1st Quarter
Fiscal 2009 Report

Prepared in Accordance with Canadian Generally Accepted Accounting Principles

Management's Discussion and Analysis of Financial Condition and Results of Operations dated September 9, 2008

The following discussion and analysis should be read in conjunction with the Consolidated Financial Statements of TECSYS Inc. ("Company") and Notes thereto, which are included in this document. This discussion and analysis should also be read in conjunction with the annual report for fiscal year 2008. The Company's first quarter for fiscal year 2009 ended on July 31, 2008. Additional information about the Company, including copies of the continuous disclosure materials such as the annual information form and the management proxy circular are available through the SEDAR website at http://www.sedar.com.

These interim unaudited consolidated financial statements have not been reviewed by the Company's auditors.

The Company's consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles, and all financial data derived therefrom in this interim report are expressed in Canadian dollars. The Company's functional currency is the Canadian dollar as substantially all of the Company's assets, operations and resources are located in Canada. The Company's reporting currency was the U.S. dollar up to April 30, 2008, however in the interest of promoting simplicity and transparency and to facilitate the understanding of the Company's operations and its financial statements, the Company is reporting in Canadian dollars beginning in fiscal 2009. Comparative historical figures have been restated using the current rate method to conform to the Canadian dollar financial statement presentation adopted in the current period. Under the current rate method, the statement of earnings and cash flow items for each period are translated into the reporting currency using the average exchange rates for the periods, and assets and liabilities are translated using the exchange rates in effect at the balance sheet date.

The restatement of the prior year's statement of earnings for fiscal 2008 in Canadian dollars is not very significant as the average exchange rate for fiscal 2008 was CA$1.0221 for every U.S. dollar. The table below presents a quarterly summary statement of earnings for fiscal 2008 in U.S. and Canadian dollars.

(in thousands of dollars, except per share data) (Quarterly data are unaudited)	US$ Q1	US$ Q2	US$ Q3	US$ Q4	US$ 2008	CDN$ Q1	CDN$ Q2	CDN$ Q3	CDN$ Q4	CDN$ 2008
Revenue	7,809	9,732	10,721	10,545	38,807	8,347	9,846	10,690	10,612	39,495
Cost of revenue	4,381	4,935	5,976	5,611	20,903	4,685	5,016	5,950	5,640	21,291
Gross margin	3,428	4,797	4,745	4,934	17,904	3,662	4,830	4,740	4,972	18,204
Operating expenses	3,287	3,804	3,921	3,420	14,432	3,514	3,860	3,898	3,436	14,708
Earnings from operations	141	993	824	1,514	3,472	148	970	842	1,536	3,496
Other	(59)	(566)	(117)	(840)	(1,582)	(71)	(556)	(119)	(846)	(1,592)
Earnings before income taxes	82	427	707	674	1,890	77	414	723	690	1,904
Provision for income taxes	-	-	-	635	635	-	-	-	641	641
Net earnings	82	427	707	39	1,255	77	414	723	49	1,263
Basic and diluted net earnings per common share	$ 0.01	$ 0.03	$ 0.05	$ 0.00	$ 0.09	$ 0.01	$ 0.03	$ 0.06	$ 0.00	$ 0.09

The effect of reporting in Canadian dollars on the prior year's April 30th 2008 balance sheet is not significant as the exchange rate at April 30, 2008 was CA$1.0095 for every U.S. dollar. As such, the Company's assets and liabilities are virtually the same whether expressed in Canadian or U.S. dollars. The shareholders' equity section expressed in Canadian dollars no longer requires the accumulated other comprehensive income account as it exclusively represented all the cumulative gains resulting from the translation of the Canadian dollar consolidated financial statements into U.S. dollars. Capital stock, contributed surplus, and retained earnings are presented at their historical Canadian dollar values on the Canadian dollar financial statements.

Quarterly Selected Financial Data

(Quarterly data are unaudited)
In thousands of Canadian dollars, except per share data

	2009	2008				2007		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Total Revenue	**10,237**	**10,612**	**10,690**	**9,846**	**8,347**	**8,955**	**9,120**	**8,486**
Net Earnings (Loss)	**274**	**49**	**723**	**414**	**77**	**(156)**	**511**	**(773)**
Basic & Diluted Net Earnings (Loss) per Common Share	**0.02**	**-**	**0.06**	**0.03**	**0.01**	**(0.01)**	**0.04**	**(0.06)**

Results of Operations

Three months ended July 31, 2008 compared to three months ended July 31, 2007

Revenue

Total revenue for the three months ended July 31, 2008 increased by $1.9 million or 23% to $10.2 million compared to $8.3 million for the same period of fiscal 2008. Streamline, the Company's latest acquisition on November 30, 2007, accounted for $438,000 of the increase.

Products revenue increased by $1.6 million or 54% to $4.4 million in the first quarter of fiscal 2009 compared to $2.9 million for the same period in the previous fiscal year. The Streamline acquisition accounted for $120,000 in products revenue. Excluding Streamline, proprietary products increased $188,000 or 15% to $1.5 million while third-party products increased $1.2 million or 77% to $2.9 million. The increase of third-party products revenue is mainly due to higher volumes of radio frequency equipment and IBM servers on a few significant orders while the increase in proprietary license revenues is primarily attributable to the recognition of deferred software revenue related to new account bookings from prior periods.

Services revenue increased by 6% or $331,000 to $5.5 million during the first quarter of fiscal 2009 compared to $5.2 million for the same fiscal period last year. Streamline accounted for $302,000 or the majority of the increase.

As a percentage of total revenue, products accounted for 43% and services for 54% in the first quarter of fiscal 2009 compared to 35% and 63%, respectively, in the first quarter of fiscal 2008.

Cost of Revenue

Total cost of revenue increased by 33% or $1.5 million to $6.2 million in the first quarter of fiscal 2009 compared to $4.7 million for the same three-month period in fiscal 2008. Streamline accounted for $436,000 of the increase. Excluding Streamline, the increase is mainly due to increase of third-party product costs of $1.0 million related primarily to the increase of third-party product revenues mentioned earlier.

Services costs increased by $441,000 or 14% to $3.7 million for the first quarter of fiscal 2009 in comparison to the same period of the previous fiscal year, with Streamline accounting for $347,000 of the increase. Excluding Streamline, the services costs increase of $94,000 is primarily as a result of the higher employee-related costs due to higher headcount and lower tax credits. The cost of services includes multimedia tax credits of $116,000 for the first quarter of fiscal 2009 compared to $129,000 for the same period in the previous fiscal year.

Gross Margin

The gross margin increased by $358,000 or 10% to $4.0 million for the first quarter of fiscal 2009 in comparison to $3.7 million for the same period last year. Total gross margin percentage in the first quarter of fiscal 2009 was 39% compared to 44% in the same period of fiscal 2008. Although the gross margin has increased in absolute terms, the gross margin percentage has decreased 5% and is largely attributable to a reduced products margin percentage as a result of a higher proportion of third-party products revenue, and a decline in the services margin in absolute dollars and margin percentage.

Products margin in the first quarter of fiscal 2008, excluding Streamline, increased by $421,000 to $2.1 million and represented 49% of products revenue compared to a 58% products margin for the same three-month period last year. The reduction of the products gross margin percentage is due to the higher proportion of third-party products within the revenue mix which carry a lower gross margin than proprietary products.

Excluding Streamline, services gross margin decreased by $65,000 or 3% to $1.9 million representing 36% of services revenue in the first quarter of fiscal 2009 compared to 38% for the same period last year. The decreased services margin percentage is attributable to the increase in expenses outpacing the increase in revenues as staff levels have increased during the first quarter of fiscal 2008 in comparison to the same period last year.

Operating Expenses

Total operating expenses increased by $240,000 or 7% to $3.8 million in the first quarter of fiscal 2009 compared to $3.5 million for the same period of fiscal 2008. The most notable differences between the first quarter of fiscal 2009 in comparison with the same period in fiscal 2008 are as follows.

