

TECSYS Inc.

3rd Quarter

Fiscal 2009 Report

Prepared in Accordance with Canadian Generally Accepted Accounting Principles

Dear Shareholder,

In Q3, 2009, in spite of the economic climate that clearly impacted decision making, we remained profitable. During the quarter we won the business of four new customers, and also signed substantial business from existing customers with new commitments for products and services that reached some \$6.6 million. We also saw the successful deployments of our software at twenty two customers across our business units, ending the quarter with \$20.6 million in backlog.

From a financial point of view, below are the key highlights. I would like to point out that from a comparison point of view, Q3, 2009 and Q3, 2008 were not exactly at a level playing field for two key reasons: the economic climate in 2008 was significantly better than 2009 during this period, and Q3, 2008 was an exceptionally good quarter in which we posted record financial results. Financial highlights for Q3, 2009 include:

- Total revenue was \$9.6M in Q3, 2009 compared to \$10.7M in Q3, 2008.
- Earnings from operations for the third quarter of fiscal 2009 were \$329K compared to \$842K for the same quarter of last fiscal year.
- EBITDA for Q3, 2009 was \$480K compared to \$1,108K for Q3 of last fiscal year.
- Net earnings for the third quarter, 2009 were \$97K or one cent per share, compared to \$723K or six cents per share in the same quarter of last fiscal year. Net earnings for Q3, 2009 were achieved after accounting for an exchange loss of \$86K, net interest income of \$4K, share of net loss and amortization of \$27K for intangible assets of a company in which TECSYS has an equity interest, and a provision for ABCP holdings of \$123K.

Our cash position continues to be strong. During the quarter, we have generated \$1.6 million in cash from operations, ending the quarter with cash and cash equivalents of \$8.2 million compared to \$6.7 million at the end of Q2, 2009 with no significant long term debt.

As a result of new commitments, our annualized recurring revenue improved to \$13.4 million, and our backlog increased to \$20.6 million at the end of Q3, 2009 from \$20.1 million at the end of the Q2 of this fiscal year. New customers won during the quarter include:

- The Department of Health for a large U.S. City
- A Gas & Welding Supplies distributor in Texas
- Two industrial distributors in Canada

The Department of Health for this large U.S. city is a major win for TECSYS. We are providing our distribution and warehouse management software to improve warehouse productivity and decision making during emergency responses in their healthcare supply network. We are pleased with this win, and we are delighted to add this client to our growing number of hospital supply network customers.

Also in healthcare, I am pleased to report the go-live of VHA. A recent TECSYS customer, VHA is the national healthcare alliance that serves more than 1,400 hospitals and 23,000 non-acute healthcare organizations across the United States.

VHA has recently established a Consolidated Service Center (CSC); a centralized warehouse facility which stocks supplies and healthcare products to replenish the needs of its hospital supply network. Such CSC facilities, when deployed with our software have been able to improve healthcare services and significantly reduce cost of supplies. As importantly, they have been able to help reduce the number of incidents associated with the wrong administration of drugs to patients. We are pleased to have VHA as one of our healthcare customers and look forward to our continued growth in this account.

In the heavy equipment sector, I am pleased to report the deployment of our software at two major heavy equipment dealers in the U.S. TECSYS' software automates parts distribution, enables electronic records and tracking, and cost reduction by over 30% for these dealers. Our unique capabilities and proven return on investment enhance our market and competitive position and further strengthen our future prospects in this sector.

From the perspective of returns to shareholders, and as part of our Normal Course Issuer Bid (NCIB), we have purchased during the quarter at an average price of \$1.23 per share, 80,000 of TECSYS' outstanding common shares for cancellation. Total investment for this NCIB amounted to \$104,000 including other related costs. Furthermore, and in accordance with the Company's dividend policy, the board of directors has declared two cents per share dividend, to be paid on March 31st, 2009 to shareholders of record at the close of business on March 12, 2009.

Our business development initiatives continue to be strong and our sales pipeline continues to be healthy. Moving forward, we remain cautiously optimistic about our business opportunities while continuing to monitor the changing landscape.

Thank you for your ongoing support.

Sincerely,

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 February 24, 2009

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

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

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

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

(In thousands of dollars, except per share data)

(Quarterly data are unaudited)

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

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

Quarterly Selected Financial Data

(Quarterly data are unaudited)

In thousands of Canadian dollars, except per share data

	2009			Q4	2008			2007
	Q3	Q2	Q1		Q3	Q2	Q1	Q4
Total Revenue	9,649	10,711	10,237	10,612	10,690	9,846	8,347	8,955
Net Earnings (Loss)	97	644	274	49	723	414	77	(156)
Basic & Diluted Net Earnings (Loss) per Common Share	0.01	0.05	0.02	-	0.06	0.03	0.01	(0.01)

Results of Operations

Three and nine months ended January 31, 2009 compared to three and nine months ended January 31, 2008

Revenue

Total revenue for the third quarter ended January 31, 2009 decreased by \$1.0 million or 10% to \$9.6 million compared to \$10.7 million for the same period of fiscal 2008. Total revenue for the first nine months of the current fiscal year increased \$1.7 million or 6% to \$30.6 million compared to \$28.9 million for the comparable period of fiscal 2008.

Streamline, the Company's latest acquisition since November 30, 2007, accounted for an increase of \$175,000 during the third quarter and \$1.2 million for the first nine months of fiscal 2009 compared to fiscal 2008 as it had operated for only 2 months for the period ended January 31, 2008.

Products revenue decreased significantly by \$1.9 million or 38% to \$3.1 million in the third quarter of fiscal 2009 in comparison to \$5.1 million for the same period last year. The decrease comprised \$917,000 of proprietary products and \$1.0 million of third-party products due primarily to the lack of closing new agreements. The current economic, financial, and credit environment in North America is clearly having an impact in delaying capital investment decisions by customers.

Products revenue for the first nine months decreased by \$422,000 or 3% to \$12.1 million compared to \$12.5 million for the same period of the previous year with Streamline contributing incremental revenues of \$361,000 in fiscal 2009. Excluding Streamline, the decrease is attributable to \$1.4 million less in proprietary products revenue due to the general economic slowdown offset by an increase of \$600,000 of third-party products, mainly due to higher volumes of radio frequency equipment and IBM servers on a few large orders from base accounts.

Services increased by \$895,000 or 17% to \$6.2 million in the third quarter of fiscal 2009 compared to \$5.3 million for the same period in the previous fiscal year. As the Company continues to service a considerable backlog, all services activities, including professional services, custom enhancements, and support contributed to the increased revenues as well as an additional month of Streamline operating activity in fiscal 2009 in comparison to fiscal 2008.

Services revenue for the first nine months of fiscal 2009 increased \$2.1 million or 13% to \$17.7 million compared to \$15.6 million for the same period last year. Streamline's nine-month operating period in fiscal 2009 generated an incremental \$844,000 to \$1.1 million in services revenue in comparison to the two-month period ended January 31, 2008. Excluding Streamline, services revenue has increased \$1.2 million or 8% in the first nine months of the current year, attributable primarily to increased activity for custom enhancements and support.

