2nd Quarter

Fiscal 2004 Report

Prepared in Accordance with Canadian Generally Accepted Accounting Principles

Message to Shareholders:

Our second quarter is best characterized not only as just another solid quarter, but it is the third quarter of consecutive revenue growth and second quarter of consecutive profit. Given the direction of the economy and our financial performance, we believe that all key indicators are pointing the right way.

- Our revenue is up over the prior quarter by 10%
- Our revenue is up over the comparable quarter a year earlier by 11%
- Our product revenue is up significantly; 14% over the prior quarter and 42% over the same quarter in FY2003
- Our cash is up
- Our days sales outstanding are down
- And our win rate continues to improve quarter by quarter

Revenues in the second quarter of fiscal 2004 increased 11% to $4.1M compared to the second quarter of fiscal 2003 of $3.7M. Profit from operations for the reporting quarter was $246,000 compared to an operating loss of $664,000 in the corresponding quarter of last year. After accounting for an exchange loss of $281,000 and net interest income of $59,000, the Corporation earned a net income of $24,000. Net loss in the second quarter of fiscal 2003 was $777,000.

While our unrelenting focus on costs continues to be a key ingredient in the profit equation, we believe this is a product- and technology-led turnaround. Our ***Elite****Series* Release 7.x product line embraces cutting edge technology in a way that many of our competitors can only dream about. On October 24th, we released our ***Elite****Series* Release 7.2 suite of applications to a number of clients who were anxiously awaiting its delivery, and within days we had signed additional new accounts. This release strengthens our position on two fronts. On the business functionality side, we improved the import tracking and costing, and strengthened the comprehensive sales contract management functionality. On the technology front, we further improved the intuitive browser interface, increased our support for complex data types, and enhanced our Web Services engine. All of which are critical in the next generation of application architecture that we are bringing to the market.

We were also pleased to sign a number of new customers in the quarter including:

- Hudson Group – a magazine publisher and distributor
- Xerox Canada
- Nadiscorp Logistics Group
- Calea
- Dendrite Interactive Marketing

We continued to prove our strengths in the healthcare distribution segment with a go-live at the Sisters of Mercy hospital and clinical network in Springfield, MO. This large collaboration of regional healthcare providers is rolling out the TECSYS suite of applications to manage their internal distribution needs. The pharmaceutical distribution implementation was done this quarter with the medical/surgical side to follow. Sisters of Mercy is being viewed as the leading distribution business model of its kind by their peers in the healthcare industry, giving us the opportunity to gain even more attention.

A number of existing customers signed with us to upgrade to the latest Release 7.2. One of these accounts was Newalta Corporation. The company is based in Western Canada and specializes in waste chemical recovery. They have been utilizing ***Elite***_Series_ for years in one of their divisions. After the unveiling of our Release 7.2 product, Newalta have now signed the agreement to upgrade to the new release and to rollout ***Elite***_Series_ throughout the enterprise.

Granted there are certainly still some challenges to be overcome as we focus on steady growth, but all key performance indicators are moving in the right direction. We have developed a strong momentum in the market with our technology and products and are getting the well earned attention. In the months ahead we will place heavy emphasis on telling our story to the market and increase our pace to further distance ourselves from our competition. Having the right technology, products, and people supported by solid financials are all key ingredients to staying on top.

Yours truly,

Peter Brereton,

President and Co-CEO

Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis should be read in conjunction with the Consolidated Financial Statements and Notes thereto, which are included in this document. These statements should also be read in conjunction with the annual report for fiscal year 2003. The Corporation's second quarter for fiscal year 2004 ended on October 31, 2003.

The Corporation'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 U.S. dollars. The Corporation's reporting currency is the U.S. dollar; and the functional currency is the Canadian dollar. Accordingly, the consolidated financial statements for the three and six month periods ended October 31, 2003 and October 31, 2002 are translated into U.S. dollars using the current rate method. All gains and losses resulting from the translation of the consolidated financial statements into U.S. dollars are reflected in the cumulative translation adjustment in shareholders' equity.