- Sales and marketing expenses increased by $234,000 or 17% amounting to $1.6 million in the first quarter of fiscal 2009. The increase is attributable to higher variable selling expenses, the addition of Streamline, the addition of two marketing resources, and larger expenditures on marketing programs.

- R&D tax credits are higher by $33,000 amounting to $137,000 in the first quarter of fiscal 2009.

- Capitalized deferred development costs are higher by $35,000 amounting to $132,000 in the first quarter of fiscal 2009 in comparison with the same period of the previous year. As the Company anticipates accelerating the migration of its existing product onto a Java platform during fiscal 2009, the capitalization of deferred development costs will continue to outpace fiscal 2008 results.

- The amortization of deferred development costs increased by $25,000 to $37,000 in comparison to $12,000 for the first quarter of last year. The amortization for the first quarter of fiscal 2009 was based on the full three-month period, whereas the amortization of deferred development costs only began in July 2007 in fiscal 2008, coinciding with the release of version 7.6 of the flagship product, EliteSeries.

- Stock-based compensation increased by $20,000 to $30,000 for the first quarter of fiscal 2009 in comparison to $10,000 for the same period last year. The Company anticipates that future quarters in fiscal 2009 will yield similar variances as the outlook for the current year is likely to approximate $120,000 in comparison to $41,000 for fiscal 2008.

- The amortization of intangible assets increased by $35,000 amounting to $193,000 in the first quarter of fiscal 2009. The increase is primarily attributable to the amortization of intangible assets related to the Streamline acquisition.

Earnings from Operations

Earnings from operations increased to $266,000 representing 3% of revenues in the first quarter of fiscal 2009 in comparison to $148,000 representing 2% of revenues for the first quarter of the previous year.

Other Income and Expenses

During the first quarter of fiscal 2009, the Company recorded an exchange gain of $12,000 compared to an exchange loss of $143,000 for the corresponding quarter of fiscal 2008. The relatively neutral result of the current quarter's exchange gain is due to the Company's more aggressive policy to fully protect its U.S. net monetary assets from currency fluctuation by undertaking foreign exchange contracts to sell U.S. dollars forward for amounts covering its net U.S. monetary asset position and coinciding with its anticipated U.S. dollar cash flows. During the first quarter of fiscal 2008, the Company had protected only a portion of its U.S. net monetary asset position and as a result of the weakening U.S. dollar recorded exchange losses.

On July 31st, 2008, the Company held outstanding foreign exchange contracts with various maturities to April 30, 2009 to sell US$6,000,000 for Canadian dollars at rates averaging CA$1.0027 to yield CA$6,016,000. The Company recorded unrealized exchange losses of $138,000 related to these contracts for the period ended July 31, 2008. Subsequent to the current quarter, the Company undertook two additional forward exchange contracts to sell a total of US$800,000 forward at a weighted average rate of CA$1.0634 at various settlement dates ending on July 31, 2009.

Interest income has decreased by $61,000 or 74% amounting to $21,000 in the first quarter of fiscal 2009 in comparison to $82,000 for the corresponding quarter of last year. The decrease is primarily attributable to the asset-backed commercial paper (ABCP) for which the Company has stopped accruing interest since the liquidity disruption in the ABCP market in August 2007.

The interest expense has increased to $26,000 in the first quarter of fiscal 2009 in comparison to $3,000 for the corresponding period in fiscal 2008. The interest expense increase is attributable to the revolving credit facility secured in September 2007 to compensate for the Company's inability to access the liquidity in its ABCP holdings, and to the interest related to the balance payable for the Streamline acquisition.

Net Earnings

The Company recorded net earnings of $274,000 or $0.02 per share in the first quarter of fiscal 2009 compared to a net earnings of $77,000 or $0.01 per share for the same period last year.

Liquidity and Capital Resources

On July 31, 2008, current assets totaled $18.2 million compared to $17.9 million at the end of fiscal 2008. Cash, restricted cash equivalents, short-term and other investments, and asset-backed commercial paper less the bank advances decreased to $6.2 million compared to $6.4 million as at April 30, 2008. Accounts receivable and work in progress totaled $10.2 million on July 31, 2008 compared to $9.7 million as at April 30, 2008. The Company's DSO (days sales outstanding) increased to 90 days at the end the first quarter of fiscal 2009 in comparison to 82 days at the end of fiscal 2008 and 83 days at the end of the first quarter of fiscal 2008. The increase in DSO was mainly due to longer term payments on new contracts.

Current liabilities on July 31, 2008 totaled $14.6 million compared to $14.6 million at the end of fiscal 2008. Working capital increased to $3.6 million at the end of the first quarter of fiscal 2009 compared to $3.3 million at the end of fiscal year 2008.

During the first quarter of fiscal 2009, operating activities generated funds of $47,000 compared to $32,000 for the same period last year. Operating activities excluding non-cash working capital items generated $661,000 and net non-cash working capital used funds of $614,000 primarily to finance increases in accounts receivable and work-in-progress. During the first quarter of fiscal 2008, operating activities excluding non-cash working capital items generated $409,000 and net non-cash working capital used funds of $377,000 mainly due to increases in accounts receivable, decreases in accounts payable and accrued liabilities offset by increases in deferred revenues.

The Company believes that funds on hand at July 31, 2008, together with short term investments and cash flow from operations, and access to the revolving line of credit and the anticipated renewal thereof, will be sufficient to meet its needs for working capital, R&D, capital expenditures and debt repayment for at least the next twelve months.

Financing activities generated funds of $7,000 for the first quarter of fiscal 2009 and used $5,000 for the same three-month period in fiscal 2008. During the first quarter of fiscal 2009, 12,500 options were exercised generating $20,000 in comparison to 3,000 options exercised in the first quarter of fiscal 2008 generating $4,000. During the first quarter of the current fiscal year, the Company purchased 6,100 of its outstanding common shares for cancellation at an average price of $1.54 per share under a Normal Course Issuer Bid (NCIB). The total cost related to the purchasing of these shares for the first quarter of fiscal 2008, including other related costs, was $10,000. The excess of the purchase price over the net book value of the shares of $9,000 has been charged to contributed surplus. As per note 2 to the consolidated financial statements, the Company may purchase common shares under the NCIB, if it considers it advisable, at any time, and from time to time, to July 20, 2009. During the first quarter of fiscal 2008, the Company purchased 5,900 shares at an average price of $1.50 per share. The total cost related to the purchasing of these shares, including related costs, was $9,000. The excess of the net book value over the purchase price of the shares of $15,000 was credited to contributed surplus.

During the first quarter of fiscal 2009, investing activities used funds amounting to $251,000 in comparison to generating $1.8 million for the comparable period of fiscal 2008. The Company used funds of $23,000 by increasing its short-term investments classified as restricted cash equivalents and other investments, whereas $1.9 million was generated in the first quarter of fiscal 2008 by decreasing short-term investments. Funds of $240,000 and $108,000 were used for the first quarter of fiscal 2009 and 2008 respectively for the acquisition of property, and equipment, and computer software for internal use. During the first quarter of fiscal 2009, the Company collected $12,000 on previously advanced loans to TECSYS Latin America (TLA), whereas in the first quarter of fiscal 2008, the Company had advanced an additional loan and collected payments related to previous loans for a net disbursement of $32,000.

Subsequent Event

On September 9, 2008, the Company declared a dividend of $0.02 per common share, payable on October 7, 2008, to shareholders of record as of the close of business on September 23, 2008.

Change in Accounting Policies

2009 Accounting Changes

Effective with the commencement of its 2009 fiscal year beginning May 1, 2008, The Company has adopted the new CICA accounting standards presented hereunder.

