TECSYS®

1st Quarter
Fiscal 2014
Report

TECSYS Inc.
Management's Discussion and Analysis of Financial Condition and Results of Operations dated September 5, 2013

The following discussion and analysis should be read in conjunction with the Condensed Interim Consolidated Financial Statements of TECSYS Inc. (the "Company") and Notes thereto, which are included in this document, and the annual report for the year ended April 30, 2013. The Company's first quarter for fiscal year 2014 ended on July 31, 2013. 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.

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's Management.

The Company's independent auditors, KPMG LLP, have not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditors.

The Company prepares its consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS").

These condensed interim consolidated financial statements and the notes thereto have been prepared in accordance with IAS 34 - Interim Financial Reporting. They do not include all of the information required in the full annual financial statements. Certain information and footnote disclosures normally included in annual financial statements were omitted or condensed where such information is not considered material to the understanding of the Company's interim financial information. As such, they should be read in conjunction with the audited annual consolidated financial statements of the Company as at and for the year ended April 30, 2013.

This document and the consolidated financial statements are expressed in Canadian dollars unless it is otherwise indicated. The Company's functional currency is the Canadian dollar as it is the currency that represents the primary economic environment in which the Company operates.

The condensed interim consolidated financial statements were authorized for issue by the Board of Directors on September 5, 2013.

Quarterly Selected Financial Data

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

	2014	2013				2012		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Total Revenue	10,602	11,117	10,384	10,748	11,510	10,805	10,595	9,099
Profit (Loss) and Comprehensive Income (Loss)	83	181	(543)	122	1,125	473	305	133
Basic and Diluted Earnings (Loss) per Common Share	0.01	0.02	(0.05)	0.01	0.10	0.04	0.03	0.01

Results of Operations

Three months ended July 31, 2013 compared to three months ended July 31, 2012

Revenue

Total revenue for the first quarter ended July 31, 2013 decreased to $10.6 million, $908,000 or 8% lower, compared to $11.5 million for the same period of fiscal 2013. The U.S. dollar averaged CA$1.0305 in the first quarter of fiscal 2014 in comparison to CA$1.0173 in the first quarter of fiscal 2013. Approximately 57 % of the Company's revenues were generated in the United States during the first quarter of fiscal 2014, hence the stronger U.S. dollar impacted revenues favorably by an estimated $77,000.

Proprietary software products decreased to $1.5 million, $1.8 million or 55% lower, in the first quarter of fiscal 2014 in comparison to $3.3 million for the same period last year. In the first quarter of fiscal 2013, proprietary software products increased $1.9 million over fiscal 2012 and that was largely due to a very significant sale of a proprietary license to an existing customer. The Company signed five new accounts with a total contract value of $1.7 million in the first quarter of fiscal 2014 in comparison with four new accounts with a total contract value of $334,000 in the same period last year. Overall total contract value bookings amounted to $3.7 million in the first quarter of fiscal 2014 in comparison to $5.0 million for the same period of the previous fiscal year.

Third party products revenue increased to $1.8 million, $550,000 or 46% higher, in the first quarter of fiscal 2014 in comparison to $1.2 million for the same period last year. The increase is characterized by approximately $250,000 in higher software related products and $300,000 higher in radio-frequency equipment and other hardware.

Services revenue increased to $7.1 million, higher by $423,000 or 6%, in first quarter of fiscal 2014 compared to $6.7 million for the same period in the previous fiscal year. The increase is attributable primarily to higher implementation consulting and support services.

As a percentage of total revenue, products accounted for 30% and services for 67% in the first quarter of fiscal 2014 in comparison to 39% and 58%, respectively for the first quarter of fiscal 2013.

Cost of Revenue

Total cost of revenue increased to $6.3 million, higher by $199,000 or 3%, in the first quarter of fiscal 2014 in comparison to $6.1 million for the same three-month period in fiscal 2013. The increase is primarily attributable to higher third-party products costs of $331,000 related to the increased third-party products revenue discussed earlier.

The cost of services decreased to $4.8 million, lower by $68,000 or 1% in the first quarter of fiscal 2014 in comparison to the same period last year as higher employee-related expenses were offset by lower consulting and travel expenses and higher tax credits of $66,000. The average services headcount in the first quarter of fiscal 2014 increased by five compared to the same period of fiscal 2013. The cost of services includes tax credits of $379,000 for the first quarter of fiscal 2014 compared to $313,000 for the same period in the previous fiscal year, largely due to the increased headcount. The tax credits relate to the e-business tax credit introduced by the Quebec government in March 2008. On July 11, 2013, the Quebec government announced that the e-business tax credit would be extended for a period of ten years from January 1, 2016 until December 31, 2025. In addition, the e-business tax credit will be indexed such that the threshold of $20,000 per eligible job per year will be increased to $22,500 starting on January 1, 2016.

Gross Profit

The gross profit decreased to $4.3 million, lower by $1.1 million, for the first quarter of fiscal 2014 in comparison to $5.4 million for the same period last year. This is mainly attributable to lower proprietary software revenue of $1.8 million and offset by higher third-party products margin and higher services margin. Total gross profit percentage in the first quarter of fiscal 2014 was 41% compared to 47% in the same period of fiscal 2013 mainly due to lower proprietary software revenue.

The third-party products margin increased to $495,000, $219,000 higher than the same three-month period last year. The third-party products margin was 28% of revenue in the first quarter of fiscal 2014 in comparison to 23% for the same period last year.

Services gross profit during the first quarter of fiscal 2014 increased to $2.4 million, higher by $491,000, in comparison to the same period of fiscal 2013. Services gross profit was 33% of services revenue in the first quarter of fiscal 2014 in comparison to 28% for the comparable period last year. The improvement in the services gross profit margin and percentage is a reflection that employees hired in fiscal 2012 and 2013, to address the growing backlog, are becoming more proficient in contributing to the revenue stream.

Operating Expenses

Total operating expenses for the first quarter of fiscal 2014 decreased to $4.1 million, lower by $230,000 or 5%, compared to $4.4 million for the same three-month period last year.

The most notable differences between the first quarter of fiscal 2014 in comparison with the same period in fiscal 2013 are as follows.

- Sales and marketing expenses amounted to $1.9 million, $25,000 higher than the comparable quarter last year. Expenses were higher due to higher employee related expenses of $64,000 and marketing program costs of $13,000, which were offset by lower commissions of $54,000. The average headcount is one higher than for the comparable period last year.

- General and administrative expenses decreased to $1.0 million, $116,000 lower than the comparable quarter last year primarily as a result of lower management incentives, travel, and consulting expenses.

