

2nd Quarter Fiscal 2007 Report

Prepared in Accordance with Canadian Generally Accepted Accounting Principles

Dear Shareholder,

This quarter marks a significant change in our approach to the business. Our products continue to win the minds and hearts of prospective clients with strong functionality and market leading technology, and yet overall revenues have not been where we expected them to be and earnings remain negative. Although our core business has remained steady, our calendar 2005 acquisitions have proven to require re-engineering and right-sizing. We have:

1. Analyzed the markets we serve and increased our focus on the most profitable ones.
2. Integrated our new account sales representatives from all of our business units into a single team.
3. Reviewed our operating expenses, made a number of changes and reduced overall headcount by in excess of 10%.

As a result, and combined with the changes made earlier in the first quarter of this fiscal year, our restructuring initiatives will enable us to reduce our annualized operating costs by \$3.3 million compared to the first half, with a significant positive impact on profitability.

At the end of the quarter, we announced that the board of directors has decided to separate the two roles of Chairman of the Board and CEO of the Company. The Board believes that separating the two roles will not only provide for better corporate governance for TECSYS, but also the continuing streamlining and improvement of business operations.

Allow me to run through some of the highlights of the quarter:

We signed five new clients across a variety of sectors and geographies:

- The largest real wood and laminate flooring retailer in the U.K.
- A New York based supplier of fulfilment and distribution services for the healthcare and consumer products industries.
- A manufacturer/distributor of a complete line of industrial, medical and speciality gases throughout the state of Texas and Mexico.
- A manufacturer and marketer of unique diagnostics and medical products in the U.S.
- An importer of high quality bicycles and accessories in the province of Quebec.

From a business development perspective, we continue to make significant headway in Europe with the win of a major retailer in the U.K. and a pipeline that continues to improve. We also entered a promising new business segment, in Gas and Welding Supplies, with the signing of a partnership agreement and the winning of our first account in this space. This industry crosses over many other verticals as supplier to construction, medical, laboratories, manufacturing, etc., and as a result, is somewhat recession proof.

We also signed a number of product upgrades and our services organization has successfully completed the deployment of our solutions in a number of accounts during the quarter.

Financial Summary:

Please note that all figures are in US currency and the comparable figures have been restated as outlined in our August 15th, 2006 press release.

- Revenue in the second quarter of fiscal 2007 decreased by 17% to \$7.6M compared to \$9.2M in the same period of fiscal 2006.
- Loss from operations was \$644,000 for the reporting quarter and includes two major elements: \$234,000 restructuring charges and approximately \$162,000 unfavourable impact due to the continuing strengthening of the Canadian dollar of approximately 6% compared to the same period of last fiscal year. Earnings from operations for the comparable period in fiscal year 2006 were \$62,000.
- After accounting for an exchange loss of \$64,000, net interest income of \$15,000 and a net gain of \$2,000 from a company in which TECSYS has an equity interest, net loss for the quarter was \$691,000 or \$0.05 per share compared to net earnings of \$27,000 or \$0.00 per share for the same period in the previous fiscal year.
- Backlog at the end of the second quarter of fiscal year 2007 was \$13.9 million

In summary, we have had some challenging quarters recently. We have reacted with a significant cost reduction, and a sharpened focus on the areas of the business that are already profitable. Our cash position remains solid and both our pipeline and our backlog look good. We value your continued support and look forward to better returns for you, our shareholders.

Yours Truly,

A handwritten signature in black ink, appearing to read 'Peter Brereton', with a long horizontal flourish extending to the right.

Peter Brereton
President and CEO

TECSYS Inc.

Management's Discussion and Analysis of Financial Condition and Results of Operations dated November 22, 2006

The following discussion and analysis should be read in conjunction with the Consolidated Financial Statements of TECSYS Inc. ("The 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 2006. The Company's second quarter for fiscal year 2007 ended on October 31, 2006.

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 U.S. dollars. The Company'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, 2006 and October 31, 2005 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 significant measurement differences between Canadian and United States generally accepted accounting principles as they relate to the Company.

Restatement of Prior Years' Financial Statements

The Company has restated the consolidated balance sheets, statements of operations, statements of deficit, and statements of cash flows, including the applicable notes thereto for the years ended April 30, 2005 and 2004, and for the first three quarters of fiscal 2006 in order to be fully compliant with Statement of Position (SOP) 97-2, "Software Revenue Recognition".

Historically, the Company generally recognized license revenue from perpetual software licenses sold under multiple element arrangements upon delivery of the software product, provided that a non-cancellable agreement exists, the fees are fixed and determinable, and collection is deemed probable. Based on the general framework of Statement of Position (SOP) 97-2, the fees associated with such agreements are allocated to the various revenue elements based on the vendor specific objective evidence (VSOE) of the fair value of each element. The revenue is recognized at the earlier point at which either sufficient vendor specific objective evidence of fair value exists or all the elements of the agreement have been delivered.

In the course of preparing the financial statements for the year ended April 30, 2006, it was determined that certain software license agreements signed during fiscal 2006 and prior years, which included a contractual provision requiring the customers to renew annual support agreements in order to maintain the right to use the software, had not been accounted for appropriately. This provision has the effect of transforming a perpetual license into a renewable annual license. The VSOE of fair value cannot be established for annual support contracts under these circumstances since the customer is considered not to be renewing the annual support on a standalone basis, but rather is essentially making a decision to renew both the software license and the support agreement. Hence, the license revenue cannot be recognized upon delivery. Under generally accepted accounting principles for software revenue recognition as specified in Statement of Position (SOP) 97-2, a license fee from such agreements representing a significant and incremental premium over subsequent year renewal fees should be 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 the up-front license 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.

