

Amadeus International Inc.

Consolidated Financial Statements
June 30, 2007 and 2006

Auditors' Report

To the Shareholders of Amadeus International Inc.

We have audited the consolidated balance sheets of **Amadeus International Inc.** as at June 30, 2007 and 2006 and the consolidated statements of earnings, deficit, contributed surplus and cash flows for the years then ended. These consolidated financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at June 30, 2007 and 2006 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants

Quebec, Quebec, Canada
September 28, 2007

Amadeus International Inc.

Consolidated Balance Sheets

As at June 30, 2007 and 2006

	2007 \$	2006 \$
Assets		
Current assets		
Cash and cash equivalents	762,436	37,037
Accounts receivable (notes 4, 9 and 10)	201,534	660,593
Refundable tax credits	390,521	475,334
Inventories	-	116,000
Prepaid expenses	8,919	14,574
Current assets of discontinued operation (note 3)	-	957,923
	1,363,410	2,261,461
Property, plant and equipment (notes 5 and 10)	180,758	225,390
Intangible assets (note 6)	278,395	469,259
Deferred financing expenses (notes 8 and 11)	-	97,265
Future income tax assets (note 15)	83,619	40,895
Long-term assets of discontinued operation (note 3)	-	604,469
	1,906,182	3,698,739
Liabilities		
Current liabilities		
Excess of outstanding cheques over bank balance	-	236,259
Bank loan (note 9)	-	210,000
Loan secured by the refundable tax credits (note 9)	-	185,781
Accounts payable and accrued liabilities	535,911	684,582
Deferred revenues	338,695	259,580
Future income tax liabilities (note 15)	15,925	15,925
Current portion of long-term debt (note 10)	25,152	152,334
Current liabilities of discontinued operation (note 3)	3,706	376,996
	919,389	2,121,457
Long-term debt (note 10)	4,404	28,767
Liability component of convertible debentures (note 11)	-	2,415,297
Future income tax liabilities (note 15)	67,694	24,970
Long-term liabilities of discontinued operation (note 3)	-	269,445
	991,487	4,859,936
Shareholders' Equity (Deficiency)		
Share capital (note 12)	11,735,990	4,237,651
Other equity components (note 13)	112,462	1,000,230
Contributed surplus	868,748	387,989
Deficit	(11,802,505)	(6,787,067)
	914,695	(1,161,197)
	1,906,182	3,698,739
Commitments (note 14)		
Going concern (note 1)		

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

(2)

Approved by the Board of Directors

(signed) ALPHONSE GALLUCCIO _____ Director

(signed) ROBERT LÉVESQUE _____ Director

Amadeus International Inc.
 Consolidated Statements of Deficit
 For the years ended June 30, 2007 and 2006

	2007	2006
	\$	\$
Balance – Beginning of year	6,787,067	5,051,468
Net loss for the year	1,273,904	1,735,599
Conversion of convertible debentures (note 11)	3,741,534	-
Balance – End of year	<u>11,802,505</u>	<u>6,787,067</u>

Consolidated Statements of Contributed Surplus
 For the years ended June 30, 2007 and 2006

	2007	2006
	\$	\$
Balance – Beginning of year	387,989	135,011
Cancelled and matured warrants and stock options (note 13)	480,759	252,978
Balance – End of year	<u>868,748</u>	<u>387,989</u>

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

Amadeus International Inc.
Consolidated Statements of Deficit
For the years ended June 30, 2007 and 2006

	2007	2006
	\$	\$
Revenues	1,805,433	1,646,896
Cost of sales	765,193	492,057
Gross margin	<u>1,040,240</u>	<u>1,154,839</u>
Operating expenses		
Research and development (note 7)	662,559	1,109,511
General, selling and administrative	2,170,135	2,952,467
Depreciation and amortization (note 18)	287,896	482,899
Writeoff of a technology	-	379,094
	<u>3,120,590</u>	<u>4,923,971</u>
Loss before financial expenses (revenues)	<u>(2,080,350)</u>	<u>(3,769,132)</u>
Financial expenses (revenues)		
Accretion on convertible debentures	52,054	34,587
Interest, net amount (note 18)	118,693	347,812
Gain on settlement of debentures (note 11)	(934,318)	-
	<u>(763,571)</u>	<u>382,399</u>
Net loss from continuing operations	(1,316,779)	(4,151,531)
Net earnings from discontinued operation (note 3)	<u>42,875</u>	<u>2,415,932</u>
Net loss for the year (note 18)	<u>(1,273,904)</u>	<u>(1,735,599)</u>
Basic and diluted net loss per share from continuing operations (notes 12 and 20)	<u>(0.24)</u>	<u>(2.41)</u>
Basic and diluted net earnings per share from discontinued operation (notes 12 and 20)	<u>0.01</u>	<u>1.41</u>
Basic and diluted net loss per share (notes 12 and 20)	<u>(0.23)</u>	<u>(1.01)</u>
Going concern (note 1)		

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

Amadeus International Inc.
Consolidated Statements of Cash Flows
For the years ended June 30, 2007 and 2006