- Net R&D expenses decreased to $1.2 million, $139,000 lower than the comparable quarter last year. Gross R&D expenses decreased by $32,000 comprising primarily of lower travel and depreciation. The average headcount during the first quarter of fiscal 2013 was two higher than the comparable period of a year earlier. The Company also recorded $323,000 of R&D refundable and non-refundable tax credits and e-business tax credits in the first quarter of fiscal 2014 compared to $312,000 for the same period of the last fiscal year. In addition, the Company capitalized deferred development costs of $523,000 in the first quarter of fiscal 2014 compared to $404,000 for the same period of the last fiscal year while amortizing deferred development costs of $238,000 in the first quarter of fiscal 2014 in comparison to $215,000 for the same quarter a year earlier.

Profit from Operations

The Company recorded a profit from operations of $171,000 representing 2% of revenue in the first quarter of fiscal 2014 in comparison to $1.0 million representing 9% of revenue for the comparable quarter of the previous year primarily as a result of the lower proprietary software revenue.

Net Finance Costs

In the first quarter of fiscal 2014, the Company recorded net finance costs of $88,000 in comparison to net finance income of $89,000 for the comparable quarter last year. Finance costs in the first quarter of fiscal 2014 include $51,000 of expense related to the revaluation of the fair value of the share options liability in comparison to an $80,000 recovery for the same period last year. The Company revalues the share option liability at each reporting date and any change in the liability is reflected as finance income or finance costs in the consolidated statement of comprehensive income, as appropriate. Please see note 5 to the consolidated financial statements for a more elaborate discussion on share options. Additionally, net finance costs include net foreign exchange losses of $10,000 in the first quarter of fiscal 2014 in comparison to net foreign exchange gains of $5,000 for the same period last year and net interest expense of $27,000 versus net interest income of $4,000, respectively. The increase of net interest expense over the same period last year is largely due to the new term loan executed by the Company at the end of the second quarter of fiscal 2013.

Net Profit

The Company recorded a profit of $83,000 or $0.01 per share in the first quarter of fiscal 2014 compared to $1.1 million or $0.10 per share for the same period last year.

Liquidity and Capital Resources

On July 31, 2013, current assets totaled $20.8 million compared to $21.1 million at the end of fiscal 2013. Cash and cash equivalents increased to $6.8 million compared to $5.3 million as at April 30, 2013. This increase is primarily due to $2.3 million of cash flow from operations, largely influenced by the receipt of nearly $1.9 million of tax credits, and offset in part by the partial repayment of the term loan and the investment in property, equipment and other intangible assets, and the Company's flagship product, EliteSeries. Accounts receivable and work in progress totaled $8.6 million on July 31, 2013 compared to $9.3 million as at April 30, 2013. The Company's DSO (days sales outstanding) stood at 73 days at the end the first quarter of fiscal 2014 compared to 75 days at the end of fiscal 2013 and 64 days at the end of the first quarter of fiscal 2013. During the first quarter of fiscal 2013, cash related to the significant sale of licenses was collected in the same quarter.

Current liabilities on July 31, 2013 totaled $13.1 million compared to $13.2 million at the end of fiscal 2013. The decrease in current liabilities is mainly due to the reduction in accounts payable offset by an increase in deferred revenue. Working capital decreased to $7.6 million at the end of July 31, 2013 in comparison to $7.9 million at the end of fiscal year 2013.

The Company's banking and credit facilities require adherence to financial covenants. The Company is in compliance with these covenants as at July 31, 2013 and April 30, 2013.

Operating activities generated funds of $2.3 million in the first quarter of fiscal 2014 in comparison to $903,000 in the first quarter of fiscal 2013. Operating activities excluding changes in non-cash working capital items generated $547,000 in the first quarter of fiscal 2014 in comparison to $1.5 million in the same period in fiscal 2013, largely due to the reduction of profitability influenced by the very significant sale of a proprietary license to an existing customer in the first quarter of fiscal 2013. Working capital items generated funds of $1.7 million in the first quarter of fiscal 2014 primarily due to decreases in tax credits receivable and accounts receivable and work in progress, and offset by the reduction of accounts payable. Working capital items used funds of $569,000 in the first quarter of fiscal 2013 primarily due to decrease of accounts payable and increases in tax credit receivables and work in progress and offset partially by decreases in accounts receivable.

The Company believes that funds on hand at July 31, 2013 combined with cash flow from operations and its accessibility to new banking facilities 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 $260,000 in the first quarter of fiscal 2014 and $206,000 in the same three-month period in fiscal 2013. During the first quarter, the Company repaid $250,000 of the term loan, initiated at the end of the second quarter of fiscal 2013, as scheduled. Additionally the Company repaid $5,000 of another loan in comparison to $3,000 in the same quarter last year. During the first quarter of fiscal 2013, the Company purchased 91,800 of its outstanding common shares for cancellation at an average price of $2.48 per share. The total cost related to the purchasing of these shares, including related costs, was $231,000. No purchases of common shares were made in the first quarter of the current year. Additionally, during the first quarter of fiscal 2014, 25,000 share options were exercised at an average exercise price of $1.59 to purchase common shares generating cash of $40,000 in comparison to 16,350 share options that were exercised in the same quarter a year earlier at an average exercise price of $1.90 generating cash of $31,000. Lastly, the Company paid interest of $43,000 and $3,000 during the first quarter of fiscal 2014 and fiscal 2013, respectively. The increase in the interest payment is largely due to the term loan undertaken since the end of the second quarter of fiscal 2013.

During the first quarter of fiscal 2014, investing activities used funds of $595,000 in comparison to $810,000 in the comparable period last year. The Company used funds of $142,000 and $467,000 for the acquisition of property and equipment, and intangible assets in the first quarter of fiscal 2014 and fiscal 2013 respectively. Additionally, the Company invested in its proprietary software products with the capitalization of $523,000 and $404,000 reflected as deferred development costs in the first quarter of fiscal 2014 and fiscal 2013, respectively. The Company collected monies from TECSYS Latin America, a former related party, on previously advanced loans and the scheduled payment relating to the divesture of the equity interest in TLA of $14,000 in both the first quarter of fiscal 2014 and 2013. The Company received interest of $16,000 and $7,000 in the first quarter of fiscal 2014 and fiscal 2013, respectively. Lastly, the Company generated funds of $40,000 during the first quarter of both fiscal 2014 and 2013 by reductions in restricted cash equivalents and other investments related to a landlord guarantee.