As a percentage of total revenue, products accounted for 33% and services for 64% in the third quarter of fiscal 2009 compared to 48% and 50%, respectively, in the third quarter of fiscal 2008.

As a percentage of total revenue, products accounted for 40% and services for 58% in the first nine months of fiscal 2009 compared to 43% and 54%, respectively, in the first nine months of fiscal 2008.

Cost of Revenue

Total cost of revenue decreased by 5% or \$324,000 to \$5.6 million in the third quarter of fiscal 2009 compared to \$6.0 million for the same three-month period in fiscal 2008. The decrease is mainly due to the decrease of third-party product costs for \$792,000 related to the decrease of third-party product revenues mentioned earlier and to the increase in services cost for \$463,000.

Total cost of revenue increased by 15% or \$2.3 million to \$17.9 million in the first nine months of fiscal 2009 compared to \$15.7 million for the same nine-month period in fiscal 2008. Streamline accounted for \$938,000 of the increase and relates primarily to the longer operating period in fiscal 2009. Excluding Streamline, the increase is mainly due to the increase of third-party product costs for \$617,000 related to the increase of third-party product revenues mentioned earlier and increases in services cost for \$691,000. Excluding Streamline, the services costs increase of \$691,000 is primarily as a result of the higher employee-related costs due to a higher headcount of 12. The cost of services includes tax credits of \$477,000 for the first nine months of fiscal 2009 compared to \$382,000 for the same period in the previous fiscal year (\$150,000 – Q3 FY2009 compared to \$115,000 – Q3 FY2008). The increase in tax credits relates to the new e-business tax credits introduced by the Quebec government in March 2008 for which the Company believes that it qualifies.

Gross Margin

The gross margin decreased by \$717,000 or 15% to \$4.0 million for the third quarter of fiscal 2009 in comparison to \$4.7 million for the same period last year. Total gross margin percentage in the third quarter of fiscal 2009 was 42% compared to 44% in the same period of fiscal 2008. The decrease in the gross margin is attributable to lower proprietary license revenues of \$917,000. Although third-party product margins have remained relatively flat at 23% in comparing the third quarter of fiscal 2009 and 2008, lower third-party revenues in the third quarter of fiscal 2009 have decreased the contribution margin by \$232,000. Services margin during the third quarter of fiscal 2009 increased to 39% compared to 38% for the same period of fiscal 2008. The significant increase in the services activities generated an increase in the services margin of \$432,000 for the third quarter of fiscal 2009 in comparison to the same period last year.

The gross margin decreased by \$579,000 or 4% to \$12.7 million for the first nine months of fiscal 2009 compared to \$13.2 million for the same period last year. The gross margin percentage is 41% for the first nine months of the current fiscal year compared to 46% for the same period last year. The margin was affected by lower proprietary licenses of \$1.1 million representing a decrease of 20% from fiscal 2008 levels. Although third-party margins have decreased 2% to 24% in the first nine months of fiscal 2009 compared to last year due to competitive price pressures, the overall margin contribution has remained relatively flat at \$1.8 million due to the incremental volumes. Services margin during the first nine months of fiscal 2009 decreased to 36% compared to 38% for the same period of fiscal 2008. The significant increase in the services activities generated an increase in the services margin of \$519,000 for the first nine months of fiscal 2009 in comparison to the same period last year. The services margin percentage decrease is largely attributable to the addition of Streamline and to the additional resources in the remainder of the business to service the increased backlog.

Operating Expenses

Total operating expenses for the third quarter decreased by \$204,000 to \$3.7 million compared to the same three-month period last year. Streamline accounted for an increase of \$123,000 during the quarter compared to last year.

The most notable differences between the third quarter of fiscal 2009 in comparison with the same period in fiscal 2008 are as follows.

- General and administrative expenses are lower by \$134,000 mainly as a result of reduced management incentives, travel, and investor and public relations expenses.
- Gross R&D expenses are higher \$149,000 mainly as a result of the addition and transfer of resources to accelerate the migration to the Java platform and the addition of Streamline.
- Capitalized deferred development costs are higher by \$211,000 amounting to \$262,000 in the third quarter of fiscal 2009 in comparison with the same period of the previous year. As anticipated the Company accelerated the migration of its existing product onto the Java platform during this quarter.

Total operating expenses for the first nine months of fiscal 2009 remained relatively flat increasing by \$15,000 to \$11.3 million in comparison to the same nine-month period last year. The Streamline operations over the nine-month period in fiscal 2009 accounted for an incremental \$767,000, in comparison to the two-month period ended January 31, 2008 in the previous fiscal year.

The most significant differences between the first nine months of fiscal 2009 in comparison with the same period in fiscal 2008 are as follows.

- Sales and Marketing expenses are higher by \$226,000 mainly due to the addition of Streamline offset by lower variable selling expenses.
- General and administration expenses have decreased \$57,000 as a result of lower management incentives, travel, professional fees and capital taxes.
- Gross R&D expenses are higher by \$235,000 mainly as a result of the addition and transfer of resources to accelerate the migration to the Java platform and the addition of Streamline.
- R&D tax credits are higher by \$94,000 as a result of the e-business tax credits.
- Capitalized deferred development costs are higher by \$437,000 due to the accelerated effort to migrate the Company's product onto the Java platform.
- Higher stock-based compensation of \$63,000.

Earnings from Operations

Earnings from operations decreased by \$513,000 to \$329,000 representing 3% of revenues in the third quarter of fiscal 2009 in comparison to \$842,000 representing 8% of revenues for the third quarter of the previous year.

For the first nine months of fiscal 2009, earnings from operations decreased by \$594,000 to \$1.4 million representing 4% of revenue compared to \$2.0 million representing 7% of revenue for the same nine-month period last year.

Other Income and Expenses

In the third quarter of fiscal 2009, the Company recorded net interest income of \$4,000 compared to a net interest expense of \$10,000 for the comparable period last year. The favorable impact recorded in the third quarter of fiscal 2009 relates to the reversal of a portion of the accrued interest expense related to outstanding debt for the Streamline acquisition as the Company incurred various expenses that were charged against the outstanding balance. The Company recorded an exchange loss of \$86,000 during the third quarter of fiscal 2009 compared to a \$9,000 loss for the same period of the prior fiscal year (\$163,000 loss for the first nine months of fiscal 2009 compared to \$485,000 loss for the corresponding period of fiscal 2008). The improved result of the current year's position is due to the Company's more comprehensive policy to fully protect its U.S. net monetary assets from currency fluctuation by undertaking foreign exchange contracts to sell U.S. dollars forward for amounts covering its net U.S. monetary asset position and coinciding with its anticipated U.S. dollar cash flows. For the first half of fiscal 2008, the Company had protected only a portion of its U.S. net monetary asset position and as a result of the weakening U.S. dollar recorded exchange losses.

On January 31, 2009, the Company held outstanding foreign exchange contracts with various maturities to October 30, 2009 to sell US\$5,400,000 for Canadian dollars at rates averaging CA\$1.1017 to yield CA\$5,949,000. The Company recorded unrealized exchange losses of \$727,000 related to these contracts for the period ended January 31, 2009. Subsequent to the current quarter, the Company sold US\$500,000 at a spot rate of CA1.26.