	2007	2006
	\$	\$
Cash flows from operating activities		
Net loss from continuing operations for the year	(1,316,779)	(4,151,531)
Items not affecting cash and cash equivalents		
Receipts derived from the net investment in a lease agreement	-	58,816
Depreciation and amortization	287,896	482,899
Writeoff of a technology	-	379,094
Accretion on convertible debentures	52,054	34,587
Stock-based compensation	54,100	133,624
Gain on settlement of debentures	(934,318)	-
	<u>(1,857,047)</u>	<u>(3,062,511)</u>
Net change in non-cash operating working capital items (note 19a)	532,527	(290,574)
	<u>(1,324,520)</u>	<u>(3,353,085)</u>
Cash flows from financing activities		
Repayment of bank loan	(210,000)	(190,000)
Variation in loan secured by tax credits	(185,781)	185,781
Long-term debt contracted	-	206,628
Payments on long-term debt	(151,545)	(230,800)
Issuance of convertible debentures	-	1,000,000
Financing expenses (note 19b)	(14,287)	(49,518)
Issuance of common shares	1,994,216	-
Share issue expenses (note 19b)	(101,674)	-
	<u>1,330,929</u>	<u>922,091</u>
Cash flows from investing activities		
Additions to property, plant and equipment	(5,603)	(94,997)
Acquisition of intangible assets (note 6)	(1,680)	(37,975)
	<u>(7,283)</u>	<u>(132,972)</u>
Cash used by continuing operations	(874)	(2,563,966)
Cash provided from discontinued operation (note 3)	962,532	2,248,014
	961,658	(315,952)
Cash – Beginning of year	(199,222)	116,730
Net cash and cash equivalents – End of year (note 19c)	<u>762,436</u>	<u>(199,222)</u>
Additional information (note 19d)		

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

Amadeus International Inc.

Notes to Consolidated Financial Statements

June 30, 2007 and 2006

1 Statutes, nature of activities and going concern

The company has been incorporated under Part 1A of the Québec Companies Act. It specializes in the development and marketing of compliance process control solutions that help companies to improve their business performance by automating management of their processes and management systems.

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles applicable to a going concern, which assumes that the company will be able to realize its assets and discharge its liabilities in the normal course of business. However, the use of generally accepted accounting principles that are applicable to a going concern might be inappropriate because there is some doubt as to the validity of the going concern assumption. The company's successful completion of its commercialization program and its transition to the attainment of profitable operations is dependent upon the company's ability to obtain adequate sources of financing until the company generates positive cash flow from operations. Management continues to review the company's revenue generating activities and its expenditure levels to increase net cash flows. Management believes that these actions, in conjunction with the expected sales growth and exploitation of existing technologies in fiscal 2008, make the use of the going concern basis appropriate. However, it is not possible at this time to predict the outcome of these matters and there is no assurance that management will be successful in these actions. If the going concern basis is not appropriate, adjustments might be necessary in the carrying amounts and/or classification of assets, liabilities and expenses in these financial statements. These adjustments could be material.

2 Summary of significant accounting policies

Consolidated financial statements

These consolidated financial statements include the financial statements of the company and its wholly-owned subsidiaries, Amadeus Recherche et Développement inc., EURL Amadeus CSI France non-operating and Amadeus Solution Inc.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts of assets and liabilities reported in the financial statements. Those estimates and assumptions also affect the disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the years. Actual results could differ from those estimates.

Amadeus International Inc.

Notes to Consolidated Financial Statements

June 30, 2007 and 2006

Foreign currency translation

For foreign currency transactions and foreign subsidiaries which are all considered financially and operationally integrated, the temporal method of translation of foreign currencies has been used. Monetary items are translated at the rate in effect at the balance sheet date, non-monetary items are translated at their historical rate and revenues and expenses are translated at the rate in effect at the transaction date or at the average exchange rates during the year as appropriate. Translation gains and losses are reflected in the statements of earnings.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and balances with banks as well as a highly liquid short-term investment, redeemable at any time and without penalty.

Inventories

Software licenses are valued at the lower of cost and replacement cost. Cost is determined on the first in, first out basis.

Government assistance

Government assistance related to assets is recorded as a reduction of these assets. Government assistance related to operating expenses is recorded as a reduction of these expenses.

Property, plant and equipment and depreciation

Property, plant and equipment are recorded at cost. They are depreciated over their estimated useful lives using the following methods, period and rates:

	Methods	Period and rates
Office furniture and equipment	Declining balance	20%
Computer equipment	Declining balance	30%
Leasehold improvements	Straight-line	5 years

Intangible assets and amortization

Intangible assets are recorded at cost. They are amortized over their estimated useful lives using the following methods, periods and rate:

	Methods	Periods and rate
Software	Declining balance	30%
Intellectual property	Straight-line	3 years
Development expenses	Straight-line	4 years
Incorporation expenses	Straight-line	5 years

Amadeus International Inc.

Notes to Consolidated Financial Statements

June 30, 2007 and 2006

All development expenses, which do not meet generally accepted criteria for deferral, and research, are expensed as incurred, net of related government assistance and tax credits. Development expenses which meet generally accepted criteria for deferral are capitalized, net of related government assistance and tax credits, and are amortized against earnings over the estimated period of benefit, being four years.

Deferred financing expenses

Financing expenses are recorded at cost and are amortized using the straight-line method over the term of the loans.

Impairment of long-lived assets

Long-lived assets are reviewed for impairment when events or circumstances indicate that costs may not be recoverable. Impairment exists when the carrying value of an asset is greater than the pre-tax undiscounted future cash flows expected to be provided by the asset. The amount of impairment loss, if any, is the excess of the carrying value of the asset over its fair value.