The Company's objective for promoting this contractual provision with its customers is to insure that they are well supported and to maximize the occurrence of annual support renewals representing recurring revenue. The Company's approach regarding these license agreements requiring the annual support renewal is essentially the same as those without the mandatory support renewals. From an economic perspective, there are no discernible and distinct policy differences regarding pricing for licenses, annual support, services, and the related payment terms. Additionally, the Company's outstanding future support obligations do not differ in any respects between the agreements with and without mandatory support.

The Company has restated its financial statements to fully comply with generally accepted accounting principles. The restatement of revenue for each period represents the difference between the revenue originally reported as recognized but now deferred and the amortization of such deferred revenue over the initial contractual support period. Accordingly, the reported revenue and net earnings have been restated unfavorably by \$184,000 and \$436,000 for fiscal 2004 and fiscal 2005 respectively. Additionally, the application of the revenue recognition principles discussed above has adversely affected revenue and net earnings of the first three quarters of 2006 by \$238,000. At the end of the fiscal year 2006, total license revenue deferred as a result of this restatement was \$946,000. This will be recognized in fiscal year 2007. The restatement has no impact on cash flow from operating activities.

The impact of this restatement on the quarterly consolidated statements of operations is presented in the table below. The relevant figures for fiscal 2006 included in this management discussion and analysis have been restated to reflect the restatement principles discussed above.

Quarterly Selected Financial Data (Restated) (Quarterly data are unaudited)

In thousands of U.S. dollars, except per share data

	Fiscal Year 2006					Fiscal Year 2005					Fiscal Year 2004				
	Q1	Q2	Q3	Q4*	Total	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total
Total Revenue															
As previously reported	8,005	8,968	9,713	7,363	34,049	5,345	5,495	5,303	8,129	24,272	3,766	4,147	4,175	5,462	17,550
Adjustment	(204)	193	(227)	-	(238)	(170)	(150)	154	(270)	(436)	(474)	90	139	61	(184)
As restated	7,801	9,161	9,486	7,363	33,811	5,175	5,345	5,457	7,859	23,836	3,292	4,237	4,314	5,523	17,366
Net Earnings (Loss)															
As previously reported	225	(166)	5	(1,431)	(1,367)	136	(316)	180	334	334	10	24	20	361	415
Adjustment	(204)	193	(227)	-	(238)	(170)	(150)	154	(270)	(436)	(474)	90	139	61	(184)
As restated	21	27	(222)	(1,431)	(1,605)	(34)	(466)	334	64	(102)	(464)	114	159	422	231
Basic & Diluted Net Earnings (Loss) per Common Share (In U.S. dollars)															
As previously reported	0.02	(0.02)	-	(0.10)	(0.10)	0.01	(0.02)	0.01	0.02	0.02	-	-	-	0.03	0.03
Adjustment	(0.02)	0.02	(0.02)	-	(0.02)	(0.01)	(0.01)	0.01	(0.02)	(0.03)	(0.03)	0.01	0.01	-	(0.01)
As restated	-	-	(0.02)	(0.10)	(0.12)	-	(0.03)	0.02	-	(0.01)	(0.03)	0.01	0.01	0.03	0.02

* Q4 of fiscal 2006 is not a restatement, however it is included in the table to reflect the impact of the appropriate application of generally accepted accounting principles as discussed earlier.

Results of Operations

Three and six months ended October 31, 2006 compared to three and six months ended October 31, 2005 (as restated for October 31, 2005 only)

Revenue

Total revenue for the three months ended October 31, 2006 decreased by \$1.6 million or 17% to \$7.6 million compared to \$9.2 million for the same period of fiscal 2006.

Products revenue decreased by \$1.0 million or 26% to \$2.9 million in the second quarter of fiscal 2007 compared to \$3.9 million for the same period in the previous fiscal year. Services revenue decreased by 13% or \$650,000 to \$4.4 million during the second quarter of fiscal 2007 compared to \$5.0 million for the same fiscal period last year. The decrease in products revenue comprises a reduction of \$431,000 or 33% in proprietary licenses and \$577,000 or 22% in third-party products. The decrease in services revenue is the result of lower professional and training services. Products and services revenue are lower mainly due to delays in closing new accounts as well as upgrades for existing accounts.

As a percentage of total revenue, products accounted for 38% and services 58% in the second quarter of fiscal 2007 compared to 43% and 55%, respectively, in the second quarter of fiscal 2006.

The Canadian dollar has strengthened approximately 6% against the U.S. dollar for the second quarter of fiscal 2007 as compared to the same period in fiscal 2006. The Canadian dollar to U.S. dollar exchange rates for the three-month period ended October 31, 2006 have averaged \$0.892 US in comparison to \$0.843 US for the same period last year. Consequently, the strengthening Canadian dollar has affected the reported revenues favorably by approximately \$229,000 in the second quarter of fiscal 2007 in comparison to the same period last year. On the other hand, the strengthening Canadian dollar has affected cost of revenue and operating expenses adversely by approximately \$211,000 and \$180,000 respectively. Hence, earnings from operations have been affected unfavorably by \$162,000.