For the first nine months of fiscal 2009, the Company recorded interest income of \$48,000 compared to \$130,000 for the comparable period last year. The decrease of \$82,000 or 63% in interest income is primarily attributable to the asset-backed commercial paper (ABCP) for which the Company has stopped accruing interest since the liquidity disruption in the ABCP market in August 2007.

The interest expense has increased to \$61,000 in the first nine months of fiscal 2009 in comparison to \$37,000 for the corresponding period in fiscal 2008. The interest expense increase is attributable to the revolving credit facility secured in September 2007 to compensate for the Company's inability to access the liquidity in its ABCP holdings, and to the interest related to the balance payable for the Streamline acquisition.

Due to the liquidity disruption in the third-party asset-backed commercial paper (ABCP) market, the Company recorded a \$123,000 and \$68,000 write-down in the fair value of the ABCP in the third quarter of fiscal 2009 and fiscal 2008 respectively (\$123,000 and \$318,000 write down for the nine-month periods ended January 31, 2009 and January 31, 2008 respectively). Please refer to note 6 of the consolidated financial statements in the 2008 annual report and to note 6 to these financial statements for a detailed discussion of this matter.

Net Earnings

The Company recorded net earnings of \$97,000 or \$0.01 per share in the third quarter of fiscal 2009 compared to net earnings of \$723,000 or \$0.06 per share for the same period last year.

Similarly, for the first nine months of fiscal 2009, net earnings amounted to \$1.0 million or \$0.08 per share in comparison to \$1.2 million or \$0.09 per share for the same period last year.

Liquidity and Capital Resources

On January 31, 2009, current assets totaled \$20.1 million compared to \$17.9 million at the end of fiscal 2008. Cash, restricted cash equivalents, short-term and other investments, and asset-backed commercial paper less the bank advances increased to \$8.0 million compared to \$6.4 million as at April 30, 2008. Accounts receivable and work in progress totaled \$10.3 million on January 31, 2009 compared to \$9.7 million as at April 30, 2008. The Company's DSO (days sales outstanding) increased to 96 days at the end the third quarter of fiscal 2009 in comparison to 82 days at the end of fiscal 2008 and 75 days at the end of the third quarter of fiscal 2008. The increase in DSO was mainly due to longer term payments on new contracts, the upward revaluation of US dollar denominated receivables due to a dramatically stronger US dollar at the end of January 2009 in comparison to the end of April 2008, and to the increase of deferred revenues.

Current liabilities on January 31, 2009 totaled \$16.1 million compared to \$14.6 million at the end of fiscal 2008. Working capital increased to \$4.1 million at the end of January 2009 in comparison to \$3.3 million at the end of fiscal year 2008.

During the third quarter of fiscal 2009, operating activities generated funds of \$1.6 million compared to \$652,000 for the same period last year. Operating activities in the third quarter of fiscal 2009 excluding non-cash working capital items generated \$46,000 and net non-cash working capital generated funds of \$1.6 million primarily due to reductions in accounts receivable, work in progress and tax credit receivables, increases of the deferred revenues and offset by reductions of accounts payable and accrued liabilities. During the third quarter of fiscal 2008, operating activities excluding non-cash working capital items generated \$1.5 million and net non-cash working capital used funds of \$856,000 mainly due to increases in accounts receivable and tax credit receivables, decreases of deferred revenues, and offset somewhat by increases in accounts payable.

During the first nine months of fiscal 2009, operating activities generated funds of \$2.9 million compared to \$2.0 million for the same period last year. Operating activities in the first nine months of fiscal 2009 excluding non-cash working capital items generated \$2.4 million and net non-cash working capital generated funds of \$447,000 primarily by decreases in tax credits receivable and increases to deferred revenues, and offset partially by increases in accounts receivable and reductions in accounts payable and accrued liabilities. During the first nine months of fiscal 2008, operating activities excluding non-cash working capital items generated \$2.6 million, and net non-cash working capital used funds of \$654,000 mainly due to finance increases of accounts receivable and tax credits receivable, and offset partially by increases in accounts payable and accrued liabilities and deferred revenues.

The Company believes that funds on hand at January 31, 2009, together with short term investments and cash flow from operations, and access to the revolving line of credit and the anticipated renewal thereof, will be sufficient to meet its needs for working capital, R&D, capital expenditures and debt repayment for at least the next twelve months.

Financing activities used funds of \$237,000 for the third quarter of fiscal 2009 and generated \$501,000 for the same three-month period in fiscal 2008. During the third quarter of fiscal 2009, the Company purchased 80,000 of its outstanding common shares for cancellation at an average price of \$1.23 per share under a Normal Course Issuer Bid (NCIB). The total cost related to the purchasing of these shares for the third quarter of fiscal 2009, including other related costs, was \$104,000. Additionally, during the third quarter of fiscal 2009, the Company incurred expenditures for \$133,000 related to the Streamline acquisition that is being claimed against the outstanding debt owing to former Streamline shareholders. During the third quarter of fiscal 2008, the Company purchased 269,600 shares at an average price of \$1.58 per share. The total cost related to the purchasing of these shares, including related costs, was \$428,000. During this same period, the Company drew \$1.1 million on its credit facility secured by a first-ranking hypothec of \$4.8 million on the third-party ABCP held with the bank to generate cash and repaid \$204,000 of Streamline bank advances for net additional bank advances of \$929,000.

Financing activities used funds of \$892,000 for the first nine months of fiscal 2009 and generated \$1.9 million for the same nine-month period in fiscal 2008. During the first nine months of fiscal 2009, the Company purchased 350,300 of its outstanding common shares for cancellation at an average price of \$1.34 per share under a Normal Course Issuer Bid (NCIB). The total cost related to the purchasing of these shares, including other related costs, was \$480,000. As per note 2 to the consolidated financial statements, the Company may purchase common shares under the NCIB, if it considers it advisable, at any time, and from time to time, to July 20, 2009. During this same period, the Company disbursed \$255,000 related to the payment of the dividend of \$0.02 per share to the shareholders of record at the close of business of September 23, 2008 and incurred expenditures for \$174,000 related to Streamline acquisition that is being claimed against the outstanding debt owing to former Streamline shareholders. During the first nine months of fiscal 2009, 12,500 options were exercised generating \$20,000.

During the first nine months of fiscal 2008, the Company purchased 670,800 shares at an average price of \$1.47 per share. The total cost related to the purchasing of these shares, including related costs, was \$999,000. The Company drew \$3.1 million on its new credit facility secured by the ABCP and repaid \$204,000 of Streamline bank advances for net additional bank advances of \$2.9 million while 3,000 options were exercised generating an additional \$4,000.