Revenue recognition

Revenues from arrangements involving licenses, maintenance (including post-contract customer support and updatings) and other related services are recognized in accordance with Emerging Issues Committee Abstracts EIC 141 to 143 dealing with revenue recognition. Revenues are allocated to the various elements based on supplier-specific objective evidence of fair value of each of the elements. Revenues from software licenses are recognized when persuasive evidence of an arrangement exists, the software product has been delivered, there are no uncertainties surrounding product acceptance, the related fees are fixed or determinable, and collection is reasonably assured. Revenues from maintenance elements are recognized ratably over the related support period. Revenues from other related services are recognized as the services are performed.

Income taxes

The company provides for income taxes using the liability method of tax allocation. Under this method, future income taxes are determined based on temporary differences between financial statement values and tax values of assets and liabilities using enacted or substantively enacted income tax rates and laws expected to be in effect for the year in which the differences are expected to be recovered or settled.

The company establishes a valuation allowance against future income tax assets if, based on available information, it is more likely than not that some or all of the future income tax assets will not be realized.

Amadeus International Inc.

Notes to Consolidated Financial Statements

June 30, 2007 and 2006

Tax credits

Amounts accounted for as research and development tax credits and as tax credits related to the Centre national des nouvelles technologies de Québec (CNNTQ) and to New Economy Centres (CNE) are subject to the annual eligibility acceptance regarding the business and its employees and the review of income tax returns by tax authorities. In the event of any variances between the amounts claimed by the company and those granted by tax authorities, the related gain or loss will be accounted for in the year in which these variances are recognized.

Equity issue expenses

Equity issue expenses have been applied against the proceeds from the issuance.

Earnings per share

Basic earnings per share are determined using the weighted average number of participating shares outstanding during the year.

Diluted earnings per share are determined using the weighted average number of participating shares outstanding during the year, plus the effects of dilutive potential participating shares outstanding during the year. The calculation of diluted earnings per share is made using the treasury stock method, as if all dilutive potential participating shares had been exercised at the later of the beginning of the year or the date of issuance, as the case may be, and that the funds obtained thereby be used to purchase participating shares of the company at the average stock market price of the participating shares during the year.

Stock-based compensation and other stock-based payments

The company uses the fair value-based method of accounting for stock-based payments and stock options granted to its employees and directors. Any consideration paid by plan participants on the exercise of stock options or the purchase of shares is credited to stated capital together with any related stock-based compensation cost. Stock-based compensation costs are recognized over the vesting period of the options.

Comparative figures

Certain comparative figures have been restated to conform with the current year presentation.

New accounting standards

The Canadian Institute of Chartered Accountants (the "CICA") released CICA Handbook Section 3855 "Financial Instruments – Recognition and Measurement". This section is effective for fiscal years beginning on or after October 1, 2006. It describes the standards for recognizing and measuring financial assets, financial liabilities, and non-financial derivatives.

Amadeus International Inc.

Notes to Consolidated Financial Statements

June 30, 2007 and 2006

This section requires that:

- All financial assets be measured at fair value, with some exceptions such as loans and investments that are classified as held to maturity;
- All financial liabilities be measured at fair value if they are derivatives or classified as held for trading purposes. Other financial liabilities are measured at their carrying value;
- All derivative financial instruments be measured at fair value, even when they are part of a hedging relationship.

Furthermore, CICA Handbook Section 3860 has been revised as Section 3861 "Financial Instruments – Disclosure and Presentation", which establishes standards for presentation of financial instruments and non-financial derivatives, and identifies the information that should be disclosed about them. These revised standards are effective for fiscal years beginning on or after October 1, 2006.

CICA Handbook Section 1530 "Comprehensive Income". This section establishes standards for reporting and display of certain gains and losses recognized in comprehensive income, but excluded from net income.

CICA Handbook Section 1506 "Accounting Changes". This section prescribes the criteria for changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates and corrections of errors.

These new accounting standards are not expected to have a material impact on the consolidated financial statements of the company.

Future accounting changes

The CICA released the following new sections that will apply to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007, and to fiscal years beginning on or after January 1, 2008, as regards Section 1400:

- Section 3862, "Financial Instruments – Disclosures". This section describes the required disclosure to evaluate the significance of financial instruments for the entity's financial position and performance as well as the nature and extent of risks arising from financial instruments to which the entity is exposed and how the entity manages those risks.
- Section 3863, "Financial Instruments – Presentation". This section establishes standards for presentation of financial instruments and non-financial derivatives. It details the presentation of standards described in Section 3861, "Financial Instruments – Disclosure and Presentation".

Amadeus International Inc.

Notes to Consolidated Financial Statements

June 30, 2007 and 2006

- Section 1535, "Capital Disclosures". This section establishes standards for disclosing information about an entity's capital and how it is managed. It describes the disclosure of the entity's objectives, policies and processes for managing capital as well as summary quantitative data on the elements included in the management of capital. The section seeks to determine if the entity has complied with capital requirements and if not, the consequences of such non-compliance.
- Section 1400, "General Standards of Financial Statement Presentation". This section was amended so as to include the criteria for determining and presenting the company's ability to continue as a going concern (going concern assumption).

The company has not yet assessed the impact of these new standards on its consolidated financial statements, which will apply to financial statements relating to the fiscal year beginning on July 1, 2008.

3 Sale of a unit

(a) Sale of a unit

During the last quarter of fiscal 2006, the company's management took the decision to sell its financial compliance consulting unit's intangible assets resulting from the acquisition of M3K Solutions Inc. completed on June 1, 2005. This decision was ratified by the Board of Directors on April 28, 2006.