Capital disclosures

In December 2006, the CICA issued Section 1535, Capital Disclosures. This section established standards for disclosing information about an entity's capital and how it is managed. The purpose is to enable users of the financial statements to evaluate the entity's objectives, policies and processes for managing capital. These new standards relate to disclosure only and do not impact the financial results (see note 3).

Financial instruments – disclosure and presentation

In December 2006, the CICA issued Section 3862, Financial Instruments – Disclosure, and Section 3863, Financial Instruments – Presentation. These sections replace existing Section 3861, Financial Instruments – Disclosure and Presentation. Disclosure standards are enhanced and expanded to complement the changes in accounting policy adopted in accordance with Section 3855, Financial Instruments – Recognition and Measurement. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. These new standards relate to disclosure and presentation only and do not impact the financial results (see notes 5 and 6).

Inventories

In June 2007, the CICA issued Section 3031, Inventories, which replaces Section 3030 and harmonizes the Canadian standards related to inventories with International Financial Reporting Standards (IFRS). This section provides changes to the measurement and more extensive guidance on the determination of cost, including allocation of overhead; narrows the permitted cost formulas; requires impairment testing; and expands the disclosure requirements to increase transparency. The Company has determined that the impact of adopting these standards is immaterial on its consolidated financial statements.

Future Accounting Changes

Goodwill and intangible assets

In February 2008, the CICA issued Section 3064, Goodwill and Intangible Assets, which will replace Section 3062, Goodwill and Other Intangible Assets and Section 3450, Research and Development Costs. The standards provide guidance on the recognition, measurement, presentation and disclosure of intangible assets and goodwill in accordance with the definition of an asset and the criteria for asset recognition as well as clarifying the application of the concept of matching revenues and expenses, whether these assets are separately acquired or internally developed. Theses new standards are applicable for fiscal years beginning on or after October 1, 2008. The Company will adopt these standards effective May 1, 2009 and has not yet assessed the impact of their adoption.

International Financial Reporting Standards

In 2005, the Accounting Standards Board of Canada (AcSB) announced that accounting standards in Canada are to converge with IFRS. In May 2007, the CICA published an updated version of its "Implementation Plan for Incorporating International Financial Reporting Standards into Canadian GAAP". This plan includes an outline of the key decisions that the CICA will need to make as it implements the Strategic Plan for publicly accountable enterprises that will converge Canadian generally accepted accounting standards with IFRS. While IFRS uses a conceptual framework similar to Canadian GAAP, there are significant differences in accounting policy which must be addressed. The CICA has confirmed the changeover date from current Canadian GAAP to IFRS to be January 1, 2011. The Company is currently assessing the future impact of these new standards on its consolidated financial statements.

Critical Accounting Policies

The Company's critical accounting policies are those that it believes are the most important in determining its financial condition and results. A summary of the Company's significant accounting policies, including the critical accounting policies discussed below, is set out in the notes to the consolidated financial statements in the annual report for the year ended April 30, 2008.

Use of estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Significant areas requiring the use of management estimates include the fair value of asset-backed commercial paper, revenue recognition relating to multiple element arrangements, determining the percentage-of-completion of projects for purposes of revenue recognition, establishing the fair value of assets and liabilities, intangible assets, and goodwill related to business combinations, determining estimates and assumptions related to impairment tests for all long-lived assets and goodwill, estimating stock-based compensation, assessing the recoverability of research and development and multimedia tax credits, establishing provisions related to doubtful accounts, and future income taxes. Consequently, actual results could differ from those estimates.

As the Company's software implementation period may typically span from six to twelve months, a significant area requiring judgement and estimation is revenue recognition relating to multiple element arrangements, where the resulting revenue recognition per element and the related timing must be assessed in relation to contract terms, Statement of Position ("SOP") 97-2 criteria, future services, and other criteria as discussed later. The estimates and assumptions are based on past experience and other factors that the Company considers reasonable. As this involves varying degrees of judgement and uncertainty, actual results could differ from those estimates.

Based on a structured methodology, portions of the purchase price paid in business acquisitions have been assigned to intangible assets acquired, consisting of customer relationships, acquired technology, in-process research and development, reseller agreement and vendor non-solicitation engagements. Determination of the fair values assigned to each of these acquired intangible assets has required management estimates of revenue growth, gross margins, retention of customer base, technology obsolescence, operating expenses, capital requirements and expected future cash flows. Fair values attributed to the intangible assets acquired in each business acquisition were determined based on the specific circumstances of each acquisition together with management's outlook based on past performance, the business plan, and as incorporated in initial operating and capital budgets. The acquired intangible assets are being amortized on a straight-line basis over five years based on the current estimates of technological obsolescence and a projected annual attrition of the existing customer base. The carrying values of the intangible assets acquired in business acquisitions are reviewed annually for impairment as described below.

The Company assesses the carrying value of its long-lived assets, which include property and equipment and definite-life intangible assets, for future recoverability when events or changed circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognized if the carrying value of a long-lived asset exceeds the sum of the estimated undiscounted future cash flows expected from its use. The amount of impairment loss, if any, is determined as the excess of the carrying value of the assets over their fair value. The long-lived assets impairment test entails the use of a number of management estimates including but not limited to revenue growth, gross margins, operating expenses, capital requirements, and future cash flows. The estimates involve varying degrees of judgement and uncertainty. Actual results will differ from those estimates.

Goodwill represents the excess of the purchase price of businesses acquired over the fair value of the underlying net identifiable assets acquired or liabilities assumed. Goodwill is evaluated for impairment annually, or when events or changed circumstances indicate that an impairment may have occurred. In connection with the goodwill impairment test, if the carrying value of the Company's reporting unit to which goodwill relates exceeds its estimated fair value, an impairment loss is recognized in the amount of the excess of the carrying value over the fair value. The goodwill impairment test entails the use of a number of management estimates including but not limited to revenue growth, gross margins, retention of customer base, technology obsolescence, operating expenses, capital requirements and future cash flows. The estimates involve varying degrees of judgement and uncertainty. Actual results will differ from those estimates.

The Company maintains an allowance for doubtful accounts at an amount estimated to be sufficient to provide adequate protection against losses resulting from collecting less than full payment on its receivables. Individual overdue accounts are reviewed and allowance adjustments are recorded when determined necessary to state receivables at the realizable value. If the financial condition of customers deteriorates resulting in their diminished ability or willingness to make payment, additional provisions for doubtful accounts are recorded. Considerable judgement is required to assess the realizable value of the receivables including the probability of collection and the current creditworthiness of each customer. As this involves varying degrees of judgement and uncertainty, actual results could differ from those estimates.

The Company accrues refundable investment tax credit benefits related to qualifying activities, including research and development projects. Considerable judgement is required to assess the various criteria of whether activities qualify. As these activities are audited periodically by the taxation authorities, the actual results attributable to a fiscal period may differ from the accounting estimates posted.

Stock-based compensation costs are accounted for using the fair value based method of accounting for stock options and warrants granted to employees and directors. Under the fair value based method, compensation cost is measured at fair value at the date of grant and is expensed over the award's vesting period with a corresponding credit to contributed surplus. Upon the exercise of the options, any consideration received from plan participants is credited to capital stock and the stock-based compensation cost originally credited to contributed surplus is reclassified to capital stock. Any stock-based compensation costs related to awards to individuals other than employees and directors are accounted for at fair value. Cancellations are accounted for as they occur, with any previously recognized compensation cost related to unvested options being reversed in the period of cancellation. The Company uses the Black-Scholes options pricing model to calculate stock option values, which requires certain assumptions, including the future stock price volatility and expected time to exercise. Changes to any of these assumptions, or the use of a different option pricing model, could produce different fair values for stock-based compensation, which could have a material impact on the Company's earnings.