During the third quarter of fiscal 2009, investing activities generated funds amounting to \$110,000 in comparison to using funds of \$1.3 million for the comparable period of fiscal 2008. In the third quarter of fiscal 2009, the Company received \$167,000 as interest on the third-party ABCP covering the period from the market freeze-up in mid-August 2007 to August 31, 2008. The interest received was used to write-down the carrying value of the ABCP and was not reported as interest income (see note 6). The Company used funds of \$66,000 and \$58,000 for the acquisition of property, and equipment, and computer software for internal use in the third quarter of fiscal 2009 and fiscal 2008 respectively. Additionally, the Company collected \$13,000 and \$17,000 on previously advanced loans to TECSYS Latin America (TLA) for the third quarter of fiscal 2009 and fiscal 2008 respectively. In the third quarter of fiscal 2008, the Company acquired Streamline for \$1.2 million net of cash and cash equivalents and increased its investment in TLA for an additional \$117,000.

During the first nine months of fiscal 2009, investing activities used funds of \$165,000 primarily for the acquisition of property and equipment and software for internal use for \$342,000 compared to \$300,000 for the same period last year. During this same period, the Company used funds of \$27,000 for increasing its investments classified as restricted cash equivalents and other investments in comparison to using funds for \$2.4 million for the same period last year to increase short-term investments. During the first nine months of the current fiscal year, the Company collected \$37,000 on previously advanced loans to TLA, whereas in the first nine months of fiscal 2008, the Company had advanced an additional loan and collected payments related to previous loans for a net disbursement of \$17,000. Lastly in the third quarter of fiscal 2009, the Company received \$167,000 of interest on the ABCP used to write-down the carrying value. In the third quarter of fiscal 2008, the Company acquired Streamline for \$1.2 million net of cash and cash equivalents and increased its investment in TLA for an additional \$117,000.

Subsequent Event

On February 24, 2009, the Company declared a dividend of \$0.02 per share, to be paid on March 31, 2009 to shareholders of record at the close of business on March 12, 2009.

Current and Anticipated Impacts of Current Economic Conditions

The current downturn in the overall economic condition and constrained credit markets will continue to have an adverse impact on the demand for the Company's products and services. As industry is exercising caution and generally delaying capital spending, the immediate impact is likely to manifest itself in potentially fewer new customers and lower revenues. The magnitude of the impact will depend on the length and depth of the recession.

Given the current backlog, comprised primarily of services, the Company's management believes that the current services revenue level of approximately \$6.0 million per quarter can be sustained in the very short term if no significant new agreements are completed.

Strategically, the Company will focus efforts on opportunities within our existing customer base, particularly in some of the vertical markets that are less likely to be affected such as Healthcare. The Company also currently offers "software as a service" (SAAS), modular sales and implementations, and enhanced payment terms to promote revenue growth.

The recent appreciation of the U.S. dollar in comparison to the Canadian dollar is partially offsetting the downward pressure on revenues and profitability as the Company continues to derive in excess of 50% of its business from U.S. customers while the majority of its cost base is in Canadian dollars.

The Company will continue to adjust its business model to ensure that costs are aligned to its revenue expectations and the economic reality. For example, current cost containment initiatives include a no hire policy unless it is in a revenue generating capacity with foreseeable short-term benefits. Additionally, other cost savings areas that are under consideration are facilities, traveling, consulting and communications.

Although, the Company believes that funds on hand, together with anticipated cash flows from operations, and access to the revolving line of credit and the anticipated renewal thereof will be sufficient to meet all its needs for at least the next twelve months, the Company can further manage its capital structure by adjusting its purchases of shares for cancellation pursuant to the normal course issuer bids, adjusting its dividend policy, and extending or amending its credit facilities.

Since the liquidity disruption of the third-party asset-backed commercial paper (ABCP) market in mid 2007, the Company entered into a revolving credit facility with the National Bank of Canada providing access to \$4.0 million of liquidity to be used to finance the Company's working capital needs. This credit facility is secured by a first-ranking hypothec on \$4.8 million of the ABCP. This credit facility has been extended to March 31, 2009. Given the recent final ABCP restructuring Plan as announced on January 21, 2009, the Company anticipates that it will renew a credit facility arrangement with the National Bank with long-term repayment schedules that more closely coincides with the anticipated maturities of the ABCP. Please see notes 6 and 7 to the financial statements.

Change in Accounting Policies

2009 Accounting Changes

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

Capital disclosures

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

Financial instruments – disclosure and presentation

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

Inventories

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

General standards of financial statement presentation

The CICA modified section 1400 to include requirements for assessment, by management, of the entity's ability to continue as a going concern and for the disclosure of events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern.

Future Accounting Changes

Goodwill and intangible assets

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

International Financial Reporting Standards

In 2005, the Accounting Standards Board of Canada (AcSB) announced that accounting standards in Canada are to converge with IFRS. In May 2007, the CICA published an updated version of its "Implementation Plan for Incorporating International Financial Reporting Standards into Canadian GAAP". This plan includes an outline of the

key decisions that the CICA will need to make as it implements the Strategic Plan for publicly accountable enterprises that will converge Canadian generally accepted accounting standards with IFRS. While IFRS uses a conceptual framework similar to Canadian GAAP, there are significant differences in accounting policy which must be addressed. The CICA has confirmed the changeover date from current Canadian GAAP to IFRS to be January 1, 2011. The Company is currently assessing the future impact of these new standards on its consolidated financial statements.

Critical Accounting Policies

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

Use of estimates

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

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

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

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

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

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

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

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

Income taxes are accounted for under the asset and liability method. Future tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry forwards. Future tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Management provides valuation allowances against the future tax asset for amounts which are not considered "more likely than not" to be realized. The ultimate realization of future tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. The Company has determined that a 100% tax valuation allowance is necessary at April 30, 2008 and January 31, 2009. In the event the Company was to determine that it would be able to realize its tax asset, an adjustment to the tax asset would increase income in the period in which such determination is made.

Revenue Recognition

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

- **License Fees**

Revenue from perpetual licenses sold separately are recognized when a non-cancelable license agreement has been signed, the software product has been delivered, there are no uncertainties surrounding product acceptance, the fees are fixed or determinable, and collection is considered probable.

Fees from multiple element arrangements are allocated to the various elements based on vendor-specific objective evidence of fair value provided that services, if any, are not essential to the functionality of the software. Revenue from perpetual licenses sold under multiple element arrangements are recognized upon shipment of the software product, provided that all of the above criteria have been met and subject to the following.

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

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

- **Support Agreements**

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

- **Consulting and Education Services**

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

Controls and Procedures

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

No changes to internal controls over financial reporting have come to management's attention during the three and nine months ended January 31, 2009 that have materially affected, or are reasonably likely to materially affect, internal controls over financial reporting.

Related Party Transactions

The company has a subordinated loan for \$107,000 from a person related to certain shareholders, bearing interest at 12.67%. The loan is payable on the earlier of demand or on the death of the lender. The same amount was outstanding as at January 31, 2009 and January 31, 2008.

Pursuant to the equity investments in TECSYS Latin America Inc (TLA), as described in note 9 of the 2008 annual report, the Company has committed to advance funds to TLA for an aggregate amount of US\$250,000. During 2007 and 2008, the Company provided four loans of US\$50,000 each at various dates amounting to US\$200,000. These amounts are repayable over four years commencing six months following each advance. The loans bear interest at 5% per annum. The loans outstanding at January 31, 2009 amount to US\$119,000. The short-term portion of the loan receivable is included in other accounts receivable.