Earnings of discontinued operation for the year ended June 30, 2006 include net earnings from operations up to April 30, 2006, the date of the sale, net earnings from the disposal of such operation and fees related to the disposal of those assets.

Amadeus International Inc.
Notes to Consolidated Financial Statements
June 30, 2007 and 2006

The following table summarizes the sale of the financial compliance consulting unit:

	\$
Sales price	3,580,795
Discount on balance of sales price *	<u>156,842</u>
Net sales price	<u>3,423,953</u>
Net carrying value of assets sold	
Identifiable intangible assets	
Backlog	222,087
Customer relationships	1,061,384
Goodwill	<u>203,089</u>
	<u>1,486,560</u>
	1,937,393
Fees related to the disposal of assets	<u>172,085</u>
Earnings from disposal of operation	<u>1,765,308</u>
Net sales price settled as follows:	
Cash	2,148,475
Balance of sales price *	<u>1,275,478</u>
	<u>3,423,953</u>

- * Cashable over a 24-month period, in eight equal installments of \$179,040 since August 1, 2006. The balance of sales price is non-interest-bearing. Accordingly, a discount has been calculated and the implicit interest rate is 11%.

The company cashed the August and November 2006 quarterly payments as per the agreement and then received an amount of \$984,990 as part of the agreement finalization process. A loss of \$13,527 resulted from the advance receipt of the balance of sales price in connection with the discount applied thereon.

Amadeus International Inc.
Notes to Consolidated Financial Statements
June 30, 2007 and 2006

Assets of discontinued operation

	2007	2006
	\$	\$
Assets		
Current assets		
Accounts receivable	-	283,784
Interest receivable	-	3,130
Balance of sales price receivable	-	671,009
Current assets of discontinued operation	-	957,923
Balance of sales price receivable	-	604,469
Total assets of discontinued operation	-	1,562,392

Liabilities of discontinued operation

	2007	2006
	\$	\$
Liabilities		
Current liabilities		
Income taxes	3,706	107,552
Current portion of long-term debt	-	269,444
Current liabilities of discontinued operation	3,706	376,996
Long-term liabilities		
Long-term debt *	-	269,445
Total liabilities of discontinued operation	3,706	646,441

* Loan bearing interest at prime rate plus 1.75%, payable in quarterly principal instalments of \$67,361 plus interest, maturing in May 2008. A moveable hypothec on accounts receivable and on the universality of present and future assets has been given as security. The debt was fully repaid upon receipt of the balance of sales price in December 2006.

Amadeus International Inc.
Notes to Consolidated Financial Statements
June 30, 2007 and 2006

Earnings of discontinued operation

	2007	2006
	\$	\$
Revenues	-	3,398,708
Earnings from operations	-	747,114
Interest on long-term debt	24,708	84,643
Amortization of sales price discount	(67,583)	-
Earnings before income taxes	42,875	662,471
Income tax expense		
Current income taxes	-	273,521
Future income taxes	-	(261,674)
	-	11,847
Net earnings from operations	42,875	650,624
Earnings from disposal of operation before income taxes	-	1,765,308
Income tax expense		
Current income taxes	47,496	532,373
Future income taxes	(47,496)	(532,373)
	-	-
Net earnings from disposal of operation	-	1,765,308
Net earnings from discontinued operation	42,875	2,415,932

Amadeus International Inc.
Notes to Consolidated Financial Statements
June 30, 2007 and 2006

Cash flows from discontinued operation

	2007	2006
	\$	\$
Cash flows from operating activities		
Net earnings from discontinued operation	42,875	2,415,932
Depreciation and amortization	-	368,863
Earnings from disposal of operation	-	(1,765,308)
Loss on advance receipt of balance of sales price	13,527	-
	<u>56,402</u>	<u>1,019,487</u>
 Change in non-cash operating working capital items		
Accounts receivable	286,914	389,642
Interest receivable	-	(3,130)
Accounts payable and accrued liabilities	-	(201,816)
Income taxes	(103,846)	28,552
	<u>183,068</u>	<u>213,248</u>
	<u>239,470</u>	<u>1,232,735</u>
 Cash flows from financing activities		
Payments on long-term debt	(538,889)	(961,111)
 Cash flows from investing activities		
Proceeds from disposal of assets	-	1,976,390
Balance of sales price cashed	1,261,951	-
	<u>1,261,951</u>	<u>1,976,390</u>
	<u>962,532</u>	<u>2,248,014</u>

The income tax expense related to the discontinued operation differs from the amount that would have been calculated using the combined Canadian federal and provincial statutory tax rate of 32.02% (31.52% in 2006), as follows:

	2007	2006
	\$	\$
Income tax expense using the combined Canadian statutory tax rate	13,729	765,236
Increase (decrease) due to:		
Non-taxable income	-	(452,495)
Non-deductible expenses	23,748	6,220
Valuation allowance	(47,496)	(281,503)
Others	10,019	(25,611)
	<u>-</u>	<u>11,847</u>

Amadeus International Inc.
Notes to Consolidated Financial Statements
June 30, 2007 and 2006

4 Accounts receivable

	2007	2006
	\$	\$
Trade	162,834	623,280
Others	38,700	37,313
	<u>201,534</u>	<u>660,593</u>