In addition, the consolidated financial statements include a reconciliation of the specific measurement differences between Canadian and United States generally accepted accounting principles as they relate to the Corporation.

Results of Operations

Three and six months ended October 31, 2003 compared to three and six months ended October 31, 2002

Revenue

Total revenue increased 11% to $4.1 million in the second quarter of fiscal 2004 compared to $3.7 million in the second quarter of fiscal 2003. Products revenue increased 42% to $1.8 million in the second quarter of fiscal 2004 compared to $1.3 million for the same period last year due to increases of third-party products revenue of $427,000 and license revenues of $116,000. Services revenue decreased 6% to $2.2 million during the second quarter of fiscal 2004 compared to $2.3 million in the same period last year, reflecting primarily lower consulting fees. As a proportion of total revenue, products accounted for 44% and services 52% in the second quarter of fiscal 2004 compared to 34% and 62%, respectively, in the second quarter of fiscal 2003.

Total revenue decreased 1% to $7.9 million for the first half of fiscal 2004 compared to $8.0 million during the same period in fiscal 2003. Products revenue increased by 35% to $3.4 million compared to $2.5 million for the same period last year. The increase in product revenues is mainly due to increases of third-party products revenue of $644,000 related to the significant number of new contracts signed in the past nine months. Services revenue decreased by 19% to $4.1 million during the first half of fiscal 2004 compared to $5.1 million for the same period last year reflecting lower consulting, product adaptations, and support fees. As a proportion of total revenue, products accounted for 43% and services 52% in the first half of fiscal 2004 compared to 32% and 64%, respectively, in the same period last year.

Cost of Revenue

Total cost of revenue in the second quarter of fiscal 2004 was $1.9 million, a decline of 7% compared to $2.1 million for the same period last year. Cost of third-party products increased slightly by $44,000 to $552,000. Cost of services decreased to $1.2 million during the second quarter of fiscal 2004 compared to $1.4 million for the comparative period of fiscal 2003, a decrease of 15%. This decrease is attributable mainly to lower personnel costs and overhead. Average services personnel count was 78 in the second quarter of fiscal 2004 compared to 105 in same period last year representing a decrease of 26%. Total cost of revenue was net of multimedia tax credits of $137,000 in the second quarter of fiscal 2004 compared to $259,000 in second quarter of fiscal 2003.

For the first half of fiscal 2004, the total cost of revenue declined by 17% to $3.6 million compared to $4.3 million in the first half of fiscal 2003. Cost of third-party products decreased by 5% to $890,000 for the first six months of fiscal 2004 compared to $937,000 for the comparable period of the previous fiscal year. This is due primarily to better product mix and better negotiated cost from suppliers. Cost of services decreased by 23% to $2.3 million for the first half of fiscal 2004 compared to $3.0 million for the same period in fiscal 2003. This decrease is attributable mainly to lower average service personnel of 78 in the first half of fiscal 2004 compared to 110 for the same period last year. The cost of revenues also included multimedia tax credits of $303,000 in the first six months of fiscal 2004 compared to $443,000 for the comparable period of fiscal 2003.

Gross Margin

Total gross margin in the second quarter of fiscal 2004 was 54% compared to 45% in the same period of fiscal 2003. This increase is due primarily to a higher proportion of product revenues, which also generated higher margins of 70% in the second quarter of fiscal 2004 compared to 60% for the comparable period of fiscal 2003. Services gross margin was also higher at 44% in the second quarter of fiscal 2004 compared to 39% in the same period last year.

During the first six months of fiscal 2004, the total gross margin was 55% compared to 46% for the same period of fiscal 2003. The increase is due primarily to a higher proportion of product revenues, which also generated higher margins of 74% in the first half of fiscal 2004 compared to 63% for the same period in the previous fiscal period. Services margin increased in the first half of fiscal 2004 to 44% compared to 41% for the same period last year.

Operating Expenses

Total operating expenses decreased 14% to $2.0 million in the second quarter of fiscal 2004 compared to $2.3 million in the second quarter of fiscal 2003. During the first six months of fiscal 2004, operating expenses decreased by 17% to $4.0 million in comparison to $4.8 million for the same period of fiscal 2003. This reduction in operating expenses has been a direct result of the Corporation's continuing efforts to adjust its operating model to be in line with revenue expectations.