During the first half of fiscal 2007, total revenue decreased by \$1.6 million or 9% to \$15.4 million in comparison to \$17.0 million for the same period in fiscal 2006.

Products revenue decreased by \$779,000 or 12% to \$5.9 million in the first half of fiscal 2007 compared to \$6.7 million for the same period in the previous fiscal year. Services revenue decreased by 10% or \$979,000 to \$8.9 million during the first half of fiscal 2007 compared to \$9.9 million for the same fiscal period last year. The decrease in products revenue comprises a reduction of \$302,000 or 13% in proprietary licenses and \$477,000 or 11% in third party products. The decrease in products and services revenue is mainly due to delays in closing new accounts as well as upgrades for existing accounts.

As a percentage of total revenue, products accounted for 38% and services 58% in the first half of fiscal 2007 compared to 40% and 58%, respectively, in the first half of fiscal 2006.

The Canadian dollar has strengthened approximately 8% against the U.S. dollar for the first half of fiscal 2007 as compared to the same period in fiscal 2006. The Canadian dollar to U.S. dollar exchange rates for the six-month period ended October 31, 2006 have averaged \$0.893 US in comparison to \$0.824 US for the same period last year. Consequently, the strengthening Canadian dollar has affected the reported revenues favorably by approximately \$667,000 in the first half of fiscal 2007 in comparison to the same period last year. On the other hand, the strengthening Canadian dollar has affected cost of revenue and operating expenses adversely by approximately \$563,000 and \$497,000 respectively. Hence, earnings from operations have been affected unfavorably by \$393,000.

Cost of Revenue

Total cost of revenue decreased 13% or \$728,000 to \$4.8 million in the second quarter of fiscal 2007 compared to \$5.6 million for the same three-month period in fiscal 2006. The decrease is mainly due to reduction of third-party product costs of \$528,000 or 27% to \$1.4 million in comparison to \$1.9 million for the same three-month period last year. This reduction of third-party product costs is primarily attributable to the \$577,000 or 22% reduction on third-party product revenues mentioned earlier.

Services costs decreased by \$264,000 or 8% to 3.2 million for the second quarter of fiscal 2007 in comparison to \$3.4 million for the same period of the previous fiscal year. The total cost of services also includes multimedia tax credits of \$99,000 for the second quarter of fiscal 2007 compared to \$153,000 for the same period in the previous fiscal year. The reduction of services costs are primarily attributable to a lower average employee headcount of six as well as fewer consultants. This decrease of resources was effected to mitigate the reduced professional services and training activity that accounts for the reduction in services revenue.

The total cost of revenue for the first half of fiscal 2007 decreased \$528,000 or 5% to \$9.5 million in comparison to \$10.1 million for the same six-month period in fiscal 2006. The decrease comprises \$390,000 or a 12% decrease in products' cost and is primarily related to the decrease of 11% or \$477,000 in third-party products revenue. Additionally, services costs decreased by \$325,000 or 5% to \$6.1 million in comparison to \$6.5 million for the first half of fiscal 2006. Services cost is net of multimedia tax credits of \$244,000 and \$296,000 for the first half of fiscal 2007 and 2006 respectively. The reduction of services cost is primarily attributable to fewer employees as well as consultants to mitigate the reduced professional services and training revenues mentioned earlier.

Gross Margin

The gross margin decreased by \$866,000 or 24% to \$2.7 million for the second quarter of fiscal 2007 in comparison to \$3.6 million for the same fiscal period last year. Total gross margin percentage in the second quarter of fiscal 2007 was 36% compared to 39% in the same period of fiscal 2006. The gross margin reduction of 3% is mainly attributable to lower services revenue, predominantly in the area of professional services.

Products margin was 52% of products revenue or \$1.5 million in the second quarter of fiscal 2007 compared to 51% or \$2.0 million for the same three-month period last year. Services gross margin was 28% of services revenue or \$1.2 million in the second quarter of fiscal 2007 compared to 32% or \$1.6 in the same period last year.

For the first half of fiscal 2007, the gross margin decreased by \$1.0 million or 15% to \$5.8 million in comparison to \$6.9 million for the same six-month period in fiscal 2006. The gross margin percentage was 38% of revenues in the first half of fiscal 2007 in comparison to 41% for the same fiscal period a year earlier. The gross margin reduction of 3% is primarily attributable to the lower services revenue, predominantly in the area of professional services.

Products margin remained flat at 51% of revenue for the first half of fiscal 2007 and 2006, however decreased \$389,000 in absolute terms to \$3.0 million from \$3.4 million, predominantly from a reduction in proprietary software revenue of \$302,000. Services gross margin decreased \$654,000 and was 31% of services revenue or \$2.8 million in the first half of fiscal 2007 compared to 35% or \$3.5 in the same period last year.

Operating Expenses

Total operating expenses decreased by \$160,000 or 5% to \$3.4 million in the second quarter of fiscal 2007 compared to \$3.5 million in the second quarter of fiscal 2006. Operating expenses were affected unfavorably by approximately \$180,000 due to the strengthened Canadian dollar in the second quarter of fiscal 2007 in comparison to the same period in fiscal 2006.

