3rd QUARTER FISCAL 2015

REPORT

TECSYS®

TECSYS Inc.
Management's Discussion and Analysis of Financial Condition and Results of Operations dated February 26, 2015

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, 2014. The Company's third quarter for fiscal year 2015 ended on January 31, 2015. 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.

This document and the condensed interim 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.

Quarterly Selected Financial Data

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

	2015			2014				2013
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Total Revenue	14,958	13,548	13,012	12,451	11,849	11,656	10,602	11,117
Profit	467	410	343	640	467	605	83	181
Comprehensive Income	7	291	275	640	467	605	83	181
Basic and Diluted Earnings per Common Share	0.04	0.04	0.03	0.06	0.04	0.05	0.01	0.02

Business Combination

On May 31, 2014, the Company acquired 100% of the issued and outstanding shares of LOGI D HOLDING INC. ("Logi-D"), a leading provider of point-of-use technology for supply chain automation servicing hospitals and healthcare organizations as well as the pioneering inventor behind the internationally recognized RFID-enabled two-bin replenishment concept known under the 2BIN-iD brand. For more than a decade, Logi-D has been helping customers to optimize logistics processes and increase supply chain operational efficiency. This acquisition brings two technology-based companies together with complementary product lines, and extends the Company's footprint in the healthcare supply chain space, a key targeted vertical market for TECSYS. Logi-D is based in Laval, Québec and has approximately 27 employees. The results of its operations have been included in the accompanying condensed interim consolidated financial statements commencing June 1, 2014. Logi-D contributed $4.2 million in revenue and $16,000 in income in the eight month period ended January 31, 2015. The income excludes $160,000 of acquisition costs and $168,000 of amortization of acquisition-related identified intangible assets. Please refer to note 5 of the condensed interim consolidated financial statements for further information.

Results of Operations

Three months ended January 31, 2015 compared to three months ended January 31, 2014

Revenue

Total revenue for the third quarter ended January 31, 2015 increased to $15.0 million, $3.1 million or 26% higher, compared to $11.8 million for the same period of fiscal 2014. The U.S. dollar averaged CA$1.1658 in the third quarter of fiscal 2015 in comparison to CA$1.0691 in the third quarter of fiscal 2014. Approximately 62% of the Company's revenues were generated in the United States during the third quarter of fiscal 2015, hence as a result of the stronger U.S. dollar, which was partially offset by the Company's designated hedging of highly probable U.S. revenue, the net impact to revenue was favorable by an estimated $321,000. The stronger U.S. dollar impacted cost of sales and operating expenses unfavorably by approximately $150,000.

On a pro forma basis, including the revenue of Logi-D of $1.4 million for the third quarter ended January 31, 2014, the Company's consolidated revenue would have been $13.2 million. This compares to $15.0 million in the third quarter of fiscal year 2015, representing an increase of 13%.

Proprietary products, defined as internally developed products including proprietary software and technology hardware, increased to $3.3 million, $2.0 million or 145% higher, in the third quarter of fiscal 2015 in comparison to $1.4 million for the same period last year primarily as a result of organic growth of $1.0 million and the addition of $930,000 of Logi-D's proprietary products. The organic growth was primarily due to increased license revenue in the healthcare vertical market.

Overall total contract value bookings amounted to $12.0 million in the third quarter of fiscal 2015 in comparison to $4.1 million for the same period of the previous fiscal year. During the third quarter, the Company signed four new accounts with a total contract value of $1.4 million in the third quarter of fiscal 2015 compared to two new accounts with a total contract value of $0.2 million in the third quarter of fiscal 2014.

Third party products revenue increased to $2.8 million, $658,000 or 31% higher, in the third quarter of fiscal 2015 in comparison to $2.1 million for the same period last year. Logi-D's revenue for third-party products accounted for $517,000, otherwise third-party product revenue increased by $141,000.

Services revenue increased to $8.4 million, higher by $494,000 or 6%, in third quarter of fiscal 2015 compared to $7.9 million for the same period in the previous fiscal year. The increase is primarily attributable to higher support revenue and to the addition of Logi-D's services accounting for $345,000.

As a percentage of total revenue, products accounted for 41% and services for 56% in the third quarter of fiscal 2015 and 30% and 67% respectively for fiscal 2014. This change in revenue mix is due to a significant increase in organic product revenue growth and the addition of Logi-D, where products account for 80% of its revenue.

Cost of Revenue

Total cost of revenue increased to $7.9 million, higher by $1.1 million or 15%, in the third quarter of fiscal 2015 in comparison to $6.8 million for the same period in fiscal 2014. The increase is attributable to higher services costs of $525,000, higher products costs of $545,000, and lower reimbursable expenses of $20,000.

The cost of services increased to $5.5 million, higher by $525,000 or 11% in the third quarter of fiscal 2015 in comparison to the same period last year. Logi-D's services cost accounted for $228,000. Excluding Logi-D, higher employee remuneration, travel and consulting were the principle elements accounting for the remaining increase of $297,000. The average services headcount, excluding Logi-D, in the third quarter of fiscal 2015 was approximately three resources higher compared to the same period of fiscal 2014. The cost of services includes tax credits of $312,000 for the third quarter of fiscal 2015 compared to $344,000 for the same period in the previous fiscal year. The tax credits relate to the e-business tax credit introduced by the Quebec government in March 2008. On June 4, 2014, the Quebec government announced a reduction in the rate of this tax credit from 30% to 24% of salaries paid to eligible employees, effective June 5, 2014, while maintaining the maximum annual tax credit at $20,000 per eligible employee.