Sales and marketing, general and administration and research and development expenses were all lower during the second quarter and the first half of fiscal 2004 compared to the same periods last year.

Sales and Marketing

Expenses decreased 3% in the second quarter of fiscal 2004 to $893,000 from $925,000 for the comparable period last year. For the first six months of fiscal 2004, expenses decreased slightly by 4% or $79,000 to $1.8 million. The average number of employees in sales and marketing during the first half of fiscal 2004 was 22 compared to 26 in fiscal 2003.

General and Administration

Expenses decreased 5% in the second quarter of fiscal 2004 to $352,000 compared to $372,000 for the comparable period last year. During the first half of fiscal 2004, general and administration expenses decreased 9% to $714,000 in comparison to $788,000 for the same period of the previous fiscal year. The decrease in expenses is primarily a result of a lower personnel count as well as savings from the consolidation of facilities as described in the 2003 annual report MD&A. The average number of employees in general and administration during the first half of fiscal 2004 was 21 compared to 28 in fiscal 2003.

Research and Development (R&D)

Gross R&D expenses decreased 21% in the second quarter of fiscal 2004 to $754,000 compared to $953,000 for the comparable period last year ($565,000 and $717,000 respectively, net of tax credits). During the first half of fiscal 2004, gross R&D expenses decreased 22% to $1.5 million compared to $2.0 million for the same period in fiscal 2003 ($1.2 million and $1.6 million respectively, net of tax credits). The decrease is primarily due to lower salaries and benefits expenses resulting from lower average number of employees in the first half of fiscal 2004 of 44 compared to 64 in the same period last year.

During the second quarter of fiscal 2004, the Corporation continued to focus on moving the flagship ***Elite****Series* product to a state of the art Web-browser user interface with integrated Web Services capability by launching version 7.2. In the second quarter of fiscal 2004, gross R&D expenses were 18% of revenue compared to 26% in the same period last year. Gross R&D expenses for the first six months of fiscal 2004 were 19% of revenues compared to 25% for the comparable period last year.

Amortization of Intangible Assets

During the third quarter of fiscal 2003, the Corporation adopted, retroactive to May 1, 2002, the new recommendations of the CICA regarding impairment of long lived assets. During the third quarter of fiscal 2003, the Corporation reassessed the carrying value, under these new rules, and wrote off acquired technology from a business combination effected in July 2000 and sublicensing rights acquired in May 2000. Amortization of intangible asset expenses decreased 75% to 33,000 in the second quarter of fiscal 2004 compared to $135,000 for the comparable period in the previous fiscal year. Similarly, for the first half of fiscal 2004, amortization of intangible asset expenses decreased 77% to $64,000 as compared to $273,000 for the first half of fiscal 2003 primarily due to the reduced asset base resulting from the write off described above.

Other Income and Expenses

Interest income of $80,000 in the second quarter of fiscal 2004 was substantially higher compared to $56,000 for the same period in fiscal 2003 ($165,000 and $102,000 respectively for the first half of the year). This can be attributed mainly to more funds being available for investment.

As a result of the strengthening of the Canadian dollar against the U.S. dollar, the Corporation incurred an exchange loss of $281,000 in the second quarter of fiscal 2004 compared to an exchange loss of $140,000 for the same period in fiscal 2003 ($412,000 and $54,000 respectively for the first half of the year) primarily as a result of carrying a net asset position in U.S. dollars.

The consolidated financial statements for the three and six month periods ended October 31, 2003 and October 31, 2002 are translated into U.S. dollars using the current rate method. All gains and losses resulting from the translation of the Canadian dollar consolidated financial statements into U.S. dollars are reflected in the cumulative translation adjustment in shareholders' equity.