Outstanding Share Data

On February 24, 2009, the Company has 12,651,284 common shares outstanding as an additional 14,600 shares have been purchased for cancellation under the Normal Course Issuer Bid since the end of the Company's third quarter.

Similarly, on February 24, 2009, outstanding stock options to purchase common shares number 882,547 as the Company has granted 3,500 additional options since the end of the third quarter and 500 options have either been cancelled or have expired unexercised. Warrants to purchase common shares number 15,000.

Forward-Looking Information

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

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

Management has compiled the unaudited interim consolidated financial information of TECSYS Inc. consisting of the interim Consolidated Balance Sheet and the Consolidated Statement of Changes in Shareholders' Equity as at January 31, 2009 and the Consolidated Statements of Earnings, and Cash Flows for the three and nine-month periods ended January 31, 2009 and January 31, 2008. An accounting firm has not reviewed or audited these interim consolidated financial statements.

TECSYS Inc.**Consolidated Balance Sheets**

Prepared in Accordance with Canadian Generally Accepted Accounting Principles

(in thousands of Canadian dollars)

	January 31, 2009 (unaudited)	April 30, 2008
Assets		
Current assets		
Cash and cash equivalents	7,505	5,693
Accounts receivable	9,831	9,233
Work in progress	462	443
Other accounts receivable	156	204
Tax credits receivable	1,057	1,279
Inventory	398	216
Prepaid expenses	739	847
	<u>20,148</u>	<u>17,915</u>
Restricted cash equivalents and other investments	699	672
Asset-backed commercial paper (note 6)	3,755	4,045
Long-term receivables	85	165
Long-term investment	298	350
Property and equipment, net	1,534	1,713
Intangible assets, net	1,066	1,480
Deferred development costs, net	1,429	933
Goodwill	2,829	2,829
	<u>31,843</u>	<u>30,102</u>
Liabilities		
Current liabilities		
Bank advances (note 7)	4,000	4,003
Accounts payable and accrued liabilities	5,983	5,589
Current portion of long-term debt	133	207
Deferred revenue	5,960	4,830
	<u>16,076</u>	<u>14,629</u>
Long-term debt	100	200
	<u>16,176</u>	<u>14,829</u>
Subsequent event (note 10)		
Shareholders' equity		
Capital stock (note 2)	1,435	1,444
Contributed surplus (note 2)	12,469	12,826
Retained earnings	1,763	1,003
	<u>15,667</u>	<u>15,273</u>
	<u>31,843</u>	<u>30,102</u>

TECSYS Inc.**Consolidated Statements of Earnings**

Prepared in Accordance with Canadian Generally Accepted Accounting Principles

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

	Three Months Ended January 31, 2009	Three Months Ended January 31, 2008	Nine Months Ended January 31, 2009	Nine Months Ended January 31, 2008
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue				
Products (note 8a)	3,140	5,081	12,102	12,524
Services	6,222	5,327	17,664	15,603
Reimbursable expenses	287	282	831	756
	<u>9,649</u>	<u>10,690</u>	<u>30,597</u>	<u>28,883</u>
Cost of revenue				
Products	1,550	2,342	5,891	5,215
Services (note 8b)	3,789	3,326	11,222	9,680
Reimbursable expenses	287	282	831	756
	<u>5,626</u>	<u>5,950</u>	<u>17,944</u>	<u>15,651</u>
Gross margin	<u>4,023</u>	<u>4,740</u>	<u>12,653</u>	<u>13,232</u>
Operating expenses				
Sales and marketing	1,502	1,523	4,664	4,438
General and administration	770	904	2,485	2,542
Gross research and development	1,409	1,260	4,024	3,789
Research and development tax credits	(129)	(108)	(418)	(324)
Deferred development costs	(262)	(51)	(643)	(206)
Stock-based compensation	32	10	94	31
Amortization of property and equipment	133	147	398	423
Amortization of intangible assets	167	176	537	492
Amortization of deferred development costs	72	37	146	87
	<u>3,694</u>	<u>3,898</u>	<u>11,287</u>	<u>11,272</u>
Earnings from operations	329	842	1,366	1,960
Interest income	10	23	48	130
Interest expense	(6)	(33)	(61)	(37)
Foreign exchange losses	(86)	(9)	(163)	(485)
Changes in fair value of asset-backed commercial paper	(123)	(68)	(123)	(318)
Share of net loss and amortization of intangible assets of a company subject to significant influence	(27)	(32)	(52)	(36)
Net earnings for the period	<u>97</u>	<u>723</u>	<u>1,015</u>	<u>1,214</u>
Weighted average number of common shares outstanding				
- basic	12,699,887	13,130,070	12,844,652	13,429,091
- diluted	12,699,996	13,155,623	12,851,358	13,454,055
Basic and diluted net earnings per common share	<u>\$ 0.01</u>	<u>\$ 0.06</u>	<u>\$ 0.08</u>	<u>\$ 0.09</u>

TECSYS Inc.**Consolidated Statements of Cash Flows**

Prepared in Accordance with Canadian Generally Accepted Accounting Principles

(in thousands of Canadian dollars)

	Three Months Ended January 31, 2009	Three Months Ended January 31, 2008	Nine Months Ended January 31, 2009	Nine Months Ended January 31, 2008
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Cash flows from				
Operating activities				
Net earnings for the period	97	723	1,015	1,214
Adjustments for				
Amortization of property and equipment	133	147	398	423
Amortization of intangible assets	167	176	537	492
Amortization of deferred development costs	72	37	146	87
Stock-based compensation	32	10	94	31
Changes in fair value of asset-backed commercial paper	123	68	123	318
Unrealized foreign exchange losses (gains)	(343)	366	700	252
Deferred development costs	(262)	(51)	(643)	(206)
Share of net loss and amortization of intangible assets of a company subject to significant influence	27	32	52	36
	46	1,508	2,422	2,647
Changes in non-cash working capital items related to operations				
Decrease (increase) in accounts receivable	946	(749)	(598)	(1,275)
Decrease (increase) in work in progress	250	81	(19)	(118)
(Increase) decrease in other accounts receivable	(4)	51	60	60
Decrease (increase) in tax credits receivable	651	(223)	222	(707)
(Increase) decrease in inventory	(170)	57	(182)	(16)
Decrease (increase) in prepaid expenses	167	168	108	(70)
Decrease in long-term receivables	-	-	58	-
(Decrease) increase in accounts payable and accrued liabilities	(773)	328	(332)	614
Increase (decrease) in deferred revenue	509	(569)	1,130	858
	1,622	652	2,869	1,993
Financing activities				
Bank advances	-	929	(3)	2,929
Repayment of long-term debt	(133)	-	(174)	-
Issuance of common shares	-	-	20	4
Purchase of common shares for cancellation	(104)	(428)	(480)	(999)
Dividends paid on common shares	-	-	(255)	-
	(237)	501	(892)	1,934
Investing activities				
(Increase) decrease in short-term and other investments	(4)	21	(27)	(2,414)
Interest received on asset-backed commercial paper	167	-	167	-
Acquisitions of property and equipment	(16)	(50)	(222)	(267)
Proceeds on disposal of property and equipment	-	-	8	-
Acquisitions of intangible assets	(50)	(8)	(135)	(33)
Proceeds on disposal of intangible assets	-	-	7	-
Decrease (increase) in long-term receivables including the current portion from a related party	13	17	37	(17)
Increase in long-term investment of a related party	-	(117)	-	(117)
Business combination, net of cash and cash equivalents acquired	-	(1,167)	-	(1,167)
	110	(1,304)	(165)	(4,015)
Variation in cash and cash equivalents	1,495	(151)	1,812	(88)
Cash and cash equivalents - beginning of period	6,010	4,554	5,693	4,491
Cash and cash equivalents - end of period	7,505	4,403	7,505	4,403