5 Property, plant and equipment

	2007			2006		
	Cost	Accumulated depreciation	Net amount	Cost	Accumulated depreciation	Net amount
	\$	\$	\$	\$	\$	\$
Office furniture and equipment	189,559	133,457	56,102	189,559	113,495	76,064
Computer equipment	705,264	580,608	124,656	699,661	550,335	149,326
Leasehold improvements	106,644	106,644	-	106,644	106,644	-
	<u>1,001,467</u>	<u>820,709</u>	<u>180,758</u>	<u>995,864</u>	<u>770,474</u>	<u>225,390</u>

6 Intangible assets

	2007			2006		
	Cost	Accumulated amortization	Net amount	Cost	Accumulated amortization	Net amount
	\$	\$	\$	\$	\$	\$
Software	331,685	274,433	57,252	331,685	250,258	81,427
Intellectual property	47,274	45,907	1,367	45,224	44,695	529
Development expenses	665,093	447,384	217,709	665,093	281,110	383,983
Incorporation expenses	8,410	6,343	2,067	15,434	12,114	3,320
	<u>1,052,462</u>	<u>774,067</u>	<u>278,395</u>	<u>1,057,436</u>	<u>588,177</u>	<u>469,259</u>

During fiscal 2007, the company acquired intangible assets for an amount of \$1,680 (\$37,975 in 2006), which are subject to amortization.

Amadeus International Inc.

Notes to Consolidated Financial Statements
June 30, 2007 and 2006

7 Research and development expenses

	2007	2006
	\$	\$
Salaries, fringe benefits and subcontracting	879,022	1,320,549
Training	2,185	30,130
Rental expenses	75,937	83,931
Stationery and supplies	22,425	63,879
Telecommunications	2,925	11,950
Travelling expenses	12,759	-
	<hr/>	<hr/>
	995,253	1,510,439
Tax credits	<hr/> (332,694)	<hr/> (400,928)
Amount reflected in earnings	<hr/> 662,559	<hr/> 1,109,511

8 Deferred financing expenses

	2007			2006		
	Cost	Accumulated amortization	Net amount	Cost	Accumulated amortization	Net amount
	\$	\$	\$	\$	\$	\$
Deferred financing expenses	-	-	-	274,388	177,123	97,265

9 Credit facilities

The company has an available line of credit of an authorized amount of \$400,000, bearing interest at prime rate plus 1% and renewable on October 31, 2007. This loan is guaranteed by Investissement Québec up to 50% of the authorized line of credit. A moveable hypothec on the universality of receivables has been given as security for the line of credit. This line of credit is contingent upon the attainment of certain financial ratios. As at June 30, 2007, this line of credit is unused.

A letter of credit in the amount of \$9,042 has been issued in favour of the lender. This amount has been applied against the authorized line of credit.

As at June 30, 2006, the company had a loan secured by the refundable tax credits, of an authorized amount of \$314,618. This loan bore interest at prime rate plus 1.75%, was secured by La Financière du Québec and was repayable on receipt of tax credits.

Amadeus International Inc.
Notes to Consolidated Financial Statements
June 30, 2007 and 2006

10 Long-term debt

	2007	2006
	\$	\$
Loan, at prime rate plus 3%, maturing in July 2007. A moveable hypothec on computer equipment has been given as security	9,753	122,253
Loan, at prime rate plus 2.25%, payable in monthly principal instalments of \$892 plus interest, maturing in August 2007. A moveable hypothec on accounts receivable and leasehold improvements has been given as security	1,784	12,488
Loan, 12.9%, payable in monthly instalments of \$297 including principal and interest, maturing in September 2009. Computer equipment has been given as security	7,234	9,754
Obligations under capital leases for office furniture and equipment and computer equipment, 13.9%, payable in monthly instalments of \$2,729 including interest, maturing on different dates between October 2007 and April 2008	10,785	36,606
	<hr/>	<hr/>
	29,556	181,101
Less: Current portion	25,152	152,334
	<hr/>	<hr/>
	4,404	28,767
	<hr/>	<hr/>

Instalments required over the next three years are detailed as follows:

	<u>Long-term loans</u>	<u>Obligations under capital leases</u>	
	Principal	Principal	Interest
	\$	\$	\$
2008	14,367	10,785	558
2009	3,248	-	-
2010	1,156	-	-
	<hr/>	<hr/>	<hr/>
	18,771	10,785	558
	<hr/>	<hr/>	<hr/>

Amadeus International Inc.
Notes to Consolidated Financial Statements
June 30, 2007 and 2006

11 Convertible debentures

	2007	2006
	\$	\$
Debtentures convertible into common shares at the holder's option		
Convertible at the rate of \$0.4129 per share, bearing interest at 10% and maturing in June 2011	1,950,000	1,950,000
Convertible at the rate of \$0.15 per share, bearing interest at 10% and payable in February 2008	1,000,000	1,000,000
Accretion on convertible debentures	104,083	52,029
Equity component allocated to conversion options (note 13)	(491,793)	(491,793)
Equity component allocated to warrants	(94,939)	(94,939)
Debenture conversion	(2,467,351)	-
	<u>-</u>	<u>2,415,297</u>

On April 24, 2007, all the debentures were converted in consideration of 11,800,000 common shares.

The following table summarizes the transaction in accordance with EIC-96.