The most significant variances and transactions differentiating the second quarter of fiscal 2007 in comparison with fiscal 2006 are as follows.

- Sales and marketing expenses are lower by \$155,000 or 10% in the second quarter of fiscal 2007 compared to the same fiscal period of 2006 due primarily to reductions of resources and lower variable commission expense as a result of the lower revenue.
- General and administration expenses are lower by \$274,000 in the second quarter of fiscal 2007 as compared to fiscal 2006 primarily because a significant bad debt was realized on a single account in fiscal 2006. The differential in bad debt expense in the second quarter between the two years accounts for \$183,000.
- Research and development tax credits are significantly lower by \$197,000 in the second quarter of fiscal 2007 as compared to the same period a year earlier. In the second quarter of fiscal 2006, a favorable adjustment of \$88,000 was realized due to a recovery of prior periods' credits, while in the second quarter of fiscal 2007, the company recorded an unfavorable write down mainly as a result of an amount of approximately \$50,000 claimed for prior years that was disallowed.
- In the second quarter of fiscal 2007, \$74,000 of deferred development costs were capitalized in comparison to none for the comparable period of the prior fiscal year.
- In the second quarter of fiscal 2007, the Company recorded \$234,000 of restructuring charges associated with employee termination costs and redundant facilities.

For the first half of fiscal 2007, the total operating expenses decreased \$22,000 to \$6.7 million in comparison to the same fiscal period a year earlier. Operating expenses were affected unfavorably by approximately \$497,000 due to the strengthened Canadian dollar in the first half of fiscal 2007 in comparison to the same period in fiscal 2006.

The most significant variances and transactions differentiating the first half of fiscal 2007 in comparison with fiscal 2006 are as follows.

- Sales and marketing expenses are lower by \$179,000 or 6% in the first half of fiscal 2007 compared to the same fiscal period of 2006 due primarily to fewer resources and variable commission expense.
- General and administration expenses are lower by \$189,000 in the first half of fiscal 2007 as compared to fiscal 2006 primarily because a significant bad debt was realized on a single account in fiscal 2006. The differential in bad debt expense in the first half between the two years accounts for \$199,000.
- Research and development tax credits are significantly lower by \$248,000 in the first half of fiscal 2007 as compared to the same period a year earlier. The second quarter of fiscal 2006 included a favorable adjustment of \$88,000, while in the second quarter of fiscal 2007 the company recorded an unfavorable write down as mentioned above.
- In the first half of fiscal 2007, \$229,000 of deferred development costs were capitalized in comparison to none for the comparable period of the prior fiscal year.
- In the first half of fiscal 2007, the Company recorded \$234,000 of restructuring charges associated with employee termination costs and redundant facilities.

Other Income and Expenses

During the first half of fiscal 2007, the Company recorded an exchange loss of \$30,000 compared to an exchange loss of \$127,000 for the same period in the previous fiscal year. The exchange gains or losses arise because the Company carries net monetary assets, primarily cash and accounts receivable, denominated in U.S. dollars. The exchange rate at April 30, 2006, the beginning of the year, was \$1 US = \$1.1203 CA. The exchange rate at October 31, 2006 was \$1 US = \$1.1227 CA representing virtually no appreciation of U.S. monetary assets for the first half of fiscal 2007. The exchange rate at April 30, 2005 was \$1 US = \$1.2569 CA and at October 31, 2005 the rate was \$1 US = \$1.1801 CA representing a 6% depreciation of U.S. monetary assets in the first half of the last fiscal year.

During the first half of fiscal 2007, the Company protected a portion of its U.S. net monetary assets by means of forward exchange contracts selling \$2.0 million U.S. dollars forward at the beginning of each quarter for settlement before the end of each quarter. There were no foreign exchange contracts outstanding at the end of the either quarter. The hedging strategy yielded an exchange loss of US \$76,000 for the first half of fiscal 2007. Similar transactions for the hedging strategy in the first half of fiscal 2006 yielded an exchange gain of US \$94,000.

Subsequent to the current quarter ended October 31, 2006, the Company undertook another foreign exchange contract to sell \$2.0 million U.S. dollars forward at a rate of 1.1380 on January 31, 2007.

The consolidated financial statements for the three and six-month periods ended October 31, 2006 and October 31, 2005 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 Company has recorded a decrease in the cumulative translation adjustment (CTA) account within the shareholder's equity of \$5,000 for the first half of fiscal 2007 compared to an increase of \$894,000 for the first half of fiscal 2006. The increase or decrease to the CTA account represents exchange gains or losses arising on the translation of the Canadian dollar financial statements into U.S. dollar financial statements where such exchange gains or losses are posted directly into the shareholder's equity section rather than flowing through the statement of operations.

Net Earnings

The Company recorded a net loss of \$691,000 or \$0.05 per share in the second quarter of fiscal 2007 compared to net earnings of \$27,000 or \$0.00 per share for the same period last year. For the six months ended October 31, 2006, the Company recorded a net loss of \$865,000 or \$0.06 per share compared to net earnings of \$48,000 or \$0.00 per share for the same six-month period in the previous fiscal year.

Note 5 to the consolidated financial statements reflects that there is only a very small difference of \$6,000 between the Company's reported net earnings and no difference between the basic and diluted net earnings per share under Canadian GAAP as compared to U.S. GAAP for the six-month periods ended October 31, 2006 and 2005. However, under U.S. GAAP, the cumulative translation adjustment (CTA) is an integral part of arriving at the comprehensive income. The comprehensive loss for the first half of fiscal 2007 under U.S. GAAP was \$864,000 compared to a comprehensive income of \$948,000 for the corresponding period in fiscal 2006.