The Corporation has recorded increases in the cumulative translation adjustment (CTA) account within the shareholder's equity of $1.1 million for the first half of fiscal 2004 compared to an increase of $89,000 for the first half of fiscal 2003. The increases to CTA account represent exchange gains arising on the translation of the Canadian dollar financial statements into U.S. dollar financial statements where such exchange gains are posted directly into the shareholder's equity section rather than flowing through the statement of operations.

Net Profit / Loss

The Corporation recorded a net profit of $24,000 ($0.00 per share) in the second quarter of fiscal 2004 compared to a net loss of $777,000 ($0.05 per share) for the same period last year.

On a year to date basis, the net profit was $34,000 ($0.00 per share) compared to a net loss of $1.1 million ($0.08 per share) for the same period last year.

Note 8 to the financial statements reflects that there are no material differences between the Corporation's reported net profit (loss) and basic and diluted net profit (loss) per share under Canadian GAAP as compared to U.S. GAAP for the three and six month periods ended October 31, 2003 and 2002. However, under U.S. GAAP, the cumulative translation adjustment (CTA) is an integral part of arriving at the comprehensive profit or loss. The comprehensive net profit for the first half of fiscal 2004 under U.S. GAAP was $1.1 million compared to the comprehensive net loss of $1.0 million for the corresponding period in fiscal 2003.

Liquidity and Capital Resources

As of October 31, 2003, current assets totaled $16.6 million compared to $16.8 million at the end of fiscal 2003. Cash, restricted cash equivalents, and short-term and other investment securities increased to $12.8 million compared to $12.7 million as at April 30, 2003. Accounts receivable totaled $3.4 million at the end of October 31, 2003 compared to $3.2 million at the end of fiscal 2003. The Corporation's DSO (days sales outstanding) was 73 days at the end of the second quarter of fiscal 2004 compared to 78 days at the end of fiscal 2003.

Current liabilities as at October 31, 2003 totaled $5.3 million compared to $6.2 million at the end of fiscal 2003. This is mainly due to the repayment, in full, of a term loan as well as a reduction in deferred revenues. Long-term debt and other long-term liabilities, excluding the current portion of long-term debt, decreased to $1.1 million at the end of the second quarter of fiscal 2004 from $1.2 million at the end of fiscal 2003 due mainly to the repayment of a term loan, mentioned above, as well as certain capital lease obligations.

During the first half of fiscal 2004, operating activities generated funds of $441,000 compared to $2.6 million for the same period last year. During the first half of fiscal 2004, funds generated were due primarily to positive results in operating activities and offset slightly by outflows relating to net changes in working capital items. The $2.6 million generated for the first half of fiscal 2003 was all due to the net changes of working capital items. Working capital at the end of the first half of fiscal 2004 was $11.3 million compared to $10.6 million at the end of fiscal 2003. The Corporation believes that funds on hand at the end of the first half of fiscal 2004, together with short term investments and cash flow from operations will be sufficient to meet its needs for working capital, R&D, capital expenditures and debt repayment for at least the next twelve months.

During the first half of fiscal 2004, financing activities used funds of $1.0 million compared to using funds of $330,000 for the same period last year. Of the total amount used by financing activities, $618,000 was the result of the repayment of long-term debt and capital lease obligations in the first half of fiscal 2004. In the same period last year, the Corporation repaid long-term debt and capital lease obligations of $321,000. During the first half of fiscal 2004, the Corporation purchased 320,100 of its outstanding common shares for cancellation at an average price of $1.04 (CA$1.43) per share under a Normal Course Issuer Bid announced on July 15, 2002 and renewed on July 15, 2003. The total cost related to purchasing these shares, including other related costs, was $335,000. During the second quarter of fiscal 2003, the Corporation purchased 8,600 of its outstanding common shares for cancellation at an average price of $0.72 per share under the Normal Course Issuer Bid announced on July 15, 2002. The total cost related to the share purchase in the second quarter of fiscal 2003, including other related costs, was $9,000.