Related Party Transactions

The company has a subordinated loan of $65,000 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. During the three-month period ended July 31, 2013, the Company repaid $5,000. The amount outstanding at July 31, 2012 and at April 30, 2013 was $82,000 and $70,000, respectively.

Under the provisions of the current share purchase plan for key management, the Company extended interest-free loans of $206,000 to key management to facilitate their purchase of Company shares during the first quarter ended July 31, 2013. These loans will be fully repaid before the end of the fiscal year, April 30, 2014. The outstanding loans as at July 31, 2013 amounted to $154,000.

Subsequent Event

On September 5, 2013, the Company declared a dividend of $0.035 per share, to be paid on October 4, 2013 to shareholders of record at the close of business on September 20, 2013.

Current and Anticipated Impacts of Current Economic Conditions

The current overall economic uncertainty and volatility may have an adverse impact on the demand for the Company's products and services as industry may adjust quickly to exercise caution on capital spending. Although the first quarter of fiscal 2014 got off to a slow start with new bookings totaling $3.7 million, the Company observed generally positive signs over the six previous quarters to the end of fiscal 2013 of prospects and customers ramping up investment in supply chain management software. During the last six quarters ending April 30, 2013, the Company booked significant increases in business volume with total contract values averaging $6.7 million per quarter, whereas for the previous fourteen quarters since the beginning of fiscal 2009, bookings averaged approximately $4.8 million per quarter. The Company's pipeline reflecting potential new deals remains strong. The magnitude of the growth trend will depend on the strength and sustainability of the economic recovery and the demand for supply chain management software.

Given the current backlog of $26.3 million, comprised primarily of services, the Company's management believes that the services revenue level ranging between $6.8 million and $7.3 million per quarter can be sustained in the short term if no significant new agreements are completed. If the positive business signs continue to manifest themselves and newer employees continue to refine their expertise and integration, as the Company is anticipating, services revenue should continue to rise. The Company is also taking positive action to optimize and right size its services organization as is generally needed after a significant and rapid growth spurt. The Company anticipates that its services gross profit margin will continue to improve as it did in the first quarter of fiscal 2014 as the newer services employees become more proficient for revenue generation. In fiscal 2013, the services margin was under pressure as it struggled with the integration of new resources.

Strategically, the Company continues to focus its efforts on the most likely opportunities within its existing vertical markets and customer base. The Company also currently offers subscription-based licensing, hosting services, modular sales and implementations, and enhanced payment terms to promote revenue growth.

The exchange rate of the U.S. dollar in comparison to the Canadian dollar continues to be an important factor affecting revenues and profitability as the Company generally derives approximately 60% 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. The Company has increased its headcount significantly during fiscal 2012 and 2013 to meet the higher demand for its services and to capture pipeline opportunities. The Company will focus its attention on rendering this investment profitable while addressing the services backlog contributing to revenue generation. Other cost areas under continuous scrutiny are traveling, consulting and communications.

The Company believes that funds on hand together with anticipated cash flows from operations, and its accessibility to the operating line of credit will be sufficient to meet all its needs for a 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 bid and adjusting its dividend policy.

Outstanding Share Data

On September 5, 2013, the Company has 11,474,421 common shares as there has been no activity since the end of the Company's first quarter.

Similarly, on September 5, 2013, outstanding share options to purchase common shares numbered 62,900 as there has been no activity since the end of the first quarter.

Change in Accounting Policies

New accounting standards adopted in 2014

A number of new standards, interpretations and amendments to existing standards were issued by the IASB or International Financial Reporting Interpretations Committee ("IFRIC") that are mandatory and effective for annual periods starting on or after January 1, 2013. The following standards have been adopted in the first quarter of 2014 commencing May 1, 2013.

IFRS 10, *Consolidated Financial Statements* ("IFRS 10"), establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. It provides a single model to be applied in the control analysis for all investees. IFRS 10 replaces the consolidation requirements in SIC-12, *Consolidation - Special Purpose Entities* and IAS 27, *Consolidated and Separate Financial Statements*. The Company has determined that the consolidation procedures are carried forward substantially unmodified from IAS 27 (2008), and as such IFRS 10 did not have a material impact on the Company's consolidated financial statements.

IFRS 12, *Disclosure of Interests in Other Entities* ("IFRS 12"), is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. The Company has determined that IFRS 12 did not have a material impact on the Company's consolidated financial statements.

IFRS 13, *Fair Value Measurement* ("IFRS 13"), provides new guidance on fair value measurement and disclosure requirements. IFRS 13 replaces the fair value measurement guidance contained in individual IFRSs with a single source fair value measurement guidance. It defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, i.e. an exit price. The standard also establishes a framework for measuring fair value and sets out disclosure requirements to provide information that enables financial statement users to assess the methods and inputs used to develop the fair value measurement. The adoption of IFRS 13 did not require any adjustments to the valuation techniques used by the Company to measure fair value in comparison to previous periods, and the effect of the standard is primarily disclosure. The Company has determined that IFRS 13 did not have a material impact on the Company's consolidated financial statements.

New accounting standards and interpretations issued but not yet adopted

A number of new standards, interpretations and amendments to existing standards were issued by the IASB or IFRIC that are mandatory but not yet effective for the period ended July 31, 2013, and have not been applied in preparing these condensed interim consolidated financial statements. None are expected to have an impact on the consolidated financial statements of the Company except for IFRS 9, *Financial Instruments* ("IFRS 9"), which will be effective for annual periods starting on or after January 1, 2015.

IFRS 9 will ultimately replace IAS 39, *Financial Instruments: Recognition and Measurement* ("IAS 39"). The replacement of IAS 39 is a three-phase project with the objective of improving and simplifying the reporting for financial instruments. The issuance of IFRS 9 in November 2009 was the first phase of the project, which provides guidance on the classification and measurement of financial assets and financial liabilities. The Company intends to adopt IFRS 9 in its consolidated financial statements for the annual period beginning May 1, 2015.

The Company is in the process of determining the extent of the impact of this standard on the Company's 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 these financial statements and the financial statements for the year ended April 30, 2013.

Use of estimates, assumptions and judgments

The preparation of the consolidated financial statements requires management to make estimates, assumptions, and judgments that affect the application of accounting policies and 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.

Reported amounts and note disclosures reflect the overall economic conditions that are most likely to occur and the anticipated measures that management intends to take. Actual results could differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about areas requiring the use of judgment, management assumptions and estimates, and key sources of estimation uncertainty that the Company believes could have the most significant impact on reported amounts is noted below:

(i) Revenue recognition:

A portion of the Company's revenue is recognized on a percentage-of-completion basis. In this regard, estimates are required in determining the level of advancement and in determining the costs to complete the deliverables.