Liquidity and Capital Resources

As of October 31, 2006, current assets totaled \$13.8 million compared to \$15.7 million at the end of fiscal 2006. Cash, restricted cash equivalents, and short-term and other investment securities decreased to \$4.5 million compared to \$6.9 million as at April 30, 2006. Accounts receivable totaled \$7.4 million at the end of October 31, 2006 compared to \$7.1 million as at April 30, 2006. The Company's DSO (days sales outstanding) increased to 88 days at the end the second quarter of fiscal 2007 in comparison to 87 days at the end of fiscal 2006 and 79 days at the end of the second quarter of fiscal 2006.

Current liabilities as at October 31, 2006 totaled \$7.6 million compared to \$8.7 million at the end of fiscal 2006. Working capital decreased to \$6.2 million at the end of the second quarter of fiscal 2007 compared to \$7.0 million at the end of fiscal year 2006.

During the first six months of fiscal 2007, operating activities used funds of \$2.4 million compared to \$276,000 for the same period last year. During the first half of fiscal 2007, unfavorable results in operating activities used \$521,000 and net non-cash working capital also used funds of \$1.9 million, represented primarily by the increase of accounts receivable and tax credits receivable and the decrease in accounts payable and deferred revenue. During the first half of fiscal 2006, positive results in operating activities generated \$692,000 and were offset by increases in net non-cash working capital using funds of \$968,000, represented primarily by the increase of accounts receivable and tax credits receivable and the reduction of accounts payable.

The Company believes that funds on hand at October 31, 2006, 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.

Financing activities generated funds of \$7,000 for the first half of fiscal 2007 and used funds of \$225,000 for the same six-month period in fiscal 2006. The repayment of long-term debt and capital lease obligations amounted to \$13,000 in the first half of fiscal 2007 compared to \$37,000 for the comparable period in fiscal 2006. During the first half of fiscal 2007, 97,600 options were exercised to purchase common shares generating \$86,000. Additionally, during the first half of fiscal 2007, the Company purchased 50,000 of its outstanding common shares for cancellation at an average price of CA \$1.44 (US \$1.29) per share under a Normal Course Issuer Bid (NCIB). The total cost related to the purchasing of these shares, including other related costs, was \$66,000. The excess of the net book value over the purchase price of the shares of \$74,000 was credited 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 18, 2007. In the first half of fiscal 2006, the Company purchased 145,500 shares at an average price of CA \$1.55 (US \$1.28) per share. The total cost related to the purchasing of these shares, including related costs, was \$188,000. The excess of the net book value over the purchase price of the shares of \$220,000 was credited to contributed surplus.

During the first half of fiscal 2007, investing activities generated funds amounting to \$2.5 million as compared to \$312,000 for the comparable period of fiscal 2006. The Company generated funds of \$2.6 million and \$456,000 by decreasing short-term investments in the first half of fiscal 2007 and the first half of fiscal 2006 respectively. Funds of \$144,000 were used for each of the first half of fiscal 2007 and 2006 for the acquisition of property, plant, and equipment, and computer software for internal use (intangible assets).

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, 2006.

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 the reported amounts of revenue and expenses during the reporting periods.

As the Company's software implementation period may typically span from six to twelve months, the most 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 (PointForce Inc. in fiscal 2004 and Application Solutions Inc. and Symplitech Inc. in fiscal 2005) 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 of five years and a projected 20% 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.

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 related to business combinations initiated or completed prior to July 1, 2001 was amortized on a straight-line basis over the estimated useful life of five years. Following the adoption of the recommendations of the CICA Handbook Section 3062 on May 1, 2002, goodwill is not amortized, but rather 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, the goodwill related to that reporting unit is tested for impairment. If the carrying value of such goodwill is determined to be in excess of its 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 estimates including future cash flows and involving varying degrees of judgement and uncertainty. Actual results will differ from those estimates.

The Company assesses the carrying value of its long-lived assets, which include property, plant 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 estimates including future cash flows and involving 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 deteriorate 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, the actual results attributable to a fiscal period may differ from the accounting estimates posted.

Revenue Recognition

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

- **License Fees**

Revenues from perpetual licenses sold separately are recognized when a non-cancellable 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. Revenues 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 upfront 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 upfront 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 process 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. Revenues from technical support and unspecified software update rights are recognized ratably over the term of the support agreement.

- **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.

Related Party Transactions

The company has a subordinated loan for CA\$107,000 (US\$95,000) 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 October 31, 2006 and October 31, 2005.

Pursuant to the equity investments in TECSYS Latin America Inc (TLA) as described in note 9 of the annual report of fiscal year 2006, the Company has provided loans in the amount of \$50,000 to TLA in July 2006 and another \$50,000 in August 2006. These amounts are repayable over four years commencing six months following each advance. The loans bear interest at 5% per annum.