Additional consideration granted in connection with the changes brought to conversion terms

Number of shares to be issued based on new terms	11,800,000	
Number of shares to be issued based on original terms	<u>571,138</u>	
Number of shares to be issued as additional consideration	<u>11,228,862</u>	
Market value per share	0.25	
Value of additional consideration granted for conversion purposes		2,807,216

Revaluation of the liability component

As of April 24, 2007, net of deferred financing expenses of \$52,148	2,415,203	
As of April 24, 2007, at fair value	<u>1,480,885</u>	
Gain on conversion due to the equity component of the convertible debentures		<u>934,318</u>
Holder's option component		<u>3,741,534</u>

Amount attributable to the share capital

Liability component of convertible debentures, net of deferred financing expenses of \$52,148	2,415,203	
Liability component of convertible debentures	461,109	
Additional consideration	<u>2,807,216</u>	
		<u>5,683,528</u>

Amadeus International Inc.

Notes to Consolidated Financial Statements
June 30, 2007 and 2006

12 Share capital

Authorized

Unlimited number of common shares, without par value, voting and participating

The following table summarizes the common share activity since July 1, 2005:

	2007		2006	
	Number	Stated value \$	Number	Stated value \$
Balance – Beginning of year	1,723,614	4,237,651	1,719,069	4,187,651
Issuance of shares in settlement of interest	29,178	58,357	-	-
Issuance of shares upon the debenture conversion (note 11)	11,800,000	5,683,528	-	-
Issuance of shares upon the rights offering	7,976,864	1,994,216	-	-
Share issue expenses	-	(237,762)	-	-
Share purchase financing agreement *	-	-	4,545	50,000
Balance – End of year	<u>21,529,656</u>	<u>11,735,990</u>	<u>1,723,614</u>	<u>4,237,651</u>

* The company converted a receivable from an employee amounting to \$50,000 related to a share purchase loan granted to him. This loan bore interest at prime rate plus ¼%.

Consolidation of shares

On March 14, 2007, the company proceeded to the consolidation of common shares on a twenty (20) for one (1) basis. The warrants and stock options currently issued and outstanding have been adjusted automatically, according to their terms and conditions, as of the effective date of consolidation to adjust the exercise price of these warrants and the number of shares that may be vested as a result of such consolidation. The number of shares used in the earnings per share calculation was also adjusted to reflect the consolidation. These financial statements include the consolidation, which has been applied retroactively on all periods reported on a comparative basis.

Issuance of shares

In July 2006, in accordance with the debenture agreement entered into in February 2006, the company issued the equivalent of 29,178 common shares (post-consolidation) in consideration of interest amounting to \$58,357.

Amadeus International Inc.
Notes to Consolidated Financial Statements
June 30, 2007 and 2006

Issuance of shares under a rights offering

On April 24, 2007, the company completed a rights offering totaling 7,976,864 common shares at a price of \$0.25 per common share for offering proceeds of \$1,994,216. Issue expenses for this transaction amounted to \$237,763.

13 Other equity components

	2007	2006
	\$	\$
Equity component of convertible debentures, net of related financing expenses and future income taxes (note 11)	-	461,109
Stock options (note 13a)	89,327	107,391
Stock options external to the plan (note 13b)	23,135	271,838
Warrants (note 13d)	-	159,892
	<u>112,462</u>	<u>1,000,230</u>

Stock options

In March 2005, the company's Board of Directors adopted a stock option plan for directors, employees and consultants providing services to the company. The exercise price shall not be lower than the quoted market price of the TSX Venture Exchange on the day preceding the date of grant. The number of shares that is issuable under the plan shall not exceed 3,090,264 common shares, and the maximum number that may be granted to an optionee shall not exceed 5% of all the outstanding common shares. The basis and vesting period of stock options will be determined and authorized by the Board of Directors. Options expire after a maximum period of ten years following the date of grant.

Amadeus International Inc.
Notes to Consolidated Financial Statements
June 30, 2007 and 2006

The following tables present the stock option activity:

(a) Options granted under the stock option plan

	2007			2006		
	Number	Stated value \$	Weighted average exercise price \$	Number	Stated value \$	Weighted average exercise price \$
Outstanding – Beginning of year	99,750	107,391	4.40	98,000	23,767	6.00
Granted	1,516,000	-	0.25	62,750	-	3.00
Cancelled	(114,250)	(72,164) *	(5.16)	(61,000)	-	5.40
Net compensation costs	-	54,100		-	83,624	-
Outstanding – End of year	<u>1,501,500</u>	<u>89,327</u>	<u>0.35</u>	<u>99,750</u>	<u>107,391</u>	<u>4.40</u>

* During the year, an amount of \$72,164 has been reflected in the contributed surplus as a result of the cancellation of stock options.

The fair value of options granted was estimated using the Black-Scholes options pricing model with the following weighted assumptions:

	2007	2006
Risk-free interest rate	2.98%	3.50%
Expected volatility	80%	75%
Dividend yield	Nil	Nil
Expected life	5 years	5 years
Fair value per option	\$0.15	\$0.09

Amadeus International Inc.
Notes to Consolidated Financial Statements
June 30, 2007 and 2006

Options granted are exercisable during granting periods varying between twelve and thirty-six months from the date of grant.

(b) Options granted external to the stock option plan

	2007			2006		
	Number	Stated value \$	Weighted average exercise price \$	Number	Stated value \$	Weighted average exercise price \$
Outstanding – Beginning of year	37,918	271,838	4.40	64,323	427,954	4.40
Cancelled	(33,865)	(248,703) *	0.72	-	-	-
Matured	-	-	-	(26,405)	(156,116)	4.20
Outstanding – End of year	4,053	23,135	5.61	37,918	271,838	4.40

* During the year, an amount of \$248,703 has been reflected in the contributed surplus as a result of the cancellation of stock options.