In addition, revenue recognition is also subject to critical judgment, particularly in multiple-element arrangements where judgment is required in allocating revenue to each component, including licenses, professional services and maintenance services, based on the relative fair value of each component. As certain of these components have a term of more than one year, the identification of each deliverable and the allocation of the consideration received to the components impacts the timing of revenue recognition.

(ii) Government assistance:

Management uses judgment in estimating amounts receivable for various tax credits and in assessing the eligibility of research and development expenses.

(iii) Income taxes:

In assessing the realizability of deferred tax assets, management considers whether it is probable that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income and available tax planning strategies in making this assessment.

Deferred tax assets and liabilities contain estimates about the nature and timing of future permanent and temporary differences as well as the future tax rates that will apply to those differences. Changes in tax laws and rates as well as changes to the expected timing of reversals may have a significant impact on the amounts recorded for deferred tax assets and liabilities. Management closely monitors current and potential changes to tax law and bases its estimates on the best available information at each reporting date.

(iv) Impairment of assets:

Impairment assessments may require the Company to determine the recoverable amount of a cash generating unit ("CGU"), defined as the smallest identifiable group of assets that generates cash inflows independent of other assets. This determination requires significant estimates in a variety of areas including: the determination of fair value, selling costs, timing and size of cash flows, and discount and interest rates. The Company documents and supports all assumptions made in the above estimates and updates such assumptions to reflect the best information available to the Company if and when an impairment assessment requires the recoverable amount of a CGU to be determined.

(v) Fair value of derivative instruments:

The fair value of a derivative instrument is estimated using inputs, including forward prices, foreign exchange rates, interest rates and volatilities. These inputs are subject to change on a regular basis based on the interplay of various market forces.

Consequently, the fair value of each of the Company's derivative instruments is subject to assumptions and estimation uncertainties and can vary significantly in each reporting period.

Revenue Recognition

The Company derives its revenues under non-cancellable license agreements from the sale of proprietary software licenses, third-party software, support, and hardware and provides software-related services including training, installation, consulting and maintenance, which include product support services and periodic updates. Software licenses sold by the Company are generally perpetual in nature and the arrangements generally comprise various services.

Revenues generated by the Company include the following:

(i) License fees and hardware products:

Revenues from perpetual licenses sold separately are recognized when a non-cancellable agreement has been signed, the product has been delivered, there are no uncertainties surrounding product acceptance, the fees are fixed or determinable and the amount of revenue and costs can be measured reliably, and collection is considered probable such that economic benefits associated with the transaction will flow to the Company. Delivery generally occurs at the point where title and risk of loss have passed to the customer and the Company no longer retains continuing managerial involvement or effective control over the products sold. However, some arrangements require evidence of customer acceptance of the hardware and software products that have been sold. In such cases, delivery of the hardware, software and services is not considered to have occurred until evidence of acceptance is received from the customer or the Company has completed its contractual obligations.

Certain of the Company's license agreements require the customer to renew their 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. Where an upfront fee is not considered to represent a significant and incremental premium over subsequent year renewal fees, the license fee is recognized ratably over the initial contractual support period, which is generally one year. An upfront license fee representing a significant and incremental premium over subsequent year renewal fees is deferred and recognized as revenue over the period in which support is expected to be provided, which is generally considered to be the estimated useful life of the software license. For long-term contracts 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 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 reporting 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, and the delivery performance of any undelivered product or service is uncertain and not substantially within the Company's control, then the percentage of completion up to those milestones is recognized upon acceptance.

(ii) Support agreements:

Support agreements for proprietary software licenses 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 related to third-party software and the related cost are generally recognized upon the delivery of the third-party products as the support fee is included with the initial licensing fee, the support included with the initial license is for one year or less, and the estimated cost of providing support during the arrangement is insignificant. In addition, unspecified upgrades for third party support agreements historically have been and are expected to continue to be minimal and infrequent.

(iii) Consulting and training services:

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

(iv) Reimbursable expenses:

The Company records revenue and the associated cost of revenue on a gross basis in its statements of comprehensive income for reimbursable expenses such as airfare, hotel lodging, meals, automobile rental and other charges related to providing services to its customers.

(v) Multiple-element arrangements:

Some of the Company's sales involve multiple-element arrangements that include product (software and/or hardware), maintenance and various professional services. The Company evaluates each deliverable in an arrangement to determine whether such deliverable would represent a separate component. Most of the Company's products and services qualify as separate components and revenue is recognized when the applicable revenue recognition criteria, as described above, are met.

In multiple-element arrangements, the Company separately accounts for each product or service according to the methods described when the following conditions are met:

- the delivered product or service has value to the customer on a stand-alone basis;
- there is objective and reliable evidence of fair value of any undelivered product or service;
- if the sale includes a general right of return relating to a delivered product or service, the delivery performance of any undelivered product or service is probable and substantially in the Company's control.

If there is objective and reliable evidence of fair value for all products and services in a sale, the total price of the arrangements is allocated to each product and service based on relative fair value. Otherwise, the Company first allocates a portion of the total price to any undelivered products and services based on their fair value and the remainder to the products and services that have been delivered.

Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that material information is gathered and reported to senior management on a timely basis so that appropriate decisions can be made regarding public disclosure. The Company's Chief Executive Officer (CEO) and its Chief Financial Officer (CFO) are responsible for establishing and maintaining disclosure controls and procedures regarding the communication of information. They are assisted in this responsibility by the Company's Executive Committee, which is composed of members of senior management. Based on the evaluation of the Company's disclosure controls and procedures, the Chief Executive Officer and Chief Financial Officer have concluded that these disclosure controls and procedures were effective as of July 31, 2013.

Internal Control over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of the Company's financial reporting and its compliance with IFRS in its consolidated financial statements. The control framework that was designed by the Company's ICFR is in accordance with the framework criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

No changes to internal controls over financial reporting have come to management's attention during the three-month period ending on July 31, 2013 that have materially affected, or are reasonably likely to materially affect internal controls over financial reporting.

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.

Condensed Interim Consolidated Financial Statements of
(Unaudited)

TECSYS INC.

For the three-month periods ended July 31, 2013 and 2012

MANAGEMENT'S COMMENTS ON THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIODS ENDED JULY 31, 2013 and 2012

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's Management.

The Company's independent auditors, KPMG LLP, have not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditors.

Dated this 5th day of September, 2013.

TECSYS INC.

