

# ODESIA Group

## INTERIM CONSOLIDATED FINANCIAL STATEMENTS

*FOR THE THIRD QUARTER ENDED SEPTEMBER 30, 2010*

*(UNAUDITED)*

# **ODESIA Group Inc.**

## **Notice to reader**

**The Company's interim consolidated financial statements  
for the nine-month period ended September 30, 2010  
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 Sedar's web site  
([www.sedar.com](http://www.sedar.com))**

# ODESIA Group Inc.

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# ODESIA Group Inc.

## Consolidated Earnings (Loss) and Comprehensive Income (Loss)

(unaudited)

	For the three-month period ended September 30,		For the nine-month period ended September 30,	
	2010 \$	2009 \$	2010 \$	2009 \$
Sales	2,849,410	3,218,018	9,461,542	10,671,617
Cost of services provided, operating and administrative expenses	2,599,469	3,110,484	8,906,550	10,770,038
Earnings (loss) before amortization of tangible and intangible assets, financial expenses and foreign exchange, and income taxes	249,941	107,534	554,992	(98,421)
Amortization of tangible and intangible assets	6,548	17,450	23,926	66,147
Financial expenses and foreign exchange (Note 4)	327	83,391	273,288	365,114
Earnings (loss) before income taxes	243,066	6,693	257,778	(529,682)
Income taxes				
Current (recovered)	35,516	(17,940)	35,000	(29,488)
Future (recovered)	(516)	662	-	(969)
	35,000	(17,278)	35,000	(30,457)
Net earnings (loss) and comprehensive income (loss)	208,066	23,971	222,778	(499,225)
Basic weighted average number of shares outstanding during the period	29,620,286	29,620,286	29,620,286	29,620,286
Diluted weighted average number of shares outstanding during the period (Note 5)	29,620,286	29,620,286	29,620,286	29,620,286
Basic net earnings (loss) per share	0.007	0.001	0.008	(0.017)
Diluted net earnings (loss) per share (Note 5)	0.007	0.001	0.008	(0.017)

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 Deficit

(unaudited)

	For the three-month period ended September 30,		For the nine-month period ended September 30,	
	2010	2009	2010	2009
	\$	\$	\$	\$
Deficit at the beginning	(3,928,435)	(3,995,122)	(3,943,147)	(3,471,926)
Net earnings (loss)	208,066	23,971	222,778	(499,225)
Deficit at the end	(3,720,369)	(3,971,151)	(3,720,369)	(3,971,151)

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

# ODESIA Group Inc.

## Consolidated Balance Sheets

	September 30, 2010 (unaudited) \$	December 31, 2009 (audited) \$
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	172,704	294,455
Accounts receivable	3,512,817	3,283,024
Contracts in progress	47,199	55,791
Prepaid expenses	92,278	88,296
Future income taxes	3,935	3,935
	<b>3,828,933</b>	<b>3,725,501</b>
Tangible assets	47,958	64,969
Other assets	67,778	72,565
Intangible assets	15,000	15,000
Goodwill	983,437	983,437
Future income taxes	308,217	308,217
	<b>5,251,323</b>	<b>5,169,689</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Bank indebtedness	1,081,240	1,471,757
Accounts payable and accrued liabilities	2,355,301	2,518,908
Deferred revenue	37,705	109,210
Income taxes payable	66,563	31,563
Instalments on convertible debentures	97,500	75,000
Instalments on long-term debt	113,470	147,771
	<b>3,751,779</b>	<b>4,354,209</b>
Bank indebtedness	428,632	-
Convertible debentures	465,780	465,587
Long-term debt	168,080	158,888
	<b>4,814,271</b>	<b>4,978,684</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	451,146	427,877
Deficit	(3,720,369)	(3,943,147)
	<b>437,052</b>	<b>191,005</b>
	<b>5,251,323</b>	<b>5,169,689</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,	
	2010 \$	2009 \$	2010 \$	2009 \$
<b>Operating activities</b>				
Net earnings (loss)	208,066	23,971	222,778	(499,225)
Non-cash items				
Amortization of tangible assets	6,548	17,450	23,926	60,982
Amortization of intangible assets	-	-	-	5,165
Amortization of convertible debentures issue expenses	3,222	3,222	9,631	9,631
Implicit interest (Note 4)	13,195	19,167	44,751	58,640
Stock-based compensation	10,471	1,833	23,269	7,333
Future income taxes	(516)	662	-	(969)
Changes in working capital items (Note 6)	(112,341)	(15,583)	(425,295)	564,818
	<b>128,645</b>	<b>50,722</b>	<b>(100,940)</b>	<b>206,375</b>
<b>Investing activities</b>				
Acquisition of tangible assets	(1,181)	639	(8,390)	(3,935)
Disposition of tangible assets	1,475	-	1,475	-
Other assets	(6,288)	1,344	4,787	(33,169)
	<b>(5,994)</b>	<b>1,983</b>	<b>(2,128)</b>	<b>(37,104)</b>
<b>Financing activities</b>				
Bank indebtedness	(154,766)	44,118	38,115	74,422
Instalments on convertible debentures	(22,500)	-	(22,500)	(22,500)
Instalments on long-term debt	3	(14,700)	(34,298)	(174,700)
	<b>(177,263)</b>	<b>29,418</b>	<b>(18,683)</b>	<b>(122,778)</b>
<b>Increase (Decrease) in cash</b>	<b>(54,612)</b>	<b>82,123</b>	<b>(121,751)</b>	<b>46,493</b>
<b>Cash - beginning of period</b>	<b>227,316</b>	<b>334,626</b>	<b>294,455</b>	<b>370,256</b>
<b>Cash - end of period</b>	<b>172,704</b>	<b>416,749</b>	<b>172,704</b>	<b>416,749</b>

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

## Notes to Consolidated Financial Statements

For the nine-month period ended September 30, 2010  
(unaudited)

### 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, 2009, except for the new accounting policies that came into effect 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, 2009.