Management has compiled the unaudited interim consolidated financial information of TECSYS Inc. consisting of the interim Consolidated Balance Sheet as at October 31, 2006 and the Consolidated Statements of Deficit, Operations, and Cash Flows for the three and six-month periods ended October 31, 2006 and October 31, 2005. 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 U.S. dollars)

	October 31, 2006 (unaudited)	April 30, 2006
Assets		
Current assets		
Cash and cash equivalents	1,292	1,180
Short-term and other investments	2,580	5,159
Accounts receivable	7,422	7,134
Other accounts receivable	95	88
Tax credits receivable	1,700	1,362
Inventory	189	147
Prepaid expenses	532	599
	<u>13,810</u>	<u>15,669</u>
Restricted cash equivalents and other investments	600	602
Long-term receivable	82	-
Property, plant and equipment, net	1,878	2,010
Intangible assets	1,656	1,945
Long-term investments	313	321
Goodwill	2,039	2,042
Deferred development costs	494	265
	<u>20,872</u>	<u>22,854</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	4,080	4,910
Current portion of long-term debt	512	527
Deferred revenue	3,017	3,247
	<u>7,609</u>	<u>8,684</u>
Other long-term liabilities	25	100
	<u>7,634</u>	<u>8,784</u>
Shareholders' Equity		
Capital stock (note 2)	38,244	38,256
Contributed surplus (notes 2 and 3)	7,219	7,169
Cumulative translation adjustment	3,080	3,085
Deficit	<u>(35,305)</u>	<u>(34,440)</u>
	<u>13,238</u>	<u>14,070</u>
	<u>20,872</u>	<u>22,854</u>

TECSYS Inc.**Consolidated Statements of Deficit**

Prepared in Accordance with Canadian Generally Accepted Accounting Principles

(in thousands of U.S. dollars)

	Six Months Ended October 31, 2006 (unaudited)	Six Months Ended October 31, 2005 (restated - note 1) (unaudited)
Balance - Beginning of period	(34,440)	(32,835)
Net earnings (loss) for the period	(865)	48
Balance - End of period	(35,305)	(32,787)

TECSYS Inc.**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, 2006 (unaudited)	Three Months Ended October 31, 2005 (restated - note 1) (unaudited)	Six Months Ended October 31, 2006 (unaudited)	Six Months Ended October 31, 2005 (restated - note 1) (unaudited)
Revenue				
Products (note 4a)	2,905	3,913	5,926	6,705
Services	4,396	5,046	8,921	9,900
Reimbursable expenses	266	202	544	357
	<u>7,567</u>	<u>9,161</u>	<u>15,391</u>	<u>16,962</u>
Cost of revenue				
Products	1,407	1,935	2,877	3,267
Services (note 4b)	3,161	3,425	6,125	6,450
Reimbursable expenses	266	202	544	357
	<u>4,834</u>	<u>5,562</u>	<u>9,546</u>	<u>10,074</u>
Gross margin	<u>2,733</u>	<u>3,599</u>	<u>5,845</u>	<u>6,888</u>
Operating expenses				
Sales & marketing	1,359	1,514	2,789	2,968
General & administration	565	839	1,289	1,478
Gross research & development	1,049	1,108	2,236	2,099
Research & development tax credits	(46)	(243)	(152)	(400)
Deferred development costs	(74)	-	(229)	-
Stock-based compensation	5	36	19	69
Amortization of property, plant and equipment	138	141	270	276
Amortization of intangible assets	147	142	289	277
Restructuring charges	234	-	234	-
	<u>3,377</u>	<u>3,537</u>	<u>6,745</u>	<u>6,767</u>
Earnings (loss) from operations	(644)	62	(900)	121
Interest income	25	38	102	85
Interest expense	(10)	(11)	(29)	(31)
Foreign exchange losses	(64)	(62)	(30)	(127)
Share of net earnings and amortization of intangible assets of a company subject to significant influence	2	-	(8)	-
Net earnings (loss) for the period	<u>(691)</u>	<u>27</u>	<u>(865)</u>	<u>48</u>
Weighted average number of common shares outstanding				
- basic	<u>13,624,736</u>	<u>13,816,997</u>	<u>13,626,580</u>	<u>13,850,223</u>
- diluted	<u>13,624,736</u>	<u>13,865,976</u>	<u>13,626,580</u>	<u>13,901,725</u>
Basic and diluted net earnings (loss) per common share (in US dollars)	<u>\$ (0.05)</u>	<u>\$ 0.00</u>	<u>\$ (0.06)</u>	<u>\$ 0.00</u>