During the first half of fiscal 2004, funds used for investing activities amounted to $184,000 as compared to $2.7 million for the first half of 2003. During the first half of fiscal 2004, the Corporation used funds of $17,000 to increase short term investments compared to $2.6 million for the corresponding half year in fiscal 2003. Additionally, the Corporation expended $167,000 to acquire new property, plant and equipment in the first half of fiscal 2004 compared to $145,000 for the same period in fiscal 2003. In the first half of fiscal 2003, cash inflows of $65,000 were from the proceeds on asset dispositions.

Consolidated Balance Sheets

Prepared in Accordance with Canadian Generally Accepted Accounting Principles

(in thousands of U.S. dollars)	**October 31, 2003 (unaudited)**	**April 30, 2003**
Assets		
Current assets		
Cash and cash equivalents	69	703
Short-term investments	11,907	10,954
Accounts receivable (note 2)	3,366	3,226
Other accounts receivable	277	36
Tax credits receivable	462	1,359
Prepaid expenses	526	478
	16,607	16,756
Restricted cash equivalents and other investments	872	1,046
Property, plant and equipment	2,174	2,153
Intangible assets	346	349
	19,999	20,304
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 4)	3,449	3,635
Current portion of long-term debt	254	611
Deferred revenue	1,601	1,955
	5,304	6,201
Long-term debt	379	547
Other long-term liabilities	690	684
	6,373	7,432
Shareholders' Equity		
Capital stock (note 5)	39,344	40,291
Contributed surplus	1,608	996
Cumulative translation adjustment	819	(236)
Deficit	(28,145)	(28,179)
	13,626	12,872
	19,999	20,304

Consolidated Statements of Deficit

Prepared in Accordance with Canadian Generally Accepted Accounting Principles

(in thousands of U.S. dollars)

	Six Months Ended October 31, 2003 (unaudited)	Six Months Ended October 31, 2002 (unaudited)
Balance - Beginning of period	(28,179)	(21,227)
Transitional goodwill impairment loss		(346)
Net profit (loss) for the period	34	(1,132)
Balance - End of period	(28,145)	(22,705)

Consolidated Statements of Operations

Prepared in Accordance with Canadian Generally Accepted Accounting Principles

(in thousands of U.S. dollars, except share and per share data)

	Three Months Ended October 31, 2003 (unaudited)	Three Months Ended October 31, 2002 (unaudited)	Six Months Ended October 31, 2003 (unaudited)	Six Months Ended October 31, 2002 (unaudited)
Revenue				
Products (note 7a)	1,824	1,281	3,420	2,534
Services	2,171	2,303	4,125	5,118
Reimbursable expenses	152	139	368	364
	4,147	3,723	7,913	8,016
Cost of revenue				
Products	552	508	890	937
Services (note 7b)	1,209	1,416	2,320	3,002
Reimbursable expenses	152	139	368	364
	1,913	2,063	3,578	4,303
Gross margin	2,234	1,660	4,335	3,713
Operating expenses				
Sales & marketing	893	925	1,758	1,837
General & administration	352	372	714	788
Gross research & development	754	953	1,538	1,976
Research & development tax credits	(189)	(236)	(361)	(406)
Depreciation of property, plant and equipment	145	175	295	350
Amortization of intangible assets	33	135	64	273
	1,988	2,324	4,008	4,818
Profit (loss) from operations	246	(664)	327	(1,105)
Interest income	80	56	165	102
Interest expense	(21)	(29)	(46)	(75)
Foreign exchange losses	(281)	(140)	(412)	(54)
Net profit (loss) for the period	24	(777)	34	(1,132)
Weighted average number of common shares outstanding				
- basic	14,162,647	14,966,966	14,263,121	14,968,776
- diluted	14,252,136	14,966,966	14,311,304	14,968,776
Basic and diluted net loss per common share (in U.S. dollars)	$ 0.00	$ (0.05)	$ 0.00	$ (0.08)

Consolidated Statements of Cash Flows

Prepared in Accordance with Canadian Generally Accepted Accounting Principles

(in thousands of U.S. dollars)