Condensed Interim Consolidated Financial Statements
(Unaudited)

For the three-month periods ended July 31, 2013 and 2012

Financial Statements

Condensed Interim Consolidated Statements of Financial Position 1

Condensed Interim Consolidated Statements of Comprehensive Income 2

Condensed Interim Consolidated Statements of Cash Flows 3

Condensed Interim Consolidated Statements of Changes in Equity 4

Notes to the Condensed Interim Consolidated Financial Statements 5

TECSYS Inc.

Condensed Interim Consolidated Statements of Financial Position
(Unaudited)

As at July 31, 2013 and April 30, 2013
(in thousands of Canadian dollars)

	Note	July 31, 2013	April 30, 2013
Assets			
Current assets			
Cash and cash equivalents		$ 6,784	$ 5,348
Accounts receivable		7,539	7,959
Work in progress		1,029	1,291
Other accounts receivable		253	132
Tax credits		3,470	4,675
Inventory		467	545
Prepaid expenses		1,221	1,153
Total current assets		20,763	21,103
Non-current assets			
Restricted cash equivalents and other investments		80	120
Non-current receivables		27	39
Tax credits		1,294	1,219
Property and equipment		2,778	2,928
Deferred development costs		3,602	3,317
Other intangible assets		605	544
Goodwill		2,239	2,239
Deferred tax assets		712	710
Total non-current assets		11,337	11,116
Total assets		$ 32,100	$ 32,219
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		$ 4,663	$ 4,997
Loans payable		65	70
Term loan		1,000	1,000
Deferred revenue		7,414	7,161
Total current liabilities		13,142	13,228
Non-current liabilities			
Term loan		3,250	3,500
Other non-current liabilities		255	225
Total non-current liabilities		3,505	3,725
Total liabilities		16,647	16,953
Equity			
Share capital	5	1,852	1,748
Contributed surplus	5	9,588	9,588
Retained earnings		4,013	3,930
Total equity attributable to the owners of the Company		15,453	15,266
Subsequent event	15		
Total liabilities and equity		$ 32,100	$ 32,219

See accompanying notes to the unaudited condensed interim consolidated financial statements.

TECSYS Inc.
Condensed Interim Consolidated Statements of Comprehensive Income
(Unaudited)

Three-month periods ended July 31, 2013 and 2012
(in thousands of Canadian dollars, except per share data)

	Note	July 31, 2013	July 31, 2012
Revenue:			
Software products		$ 1,466	$ 3,283
Third-party hardware and software products		1,754	1,204
Services	6	7,103	6,680
Reimbursable expenses		279	343
Total revenue		10,602	11,510
Cost of revenue:			
Products		1,259	928
Services	7	4,751	4,819
Reimbursable expenses		279	343
Total cost of revenue		6,289	6,090
Gross profit		4,313	5,420
Operating expenses:			
Sales and marketing		1,943	1,918
General and administration		998	1,114
Research and development, net of tax credits		1,201	1,340
Total operating expenses		4,142	4,372
Profit from operations		171	1,048
Finance income	9	16	92
Finance costs	9	(104)	(3)
Net finance (costs) income		(88)	89
Profit before income taxes		83	1,137
Income taxes		-	12
Profit attributable to the owners of the Company and comprehensive income for the period		$ 83	$ 1,125
Basic and diluted earnings per common share	5	$ 0.01	$ 0.10

See accompanying notes to the unaudited condensed interim consolidated financial statements.

TECSYS Inc.

Condensed Interim Consolidated Statements of Cash Flows
(Unaudited)

Three-month periods ended July 31, 2013 and 2012
(in thousands of Canadian dollars)

	Note	July 31, 2013	July 31, 2012
Cash flows from operating activities:			
Profit for the period		$ 83	$ 1,125
Adjustments for:			
Depreciation of property and equipment		183	248
Depreciation of deferred development costs		238	215
Depreciation of other intangible assets		48	37
Net finance costs (income)		88	(89)
Realized foreign exchange (losses) gains and other		(18)	49
Federal non-refundable research and development tax credits		(75)	(75)
Income taxes		-	(38)
Operating activities excluding changes in non-cash working capital items related to operations		547	1,472
Accounts receivable		420	1,097
Work in progress		262	(422)
Other accounts receivable		(123)	(130)
Tax credits		1,205	(559)
Inventory		78	5
Prepaid expenses		(68)	(44)
Accounts payable and accrued liabilities		(283)	(819)
Deferred revenue		253	303
Changes in non-cash working capital items related to operations		1,744	(569)
Net cash from operating activities		2,291	903
Cash flows used in financing activities:			
Repayment of loans		(5)	(3)
Repayment of term loan		(250)	-
Issuance of common shares	5	40	31
Purchase of common shares for cancellation	5	-	(231)
Purchase of share options for cancellation	5	(2)	-
Interest paid		(43)	(3)
Net cash used in financing activities		(260)	(206)
Cash flows used in investing activities:			
Restricted cash equivalents and other investments		40	40
Interest received		16	7
Acquisitions of property and equipment		(33)	(378)
Acquisitions of other intangible assets		(109)	(89)
Deferred development costs		(523)	(404)
Current and non-current receivables from TECSYS Latin America Inc.		14	14
Net cash used in investing activities		(595)	(810)
Net increase (decrease) in cash and cash equivalents during the period		1,436	(113)
Cash and cash equivalents - beginning of period		5,348	5,217
Cash and cash equivalents - end of period		$ 6,784	$ 5,104

See accompanying notes to the unaudited condensed interim consolidated financial statements.

TECSYS Inc.

Condensed Interim Consolidated Statements of Changes in Equity
(Unaudited)

Three-month periods ended July 31, 2013 and 2012
(in thousands of Canadian dollars, except number of shares)

		Share capital		Contributed	Retained	Total
		Number	Amount	surplus	earnings	
	Note					
Balance, April 30, 2013		11,449,421	$ 1,748	$ 9,588	$ 3,930	$ 15,266
Profit and comprehensive income for the period		-	-	-	83	83
Total comprehensive income for the period		-	-	-	83	83
Share options exercised	5	25,000	40	-	-	40
Fair value associated with options exercised		-	64	-	-	64
Total transactions with owners of the Company		25,000	104	-	-	104
Balance, July 31, 2013		11,474,421	$ 1,852	$ 9,588	$ 4,013	$ 15,453
Balance, April 30, 2012		11,603,271	$ 1,688	$ 10,023	$ 3,845	$ 15,556
Profit and comprehensive income for the period		-	-	-	1,125	1,125
Total comprehensive income for the period		-	-	-	1,125	1,125
Repurchase of common shares	5	(91,800)	(13)	(218)	-	(231)
Share options exercised	5	16,350	31	-	-	31
Fair value associated with options exercised		-	7	-	-	7
Total transactions with owners of the Company		(75,450)	25	(218)	-	(193)
Balance, July 31, 2012		11,527,821	$ 1,713	$ 9,805	$ 4,970	$ 16,488

See accompanying notes to the unaudited condensed interim consolidated financial statements.