TECSYS Inc.
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, 2006 (unaudited)	Three Months Ended October 31, 2005 (restated - note 1) (unaudited)	Six Months Ended October 31, 2006 (unaudited)	Six Months Ended October 31, 2005 (restated - note 1) (unaudited)
Cash flows from				
Operating activities				
Net earnings (loss) for the period	(691)	27	(865)	48
Adjustments for				
Amortization of property, plant and equipment	138	141	270	276
Amortization of intangible assets	147	142	289	277
Stock-based compensation	5	36	19	69
Unrealized foreign exchange losses (gains)	(5)	16	(13)	22
Deferred development costs	(74)	-	(229)	-
Share of net earnings and amortization of intangible assets of a company subject to significant influence	(2)	-	8	-
Changes in non-cash working capital items related to operations				
Decrease (increase) in accounts receivable	400	181	(332)	(502)
Decrease (increase) in other accounts receivable	5	33	(7)	10
Increase in tax credits receivable	(154)	(226)	(343)	(362)
Decrease (increase) in inventory	(53)	48	(44)	83
Decrease (increase) in prepaid expenses	(60)	46	67	144
Increase in long-term receivable	(39)	-	(82)	-
Increase (decrease) in accounts payable and accrued liabilities	(911)	159	(924)	(379)
Increase (decrease) in deferred revenue	193	(367)	(202)	38
	(1,101)	236	(2,388)	(276)
Financing activities				
Repayment of long-term debt and capital lease obligations	(7)	(32)	(13)	(37)
Issuance of common shares	86	-	86	-
Purchase of common shares for cancellation	-	(108)	(66)	(188)
	79	(140)	7	(225)
Investing activities				
Decrease (increase) in short-term and other investments	1,073	(247)	2,647	456
Acquisitions of property, plant and equipment	(110)	(54)	(142)	(125)
Acquisitions of intangible assets	(2)	(19)	(2)	(19)
	961	(320)	2,503	312
Effect of foreign exchange rate fluctuations on cash and cash equivalents				
	(2)	25	(10)	11
Change in cash and cash equivalents	(63)	(199)	112	(178)
Cash and cash equivalents - Beginning of Period	1,355	1,075	1,180	1,054
Cash and cash equivalents - End of Period	1,292	876	1,292	876

Interim financial information

The interim financial statements for the three and six-month periods ended October 31, 2006 and October 31, 2005 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. The results of operations for the three and six-month periods ended October 31, 2006 and 2005 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 financial statements; therefore these interim financial statements should be read in conjunction with the audited annual financial statements for the year ended April 30, 2006. 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, 2006.

1. Restatement of Prior Years' Financial Statements

Historically, the Company generally recognized license revenues from perpetual software licenses sold under multiple element arrangements upon delivery of the software product. In the course of preparing the financial statements for the year ended April 30, 2006, it was determined that certain software license agreements signed during fiscal 2006 and prior years which included a contractual provision requiring the customers to renew annual support agreements in order to maintain the right to use the software, had not been accounted for appropriately. This provision has the effect of transforming a perpetual license into a renewable annual license. Under generally accepted accounting principles for software revenue recognition as specified in Statement of Position (SOP) 97-2, license revenues from such agreements should be deferred and recognized ratably over the initial support period.

Accordingly, the Company has restated the financial statements for the years ended April 30, 2005 and 2004 and the interim financial statements for the first three quarters of fiscal 2006. The restatement has no impact on cash flows from operating activities.

2. Capital stock

On July 17, 2006, the Company renewed its Notice of Intention to Make a Normal Course Issuer Bid (NCIB) with the Toronto Stock Exchange. The Notice stated the Company's intention to purchase on the open market at prevailing prices, through the facilities of the Toronto Stock Exchange, up to a maximum of 680,000 of its common shares, being approximately 5% of the 13,600,697 common shares outstanding as of July 5, 2006, but not more than 2% of such outstanding common shares in any 30-day period. Under the renewal, the Company may purchase common shares, if it considers it advisable, at any time, and from time to time during the period of July 19, 2006 to July 18, 2007. The common shares will be purchased for cancellation.

During the six-month period ended October 31, 2006, the Company purchased 50,000 of its outstanding common shares at an average price of CA \$1.44 (US \$1.29) under the Normal Course Issuer Bid. The total cost related to the purchasing of these shares, including other related costs, was \$66,000. The excess of the net book value over the purchase price of these shares of \$74,000 has been credited to contributed surplus. Additionally, during this period 97,600 options were exercised to purchase shares generating \$86,000.

During the six-month period ended October 31, 2005, the Company purchased 145,500 of its outstanding common shares at an average price of CA \$1.55 (US \$1.28) under the Normal Course Issuer Bid. The total cost related to the purchasing of these shares, including other related costs, was \$188,000. The excess of the net book value over the purchase price of these shares of \$220,000 has been credited to contributed surplus.

The total number of common shares outstanding at October 31, 2006 is 13,698,297.

The following table summarizes the capital stock activity since April 30, 2005:

	Common shares	
	Number of shares	Amount
Balance - April 30, 2005	13,923,297	39,019
Repurchase of common shares	(272,600)	(763)
Balance - April 30, 2006	13,650,697	38,256
Repurchase of common shares	(50,000)	(141)
Stock options exercised	97,600	86
Fair value associated with 97,600 options exercised		43
Balance - October 31, 2006	13,698,297	38,244

The following table summarizes the contributed surplus activity since April 30, 2005:

	Amount
Balance - April 30, 2005	6,624
Repurchase of 272,600 common shares - excess of net book value over the purchase price and related costs	414
Fiscal 2006 stock-based compensation	131
Balance - April 30, 2006	7,169
Repurchase of 50,000 common shares - excess of net book value over the purchase price and related costs	74
Fair value associated with 97,600 options exercised	(43)
Current year's stock-based compensation for six months	19
Balance - October 31, 2006	7,219

As at October 31, 2006, options to purchase 855,382 common shares at exercise prices ranging between CA \$1.15 and CA \$2.65 and warrants to purchase 45,000 common shares at exercise prices ranging between CA \$1.64 and CA \$1.73 were outstanding. During the six months ended October 31, 2006, the Company granted options to purchase 163,750 common shares with exercise prices ranging from CA \$1.15 to CA \$1.65, while options to purchase 107,887 common shares at exercise prices ranging from CA \$0.99 to CA \$2.65 were either forfeited or expired. During this six-month period 97,600 options with an exercise of CA \$0.99 were exercised. No warrants were issued or exercised during the period, although 5,000 warrants with an exercise price of CA \$1.64 were forfeited.