TECSYS Inc.**Consolidated Statements of Changes in Shareholders' Equity**

Prepared in Accordance with Canadian Generally Accepted Accounting Principles

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

(unaudited)

	Common shares Number	Common shares Amount	Contributed surplus	Retained earnings	Total
Balance, April 30, 2008	13,003,684	1,444	12,826	1,003	15,273
Repurchase of common shares (note 2)	(350,300)	(39)	(441)	-	(480)
Stock options exercised (note 2)	12,500	20	-	-	20
Fair value associated with options exercised	-	10	(10)	-	-
Stock-based compensation	-	-	94	-	94
Net earnings for the period	-	-	-	1,015	1,015
Dividends	-	-	-	(255)	(255)
Balance, January 31, 2009	12,665,884	1,435	12,469	1,763	15,667

	Common shares Number	Common shares Amount	Contributed surplus	Deficit	Total
Balance, April 30, 2007	13,678,297	56,133	11,042	(51,941)	15,234
Repurchase of common shares (note 2)	(670,800)	(2,753)	1,754	-	(999)
Stock options exercised (note 2)	3,000	4	-	-	4
Fair value associated with options exercised	-	2	(2)	-	-
Stock-based compensation	-	-	31	-	31
Net earnings for the period	-	-	-	1,214	1,214
Balance, January 31, 2008	13,010,497	53,386	12,825	(50,727)	15,484

Interim financial information

The interim financial statements for the three and nine-month periods ended January 31, 2009 and January 31, 2008 are unaudited and have not been reviewed by the Company's auditors. In the opinion of management, all necessary adjustments were made to present fairly the results of these periods. The adjustments made were of a normal recurring nature except for the valuation related to the fair value of the third party asset-backed commercial paper (ABCP) discussed in note 6. The results of operations for the three and nine-month periods ended January 31, 2009 and 2008 are not necessarily indicative of the trends for the operating results for the full year.

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

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

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

(in thousands of dollars, except per share data)

(Quarterly data are unaudited)

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

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

1. Changes in accounting policies

a) 2009 accounting changes

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

Capital disclosures

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

Financial instruments – disclosure and presentation

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

Inventories

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

General standards of financial statement presentation

The CICA modified section 1400 to include requirements for assessment, by management, of the entity's ability to continue as a going concern and for the disclosure of events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern.

b) Future accounting changes

Goodwill and intangible assets

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

International Financial Reporting Standards

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

2. Capital stock and contributed surplus

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

During the nine-month period ended January 31, 2009, the Company purchased 350,300 of its outstanding common shares at an average price of \$1.34 under the Normal Course Issuer Bid. The total cost related to the purchasing of these shares, including other related costs, was \$480,000. The excess of the purchase price over the net book value of these shares of \$441,000 has been charged to contributed surplus. Additionally, during this period 12,500 options were exercised to purchase shares generating \$20,000.

During the nine-month period ended January 31, 2008, the Company purchased 670,800 of its outstanding common shares at an average price of \$1.47 under the Normal Course Issuer Bid. The total cost related to the purchasing of these shares, including other related costs, was \$999,000. The excess of the net book value over the purchase price of these shares of \$1,754,000 has been credited to contributed surplus. Additionally, during this period 3,000 options were exercised to purchase shares generating \$4,000.

The total number of common shares outstanding at January 31, 2009 is 12,665,884.

Please see the Consolidated Statements of Changes in Shareholders' Equity for a summary of the transactions affecting capital stock, contributed surplus, and retained earnings.

As at January 31, 2009, options to purchase 879,547 common shares at exercise prices ranging between \$1.15 and \$2.46 and warrants to purchase 15,000 common shares at an exercise price of \$1.64 were outstanding. During the nine-month period ended January 31, 2009, the Company granted options to purchase 43,000 common shares with exercise prices ranging between \$1.22 and \$1.70, while options to purchase 236,564 common shares at exercise prices ranging from \$1.23 to \$2.46 were either cancelled or expired unexercised, although they were vested. During this nine-month period 12,500 options with an exercise price of \$1.61 were exercised. No warrants were issued or exercised during the period.

As at January 31, 2008, options to purchase 837,956 common shares at exercise prices ranging between \$1.15 and \$2.46 and warrants to purchase 15,000 common shares at an exercise price of \$1.64 were outstanding. During the nine months ended January 31, 2008, the Company granted options to purchase 34,000 common shares with exercise prices ranging between \$1.23 and \$1.58, while options to purchase 161,994 common shares at exercise prices ranging from \$1.18 to \$2.46 were either cancelled or expired unexercised, although they were vested. During this nine-month period, 3,000 options with an exercise price of \$1.24 were exercised. No warrants were issued or exercised during the period, however 30,000 warrants with an exercise price of \$1.73 were cancelled.

3. Capital disclosures

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

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

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

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

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

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

4. Stock-based compensation costs

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

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

The fair value of options and warrants granted in the three and nine-month periods ended January 31, 2009 and January 31, 2008 was estimated using the Black-Scholes options pricing model with the following weighted average assumptions:

	Three months ended January 31 2009	Three months ended January 31 2008	Nine months ended January 31 2009	Nine months ended January 31 2008
Volatility	44.7%	42.1%	40.3%	42.6%
Risk-free interest rate	2.0%	3.8%	3.3%	4.3%
Dividend yield	2.68%	nil	2.65%	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 nine-month periods ended January 31, 2009 and 2008:

	Three months ended January 31 2009	Three months ended January 31 2008	Nine months ended January 31 2009	Nine months ended January 31 2008
Number of options	nil	1,000	43,000	34,000
Weighted average exercise price	nil	1.23	1.59	1.55
Weighted average grant date fair value	nil	0.46	0.56	0.60

5. Financial Instruments and risk management

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

There have been no changes in classification of financial instruments since April 30, 2008. The table below summarizes the Company's financial instruments and their classifications for the periods ended January 31, 2009 and April 30, 2008.