Income taxes are accounted for under the asset and liability method. Future tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry forwards. Future tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Management provides valuation allowances against the future tax asset for amounts which are not considered "more likely than not" to be realized. The ultimate realization of future tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. The Company has determined that a 100% tax valuation allowance is necessary at April 30, 2008 and July 31, 2008. In the event the Company was to determine that it would be able to realize its tax asset, an adjustment to the tax asset would increase income in the period in which such determination is made.

Revenue Recognition

The Company licenses software under non-cancelable license agreements and provides services including training, installation, consulting and maintenance, consisting of product support services and periodic updates. Software licenses sold by the Company are generally perpetual in nature. The Company recognizes revenue in accordance with the guidance set out in Statement of Position ("SOP") 97-2, "Software Revenue Recognition". Revenues generated by the Company include the following:

- **License Fees**

  Revenue from perpetual licenses sold separately are recognized when a non-cancelable license agreement has been signed, the software product has been delivered, there are no uncertainties surrounding product acceptance, the fees are fixed or determinable, and collection is considered probable. Fees from multiple element arrangements are allocated to the various elements based on vendor-specific objective evidence of fair value provided that services, if any, are not essential to the functionality of the software. Revenue from perpetual licenses sold under multiple element arrangements are recognized upon shipment of the software product, provided that all of the above criteria have been met and subject to the following.

  Certain of the Company's license agreements require the customer to renew its annual support agreement in order to maintain its right to continue to use the software. In such cases, the perpetual license is effectively transformed into a renewable annual license. An up-front license fee representing a significant and incremental premium over subsequent year renewal fees is deferred and recognized as revenue over the period in which support is expected to be provided, which is generally considered to be the estimated useful life of the software license. Where an up-front fee is not considered to represent a significant and incremental premium over subsequent year renewal fees, the license fee is recognized ratably over the initial contractual support period, which is generally one year.

  Where services are considered to be essential to the functionality of the software, fees from licenses and services are aggregated and recognized as revenue as the related services are performed using the percentage-of-completion method. The percentage of completion is generally determined based on the number of hours incurred to date in relation to the total expected hours of services. The cumulative impact of any revision in estimates of the percentage completed is reflected in the period in which the changes become known. Losses on such contracts in progress are recognized when known. Work in progress is established for revenue based on the percentage completed in excess of progress billings as of the balance sheet date. Any excess of progress billings over revenue based on the percentage completed is deferred and included in deferred revenue. Generally, the terms of long-term contracts provide for progress billings based on completion of certain phases of work. Where acceptance criteria are tied to specific milestones, the percentage of completion up to that milestone is recognized upon acceptance.

- **Support Agreements**

  Support agreements generally call for the Company to provide technical support and unspecified software updates to customers. Proprietary licenses support revenues for technical support and unspecified software update rights are recognized ratably over the term of the support agreement. Third-party support revenues and the related costs are generally recognized upon delivery of the third-party products as the Company's direct customer support for these products is generally limited to interface issues between the Company's proprietary products and the third-party products. Customer support for technical issues related to the third-party products is referred to the third-party supplier for resolution.

- **Consulting and Education Services**

  The Company provides consulting and education services to its customers. Revenues from such services are recognized as the services are performed.

Controls and Procedures

The purpose of internal controls over financial reporting is to provide reasonable assurance of the reliability of the Company's financial reporting and of the preparation of its financial statements in accordance with GAAP.

No changes to internal controls over financial reporting have come to management's attention during the three months ended July 31, 2008 that have materially affected, or are reasonably likely to materially affect, internal controls over financial reporting.

Related Party Transactions

The company has a subordinated loan for $107,000 from a person related to certain shareholders, bearing interest at 12.67%. The loan is payable on the earlier of demand or on the death of the lender. The same amount was outstanding as at July 31, 2008 and July 31, 2007.

Pursuant to the equity investments in TECSYS Latin America Inc (TLA), as described in note 9 of the 2008 annual report, the Company has committed to advance funds to TLA for an aggregate amount of $256,000 (US$250,000). During 2007 and 2008, the Company provided four loans of US$50,000 each at various dates amounting to US$200,000. These amounts are repayable over four years commencing six months following each advance. The loans bear interest at 5% per annum. The loans outstanding at July 31, 2008 amount to US$144,000. The short-term portion of the loan receivable is included in other accounts receivable.

Outstanding Share Data

On September 9, 2008, the Company has 12,762,484 common shares outstanding as an additional 247,600 shares have been purchased for cancellation under the Normal Course Issuer Bid since the end of the Company's first quarter.

Similarly, on September 9, 2008, outstanding stock options to purchase common shares number 1,103,546 as the Company has granted an additional 2,000 options since the end of the first quarter, while 1,187 options have either been cancelled or have expired unexercised. Warrants to purchase common shares number 15,000.

Forward-Looking Information

This management's discussion and analysis contains "forward-looking information" within the meaning of applicable securities legislation. Although the forward-looking information is based on what the Company believes are reasonable assumptions, current expectations, and estimates, investors are cautioned from placing undue reliance on this information since actual results may vary from the forward-looking information. Forward-looking information may be identified by the use of forward-looking terminology such as "believe", "intend", "may", "will", "expect", "estimate", "anticipate", "continue" or similar terms, variations of those terms or the negative of those terms, and the use of the conditional tense as well as similar expressions.

Such forward-looking information that is not historical fact, including statements based on management's belief and assumptions cannot be considered as guarantees of future performance. They are subject to a number of risks and uncertainties, including but not limited to future economic conditions, the markets that the Company serves, the actions of competitors, major new technological trends, and other factors, many of which are beyond the Company's control, that could cause actual results to differ materially from those that are disclosed in or implied by such forward-looking information. The Company undertakes no obligation to update publicly any forward-looking information whether as a result of new information, future events or otherwise other than as required by applicable legislation.

Management has compiled the unaudited interim consolidated financial information of TECSYS Inc. consisting of the interim Consolidated Balance Sheet and the Consolidated Statement of Changes in Shareholders' Equity as at July 31, 2008 and the Consolidated Statements of Earnings, and Cash Flows for the three-month periods ended July 31, 2008 and July 31, 2007. An accounting firm has not reviewed or audited these interim consolidated financial statements.

TECSYS Inc.
Consolidated Balance Sheets
Prepared in Accordance with Canadian Generally Accepted Accounting Principles

(in thousands of Canadian dollars)	**July 31, 2008 (unaudited)**	**April 30, 2008**
Assets		
Current assets		
Cash and cash equivalents	5,496	5,693
Accounts receivable	9,396	9,233
Work in progress	786	443
Other accounts receivable	139	204
Tax credits receivable	1,390	1,279
Inventory	224	216
Prepaid expenses	799	847
	18,230	17,915
Restricted cash equivalents and other investments	695	672
Asset-backed commercial paper (note 6)	4,052	4,045
Long-term receivables	125	165
Long-term investment	351	350
Property and equipment, net	1,744	1,713
Intangible assets, net	1,364	1,480
Deferred development costs, net	1,029	933
Goodwill	2,829	2,829
	30,419	30,102
Liabilities		
Current liabilities		
Bank advances	4,000	4,003
Accounts payable and accrued liabilities	5,772	5,589
Current portion of long-term debt	207	207
Deferred revenue	4,653	4,830
	14,632	14,629
Long-term debt	200	200
	14,832	14,829
Subsequent event (note 9)		
Shareholders' equity		
Capital stock (note 2)	1,473	1,444
Contributed surplus (note 2)	12,837	12,826
Retained earnings	1,277	1,003
	15,587	15,273
	30,419	30,102

TECSYS Inc.
Consolidated Statements of Earnings

Prepared in Accordance with Canadian Generally Accepted Accounting Principles

(in thousands of Canadian dollars, except share and per share data)