---

1. Description of business:

TECSYS Inc. (the "Company") develops, markets and sells enterprise-wide supply chain management software for distribution, warehousing, and transportation logistics. The Company also provides related consulting, education and support services. The Company is headquartered at 1, Place Alexis Nihon, Montréal, Canada, and derives substantially all of its revenue from customers located in the United States and Canada. The Company's customers consist primarily of high-volume distributors of discrete goods operating in such industries as health care, gas and welding distribution, office products, hardware, spare parts for heavy equipment, third-party logistics, industrial products, giftware and home decor, and consumer goods.

2. Basis of preparation:

The Company prepares its consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS").

(a) Statement of compliance:

These condensed interim consolidated financial statements and the notes thereto have been prepared in accordance with IAS 34, *Interim Financial Reporting* as issued by the International Accounting Standards Board ("IASB"). They do not include all of the information required in the full annual financial statements. Certain information and footnote disclosures normally included in annual financial statements were omitted or condensed where such information is not considered material to the understanding of the Company's interim financial information. As such, they should be read in conjunction with the consolidated financial statements of the Company as at and for the year ended April 30, 2013.

The condensed interim consolidated financial statements were authorized for issue by the Board of Directors on September 5, 2013.

(b) Summary of accounting policies:

The preparation of financial data is based on accounting principles and practices consistent with those used in the preparation of the audited annual financial statements as at April 30, 2013.

Other new or amended accounting standards had no significant impact on the Company's accounting methods.

(c) Basis of measurement:

The condensed interim consolidated financial statements have been prepared on a going concern basis using historical cost except for derivative instruments and the share option liability which are measured at fair value.

(d) Functional and presentation currency:

The condensed interim consolidated financial statements are presented in Canadian dollars, the functional currency of the Company and its entities.

(e) Use of estimates, assumptions and judgments:

The preparation of the consolidated financial statements requires management to make estimates, assumptions, and judgments that affect the application of accounting policies and 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.

Reported amounts and note disclosures reflect the overall economic conditions that are most likely to occur and the anticipated measures that management intends to take. Actual results could differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about areas requiring the use of judgment, management assumptions and estimates, and key sources of estimation uncertainty that the Company believes could have the most significant impact on reported amounts is noted below:

(i) Revenue recognition:

A portion of the Company's revenue is recognized on a percentage-of-completion basis. In this regard, estimates are required in determining the level of advancement and in determining the costs to complete the deliverables.

In addition, revenue recognition is also subject to critical judgment, particularly in multiple-element arrangements where judgment is required in allocating revenue to each

component, including licenses, professional services and maintenance services, based on the relative fair value of each component. As certain of these components have a term of more than one year, the identification of each deliverable and the allocation of the consideration received to the components impacts the timing of revenue recognition.

(ii) Government assistance:

Management uses judgment in estimating amounts receivable for various tax credits and in assessing the eligibility of research and development expenses.

(iii) Income taxes:

In assessing the realizability of deferred tax assets, management considers whether it is probable that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income and available tax planning strategies in making this assessment.

Deferred tax assets and liabilities contain estimates about the nature and timing of future permanent and temporary differences as well as the future tax rates that will apply to those differences. Changes in tax laws and rates as well as changes to the expected timing of reversals may have a significant impact on the amounts recorded for deferred tax assets and liabilities. Management closely monitors current and potential changes to tax law and bases its estimates on the best available information at each reporting date.

(iv) Impairment of assets:

Impairment assessments may require the Company to determine the recoverable amount of a cash generating unit ("CGU"), defined as the smallest identifiable group of assets that generates cash inflows independent of other assets. This determination requires significant estimates in a variety of areas including: the determination of fair value, selling costs, timing and size of cash flows, and discount and interest rates. The Company documents and supports all assumptions made in the above estimates and updates such assumptions to reflect the best information available to the Company if and when an impairment assessment requires the recoverable amount of a CGU to be determined.

(v) Fair value of derivative instruments:

The fair value of a derivative instrument is estimated using inputs, including forward prices, foreign exchange rates, interest rates and volatilities. These inputs are subject to change on a regular basis based on the interplay of various market forces.

Consequently, the fair value of each of the Company's derivative instruments is subject to assumptions and estimation uncertainties and can vary significantly in each reporting period.

3. New accounting standards adopted in fiscal 2014:

A number of new standards, interpretations and amendments to existing standards were issued by the IASB or International Financial Reporting Interpretations Committee ("IFRIC") that are mandatory and effective for annual periods starting on or after January 1, 2013. The following standards have been adopted in the first quarter of 2014 commencing May 1, 2013.

IFRS 10, *Consolidated Financial Statements* ("IFRS 10"), establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. It provides a single model to be applied in the control analysis for all investees. IFRS 10 replaces the consolidation requirements in SIC-12, *Consolidation - Special Purpose Entities* and IAS 27, *Consolidated and Separate Financial Statements*. The Company has determined that the consolidation procedures are carried forward substantially unmodified from IAS 27 (2008), and as such IFRS 10 did not have a material impact on the Company's consolidated financial statements.

IFRS 12, *Disclosure of Interests in Other Entities* ("IFRS 12"), is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. The Company has determined that IFRS 12 did not have a material impact on the Company's consolidated financial statements.

IFRS 13, *Fair Value Measurement* ("IFRS 13"), provides new guidance on fair value measurement and disclosure requirements. IFRS 13 replaces the fair value measurement guidance contained in individual IFRSs with a single source fair value measurement guidance. It defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, i.e. an exit price. The standard also establishes a framework for measuring fair value and sets out disclosure requirements to provide information that enables financial statement users to assess the methods and inputs used to develop the fair value measurement. The adoption of IFRS 13 did not require any adjustments to the valuation techniques used by the Company to measure fair value in comparison to previous periods, and the effect of the standard is primarily disclosure. The Company has determined that IFRS 13 did not have a material impact on the Company's consolidated financial statements.