	Three Months Ended October 31, 2003 (unaudited)	Three Months Ended October 31, 2002 (unaudited)	Six Months Ended October 31, 2003 (unaudited)	Six Months Ended October 31, 2002 (unaudited)
Cash flows from				
Operating activities				
Net profit (loss) for the period	24	(777)	34	(1,132)
Adjustments for				
Depreciation of property, plant and equipment	145	175	295	350
Amortization of intangible assets	33	135	64	273
Unrealized foreign exchange (gains) losses	115	(20)	182	(7)
Changes in non-cash working capital items related to operations				
Decrease in accounts receivable	426	1,879	191	2,092
Decrease (increase) in other accounts receivable	(31)	95	(232)	274
Decrease in tax credits receivable	1,338	1,192	1,032	1,190
Decrease (increase) in prepaid expenses	(131)	20	(3)	111
Decrease in accounts payable and accrued liabilities	(492)	(502)	(566)	(594)
Increase (decrease) in deferred revenue	(510)	(80)	(556)	4
	917	2,117	441	2,561
Financing activities				
Repayment of long-term debt and capital lease obligations	(501)	(101)	(618)	(321)
Purchase of common shares for cancellation	-	(6)	(335)	(6)
Share purchase costs	-	(3)	-	(3)
	(501)	(110)	(953)	(330)
Investing activities				
Increase in short-term and other investments	(1,009)	(4,397)	(17)	(2,632)
Acquisitions of property, plant and equipment	(107)	(81)	(167)	(145)
Proceeds on disposals of property, plant and equipment	-	(4)	-	65
	(1,116)	(4,482)	(184)	(2,712)
Effect of foreign exchange rate fluctuations on cash and cash equivalents	10	90	62	12
Change in cash and cash equivalents	(690)	(2,385)	(634)	(469)
Cash and cash equivalents - Beginning of Period	759	3,416	703	1,500
Cash and cash equivalents - End of Period	69	1,031	69	1,031

(in U.S. dollars, tabular amounts in thousands, except otherwise noted)

1. *Interim Financial Information*

The interim financial statements for the three and six month periods ended October 31, 2003 and for the three and six month periods ended October 31, 2002 are unaudited. 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. The results of operations for the three and six month periods ended October 31, 2003 and 2002 are not necessarily indicative of the trends for the operating results for the full year.

The disclosures in these interim financial statements do not conform in all respects to the requirements of generally accepted accounting principles for annual statements; therefore these interim financial statements should be read in conjunction with the annual financial statements for the year ended April 30, 2003. These interim financial statements follow the same accounting policies and methods of their application as the annual financial statements for the year ended April 30, 2003.

2. *Accounts Receivable*

Accounts receivable comprise the following:

	Oct. 31, 2003,	**Apr. 30, 2003**
Trade, net of an allowance for doubtful accounts of $1,658 (April 30, 2003 – $1,751)	2,984	3,063
Work in process	382	163
	3,366	3,226

3. *Bank Advances*

a) The Company renewed its banking agreement with the National Bank of Canada in April 2003. This agreement obliges the Company to respect certain covenants in the form of financial ratios, which have been respected as of October 31, 2003.

b) Under the terms of the agreement, the Bank has also agreed to provide a currency risk protection facility for a principle amount not exceeding CA$1,000,000 (US$758,000) which may be used to issue foreign exchange forward contracts for the sale or purchase of foreign currencies. There were no outstanding foreign exchange contracts at either April 30, 2003 or October 31, 2003.

c) This facility also permits the issuance of letters of guarantee of up to a maximum of CA$1,500,000 (US$1,137,000). As of October 31, 2003, CA$1,151,000 (US$872,000) of this facility was used to obtain letters of guarantee. An amount of CA$872,000 (US$661,000) is in favor of one of the Company's landlords and must be renewed annually through fiscal 2010; and CA$279,000 (US$211,000) is for certain capital lease obligations and must be maintained through October 2004.

d) Under the terms of this agreement, the Company also has available a three-year revolving term loan of up to CA$875,000 (US$663,000) to finance up to 50% of the net book value of property, plant and equipment at bank prime rate plus 1.75%. Advances under this facility amounted to CA$750,000 (US$523,000) at April 30, 2003. CA$125,000 and CA$625,000 were repaid in the first and second quarter respectively of the current fiscal year.

e) These facilities are secured by a first ranking general hypothec of CA$2,000,000 (US$1,515,000) on all present and future moveable assets.

