements for the year ended December 31, 2008, except for the new accounting policies that became effective during the current period.

The interim consolidated financial statements should be read in conjunction with the annual, audited, consolidated financial statements included in the Company's annual report for the year ended December 31, 2008.

### 2. Accounting Changes

#### Recently adopted accounting pronouncements

##### *Goodwill and intangible assets*

In February 2008 the CICA published Section 3064, "Goodwill and Intangible Assets", that establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. This Section is effective for fiscal years beginning on or after October 1, 2008. This section has no impact on the Company's financial results. The Company adopted this section on January 1, 2009.

##### *Credit risk and the fair value of financial assets and financial liabilities*

On January 20, 2009 the Emerging Issues Committee of the CICA approved abstract No. 173, "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities" (EIC-173), which clarifies that an entity's own credit risk and the credit risk of its counterparty should be taken into account in determining the fair value of financial assets and liabilities. EIC 173 was applied retrospectively without restatement of prior periods to all financial assets and liabilities measured at fair value in interim and annual financial statements for periods ending on or after the date of issuance of this abstract. This abstract has no impact on the Company's financial results. The Company has adopted the provisions of EIC 173 in its fair value determination since March 31, 2009.

#### Accounting pronouncements not yet implemented

##### *Business combinations, consolidated financial statements and Non-controlling Interests*

In January 2009 the CICA issued Section 1582, "Business Combinations" ("CICA 1582"), concurrently with Sections 1601, "Consolidated Financial Statements" ("CICA 1601") and 1602, "Noncontrolling Interests" ("CICA 1602"). CICA 1582, which replaces Section 1581, "Business Combinations", establishes standards for the measurement of a business combination and the recognition and measurement of assets acquired and liabilities assumed. CICA 1601, which replaces Section 1600, carries forward the existing Canadian guidance on aspects of the preparation of consolidated financial statements subsequent to acquisition other than non-controlling interests. CICA 1602 establishes guidance for the treatment of non-controlling interests subsequent to acquisition through a business combination. These new standards are effective for the Company's interim and annual consolidated financial statements commencing on January 1, 2011 with earlier adoption permitted as of the beginning of a fiscal year. The Company is currently evaluating the effects of adopting these changes.

# ODESIA Group Inc.

## Notes to Consolidated Financial Statements

For the nine-month period ended September 30, 2009  
(unaudited)

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### 2. Accounting Changes (continued)

#### Accounting pronouncements not yet implemented (continued)

##### *Financial Instruments – Disclosures*

In June 2009, Section 3862, « Financial Instruments – Disclosures » of the CICA Handbook, was amended to include additional disclosure requirements regarding fair value measurements of financial instruments and to broaden liquidity risk disclosure requirements.

For fair value measurements recognized in the balance sheet, an entity shall notably disclose for each class of financial instruments:

- The level in the fair value hierarchy into which the fair value measurements are categorized in their entirety, segregating fair value measurements in accordance with the following levels:
  - Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
  - Level 2: inputs other than quoted prices included in level 1 that are observable for the assets or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices);
  - Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs);

For liquidity risk disclosures, it is now required that an entity disclose a quantitative maturity analysis for non-derivative financial liabilities (including issued financial guarantee contracts) and a quantitative maturity analysis for derivative financial liabilities. The latter of analysis shall include the remaining contractual maturities if these are essential for an understanding of the timing of the cash flows. A description of how it manages the liquidity risk inherent in the previous items is still required.

Amendments to Section 3862 apply to annual financial statements relating to fiscal years ending after September 30, 2009. In the first fiscal year of application, an entity need not to provide comparative information for the disclosures required by the amendments. Earlier adoption is permitted. This section only addresses disclosure requirements and is not expected to have any impact on the Company's financial results.