(c) The following table summarizes information about stock options as at June 30, 2007:

Exercise price \$	Options outstanding		Options exercisable	
	Number	Weighted average remaining contractual life (years)	Number	Weighted average remaining contractual life (years)
0.25	1,460,000	4.8	155,282	4.8
3.00	31,500	3.6	15,750	3.6
4.00	3,000	1.8	3,000	1.8
6.00	10,000	2.8	7,500	2.8
8.19	702	5.9	702	5.9
14.24	351	3.4	351	3.4
	1,505,553	4.8	182,585	4.4

Amadeus International Inc.
Notes to Consolidated Financial Statements
June 30, 2007 and 2006

(d) Warrants

The following table presents the warrant activity since July 1, 2005:

	2007			2006		
	Number	Stated value \$	Weighted average exercise price \$	Number	Stated value \$	Weighted average exercise price \$
Outstanding – Beginning of year	133,409	159,892	6.02	68,912	161,815	15.60
Granted	-	-	-	110,000	94,939	4.50
Cancelled	(110,000)	(94,939) *	(4.50)	-	-	-
Matured	(23,409)	(64,953) *	(13.12)	(45,503)	(96,862)	17.00
Outstanding – End of year	-	-	-	133,409	159,892	6.02

* During the year, an amount of \$159,892 has been reflected in the contributed surplus as a result of the cancellation and maturity date of warrants.

The fair value of warrants granted was estimated using the Black-Scholes valuation model with the following weighted average assumptions:

	2007	2006
Risk-free interest rate	-	3.50%
Expected volatility	-	75%
Dividend yield	-	Nil
Expected life	-	2 years
Weighted average fair value	-	\$0.04

14 Commitments

Long-term lease agreements

The company has entered into long-term lease agreements expiring in June 2008 and April 2010. As at June 30, 2007, future minimum payments total \$163,285. Minimum annual payments required over the next three years under these agreements amount to \$62,382 in 2008, \$55,038 in 2009 and \$45,865 in 2010.

Furthermore, the company undertook to pay its share of certain lessor's operating costs with regard to a lease agreement.

Amadeus International Inc.

Notes to Consolidated Financial Statements

June 30, 2007 and 2006

15 Income taxes

The income tax recovery differs from the amount that would have been calculated using the combined Canadian federal and provincial statutory tax rate of 32.02% (31.52% in 2006), as follows:

	2007 \$	2006 \$
Income tax recovery using the combined Canadian statutory tax rate	(421,633)	(1,308,563)
Increase (decrease) due to:		
Variation in statutory tax rates	30,079	(6,490)
Reduction of federal statutory tax rate	31,177	(12,136)
Non-taxable gain on settlement of debentures	(299,169)	-
Non-deductible expenses	30,587	64,912
Valuation allowance	597,737	1,308,669
Use of tax benefits previously unrecognized	-	(60,932)
Expiry of tax losses	129,195	-
Share issue expenses not affecting earnings	(72,048)	-
Others	(25,925)	14,540
	-	-

Future income tax assets and liabilities are detailed as follows:

	2007 \$	2006 \$
Long-term future income tax assets		
Investments	3,240	3,240
Property, plant and equipment	141,912	129,436
Intangible assets	72,631	65,655
Share issue expenses	148,362	110,886
Development expenses	68,254	-
Non-capital losses	2,339,396	1,824,686
Capital losses	13,565	-
Financing expenses	-	12,996
	2,787,360	2,146,899
Valuation allowance	(2,703,741)	(2,106,004)
	83,619	40,895
Current future income tax liabilities		
Refundable tax credits	15,925	15,925
Long-term future income tax liabilities		
Development expenses	67,694	24,970
	83,619	40,895

Amadeus International Inc.
Notes to Consolidated Financial Statements
June 30, 2007 and 2006

The losses which can be carried forward against future years' taxable income are as follows:

Expiry date	Canada		United States
	Federal \$	Provincial \$	\$
2009	330,000	408,000	-
2010	845,000	861,000	-
2011	1,077,000	1,358,000	-
2015	1,932,000	1,928,000	-
2025	-	-	152,000
2026	365,000	365,000	488,000
2027	2,270,000	2,270,000	13,000
	6,819,000	7,190,000	653,000

16 Financial instruments

Fair value

The fair value of cash and cash equivalents, accounts receivable, excess of outstanding cheques over bank balance, bank loan, loan secured by the refundable tax credits and accounts payable and accrued liabilities approximates their carrying values due to their short-term maturity or to current interest rates.

The fair value of long-term debt items and convertible debentures approximates their carrying values. The fair value has been established using the discounted future cash flows under present financing agreements at interest rates to those which the company would currently be able to obtain for loans and debentures with similar terms and maturity dates.

The fair value of the balance of sales price receivable approximates its carrying value. The fair value has been established using the discounted future cash flows.

Credit risk

Financial instruments which potentially subject the company to credit risk consist primarily of cash and cash equivalents, accounts receivable and balance of sales price receivable. The company's cash and cash equivalents are held with or issued by high-credit financial institutions. Therefore, the management considers the risk of non-performance on these instruments to be remote.

Due to the geographic distribution of the company's customers, there is no particular concentration of credit risk. Generally, the company does not require collateral or other security from customers for trade accounts receivable. In addition, the company performs ongoing credit reviews of all its customers and establishes an allowance for doubtful accounts receivable when accounts are considered to be uncollectible. As at June 30, 2007, no allowance for doubtful accounts has been accounted for (\$89,574 as at June 30, 2006).