	Three Months Ended July 31, 2008 (unaudited)	Three Months Ended July 31, 2007 (unaudited)
Revenue		
Products (note 7a)	4,445	2,893
Services	5,549	5,218
Reimbursable expenses	243	236
	10,237	8,347
Cost of revenue		
Products	2,285	1,201
Services (note 7b)	3,689	3,248
Reimbursable expenses	243	236
	6,217	4,685
Gross margin	4,020	3,662
Operating expenses		
Sales and marketing	1,580	1,346
General and administration	807	818
Gross research and development	1,244	1,238
Research and development tax credits	(137)	(104)
Deferred development costs	(132)	(97)
Stock-based compensation	30	10
Amortization of property and equipment	132	133
Amortization of intangible assets	193	158
Amortization of deferred development costs	37	12
	3,754	3,514
Earnings from operations	266	148
Interest income	21	82
Interest expense	(26)	(3)
Foreign exchange gains (losses)	12	(143)
Share of net earnings (loss) and amortization of intangible assets of a company subject to significant influence	1	(7)
Net earnings for the period	274	77
Weighted average number of common shares outstanding		
- basic	13,006,383	13,679,127
- diluted	13,090,031	13,711,871
Basic and diluted net earnings per common share	$ 0.02	$ 0.01

TECSYS Inc.
Consolidated Statements of Cash Flows

Prepared in Accordance with Canadian Generally Accepted Accounting Principles

(in thousands of Canadian dollars)

	Three Months Ended July 31, 2008	Three Months Ended July 31, 2007
	(unaudited)	**(unaudited)**
Cash flows from		
Operating activities		
Net earnings for the period	274	77
Adjustments for		
Amortization of property and equipment	132	133
Amortization of intangible assets	193	158
Amortization of deferred development costs	37	12
Stock-based compensation	30	10
Unrealized foreign exchange losses	128	109
Deferred development costs	(132)	(97)
Share of net loss (earnings) and amortization of intangible assets of a company subject to significant influence	(1)	7
	661	409
Changes in non-cash working capital items related to operations		
Increase in accounts receivable	(163)	(344)
Increase in work in progress	(343)	(80)
Decrease (increase) in other accounts receivable	66	(10)
Increase in tax credits receivable	(111)	(234)
Increase in inventory	(8)	(16)
Decrease (increase) in prepaid expenses	48	(273)
Decrease in long-term receivables	29	-
Increase (decrease) in accounts payable and accrued liabilities	45	(688)
(Decrease) increase in deferred revenue	(177)	1,268
	47	32
Financing activities		
Bank advances	(3)	-
Issuance of common shares	20	4
Purchase of common shares for cancellation	(10)	(9)
	7	(5)
Investing activities		
(Increase) decrease in short-term and other investments	(23)	1,931
Acquisitions of property and equipment	(163)	(83)
Acquisitions of intangible assets	(77)	(25)
Decrease (increase) in long-term receivables including the current portion from a related party	12	(32)
	(251)	1,791
Variation in cash and cash equivalents	(197)	1,818
Cash and cash equivalents - beginning of period	5,693	4,491
Cash and cash equivalents - end of period	5,496	6,309

TECSYS Inc.

Consolidated Statements of Changes in Shareholders' Equity

Prepared in Accordance with Canadian Generally Accepted Accounting Principles

(in thousands of Canadian dollars, except number of shares)
(unaudited)

	Capital stock		Contributed	Retained	Total
	Number	Amount	surplus	earnings (deficit)	
Balance, April 30, 2008	13,003,684	1,444	12,826	1,003	15,273
Repurchase of common shares (note 2)	(6,100)	(1)	(9)		(10)
Stock options exercised (note 2)	12,500	20			20
Fair value associated with options exercised		10	(10)		-
Stock-based compensation			30		30
Net earnings for the period				274	274
Balance, July 31, 2008	13,010,084	1,473	12,837	1,277	15,587

	Capital stock		Contributed	Retained	Total
	Number	Amount	surplus	earnings (deficit)	
Balance, April 30, 2007	13,678,297	56,133	11,042	(51,941)	15,234
Repurchase of common shares (note 2)	(5,900)	(24)	15		(9)
Stock options exercised (note 2)	3,000	4			4
Fair value associated with options exercised		2	(2)		-
Stock-based compensation			10		10
Net earnings for the period				77	77
Balance, July 31, 2007	13,675,397	56,115	11,065	(51,864)	15,316

Interim financial information

The interim financial statements for the three-month periods ended July 31, 2008 and July 31, 2007 are unaudited and have not been reviewed by the Company's auditors. In the opinion of management, all necessary adjustments were made to present fairly the results of these periods. The adjustments made were of a normal recurring nature except for the valuation related to the fair value of the third party asset-backed commercial paper (ABCP) discussed in note 6. The results of operations for the three-month periods ended July 31, 2008 and 2007 are not necessarily indicative of the trends for the operating results for the full year.

The notes presented in these unaudited interim consolidated financial statements include only significant changes and transactions occurring since the Company's last year end. The disclosures in these interim financial statements do not conform in all respects to the requirements of generally accepted accounting principles for annual financial statements; therefore these interim financial statements should be read in conjunction with the audited annual financial statements for the year ended April 30, 2008. These interim financial statements follow the same accounting policies and methods of their application as described in the annual financial statements for the year ended April 30, 2008, except for the new accounting policies that have been adopted as noted below.

The Company's consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles, and all financial data derived therefrom in this interim report are expressed in Canadian dollars. The Company's functional currency is the Canadian dollar as substantially all of the Company's assets, operations and resources are located in Canada. The Company's reporting currency was the U.S. dollar up to April 30, 2008, however in the interest of promoting simplicity and transparency and to facilitate the understanding of the Company's operations and its financial statements, the Company is reporting in Canadian dollars beginning in fiscal 2009. Comparative historical figures have been restated using the current rate method to conform to the Canadian dollar financial statement presentation adopted in the current period. Under the current rate method, the statement of earnings and cash flow items for each period are translated into the reporting currency using the average exchange rates for the periods, and assets and liabilities are translated using the exchange rates in effect at the balance sheet date.

The restatement of the prior year's statement of earnings for fiscal 2008 in Canadian dollars is not very significant as the average exchange rate for fiscal 2008 was CA$1.0221 for every U.S. dollar. The table below presents the quarterly summary statement of earnings for fiscal 2008 in U.S. and Canadian dollars.

(in thousands of dollars, except per share data) (Quarterly data are unaudited)	US$					CDN$				
	Q1	Q2	Q3	Q4	2008	Q1	Q2	Q3	Q4	2008
Revenue	7,809	9,732	10,721	10,545	38,807	8,347	9,846	10,690	10,612	39,495
Cost of revenue	4,381	4,935	5,976	5,611	20,903	4,685	5,016	5,950	5,640	21,291
Gross margin	3,428	4,797	4,745	4,934	17,904	3,662	4,830	4,740	4,972	18,204
Operating expenses	3,287	3,804	3,921	3,420	14,432	3,514	3,860	3,898	3,436	14,708
Earnings from operations	141	993	824	1,514	3,472	148	970	842	1,536	3,496
Other	(59)	(566)	(117)	(840)	(1,582)	(71)	(556)	(119)	(846)	(1,592)
Earnings before income taxes	82	427	707	674	1,890	77	414	723	690	1,904
Provision for income taxes	-	-	-	635	635	-	-	-	641	641
Net earnings	82	427	707	39	1,255	77	414	723	49	1,263
Basic and diluted net earnings per common share	$ 0.01	$ 0.03	$ 0.05	$ 0.00	$ 0.09	$ 0.01	$ 0.03	$ 0.06	$ 0.00	$ 0.09

The effect of reporting in Canadian dollars on the prior year's April 30th 2008 balance sheet is not significant as the exchange rate at April 30, 2008 was CA$1.0095 for every U.S. dollar. As such, the Company's assets and liabilities are virtually the same whether expressed in Canadian or U.S. dollars. The shareholders' equity section expressed in Canadian dollars no longer requires the accumulated other comprehensive income account as it exclusively represented all the cumulative gains resulting from the translation of the Canadian dollar consolidated financial statements into U.S. dollars. Capital stock, contributed surplus, and retained earnings are presented at their historical Canadian dollar values on the Canadian dollar financial statements.