As at October 31, 2005, options to purchase 995,714 common shares at exercise prices ranging between CA \$0.99 and CA \$5.92 and warrants to purchase 62,500 common shares at exercise prices ranging between CA \$1.64 and CA \$2.03 were outstanding. During the six months ended October 31, 2005, the Company granted options to purchase 45,000 common shares with exercise prices ranging from CA \$1.50 to CA \$1.62, while options to purchase 59,206 common shares at exercise prices ranging from CA \$1.50 to CA \$5.92 were either forfeited or expired. No warrants were issued during the period, although 22,500 warrants with an exercise price of CA \$2.03 were forfeited. No options or warrants to purchase common shares were exercised during the six-month period ended October 31, 2005.

3. Stock-based compensation costs

The Company maintains a stock-based compensation plan ("Option Plan"), which is described in note 13(d) in the audited financial statements for the year ended April 30, 2006. Effective May 1, 2004, the Company adopted the fair value based method of accounting for stock options and warrants granted to employees and directors and elected to apply the new standard retroactively without restatement as prescribed by the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3870, "Stock-based Compensation and Other Stock-based Payments".

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. Stock-based compensation expense is recorded in the statement of operations commencing May 1, 2004. No compensation cost is recognized for this plan when shares are issued to employees and directors upon the exercise of the options. Any consideration received from the stock-option plan participants is credited 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. Forfeitures are accounted for as they occur, with any previously recognized compensation cost related to unvested options being reversed in the period of forfeiture.

The fair value of options and warrants granted in the three and six-month periods ended October 31, 2006 and October 31, 2005 was estimated using the Black-Scholes options pricing model with the following weighted average assumptions:

	Three months ended October 31, 2006	Three months ended October 31, 2005	Six months ended October 31, 2006	Six months ended October 31, 2005
Volatility	51.7%	62.5%	51.7%	62.5%
Risk-free interest rate	4.0%	3.7%	4.0%	3.7%
Dividend yield	nil	nil	nil	nil
Expected lives (in years)	4	4	4	4

Following is a summary of the weighted average grant date fair value of options granted during the three and six-month periods ended October 31, 2006 and 2005:

	Three months ended October 31, 2006	Three months ended October 31, 2005	Six months ended October 31, 2006	Six months ended October 31, 2005
Number of options	160,750	18,000	163,750	45,000
Weighted avg. exercise price US \$	1.24	1.28	1.24	1.26
Weighted avg. grant date FV US \$	0.55	0.65	0.55	0.63

4. Other Information

a) Products revenue

Products revenue is broken down as follows:

	Three months ended October 31, 2006	Three months ended October 31, 2005 (restated— note 1)	Six months ended October 31, 2006	Six months ended October 31, 2005 (restated— note 1)
Software products	873	1,304	2,003	2,305
Third-party hardware and software	2,032	2,609	3,923	4,400
	<u>2,905</u>	<u>3,913</u>	<u>5,926</u>	<u>6,705</u>

b) Cost of services consist of the following:

	Three months ended October 31, 2006	Three months ended October 31, 2005 (restated— note 1)	Six months ended October 31, 2006	Six months ended October 31, 2005 (restated— note 1)
Gross expenses	3,260	3,578	6,369	6,746
Refundable tax credits	(99)	(153)	(244)	(296)
	<u>3,161</u>	<u>3,425</u>	<u>6,125</u>	<u>6,450</u>

c) Earnings (loss) per share

Basic earnings (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 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 October 31, 2006	Three months ended October 31, 2005 (restated— note 1)	Six months ended October 31, 2006	Six months ended October 31, 2005 (restated— note 1)
Weighted average number of shares - basic	13,624,736	13,816,997	13,626,580	13,850,223
Additions to reflect the impacts of: Exercise of employee stock options and warrants	-	48,979	-	51,502
Weighted average number of shares-diluted	<u>13,624,736</u>	<u>13,865,976</u>	<u>13,626,580</u>	<u>13,901,725</u>

Options and warrants to purchase 900,382 common shares for the three and six-month periods ended October 31, 2006 (745,514 – three and six-month periods ended October 31, 2005) have been excluded from the above calculations since they would have an anti-dilutive effect. There are no differences between basic and diluted net earnings per common share figures.

5. Significant differences between Canadian and United States GAAP

The Company's financial statements are 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) Statement of Operations

The following summary sets out the material differences between the Company's net earnings under Canadian GAAP as compared to U.S. GAAP for each period presented.

	Three months ended October 31, 2006	Three months ended October 31, 2005 (restated— note 1)	Six months ended October 31, 2006	Six months ended October 31, 2005 (restated— note 1)
Net earnings (loss) for the period in accordance with Canadian GAAP	(691)	27	(865)	48
Amortization of in-process research & development relating to the ASI acquisition	3	3	6	6
Net earnings (loss) for the period in accordance with U.S. GAAP	(688)	30	(859)	54
Other comprehensive income (loss):				
Foreign currency translation adjustments	105	553	(5)	894
Comprehensive income	(583)	583	(864)	948

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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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