##### *International financial reporting standards ("IFRS")*

In February 2008 the Canadian Accounting Standards Board ("AcSB") confirmed that GAAP, as used by publicly accountable enterprises, will be superseded by IFRS for fiscal years beginning on or after January 1, 2011. The Company will report under IFRS for its interim and annual financial statements for the fiscal year ending December 31, 2011. The Company is currently preparing its IFRS conversion plan. The plan will be aimed in particular at identifying the differences between IFRS and the Company's accounting policies, and assessing their impact on the Company's consolidated financial statements. Accordingly, at this time, it is not possible to reasonably determine the impact of this anticipated accounting change on the Company's consolidated financial results and position.

# ODESIA Group Inc.

## Notes to Consolidated Financial Statements

For the nine-month period ended September 30, 2009  
(unaudited)

### 3. Information on Consolidated Earnings

	For the three-month period ended September 30,		For the nine-month period ended September 30,	
	2009	2008	2009	2008
	\$	\$	\$	\$
Refundable tax credit for the development of information technologies activities recorded against the cost of services provided, operating and administrative expenses	(90,000)	(180,000)	(334,362)	(397,500)
Amortization of tangible assets	17,450	30,064	60,982	85,753
Amortization of intangible assets	-	126,326	5,165	510,827
Stock-based compensation	1,833	7,308	7,333	34,107
Deferred share unit plan	(91,039)	13,500	(58,039)	40,500
Government grant, recorded against the cost of services provided, operating and administrative expenses	-	-	(54,365)	-

### 4. Financial Expenses and Foreign Exchange

	For the three-month period ended September 30,		For the nine-month period ended September 30,	
	2009	2008	2009	2008
	\$	\$	\$	\$
<i>Other Financial Liabilities</i>				
Interest on bank loans	80,110	88,188	222,694	247,213
Interest on convertible debenture	18,750	14,589	56,081	14,589
Interest on long-term debt	8,400	6,693	30,600	76,250
Implicit interest	19,167	26,486	58,640	49,151
	126,426	135,956	368,015	387,203
Interest income on investment designated as held for trading	-	(632)	-	(1,489)
Loss (gain) on foreign exchange	(42,932)	95,419	(178)	44,882
Other	(103)	(4,332)	(2,723)	(6,028)
	83,391	226,410	365,114	424,567

### 5. Loss Per Share

The potentially dilutive securities (warrants, stock options, convertible debentures) for which the exercise price was greater than the average market price of the common shares, or which had an anti-dilution effect, have not been included in the calculation of diluted loss per share.

# ODESIA Group Inc.

## Notes to Consolidated Financial Statements

For the nine-month period ended September 30, 2009  
(unaudited)

### 6. Information on Cash Flows

Changes in working capital items are detailed as follows:

	For the three-month period ended September 30,		For the nine-month period ended September 30,	
	2009 \$	2008 \$	2009 \$	2008 \$
Accounts receivable	(13,619)	(219,420)	158,619	26,512
Contracts in progress	14,769	(522,988)	133,528	(510,942)
Prepaid expenses	30,289	34,784	(41,023)	(35,714)
Income taxes receivable	11,526	140,850	-	124,808
Research tax credit recoverable	-	-	300,794	-
Accounts payable and accrued liabilities	(108,369)	(667,961)	(58,716)	(175,976)
Deferred revenue	49,821	(33,481)	71,616	(83,279)
	(15,583)	(1,268,216)	564,818	(654,591)

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

	For the three-month period ended September 30,		For the nine-month period ended September 30,	
	2009 \$	2008 \$	2009 \$	2008 \$
Interest paid	88,923	89,326	270,381	293,994
Income taxes received	(28,784)	-	(28,784)	-

### 7. Segmented Information

The Company examined its operations and determined that it operates in a single, reportable, operating segment that derives its income from the sale of business intelligence and data warehouse solutions. Revenues from consulting activities represent 98% of the total revenues by location (96% in 2008). General information required for the Company is detailed as follows:

	For the three-month period ended September 30,		For the nine-month period ended September 30,	
	2009 \$	2008 \$	2009 \$	2008 \$
Revenue by location of the customers:				
Canada	1,376,849	1,595,373	4,115,919	4,826,550
France	1,551,463	1,970,709	5,521,037	5,459,641
Mexico	289,706	783,925	1,034,660	2,570,481
	3,218,018	4,350,008	10,671,617	12,856,673

# ODESIA Group Inc.

## Notes to Consolidated Financial Statements

For the nine-month period ended September 30, 2009  
(unaudited)

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### 7. Segmented Information (Continued)

	<u>September 30</u>	<u>December 31</u>
	<u>2009</u>	<u>2008</u>
	\$	\$
<hr/>		
Tangible assets by location:		
Canada	32,833	73,129
France	19,552	22,435
Mexico	25,179	39,046
	<hr/>	<hr/>
	77,563	134,610
	<hr/>	<hr/>

	<u>September 30</u>	<u>December 31</u>
	<u>2009</u>	<u>2008</u>
	\$	\$
<hr/>		
Intangible assets attributable to subsidiaries located in the following countries:		
France	-	5,165
Mexico	15,000	15,000
	<hr/>	<hr/>
	15,000	20,165
	<hr/>	<hr/>

	<u>September 30</u>	<u>December 31</u>
	<u>2009</u>	<u>2008</u>
	\$	\$
<hr/>		
Goodwill attributable to subsidiaries located in the following countries:		
France	35,565	35,565
Mexico	947,872	947,872
	<hr/>	<hr/>
	983,437	983,437
	<hr/>	<hr/>

# ODESIA Group Inc.

## Notes to Consolidated Financial Statements

For the nine-month period ended September 30, 2009  
(unaudited)

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### 8. Capital Disclosure

The capital structure of the Company consists of shareholder's equity, cash, bank indebtedness, long-term debt and convertible debentures, including the current portion. The Company's objective when managing capital is to ensure that sufficient liquidity is available:

- To continue as a going concern
- To increase its market share and its profits to maximize the shareholders' investment return
- To undertake selective acquisitions
- To pursue its organic growth
- To minimize its shareholders' dilution

The Company takes a conservative approach towards financial leverage and management of financial risk. The Company aims and intends to maintain a flexible, capital structure to keep the necessary ratios required to obtain financing. The Company's capital-management objectives, policies and procedures did not change since last year.

Certain debts of the Company are subject to restrictive covenants concerning the maintenance of :

- a consolidated working capital ratio of 1.5 or more
- a consolidated debt to equity ratio of 2.5 or less
- a working capital ratio for Resource IT de Mexico S.C. of 1.25 or more
- a debt to equity ratio for Resource IT de Mexico S.C. of 2.0 or less
- an earnings before financial expenses, taxes and depreciation on financial expenses ratio for Resource IT de Mexico S.C. of 1.5 or more
- an equity for Resource IT de Mexico S.C. of 5,500,000 MXP (\$486,915) or more

As of September 30, 2009, the Company did not meet the above financial ratios as required in its banks' loan agreements. In addition, ODESIA Mexico was unable to fulfill its repayment obligations in September 2009. Approximately \$500,000 would be required to fulfill these obligations. The Company is currently in negotiation with the lender concerned by this repayment default in order to refinance this debt on a long term basis. Therefore, the Company's ability to realize its assets and discharge its liabilities depends on the continued support of its lenders and shareholders.

The Company's financial strategy is designed and formulated to maintain a flexible, capital structure consistent with the objectives stated above, and to respond to changes in economic conditions and the risk characteristics of underlying assets. To maintain or adjust its capital structure, the Company may issue new shares and new debt titles or refinance existing debt with different characteristics.

### 9. Contingencies

In its normal course of business the Company is involved in various legal proceedings, whereby the outcomes of which cannot be determined at this time; accordingly, no provision has been recorded. The Company believes that the resolution of these proceedings will not have a material favourable or unfavourable effect on its financial position and income statement.

### 10. Comparative figures

Certain figures for the previous period have been reclassified to conform to the current period's consolidated financial statement presentation.