4. New accounting standards and interpretations issued but not yet adopted:

A number of new standards, interpretations and amendments to existing standards were issued by the IASB or IFRIC that are mandatory but not yet effective for the period ended July 31, 2013, and have not been applied in preparing these condensed interim consolidated financial statements. None are expected to have an impact on the consolidated financial statements of the

Company except for IFRS 9, *Financial Instruments* ("IFRS 9"), which will be effective for annual periods starting on or after January 1, 2015.

IFRS 9 will ultimately replace IAS 39, *Financial Instruments: Recognition and Measurement* ("IAS 39"). The replacement of IAS 39 is a three-phase project with the objective of improving and simplifying the reporting for financial instruments. The issuance of IFRS 9 in November 2009 was the first phase of the project, which provides guidance on the classification and measurement of financial assets and financial liabilities. The Company intends to adopt IFRS 9 in its consolidated financial statements for the annual period beginning May 1, 2015.

The Company is in the process of determining the extent of the impact of this standard on the Company's consolidated financial statements.

5. Share capital:

(a) Share capital:

Authorized - unlimited as to number and without par value

Common shares

The holders of common shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

All outstanding shares issued are fully paid.

Class A preferred shares

Class A preferred shares are issuable in series, having such attributes as the Board of Directors may determine. Holders of Class A preferred shares do not carry the right to vote. No preferred shares are outstanding as at July 31, 2013 and April 30, 2013.

On July 19, 2013, 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 TSX, the greater of 25% of the average daily trading volume of the common shares on the TSX for the six complete months prior to the date of acceptance by the TSX of the Notice (the "ADTV") or 1,956 common shares on any trading day. The ADTV over the last six completed months was 7,825 shares. 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 572,471 or 5% of the 11,449,421 issued and outstanding common shares on July 10, 2013. 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 23, 2013 to July 22, 2014. The common shares are purchased for cancellation.

During the three-month period ended July 31, 2013, the Company did not purchase any of its outstanding common shares for cancellation. During the three-month period ended July 31, 2012, the Company purchased 91,800 of its outstanding common shares for cancellation at an average price of $2.48 per share. The total cost related to purchasing these shares, including other related costs, was $231,000. The excess of the purchase price over the net book value of these shares of $218,000 was charged to contributed surplus.

(b) Share-based payments:

On July 7, 2011, the Board of Directors closed the share option plan. No share options have been issued under the share option plan since March 3, 2011 and no additional options will be issued under the plan.

Share option holders may exercise their share options to purchase the Company's shares or to cash settle their share options. The outstanding options are fully vested and will continue to be governed by the share option plan.

The following table summarizes the share option activity under this plan:

	Number of options	Weighted average exercise price
Balance, April 30, 2012	327,570	$ 1.64
Exercised	(231,670)	1.60
Forfeited	(6,500)	1.53
Balance, April 30, 2013	89,400	$ 1.74
Exercised	(26,000)	1.59
Forfeited	(500)	2.03
Balance, July 31, 2013	62,900	$ 1.80

During the three months ended July 31, 2013, 1,000 share options (July 31, 2012 – 500) were exercised at a weighted average exercise price of $1.59 (July 31, 2012 – $1.70) and cash settled for a total cash disbursement of $2,000 (July 31, 2012 – $400).

Additionally, during this period, 25,000 share options (July 31, 2012 – 16,350) were exercised at a weighted average exercise price of $1.59 (July 31, 2012 – $1.90) to purchase common shares generating cash and increasing share capital by $40,000 (July 31, 2012 – $31,000).

The weighted average share price at the date of exercise for all share options exercised in the three-month period ended July 31, 2013 was $4.14 (July 31, 2012 – $2.33).

The Company revalues the share option liability at each reporting date and any change in the liability is reflected as finance income or finance costs in the consolidated statement of comprehensive income, as appropriate.

On July 31, 2013, the Company reassessed the fair value of 62,900 (April 30, 2013 – 89,400) outstanding share options at $138,000 (April 30, 2013 – $153,000). The fair value was determined based on the Company's closing share price on July 31, 2013, which was $3.99 (April 30, 2013 – $3.45). For the three-month period ended July 31, 2013, the Company has recorded a loss of $51,000 representing the increase in the fair value of the share options since April 30, 2013. The valuation technique used to determine the fair value is based on the excess of the Company's share price over the exercise price of the share options extrapolated by the number of outstanding share options. The fair value hierarchy related to the share options is categorized as level 2.

The following table summarizes information about share options outstanding as at July 31, 2013:

			Options outstanding
Exercise price	Number outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price
$ 1.22 - 1.32	2,000	0.52	$ 1.29
1.59 - 1.59	1,000	0.01	1.59
1.70 - 1.80	52,500	1.42	1.80
1.89 - 1.90	1,000	2.45	1.90
2.01 - 2.06	6,400	1.69	2.02
	62,900	1.41	$ 1.80

(c) Earnings per share:

Basic earnings per share:

The calculation of basic earnings per share at July 31, 2013 and 2012 is based on the profit attributable to common shareholders and a weighted average number of common shares outstanding calculated as follows:

	Three Months Ended July 31, 2013	Three Months Ended July 31, 2012
Profit attributable to common shareholders	$ 83	$ 1,125
Issued common shares at the beginning of the period	11,449,421	11,603,271
Effect of share options exercised	5,707	3,250
Effect of share buyback through the normal course issuer bid	-	(75,046)
Weighted average number of common shares outstanding (basic)	11,455,128	11,531,475

Diluted earnings per share:

The calculation of diluted earnings per share at July 31, 2013 and 2012 is based on the profit attributable to common shareholders and a weighted average number of common shares outstanding after adjustment for the effects of all dilutive common shares, calculated as follows:

	Three Months Ended July 31, 2013	Three Months Ended July 31, 2012
Profit attributable to common shareholders	$ 83	$ 1,125
Weighted average number of common shares outstanding (basic)	11,455,128	11,531,475
Effect of share options on issue	44,381	109,561
Weighted average number of common shares outstanding (diluted)	11,499,509	11,641,036

The average market value of the Company's shares for purposes of calculating the dilutive effect of share options was based on quoted market prices for the period during which the options were outstanding.

For the three-month periods ended July 31, 2013 and 2012, all options that could have an effect on the calculation of diluted earnings per share in the future were included in the above calculations since these options had exercise prices less than the average price of common shares during the period.