1. Changes in accounting policies

a) 2009 accounting changes

Effective with the commencement of its 2009 fiscal year beginning May 1, 2008, The Company has adopted the new CICA accounting standards presented hereunder.

Capital disclosures

In December 2006, the CICA issued Section 1535, Capital Disclosures. This section established standards for disclosing information about an entity's capital and how it is managed. The purpose is to enable users of the financial statements to evaluate the entity's objectives, policies and processes for managing capital. These new standard relate to disclosure only and do not impact the financial results (see note 3).

Financial instruments – disclosure and presentation

In December 2006, the CICA issued Section 3862, Financial Instruments – Disclosure, and Section 3863, Financial Instruments – Presentation. These sections replace existing Section 3861, Financial Instruments – Disclosure and Presentation. Disclosure standards are enhanced and expanded to complement the changes in accounting policy adopted in accordance with Section 3855, Financial Instruments – Recognition and Measurement. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. These new standards relate to disclosure and presentation only and do not impact the financial results (see notes 5 and 6).

Inventories

In June 2007, the CICA issued Section 3031, Inventories, which replaces Section 3030 and harmonizes the Canadian standards related to inventories with International Financial Reporting Standards (IFRS). This section provides changes to the measurement and more extensive guidance on the determination of cost, including allocation of overhead; narrows the permitted cost formulas; requires impairment testing; and expands the disclosure requirements to increase transparency. The Company has determined that the impact of adopting these standards is immaterial on its consolidated financial statements.

b) Future accounting changes

Goodwill and intangible assets

In February 2008, the CICA issued Section 3064, Goodwill and Intangible Assets, which will replace Section 3062, Goodwill and Other Intangible Assets and Section 3450, Research and Development Costs. The standards provide guidance on the recognition, measurement, presentation and disclosure of intangible assets and goodwill in accordance with the definition of an asset and the criteria for asset recognition as well as clarifying the application of the concept of matching revenues and expenses, whether these assets are separately acquired or internally developed. Theses new standards are applicable for fiscal years beginning on or after October 1, 2008. The Company will adopt these standards effective May 1, 2009 and has not yet assessed the impact of their adoption.

International Financial Reporting Standards

In 2005, the Accounting Standards Board of Canada (AcSB) announced that accounting standards in Canada are to converge with IFRS. In May 2007, the CICA published an updated version of its "Implementation Plan for Incorporating International Financial Reporting Standards into Canadian GAAP". This plan includes an outline of the key decisions that the CICA will need to make as it implements the Strategic Plan for publicly accountable enterprises that will converge Canadian generally accepted accounting standards with IFRS. While IFRS uses a conceptual framework similar to Canadian GAAP, there are significant differences in accounting policy which must be addressed. The CICA has confirmed the changeover date from current Canadian GAAP to IFRS to be January 1, 2011. The Company is currently assessing the future impact of these new standards on its consolidated financial statements.

2. Capital stock and contributed surplus

On July 16, 2008, the Company renewed its Notice of Intention to Make a Normal Course Issuer Bid (the "Notice") with the Toronto Stock Exchange (TSX). The Notice stated the Company's intention to purchase on the open market at prevailing market prices, through the facilities of the Toronto Stock Exchange, the greater of 25% of the average trading volume of the common shares on the TSX for the six months prior to the date of acceptance by the TSX of the Notice (the "ADTV") or 2,710 common shares on any trading day. Once a week, the Company may make a block purchase from a person who is not an insider exceeding the daily repurchase limit of (i) common shares having a price of at least $200,000 (ii) at least 5,000 common shares for at least $50,000 or (iii) at least 20 board lots of the common shares which total at least 150% of the ADTV. The maximum number of common shares, which may be purchased under the bid, is 650,184 or 5% of the 13,003,684 issued and outstanding common shares on July 4, 2008. The Company may purchase common shares under the bid, if it considers it advisable, at any time, and from time to time during the period of July 21, 2008 to July 20, 2009. The common shares will be purchased for cancellation.

During the three-month period ended July 31, 2008, the Company purchased 6,100 of its outstanding common shares at an average price of $1.54 under the Normal Course Issuer Bid. The total cost related to the purchasing of these shares, including other related costs, was $10,000. The excess of the purchase price over the net book value of these shares of $9,000 has been charged to contributed surplus. Additionally, during this period 12,500 options were exercised to purchase shares generating $20,000.

During the three-month period ended July 31, 2007, the Company purchased 5,900 of its outstanding common shares at an average price of $1.50 under the Normal Course Issuer Bid. The total cost related to the purchasing of these shares, including other related costs, was $9,000. The excess of the net book value over the purchase price of these shares of $15,000 has been credited to contributed surplus. Additionally, during this period 3,000 options were exercised to purchase shares generating $4,000.

The total number of common shares outstanding at July 31, 2008 is 13,010,084.

As at July 31, 2008, options to purchase 1,102,733 common shares at exercise prices ranging between $1.15 and $2.46 and warrants to purchase 15,000 common shares at an exercise price of $1.64 were outstanding. During the three months ended July 31, 2008, the Company granted options to purchase 39,500 common shares with exercise prices ranging between $1.59 and $1.70, while options to purchase 9,878 common shares at exercise prices ranging from $1.23 to $2.46 were either cancelled or expired unexercised, although they were vested. During this three-month period 12,500 options with an exercise price of $1.61 were exercised. No warrants were issued or exercised during the period.

As at July 31, 2007, options to purchase 818,702 common shares at exercise prices ranging between $1.15 and $2.46 and warrants to purchase 45,000 common shares at exercise prices ranging between $1.64 and $1.73 were outstanding. During the three months ended July 31, 2007, the Company granted options to purchase 1,000 common shares with an exercise price of $1.55, while options to purchase 148,248 common shares at exercise prices ranging from $1.24 to $2.01 were either cancelled or expired unexercised, although they were vested. During this three-month period, 3,000 options with an exercise price of $1.24 were exercised. No warrants were issued or exercised during the period.

3. Capital disclosures

The Company defines capital as shareholders' equity, long-term debt and bank advances, net of cash. The Company objectives in its management of capital is to safeguard its ability to continue funding its operations as a going concern, insuring sufficient liquidity to finance research and development activities, sales and services activities, general and administrative expenses, working capital, capital expenditures, potential future acquisitions, future growth, and to provide returns to shareholders through its dividend policy. The capital management objectives remain the same as for the previous fiscal period.

Its capital management policies include promoting shareholder value through the concentration of its shareholdings by means of purchasing its own shares for cancellation through normal course issuer bids when the Company considers it advisable to do so.

In recent history, the Company has followed an approach that relies almost exclusively on its existing liquidity and cash flow from operations to fund its activities. When possible, the Company tries to optimize its liquidity needs by non-dilutive sources, including investment tax credits, multimedia tax credits, and interest income.

(in Canadian dollars, tabular amounts in thousands, except as otherwise noted)

The Company's policy is to maintain a minimum level of debt. The Company's revolving credit facility providing access to $4,000,000 of liquidity to be used to finance the Company's working capital needs is precautionary security to sufficient liquidity in light of the ABCP market disruption since the summer of 2007. The credit facility is secured by a first-ranking hypothec of $4,800,000 on the third-party ABCP held with the Bank.

The Company manages its capital structure by adjusting purchased shares for cancellation pursuant to issuer bids, adjusting the amounts of dividend to shareholders, paying off existing debt, and extending or amending its banking credit facilities.

The Company banking and credit facilities require the Company to maintain a working capital ratio equal to or greater than 1.00 : 1.00, and shareholders' equity equal or greater than US$3,500,000.