### 2. Accounting Changes

#### Recently adopted accounting pronouncements

There are no new accounting policies that came into effect during the current period.

### 3. Information on Consolidated Earnings

	For the three-month period ended September 30,		For the nine-month period ended September 30,	
	2010 \$	2009 \$	2010 \$	2009 \$
Refundable tax credit for the development of information technologies activities recorded against the cost of services provided, operating and administrative expenses	(100,000)	(110,000)	(318,000)	(354,362)
Amortization of tangible assets	6,548	17,450	23,926	60,982
Amortization of intangible assets	-	-	-	5,165
Stock-based compensation	10,471	1,833	23,269	7,333
Deferred share unit plan	3,250	(91,039)	23,809	(58,039)
Government grant, recorded against the cost of services provided, operating and administrative expenses	-	-	-	(54,365)

ODESIA GROUP INC.

**Notes to Consolidated Financial Statements**

For the nine-month period ended September 30, 2010  
(unaudited)

**4. Financial Expenses and Foreign Exchange**

	For the three-month period ended September 30,		For the nine-month period ended September 30,	
	2010 \$	2009 \$	2010 \$	2009 \$
<i>Other Financial Liabilities</i>				
Interest on bank loans	49,667	57,569	156,465	200,154
Interest on convertible debentures	14,623	18,750	50,410	56,081
Interest on long-term debt	2,827	8,400	10,857	30,600
Implicit interest	13,196	19,167	44,751	58,640
	<b>80,313</b>	103,886	<b>262,483</b>	345,475
Gain on foreign exchange	(83,225)	(43,137)	(365)	(383)
Other	3,239	22,642	11,170	20,022
	<b>327</b>	83,391	<b>273,288</b>	365,114

**5. Net earnings (loss) Per Share**

The potentially dilutive securities (convertible debentures, warrants, stock options) 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 net earnings (loss) per share.

**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,	
	2010 \$	2009 \$	2010 \$	2009 \$
Accounts receivable	154,914	(13,619)	(229,793)	158,619
Contracts in progress	43,842	14,769	8,592	133,528
Prepaid expenses	43,430	30,289	(3,982)	(41,023)
Income taxes receivable	-	11,526	-	-
Research tax credit recoverable	-	-	-	300,794
Accounts payable and accrued liabilities	(338,070)	(108,369)	(163,607)	(58,716)
Deferred revenue	(51,457)	49,821	(71,505)	71,616
Income taxes payable	35,000	-	35,000	-
	<b>(112,341)</b>	(15,583)	<b>(425,295)</b>	564,818

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,	
	2010 \$	2009 \$	2010 \$	2009 \$
Interest paid	57,101	88,325	184,185	267,870
Income taxes received	-	(28,784)	-	(28,784)

**Notes to Consolidated Financial Statements**

For the nine-month period ended September 30, 2010  
(unaudited)

**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-warehousing solutions. Revenues from consulting activities represent 97% of the total revenues by location (98% in 2009). General information required for the Company is detailed as follows:

	<b>For the three-month period ended September 30,</b>		<b>For the nine-month period ended September 30,</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Revenue by location of the customers:				
Canada	<b>1,307,955</b>	1,376,849	<b>4,556,392</b>	4,115,919
France	<b>1,396,025</b>	1,551,463	<b>4,366,056</b>	5,521,038
Mexico	<b>145,430</b>	289,706	<b>539,094</b>	1,034,660
	<b>2,849,410</b>	3,218,018	<b>9,461,542</b>	10,671,617

	<b>September 30 2010</b>	December 31 2009
	<b>\$</b>	<b>\$</b>
Tangible assets by location:		
Canada	<b>15,980</b>	25,187
France	<b>9,930</b>	14,025
Mexico	<b>22,048</b>	25,757
	<b>47,958</b>	64,969

	<b>September 30 2010</b>	December 31 2009
	<b>\$</b>	<b>\$</b>
Intangible assets attributable to subsidiaries located in the following country:		
Mexico	<b>15,000</b>	15,000

	<b>September 30 2010</b>	December 31 2009
	<b>\$</b>	<b>\$</b>
Goodwill attributable to subsidiaries located in the following countries:		
France	<b>35,565</b>	35,565
Mexico	<b>947,872</b>	947,872
	<b>983,437</b>	983,437

## Notes to Consolidated Financial Statements

For the nine-month period ended September 30, 2010  
(unaudited)

### 8. Capital Disclosure

As at September 30, 2010 and December 31, 2009, the capital structure of the Company consists of:

	<b>September 30, 2010</b>	December 31, 2009
	\$	\$
Cash	<b>(172,704)</b>	(294,455)
Bank indebtedness	<b>1,509,872</b>	1,471,757
Convertible debentures including short-term portion	<b>563,280</b>	540,587
Long-term debt including short-term portion	<b>281,550</b>	306,659
Shareholders' equity	<b>437,052</b>	191,005
	<b>2,619,050</b>	2,215,553

The Company's objective when managing capital is to ensure 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 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 deb-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 (\$454,630) or more

As at September 30, 2010, the Company did not meet the above financial ratios as required in its banks' loan agreements. 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 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.

**Notes to Consolidated Financial Statements**

For the nine-month period ended September 30, 2010  
(unaudited)

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**9. Contingencies**

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

**10. Comparative figures**

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