	Held for trading at fair value	January 31, 2009 Loans and receivables at amortized cost	Financial liabilities at amortized cost	Total	April 30, 2008
Financial Assets					
Cash and cash equivalents	7,505	-	-	7,505	5,693
Restricted cash equivalents and other investments	699	-	-	699	672
Asset-backed commercial paper	3,755	-	-	3,755	4,045
Accounts receivable	-	9,831	-	9,831	9,233
Other accounts receivable	-	156	-	156	204
Long-term receivables	-	85	-	85	165
	11,959	10,072	-	22,031	20,012
Financial Liabilities					
Bank advances	-	-	4,000	4,000	4,003
Accounts payable and accrued liabilities	-	-	5,256	5,256	5,444
Current portion of long-term debt	-	-	133	133	207
Long-term debt	-	-	100	100	200
Foreign exchange derivatives included in accounts payable and accrued liabilities	727	-	-	727	145
	727	-	9,489	10,216	9,999

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

The fair value of the long-term receivables and the long-term debt were determined by discounting future cash flows using interest rates which the Company could obtain for loans with similar terms, conditions, and maturity dates. There was no significant difference between the fair value and the carrying value of these instruments as at January 31, 2009. See note 6 for the determination of the fair value of the asset-backed commercial paper.

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

Currency risk

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

On January 31, 2009, the Company held outstanding foreign exchange contracts with various maturities to October 30, 2009 to sell US\$5,400,000 into Canadian dollars at rates averaging CA\$1.1017 to yield CA\$5,949,000. The Company recorded unrealized exchange losses of \$727,000 related to these contracts for the period ended January 31, 2009. Subsequent to the quarter ended January 31, 2009, the Company sold US\$500,000 at a spot rate of CA1.26.

The following table provides an indication of the Company's significant foreign exchange currency exposures as at January 31, 2009.

	US\$	GBP
Cash and cash equivalents	2,409	8
Accounts receivable	4,602	-
Other accounts receivable	69	-
Long-term receivables	69	-
Accounts payable and accrued liabilities	(1,012)	(25)
Derivative financial instruments – notional amount	(5,400)	-
	737	(17)

The following exchange rates applied during the nine-month period ended January 31, 2009.

	Average rate	Reporting date rate
\$CDN per \$US	1.1117	1.2364
\$CDN per GBP	1.9257	1.7818

Based on the Company's foreign currency exposures noted above, varying the above foreign currency reporting date exchange rates to reflect a 5% appreciation of the U.S. dollar (CA\$1.29822) and GBP (CA\$1.87089) would have had the following impact on the net earnings, assuming all other variables remained constant.

	US\$	GBP
Increase (decrease) in net earnings	46	(2)

A 5% depreciation of these currencies would have an equal but opposite effect on net earnings, assuming all other variables remained constant.

Credit risk

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

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

At January 31, 2009, there are no customers comprising more than 10% of total trade accounts receivable and work in progress. Generally there is no particular concentration of credit risk due to the North American distribution of customers and procedures for the management of commercial risks. The Company performs ongoing credit reviews of all its customers and establishes an allowance for doubtful accounts receivable when accounts are determined to be uncollectible. Customers do not provide collateral in exchange for credit. The Company has entered into an arrangement with Export Development Canada wherein the latter has assumed the risk of credit loss in the case of bankruptcy for up to 90% of accounts receivable from certain foreign and domestic customers, to a maximum of US\$1,500,000 and \$2,164,000 (US\$1,750,000) respectively, in any given year.

The Company maintains an allowance for doubtful accounts at an amount estimated to be sufficient to provide adequate protection against losses resulting from collecting less than full payment on its receivables. Individual overdue accounts are reviewed and allowance adjustments are recorded when determined necessary to state receivables at the realizable value. If the financial conditions of customers deteriorate resulting in their diminished ability or willingness to make payment, additional provisions for doubtful accounts are recorded. At January 31, 2009, \$3,100,000 of trade accounts receivable were not past due, \$5,907,000 were past due 0-180 days, and \$1,931,000 were past due 180 days. The total allowance for doubtful accounts was \$1,107,000 at January 31, 2009. The Company's maximum credit risk exposure corresponds to the carrying amounts of the accounts receivable.

Liquidity risk

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

The following are contractual maturities of financial liabilities as of January 31, 2009.

	Carrying amount	Less than 1 year	1 to 3 years
Bank advances	4,000	4,000	-
Accounts payable and accrued liabilities	5,983	5,983	-
Long-term liabilities including current portion	233	133	100
	10,216	10,116	100

Interest rate risk

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

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

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

A 1% increase in interest rates would decrease net earnings by approximately \$30,000 annually arising mainly as a result of higher interest expense on bank advances, assuming all other variables remained constant. A 1% decrease in interest rates would have an equal but opposite effect, assuming all other variables remained constant.

Interest income in the consolidated statement of earnings represents interest income for financial assets classified as held-for-trading. Interest expense represents interest expense for financial liabilities classified at amortized cost.

Market risk

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

6. Asset-backed commercial paper

At January 31, 2009, the Company held MAV2 long-term floating rate notes and IA Tracking long-term floating-rate notes arising from the conversion of various third-party asset-backed commercial paper (ABCP). Please see note 6 to the consolidated annual financial statements for the year ended April 30, 2008. The ABCP had an original cost of \$5,109,000, including \$400,000 denominated in U.S. dollars and had been classified as held for trading on initial recognition.

These ABCP, previously rated by the Dominion Bond Rating Service (DBRS) as R1-high, are securities that met the criteria of the Company's investment policy. An R-1 high rating is the highest credit rating issued by the DBRS.

The Canadian market for ABCP suffered a liquidity disruption in mid-August 2007 following which a group of financial institutions and other parties agreed, pursuant to the Montreal Proposal, to a standstill period with respect to ABCP sold by 22 conduit issuers. Participants of the Montreal Proposal also agreed, in principle, to the conversion of the ABCP into longer-term financial instruments with maturities corresponding to the underlying assets (floating rate notes). A Pan-Canadian Investors Committee ("the Committee") was subsequently established to oversee the orderly restructuring of these instruments during this standstill period. On March 17, 2008, the Committee announced that it had filed an application in the Ontario Superior Court of Justice under the Companies' Creditors Arrangement Act asking the Court to call a meeting of the ABCP noteholders.

On March 20, 2008, the Committee made available an Information Statement describing the proposed restructuring plan ("the Plan"). The Plan was approved by noteholders in a vote held at a noteholders meeting on April 25, 2008. A number of opposing noteholders opposed the Plan and after an unsuccessful legal process, on September 19, 2008, the Committee announced that it was commencing the final steps to implement the Plan.

On December 24, 2008, the Committee announced that it had reached an agreement with all key stakeholders, including the governments of Canada, Quebec, Ontario and Alberta regarding the restructuring as further complexities had arisen due to the recent credit market crises and financial market meltdown.

Pursuant to the terms of an agreement reached among the governments, the dealer bank asset providers, the Canadian Schedule 1 banks and the Investors Committee, the governments, together with certain participants in the restructuring will provide, in aggregate \$4.45 billion of additional margin facilities to support the proposed restructuring Plan. The total margin facilities and equivalents now total \$17.82 billion, and \$3.45 billion of the back-stop facility ranks senior to all other margin facilities. In the event of margin calls, it would be the last in and the first out.

In connection with the establishment of the senior "back-stop" facility, the key parties to the restructuring also agreed to certain further enhancements to the transaction including, among others, an extension of the previously announced moratorium from 14 to 18 months from the date of implementation and the elimination of the circumstances in which the moratorium could have been terminated earlier.