4. Stock-based compensation costs

The Company maintains a stock-based compensation plan ("Option Plan"), which is described in note 12(e) in the audited financial statements for the year ended April 30, 2008.

Stock-based compensation costs are accounted for using the fair value based method of accounting for stock options and warrants granted to employees and directors. Under the fair value based method, compensation cost is measured at the fair value of options and warrants at the date of grant and is expensed over the award's vesting period with a corresponding credit to contributed surplus. Upon the exercise of the options, any consideration received from plan participants is credited to capital stock and the stock-based compensation cost originally credited to contributed surplus is reclassified to capital stock. Any stock-based compensation costs related to awards given to individuals other than employees and directors are accounted for at fair value. Cancellations are accounted for as they occur, with any previously recognized compensation cost related to unvested options being reversed in the period of cancellation.

The fair value of options and warrants granted in the three-month periods ended July 31, 2008 and July 31, 2007 was estimated using the Black-Scholes options pricing model with the following weighted average assumptions:

	Three months ended July 31 2008	**Three months ended July 31 2007**
Volatility	40.2%	44.2%
Risk-free interest rate	3.3%	4.6%
Dividend yield	nil	nil
Expected lives (in years)	4	4

Following is a summary of the weighted average grant date fair value of options granted during the three-month periods ended July 31, 2008 and 2007:

	Three months ended July 31 2008	**Three months ended July 31 2007**
Number of options	39,500	1,000
Weighted average exercise price	1.62	1.55
Weighted average grant date fair value	.58	.63

(in Canadian dollars, tabular amounts in thousands, except as otherwise noted)

5. Financial Instruments and risk management

As described in note 1, the Company has adopted CICA section 3862 and 3863 effective May 1, 2008. These new standards enhance disclosure with respect to financial instruments.

There have been no changes in classification of financial instruments since April 30, 2008. The table below summarizes the Company's financial instruments and their classifications for the periods ended July 31, 2008 and April 30, 2008.

	July 31, 2008				
	Held for trading at fair value	Loans and receivables at amortized cost	Financial liabilities at amortized cost	Total	April 30, 2008
Financial Assets					
Cash and cash equivalents	5,496	-	-	5,496	5,693
Restricted cash equivalents and other investments	695	-	-	695	672
Asset-backed commercial paper	4,052	-	-	4,052	4,045
Accounts receivable	-	9,396	-	9,396	9,233
Other accounts receivable	-	139	-	139	204
Long-term receivables	-	125	-	125	165
	10,243	9,660	-	19,903	20,012
Financial Liabilities					
Bank advances	-	-	4,000	4,000	4,003
Accounts payable and accrued liabilities	-	-	5,634	5,634	5,444
Current portion of long-term debt	-	-	207	207	207
Long-term debt	-	-	200	200	200
Foreign exchange derivatives	138	-	-	138	145
	138	-	10,041	10,179	9,999

The Company has determined that the carrying amounts of the accounts receivable and accounts payable and accrued liabilities approximate their fair value because of the relatively short period to maturity of these instruments. The carrying values of other accounts receivable, long-term receivables and long-term debt also approximate fair values.

The Company is exposed to the following risks as a result of holding financial instruments: currency or foreign exchange risk, credit risk, liquidity risk, interest rate risk, and market risk.

Currency risk

The Company is exposed to currency risk as a certain portion of the Company's sales and expenses are incurred in U.S. dollars resulting in U.S. dollar-denominated accounts receivable and accounts payable and accrued liabilities. In addition, certain of the Company's cash and cash equivalents are denominated in U.S. dollars. These balances are therefore subject to gains or losses due to fluctuations in that currency. The Company may enter into foreign exchange contracts in order to offset the impact of the fluctuation of the U.S. dollar regarding the revaluation of its U.S. net monetary assets.

On July 31, 2008, the Company held outstanding foreign exchange contracts with various maturities to April 30, 2009 to sell US$6,000,000 into Canadian dollars at rates averaging CA$1.0027 to yield CA$6,016,000. The Company recorded unrealized exchange losses of $138,000 related to these contracts for the period ended July 31, 2008. Subsequent to the quarter ended July 31, 2008, the Company undertook two additional forward exchange contracts to sell a total of US$800,000 forward at a weighted average rate of CA$1.0634 at various settlement dates ending on July 31, 2009.

(in Canadian dollars, tabular amounts in thousands, except as otherwise noted)

The following table provides an indication of the Company's significant foreign exchange currency exposures as at July 31, 2008.

	US$	GBP
Cash and cash equivalents	1,071	17
Accounts receivable	4,236	43
Work in progress	1,436	
Other accounts receivable	62	
Asset-backed commercial paper	319	
Long-term receivables	94	
Accounts payable and accrued liabilities	(1,477)	(9)
Derivative financial instruments	(6,000)	
	(259)	51

The following exchange rates applied during the three-month period ended July 31, 2008.

	Average rate	Reporting date rate
$CDN per $US	1.0096	1.0257
$CDN per GBP	1.9927	2.0312

Based on the Company's foreign currency exposures noted above, varying the above foreign currency reporting date exchange rates to reflect a 5% appreciation of the U.S. dollar (CA$1.076985) and GBP (CA$2.13276) would have had the following impact on the net earnings, assuming all other variables remained constant.

	US$	GBP
(Decrease) increase in net earnings	(13)	5

Credit risk

Credit risk is the risk associated with incurring a financial loss when the other party fails to discharge an obligation.

Financial instruments which potentially subject the Company to credit risk consist principally of cash and cash equivalents, short-term and other investments, and accounts receivable. The Company's cash and cash equivalents are maintained at major financial institutions and short-term and other investments consisted of commercial paper and investment certificates that were rated R1-high, the highest credit rating issued by the Dominion Bond Rating Service (DBRS), and were consistent with the criteria of the Company's investment policy. As a result of the liquidity disruption in the asset-backed commercial paper market, some of these investments did not settle on maturity and were reclassified as long term assets. Please refer to note 6 to the consolidated financial statements in the annual report for the period ended April 30, 2008 and to note 6 below.

At July 31, 2008, there is one customer comprising more than 10% of total trade accounts receivable and work in progress, however generally there is no particular concentration of credit risk due to the North American distribution of customers and procedures for the management of commercial risks. The Company performs ongoing credit reviews of all its customers and establishes an allowance for doubtful accounts receivable when accounts are determined to be uncollectible. Customers do not provide collateral in exchange for credit. The Company has entered into an arrangement with Export Development Canada wherein the latter has assumed the risk of credit loss in the case of bankruptcy for up to 90% of accounts receivable from certain foreign and domestic customers, to a maximum of US$1,500,000 and $1,795,000 (US$1,750,000) respectively, in any given year.

The Company maintains an allowance for doubtful accounts at an amount estimated to be sufficient to provide adequate protection against losses resulting from collecting less than full payment on its receivables.

(in Canadian dollars, tabular amounts in thousands, except as otherwise noted)

Individual overdue accounts are reviewed and allowance adjustments are recorded when determined necessary to state receivables at the realizable value. If the financial conditions of customers deteriorate resulting in their diminished ability or willingness to make payment, additional provisions for doubtful accounts are recorded. At July 31, 2008, $3,631,000 of trade accounts receivable were not past due, $5,008,000 were past due 0-180 days, and $1,950,000 were past due 180 days. The total allowance for doubtful accounts was $1,193,000 at July 31, 2008. The Company recorded additional provisions for doubtful accounts for $182,000 in the first quarter of fiscal 2009. The Company's maximum credit risk exposure corresponds to the carrying amounts of the accounts receivable.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure and financial leverage, as outlined in the capital disclosures discussion in note 3 above. It also manages liquidity risk by continuously monitoring actual and projected cash flows. The Board of Directors reviews and approves the Company's operating and capital budgets, as well as any material transactions out of the ordinary course of business.