(in U.S. dollars, tabular amounts in thousands, except otherwise noted)

4. *Accounts Payable and Accrued Liabilities*

Accounts payable and accrued liabilities comprise the following:

	Oct. 31, 2003	Apr. 30, 2003
Trade	2,370	2,601
Accrued employee costs	840	848
Other	239	186
	3,449	3,635

5. *Capital Stock*

As at October 31, 2003 options to purchase 1,030,893 common shares at exercise prices ranging between CA$0.99 and CA$37.66 were outstanding. During the six month period ended October 31, 2003, the Company granted options to purchase 367,800 common shares at exercise prices ranging from CA$1.23 to CA$1.83 and options to purchase 201,706 common shares at exercise prices ranging from CA$1.13 to CA$27.64 were either forfeited or expired. No options to purchase common shares were exercised during the six-month period ended October 31, 2003.

On July 15, 2003 the Company filed a renewal with the Toronto Stock Exchange of a Notice of Intention to Make a Normal Course Issuer Bid (the “Notice”). In the Notice, the Company stated its intention to purchase on the open market at prevailing market prices, through the facilities of the Toronto Stock Exchange, up to a maximum of 910,000 of its common shares, being approximately 10% of the 9,118,157 common shares comprising the public float as of June 30, 2003, but not more than 2% of the outstanding common shares as at June 30, 2003 in any 30-day period. The Company may purchase common shares under the bid, if it considers it advisable, at any time and from time to time between July 17, 2003 and July 16, 2004. The common shares will be purchased for cancellation.

During the six-month period ended October 31, 2003, the Company purchased 320,100 of its outstanding common shares for cancellation at an average price of CA $1.43 (US$1.04) per share. The total cost related to purchasing these shares, including other related costs, was CA$462,000 (US$335,000). The excess of the net book value over the purchase price of these shares of CA$845,000 (US$612,000) has been credited to contributed surplus.

The total number of common shares outstanding at October 31, 2003 is 14,162,647.

6. *Stock-based Compensation Costs*

During the 2003 fiscal year the Company adopted the new recommendations of the CICA regarding stock-based compensation costs (Handbook section 3870). In adopting this recommendation, the Company elected not to adopt the fair value based method of accounting for stock options granted to employees. Accordingly, the Company provides pro forma disclosures of net loss and net loss per common share as if the fair value based method of accounting had been used. For purposes of pro forma disclosures, the Company has applied these recommendations retroactively. Any stock-based compensation costs related to awards for individuals other than employees and directors, if any, continue to be accounted for at fair value.

(in U.S. dollars, tabular amounts in thousands, except otherwise noted)

If the fair value based method had been used to account for stock-based compensation costs related to stock options issued to employees, the net loss and related net loss per common share figures would be as follows:

	Three months ended Oct. 31, 2003	**Three months ended Oct. 31, 2002**	**Six months ended Oct. 31, 2003**	**Six months ended Oct. 31, 2002**
Net Loss for the year	(39)	(921)	(115)	(1,452)
Basic and diluted net loss per common share	$0.00	($0.06)	($0.01)	($0.10)

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

	Three months ended Oct. 31, 2003	**Three months ended Oct. 31, 2002**	**Six months ended Oct. 31, 2003**	**Six months ended Oct. 31, 2002**
Volatility	75%	75%	75%	75%
Risk-free interest rate	3.00%	3.00%	3.00%	3.00%
Dividend yield	nil	nil	nil	nil
Expected lives (in years)	3	3	3	3

The Black-Scholes options valuation model was developed for use in estimating the fair value of traded options. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because the Company's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options.