On January 21, 2009, the restructuring Plan affecting the \$32 billion of third-party ABCP was fully implemented.

Although the restructuring is complete, the Company is still awaiting final confirmation of the distribution of the restructured notes amongst the various classes of the MAV2 floating rate notes, and hence the Company is required to estimate the fair value of the ABCP using the information previously disclosed.

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

- \$4,841,000 or 94% is represented by a combination of leveraged collateralized debt, synthetic assets, and traditional securitized assets and the Company will, on restructuring, receive replacement senior Class A-1 and Class A-2 and subordinated Class B and Class C long-term floating rate notes with maturities of approximately eight years. The expected repayment date for these notes is January 22, 2017. The Company expects to receive replacement notes with par values as follows under the MAV2 margin funding facility as defined on the Information Statement of March 20, 2008:
 - Class A-1: \$2,957,000
 - Class A-2: \$1,491,000
 - Class B: \$248,000
 - Class C: \$145,000

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

- \$336,000 or 6% is represented by assets that have an exposure to U.S. mortgages and sub-prime mortgages. On restructuring, the Company is likely to receive IA Tracking long-term floating rate notes with maturities of approximately between five and nine years. The Pan-Canadian Investors Committee has not provided any indication of the rating these notes may receive, if any.

The valuation technique used by the Company to estimate the fair value of its investment in ABCP incorporates weighted discounted cash flows considering the best available public information regarding market conditions and other factors that a market participant would consider for such investments. Based on the various assessment factors discussed on note 6 to the annual consolidated financial statements for the period ended April 30, 2008, the Company wrote down \$1,041,000 representing 20% of the original value in fiscal 2008.

At January 31, 2008, the Company used the following assumptions in its valuation of the MAV 2 notes based on the limited available financial information:

Probability weighted average interest rate for MAV2 notes:	1.80%
Weighted average discount rate for MAV2 notes:	6.56%
Maturity of MAV2 notes:	8.0 years

The discount rates for each of the MAV2 classes vary as a function of the credit rating of each class of the replacement long-term notes. Discount rates have been estimated using long-term fixed rates plus expected spreads for similarly rated instruments with similar maturities and structure and estimated credit risk factors. An increase in the estimated discount rate of 1 percent would reduce the estimated fair value of the Company's ABCP by approximately \$250,000.

For the valuation of the IA Tracking notes, the Company has used a minimum fair value of 75% of the face value discounted for 2 years at the Company's borrowing rate which includes the value of an agreement with the Company's banker to lend 75% of the face value of these IA Tracking notes with no recourse to the Company other than the IA Tracking notes themselves.

Although the Company has not accrued any interest income on its ABCP since the market disruption, it has considered the potential accrued interest in the determination of the fair value of the ABCP. Pursuant to the restructuring, the Company recently received \$167,000 of interest covering the period from the time of the market freeze-up in mid-August 2007 to August 31, 2008. The interest received was used to write-down the carrying value of the ABCP and was not reported as interest income. Similarly, accrued interest from September 1, 2008 to the effective date of the restructuring Plan, January 21, 2009 is considered in the determination of the fair value of the ABCP and was not reported as interest income.

After taking into consideration the changes in the credit market, the additional accrued interest on the ABCP, the appreciation of the face value of the U.S. denominated ABCP, and the review of the valuation assumptions, the Company wrote-down an addition amount of \$123,000 during the third quarter of fiscal 2009. The total cumulative loss in value of the ABCP, excluding the interest received and the accrued interest, is \$1,164,000 representing approximately 29% of the notional amount.

Continuing uncertainties regarding the value of the assets which underlie the long-term floating rate notes replacing the ABCP, changes in the assumptions used to estimate the fair value, the amount and timing of cash flows could give rise to a further change in the value of the Company's investments in these notes, which would impact the Company's earnings in future periods.

7. Banking Facilities

On September 28, 2007, the Company entered into a revolving credit facility with National Bank of Canada (the "Bank") providing access to \$4,000,000 of liquidity, or the equivalent thereof in U.S. dollars, by way of floating rate advances, to be used to finance the Company's working capital needs. This facility is secured by a first-ranking hypothec of \$4,800,000 on the third-party ABCP held with the Bank. Please refer to note 10 of the April 30, 2008 annual financial statements for a more elaborate discussion of this credit facility and other facilities provided by the Bank.

This credit facility may be reviewed periodically by the Bank and shall be payable on demand. Notwithstanding the foregoing, this credit facility was scheduled to be reimbursed on September 30, 2008 and has been extended to March 31, 2009.

On January 31, 2009, the Company had drawn \$4,000,000 on this credit facility.

8. Other information

a) Products revenue

Products revenue is broken down as follows:

	Three months ended January 31 2009	Three months ended January 31 2008	Nine months ended January 31 2009	Nine months ended January 31 2008
Software products	1,119	2,036	4,397	5,522
Third-party hardware and software	2,021	3,045	7,705	7,002
	3,140	5,081	12,102	12,524

b) Cost of services consist of the following:

	Three months ended January 31 2009	Three months ended January 31 2008	Nine months ended January 31 2009	Nine months ended January 31 2008
Gross expenses	3,939	3,441	11,699	10,062
Refundable tax credits	(150)	(115)	(477)	(382)
	3,789	3,326	11,222	9,680

c) Earnings per share

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

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

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

	Three months ended January 31 2009	Three months ended January 31 2008	Nine months ended January 31 2009	Nine months ended January 31 2008
Weighted average number of common shares - basic	12,699,887	13,130,070	12,844,652	13,429,091
Addition to reflect the impact of:				
Employee and director stock options and warrants	109	25,553	6,706	24,964
Weighted average number of common shares - diluted	<u>12,699,996</u>	<u>13,155,623</u>	<u>12,851,358</u>	<u>13,454,055</u>

Options and warrants to purchase 891,047 common shares for the three-month period ended January 31, 2009 (452,969 – three-month period ended January 31, 2008) have been excluded from the above calculations since these options had exercise prices greater than the average price of common shares during this period.

Options and warrants to purchase 512,906 common shares for the nine-month period ended January 31, 2009 (452,969 – nine-month period ended January 31, 2008) have been excluded from the above calculations since these options had exercise prices greater than the average price of common shares during this period.

9. Segment Information

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

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

	Three months ended January 31 2009	Three months ended January 31 2008	Nine months ended January 31 2009	Nine months ended January 31 2008
Canada	4,060	5,435	13,848	14,605
United States	5,510	5,019	16,273	13,481
Other	79	236	476	797
	<u>9,649</u>	<u>10,690</u>	<u>30,597</u>	<u>28,883</u>

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

10. Subsequent Event

On February 24, 2009, the Company declared a dividend of \$0.02 per share, to be paid on March 31, 2009 to shareholders of record at the close of business on March 12, 2009.

www.tecsys.com

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

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

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

© 2009, TECSYS Inc.
All names, trademarks, products
and services mentioned are
registered or unregistered
trademarks of their respective
owners.
Printed in Canada 095124