Amadeus International Inc.
Notes to Consolidated Financial Statements
June 30, 2007 and 2006

Interest rate risk

As at June 30, 2007 and 2006, the company's exposure to interest rate risk is summarized as follows:

Cash and cash equivalents	Non-interest bearing and fixed rate
Accounts payable	Non-interest bearing
Balance of sales price receivable	As described in note 3
Excess of outstanding cheques over bank balance	Non-interest bearing
Bank loan	As described in note 9
Loan secured by the refundable tax credits	As described in note 9
Accounts payable and accrued liabilities	Non-interest bearing
Long-term debt	As described in note 10
Liability component of convertible debentures	As described in note 11

Currency risk

Approximately 77.6% of the company's sales are denominated in euros and US dollars (11.3% in 2006). This risk is partially offset by the fact that 4.6% of the company's purchases are denominated in euros and US dollars (13.9% in 2006). The company did not enter into any forward exchange contracts to hedge against this currency risk.

Major customers

Customers who represent more than 10% of the company's revenues are as follows:

	2007	2006
	%	%
Customer 1	21.2	-
Customer 2	19.8	-
Customer 3	10.6	-

Amadeus International Inc.

Notes to Consolidated Financial Statements

June 30, 2007 and 2006

17 Segment information

Revenues from continuing operations by geographic region are detailed as follows:

	2007 \$	2006 \$
Canada	404,518	1,125,807
Portugal	148,098	111,604
France	102,659	121,050
United States	1,150,754	249,552
Others	(596)	38,883
	<hr/> 1,805,433	<hr/> 1,646,896

Revenues have been allocated to geographic regions based on the country of residence of the related customers.

Long-lived assets, which include property, plant and equipment, intangible assets and goodwill, are mainly located in Canada.

18 Net loss for the year

The net loss for the year has been established considering the following items:

	2007 \$	2006 \$
Depreciation of property, plant and equipment	50,235	85,863
Amortization of intangible assets	192,544	336,731
Amortization of deferred financing expenses	45,117	60,305
Foreign exchange loss	33,248	89,442
Interest on current liabilities	31,431	66,755
Interest on long-term debt	10,053	42,257
Interest on convertible debentures	65,869	256,329
Interest income	(4,636)	(17,529)

Amadeus International Inc.
Notes to Consolidated Financial Statements
June 30, 2007 and 2006

19 Additional disclosures on cash flows

(a) Net change in non-cash operating working capital items

	2007	2006
	\$	\$
Accounts receivable	459,059	74,259
Refundable tax credits	84,813	39,222
Inventories	116,000	(116,000)
Prepaid expenses	5,655	16,303
Accounts payable and accrued liabilities (note 19b)	(212,115)	(157,816)
Deferred revenues	79,115	(146,542)
	<u>532,527</u>	<u>(290,574)</u>

(b) Items not affecting cash and cash equivalents related to operating and financing activities

	2007	2006
	\$	\$
Capitalized financing expenses included in accounts payable and accrued liabilities	-	14,287
Share issue expenses included in accounts payable and accrued liabilities	136,088	-
Accrued interest on debentures as at June 30, 2006 settled by the issuance of shares during the year	58,357	-

(c) Cash and cash equivalents

Net cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts

	2007	2006
	\$	\$
Cash and cash equivalents	762,436	37,037
Excess of outstanding cheques over bank balance	-	(236,259)
	<u>762,436</u>	<u>(199,222)</u>

Amadeus International Inc.
Notes to Consolidated Financial Statements
June 30, 2007 and 2006

(d) Additional information

	2007	2006
	\$	\$
Interest cashed	(4,637)	(17,529)
Interest paid	132,061	389,708
Income taxes paid	103,846	16,705

20 Earnings per share

The following table summarizes the reconciliation of the basic weighted average number of shares outstanding and the diluted weighted average number of shares outstanding used in the diluted earnings per share calculations:

	2007	2006
Basic and diluted weighted average number of shares outstanding	5,383,064	1,719,082

For the years ended June 30, 2007 and 2006, the diluted net loss per share was the same as the basic net loss per share since there were no dilutive items. Accordingly, the diluted net loss per share for those years was calculated using the basic weighted average number of shares outstanding.

Furthermore, the following table presents items excluded from the calculation of diluted earnings per share because the exercise price was greater than or equal to the average market price of the shares:

	2007	2006
Shares that would be issued following the conversion of debentures	-	364,876
Weighted average number of shares following the exercise of stock options at exercise prices varying between \$0.25 and \$14.24	353,231	146,619
Weighted average number of shares following the exercise of warrants at an exercise price of \$4.60	-	110,657

Amadeus International Inc.
Notes to Consolidated Financial Statements
June 30, 2007 and 2006

21 Related party transactions

During fiscal 2006, the company awarded contracts for projects specific to its board members or to companies related to them for an aggregate amount of \$253,127. No related party transactions were entered into during fiscal 2007. The following table summarizes those transactions for the year ended June 30, 2006:

Relationship	Marketing goal	Amount \$	Base of measurement
Director	Consulting	153,646	Fair market value
Director	Consulting	36,863	Fair market value
Director	Staffing and management	40,000	Fair market value
Director	Management and strategic consulting	15,000	Fair market value
President and Chief Executive Officer and Director	Management and strategic consulting	7,618	Fair market value

Those transactions could have been entered into directly with the individual concerned or with a management company. The transaction regarding the president and chief executive officer, Mr. Yves Leblanc, has occurred prior to his appointment as a director of the company.