Following is a summary of the weighted average grant date fair value of options granted during the six-month periods ended October 31, 2003 and 2002:

	Three months ended Oct. 31, 2003	**Three months ended Oct. 31, 2002**	**Six months ended Oct. 31, 2003**	**Six months ended Oct. 31, 2002**
Number of options	362,500	150	367,800	169,800
Weighted average exercise price US$	1.19	0.72	1.18	0.98
Weighted average grant date FV US$	0.60	0.36	0.60	0.49

(in U.S. dollars, tabular amounts in thousands, except otherwise noted)

7. *Other Information*

a) *Products Revenue*

Products revenue is broken down as follows:

	Three months ended Oct. 31, 2003	Three months ended Oct. 31, 2002	Six months ended Oct. 31, 2003	Six months ended Oct. 31, 2002
Software products	663	547	1,402	1,160
Third-party hardware and software	1,161	734	2,018	1,374
	1,824	1,281	3,420	2,534

b) *Cost of Services*

Cost of services consist of the following:

	Three months ended Oct. 31, 2003	Three months ended Oct. 31, 2002	Six months ended Oct. 31, 2003	Six months ended Oct. 31, 2002
Gross expenses	1,346	1,675	2,623	3,445
Refundable tax credits	(137)	(259)	(303)	(443)
	1,209	1,416	2,320	3,002

c) *Profit (Loss) Per Share*

Basic profit (loss) per share is calculated using the weighted average number of shares outstanding during the period.

Diluted earnings per share is 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 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.

(in U.S. dollars, tabular amounts in thousands, except otherwise noted)

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

	Three months ended Oct. 31, 2003	Three months ended Oct. 31, 2002	Six months ended Oct. 31, 2003	Six months ended Oct. 31, 2002
Weighted avg. number of shares – basic	14,162,647	14,966,966	14,263,121	14,968,776
Additions to reflect the impacts of:				
Exercise of employee stock options	89,489	15,812	48,183	23,125
Weighted avg. number of shares – diluted	14,252,136	14,982,778	14,311,304	14,991,901

Options to purchase 749,293 common shares for the six months ended October 31, 2003 (three months ended October 31, 2003 – 399,043, six months ended October 31, 2002 – 804,878, three months ended October 31, 2002 – 804,878) have been excluded from the above calculations since they would have an anti-dilutive effect. Since the Company has recorded small net profits for the three and six months ended October 31, 2003 and was in a loss position for the three and six months ended October 31, 2002, there are no differences between basic and diluted per share figures.

8. *Significant Differences Between Canadian and United States GAAP*

The Company's financial statements were prepared in accordance with Canadian GAAP, which differs in some respects from U.S. GAAP. Significant measurement differences between Canadian GAAP and U.S. GAAP as they relate to the Company, are set forth below:

a) *Income Statements*

There are no differences between Canadian GAAP and U.S. GAAP affecting the net profit (loss) or the basis and diluted net profit (loss) per share for the three and six months ended October 31, 2003 and 2002. The following summary is a reconciliation of the net profit (loss) to the comprehensive profit (loss) for each period presented.

	Three months ended Oct. 31, 2003	Three months ended Oct. 31, 2002	Six months ended Oct. 31, 2003	Six months ended Oct. 31, 2002
Net profit (loss) for the period in accordance with Canadian GAAP or U.S. GAAP	24	(777)	34	(1,132)
Other comprehensive profit (loss):				
Foreign currency translation adjustments	820	275	1,055	89
Comprehensive profit (loss)	844	(502)	1,089	(1,043)

(in U.S. dollars, tabular amounts in thousands, except otherwise noted)

b) *Shareholders' Equity*

The following summarizes the material differences between shareholders' equity accounts under Canadian GAAP versus U.S. GAAP:

Capital Stock

	Oct. 31, 2003	Apr. 30, 2003
Capital stock in accordance with Canadian GAAP	39,344	40,291
Warrants forfeited during fiscal 2002	235	235
Capital stock in accordance with U.S. GAAP	39,579	40,526

Deficit

	Oct. 31, 2003	Apr. 30, 2003
Deficit in accordance with Canadian GAAP	(28,145)	(28,179)
Goodwill impairment loss:		
Cumulative effect of prior years	(235)	(235)
Deficit in accordance with U.S. GAAP	(28,380)	(28,414)

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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.

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