6. Revenue:

Services revenue is broken down as follows:

	Three Months Ended July 31, 2013	Three Months Ended July 31, 2012
Professional services	$ 4,180	$ 3,855
Maintenance	2,656	2,570
Others	267	255
	$ 7,103	$ 6,680

7. Cost of revenue:

The following table provides detail of the cost of services presented in cost of revenue:

	Three Months Ended July 31, 2013	Three Months Ended July 31, 2012
Gross expenses	$ 5,130	$ 5,132
E-business tax credits	(379)	(313)
	$ 4,751	$ 4,819

8. Personnel expenses:

	Three Months Ended July 31, 2013	Three Months Ended July 31, 2012
Salaries	$ 7,005	$ 6,861
Other short-term benefits	652	586
Payments to defined contribution plans	355	321
Termination benefits	2	74
	$ 8,014	$ 7,842

9. Finance income and finance costs:

	Three Months Ended July 31, 2013	Three Months Ended July 31, 2012
Interest expense on financial liabilities measured at amortized cost	$ (43)	$ (3)
Foreign exchange gain	72	-
Net decrease in fair value of foreign exchange contracts	(82)	-
Subtotal – net foreign exchange loss	(10)	-
Increase in fair value of share options liability	(51)	-
Finance costs	(104)	(3)
Interest income on loans and receivables	1	1
Interest income on bank deposits	15	6
Foreign exchange gain	-	9
Net decrease in fair value of foreign exchange contracts	-	(4)
Subtotal – net foreign exchange gain	-	5
Decrease in fair value of share options liability	-	80
Finance income	16	92
Net finance (costs) income recognized in profit or loss	$ (88)	$ 89

10. Fair value of derivative instruments:

The Company is exposed to currency risk as a certain portion of the Company's revenues 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. The Company uses derivative financial instruments only for risk management purposes, not for generating trading profits. As such, any change in cash flows associated with derivative instruments is expected to be offset by changes in cash flows related to the net monetary position in the foreign currency.

On July 31, 2013, the Company held outstanding foreign exchange contracts with various maturities to January 31, 2014 to sell US$5,650,000 (April 30, 2013 – US$5,550,000) into Canadian dollars at rates averaging CA$1.0282 (April 30, 2013 – CA$1.0055) to yield CA$5,810,000 (April 30, 2013 – CA$5,580,000). The Company recorded cumulative unrealized exchange losses of $3,000 representing the change in fair value of these contracts (April 30, 2013 – $9,000) since inception and their initial measurement. The valuation technique used to assess the fair value is based on the difference of the foreign exchange contract rate with the closing rate at the reporting date applied to the outstanding foreign exchange contracts and adjusted for the differential in the effective interest rate of the two currencies. The fair value hierarchy related to the outstanding foreign exchange contracts is categorized as level 2.

11. Related party transactions:

(a) Transactions with key management personnel:

Key management includes the Board of Directors (executive and non-executive) and members of the Executive Committee.

Key management of the Company participated in the share option plan until it was closed. Key management and their spouses control 50.3% of the issued common shares of the Company. Additionally, key management holds 50,000 outstanding share options, and with the conversion of the fully vested share options they control 50.7%, and as such are the ultimate controlling party.

The compensation paid or payable to key management for employee services is as follows:

	Three Months Ended July 31, 2013	Three Months Ended July 31, 2012
Salaries	$ 737	$ 822
Other short-term benefits	60	55
Payments to defined contribution plans	13	11
	$ 810	$ 888

Under the provisions of the share purchase plan for key management, the Company provided interest-free loans of $206,000 to key management to facilitate their purchase of Company shares during the three months ended July 31, 2013. These loans will be fully repaid before the end of the fiscal year, April 30, 2014. The outstanding loans as at July 31, 2013 amounted to $154,000.

(b) Transactions with other related parties:

The loans payable comprises an unsecured subordinated loan from a person related to certain shareholders. The loan bears interest at 12.67% per annum and is payable on demand or upon the death of the lender. The Company repaid $5,000 during the three-month period ended July 31, 2013 (July 31, 2012 – $3,000).

	Three Months Ended July, 2013	Three Months Ended July 31, 2012
Interest expense on loan from a person related to certain shareholders	$ 2	$ 3

	July 31, 2013	April 30, 2013
Subordinated loan payable	$ 65	$ 70

These transactions occurred in the normal course of operations.

12. Capital disclosures:

The Company defines capital as equity, loans payable 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, ensuring 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 year.

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.

Historically, the Company followed an approach that relied almost exclusively on its existing liquidity and cash flow from operations to fund its activities and the Company's policy was to maintain a minimum level of debt. Whenever possible, the Company tries to optimize its liquidity needs by non-dilutive sources, including tax credits, and interest income.

Recent trends are indicative of a resurgence of the supply chain management market, which has translated to higher bookings for the Company's products and services and a higher backlog. The Company increased its headcount during fiscal 2012 and 2013 to meet the higher demand for its services and to capture pipeline opportunities. Due to the anticipated expansion of its working capital due to business growth, its investment in the integration and training of new resources, and to restore working capital due to its investment in new facilities in its Montreal, Quebec and Markham, Ontario office, as well as its investment in the migration of its flagship product, EliteSeries, onto a Java platform, the Company completed an arrangement for new credit facilities during the second quarter of fiscal 2013 to ensure that the growth trends can be nurtured and sustained. In late October 2012, the Company received a term loan of $5,000,000, and has repaid $750,000, or $250,000 per quarter, as scheduled.

The Company manages its capital structure by adjusting purchased shares for cancellation pursuant to the normal course issuer bids, adjusting the amount of dividends to shareholders, paying off existing debt and extending or amending its banking and credit facilities. The Company's banking and credit facilities require adherence to financial covenants. The Company is in compliance with these covenants as at July 31, 2013 and April 30, 2013.

13. Operating segments:

Management has organized the Company under one reportable segment: the development and marketing of enterprise-wide distribution software and related services. Substantially all of the Company's property and equipment, goodwill and other intangible assets are located in Canada. The Company's subsidiary in the U.S. comprises sales and service operations offering implementation services only.

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

	Three Months Ended July 31, 2013	Three Months Ended July 31, 2012
Canada	$ 4,193	$ 4,067
United States	6,044	7,386
Other	365	57
	$ 10,602	$ 11,510

14. Comparative figures

Certain comparative figures have been reclassified to conform with the basis of presentation used in the current year.

15. Subsequent event:

On September 5, 2013, the Company declared a dividend of $0.035 per share, to be paid on October 4, 2013 to shareholders of record at the close of business on September 20, 2013.

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
1 Place Alexis Nihon,
Suite 800
Montreal, Quebec
Canada H3Z 3B8
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

© 2013, TECSYS Inc.
All names, trademarks, products and services mentioned are registered or unregistered trademarks of their respective owners.
Printed in Canada