The following are contractual maturities of financial liabilities as of July 31, 2008.

	Carrying amount	Less than 1 year	1 to 3 years
Bank advances	4,000		
Accounts payable and accrued liabilities	5,772		
Long-term liabilities including current portion	407	207	200
	10,179	207	200

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company has determined that the carrying values of its short-term financial assets and liabilities, including cash, accounts receivable, bank advances, as well as accounts payable and accrued liabilities, approximate their fair value because of the relatively short period to maturity of the instruments.

The fair value of the long-term receivables and the long-term debt were determined by discounting future cash flows using interest rates which the Company could obtain for loans with similar terms, conditions, and maturity dates. There was no significant difference between the fair value and the carrying value of these instruments as at July 31, 2008.

The Company's exposure to interest rate risk is summarized as follows:

Cash and cash equivalents	Short-term fixed interest rates
Restricted cash equivalents and other investments	Short-term fixed interest rate
Long-term receivable	Fixed interest rate
Bank advances	Short-term variable interest rate
Long-term debt	Fixed interest rates

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign exchange risk; interest rate risk; and other price risk, comprising those changes caused by factors specific to the financial instrument or its issuer, or factors affecting all similar instruments traded in the market. Please refer to the asset-backed commercial paper discussed below regarding these instruments and the associated market risks.

6. Asset-backed commercial paper

At July 31, 2008, the Company held various third-party asset-backed commercial paper (ABCP) with an original cost of $5,109,000, and including $400,000 denominated in U.S. dollars. The ABCP had been classified as held for trading on initial recognition and is measured at fair value at each reporting date. As a result of the liquidity disruption in the ABCP market, discussed at length on note 6 to the annual consolidated financial statements for the year ended April 30, 2008, they did not settle on maturity. As a result, the Company has classified its ABCP as long-term assets and is measuring the ABCP at fair value at each reporting date in anticipation of the proposed restructuring approved by the ABCP investors on April 25, 2008. Delays in the proposed restructuring plan have been incurred as various companies that hold some of the ABCP are seeking the Supreme Court of Canada to re-examine the plan. These companies are fighting the plan because it removes their right to sue banks, rating agencies, and other market players.

The ABCP in which the Company has invested has not traded in an active market since mid-August 2007 and there are currently no market quotations available. Based on public information, it is estimated that, of the ABCP in which the Company has invested:

- $4,773,000 or 94% is represented by a combination of leveraged collateralized debt, synthetic assets, and traditional securitized assets and the Company will, on restructuring, receive replacement senior Class A-1 and Class A-2 and subordinated Class B and Class C long-term floating rate notes with maturities of approximately eight and one-half years. The expected repayment date for these notes is December 20, 2016. The Company expects to receive replacement notes with par values as follows under the MAV2 margin funding facility as defined on the Information Statement of March 20, 2008:
    - Class A-1: $2,933,000
    - Class A-2: $1,455,000
    - Class B: $242,000
    - Class C: $143,000

The replacement senior notes are expected to obtain AA ratings while the replacement subordinated notes are likely to be unrated. Class A-1, A-2, and B notes will bear interest at the rate equal to the BA Rate less 50 basis points. Class C notes will bear interest at a rate equal to 20% per annum less 50 basis points.

- $314,000 or 6% is represented by assets that have an exposure to U.S. mortgages and sub-prime mortgages. On restructuring, the Company is likely to receive IA Tracking long-term floating rate notes with maturities of approximately between five and nine years. The Pan-Canadian Investors Committee has not provided any indication of the rating these notes may receive, if any.

The valuation technique used by the Company to estimate the fair value of its investment in ABCP incorporates weighted discounted cash flows considering the best available public information regarding market conditions and other factors that a market participant would consider for such investments. Based on the various assessment factors discussed on note 6 to the annual consolidated financial statements for the period ended April 30, 2008, the Company wrote down $1,041,000 representing 20% of the original value in fiscal 2008. After taking into consideration the changes in the credit market during the three-month period ended July 31, 2008, the Company concluded that there were no material changes in the market to warrant a change in the valuation of the ABCP. Hence, no adjustments to the carrying value were recorded during the first quarter of 2009.

Continuing uncertainties regarding the value of the assets which underlie the ABCP, changes in the assumptions used to estimate the fair value, the amount and timing of cash flows and the outcome of the restructuring process could give rise to a further change in the value of the Company's investments in ABCP, which would impact the Company's earnings in future periods.

(in Canadian dollars, tabular amounts in thousands, except as otherwise noted)

7. Other information

a) Products revenue

Products revenue is broken down as follows:

	Three months ended July 31 2008	Three months ended July 31 2007
Software products	1,497	1,283
Third-party hardware and software	2,948	1,610
	4,445	2,893

b) Cost of services consist of the following:

	Three months ended July 31 2008	Three months ended July 31 2007
Gross expenses	3,805	3,377
Refundable tax credits	(116)	(129)
	3,689	3,248

c) Earnings per share

Basic net earnings (loss) per common share are calculated using the weighted average number of common shares outstanding during the period.

Diluted net earnings per common share are calculated based on the weighted average number of common shares outstanding during the period plus the effects of dilutive potential common shares outstanding during the period. This method requires that the dilutive effect of outstanding options and warrants be calculated using the treasury stock method, as if all dilutive options and warrants had been exercised at the later of the beginning of the reporting period or date of issuance, and that the funds obtained thereby were used to purchase common shares of the Company at the average trading price of the common shares during the period.

The diluted weighted average number of shares has been calculated as follows:

	Three months ended July 31 2008	Three months ended July 31 2007
Weighted average number of common shares - basic	13,006,383	13,679,127
Addition to reflect the impact of:		
Employee and director stock options and warrants	83,648	32,744
Weighted average number of common shares - diluted	13,090,031	13,711,871

(in Canadian dollars, tabular amounts in thousands, except as otherwise noted)

Options and warrants to purchase 178,781 common shares for the three-month period ended July 31, 2008 (438,814 – three month period ended July 31, 2007) have been excluded from the above calculations since these options had exercise prices greater than the average price of common shares during this period.

8. Segment Information

The Company is organized under one reportable segment: the development and marketing of enterprise-wide distribution software and related services. Substantially all of the Company's long-lived assets are located in Canada.

Following is a summary of revenue by geographic location in which the Company's customers are located:

	Three months ended July 31 2008	**Three months ended July 31 2007**
Canada	5,050	3,740
United States	5,001	4,315
Other	186	292
	10,237	8,347

No customer accounted for greater than 10% of revenues for the periods presented.

9. Subsequent Event

On September 9, 2008, the Company declared a dividend of $0.02 per common share, payable on October 7, 2008, to shareholders of record as of the close of business on September 23, 2008.

www.tecsys.com

The statements in this report relating to matters that are not historical fact are forward looking statements that are based on management's beliefs and assumptions. Such statements are not guarantees of future performance, and are subject to a number of uncertainties, including but not limited to future economic conditions, the markets that TECSYS Inc. serves, the actions of competitors, major new technological trends and other factors beyond the control of TECSYS Inc., which could cause actual results to differ materially from such statements. Additional information about the Company, including copies of the continuous disclosure materials such as the annual information form, is available through the SEDAR website at http://www.sedar.com.

TECSYS Inc.
Investor Relations
87 Prince Street, 5th Floor
Montreal, Quebec
Canada H3C 2M7
Tel.: (800) 922-8649
(514) 866-0001
Fax: (514) 866-1805
E-mail: investor@tecsys.com
www.tecsys.com

Transfer Agent and Registrar
Computershare Investor Services Inc.
1500 University Street
Suite 700
Montreal, Quebec
Canada H3A 3S8
Tel: (514) 982-7555 or 1-800-564-6253
Fax: (514) 982-7635
service@computershare.com

Printed in Canada 095124