The cost of products increased by $545,000 or 37% to $2.0 million in comparison to the same period last year and is largely related to Logi-D's products, proprietary and third-party, as discussed earlier. Logi-D's total cost of product was $429,000, otherwise, excluding Logi-D, cost of products increased by $116,000 related to the increase of hardware and third-party software products discussed earlier.

Gross Profit

Gross profit increased to $7.1 million, higher by $2.1 million or 41%, in the third quarter of fiscal 2015 in comparison to $5.0 million for the same period last year. This is mainly attributable to higher proprietary products margin of $1.8 million and higher third-party products margin of $301,000. Total gross profit percentage in the third quarter of fiscal 2015 was 47% compared to 42% in the same period of fiscal 2014.

Services gross profit during the third quarter of fiscal 2015 decreased by $31,000 to $2.9 million in comparison to $3.0 million in the same period of fiscal 2014. Services gross profit was 35% of services revenue in the third quarter of fiscal 2015 in comparison to 38% for the comparable period last year. Logi-D's services gross profit percentage was 34% while it contributed $117,000 in service margin in the third-quarter. Excluding Logi-D, the services margin percentage declined to 35% from 38% as the service margin decreased by $148,000 as the increase of revenue was surpassed by the increase of expenses.

The third-party products margin increased to $975,000, $301,000 higher than the same period last year. The third-party products margin was 35% of revenue in the third quarter of fiscal 2015 in comparison to 31% for the same period last year. The increase in margin and margin percentage is largely attributable to Logi-D's integration as it contributed a third-party products margin of $276,000 and a third-party products gross margin percentage of 53% during the third quarter.

Operating Expenses

Total operating expenses for the third quarter of fiscal 2015 increased to $6.4 million, higher by $2.0 million or 46%, compared to $4.4 million for the same three-month period last year. Excluding Logi-D's operating expenses, the cost related to acquisition and amortization of intangible technology assets of Logi-D amounting to $1.1 million, operating expenses are higher by $951,000 or 22%. The most notable differences between the third quarter of fiscal 2015 in comparison with the same period in fiscal 2014 are as follows.

- Sales and marketing expenses amounted to $3.2 million, $1.1 million higher than the comparable quarter last year. Logi-D's sales and marketing expenses amounted to $549,000 for the third quarter. Excluding Logi-D, expenses were higher by $581,000 due primarily to higher employee related expenses of $319,000, commissions of $190,000, and higher travel expense of $57,000 compared to the same period last year. Excluding Logi-D, the salesforce headcount increased by three in comparison to the same period last year. The Company has reorganized its sales organization structure and has added capacity to focus attention amongst key verticals and new and base accounts to promote revenue growth.

- General and administrative expenses increased to $1.3 million, $334,000 higher than the comparable quarter last year. Logi-D's general and administrative expenses amounted to $268,000. Excluding Logi-D, expenses were higher by $66,000 primarily as a result of higher employee related expenses.

- Net R&D expenses increased to $1.9 million, $554,000 higher than the comparable quarter last year. Logi-D net R&D expenses amounted to $250,000 including tax credits of $27,000 and amortization related to identified intangible technology assets arising from the acquisition of $41,000. Excluding Logi-D's expenses, gross R&D expenses increased by $139,000 comprising primarily of higher employee related costs. Excluding Logi-D, the Company also recorded $315,000 of R&D refundable and non-refundable tax credits and e-business tax credits in the third quarter of fiscal 2015 in comparison to $316,000 for the same period in fiscal 2014. In addition, the Company capitalized deferred development costs of $342,000 in the third quarter of fiscal 2015 compared to $413,000 for the same period of the last fiscal year while amortizing deferred development costs of $359,000 in the third quarter of fiscal 2015 in comparison to $266,000 for the same quarter a year earlier.

Profit from Operations

The Company recorded profit from operations of $630,000 in the third quarter of fiscal 2015 in comparison to $589,000 for the comparable quarter of the previous year primarily as a result of higher operating expenses offset by higher proprietary products margin and third-party products margin.

Net Finance Costs

In the third quarter of fiscal 2015, the Company recorded net finance costs of $28,000 in comparison to $47,000 for the comparable quarter last year. The decrease in net finance costs is largely attributable to the lower increase in the fair value of outstanding share options as compared to last year as there are only 3,400 share options outstanding, and lower interest expense. Please see note 9 to the condensed interim consolidated financial statements for an overview of the components comprising net finance costs.

Net Profit

The Company recorded a profit of $467,000 or $0.04 per share in the third quarter of fiscal 2015 and fiscal 2014.

Results of Operations

Nine months ended January 31, 2015 compared to nine months ended January 31, 2014

Revenue

Total revenue for the first nine months ended January 31, 2015 increased to $41.5 million, $7.4 million or 22% higher, compared to $34.1 million for the same period of fiscal 2014. The U.S. dollar averaged CA$1.1177 in the first nine months of fiscal 2015 in comparison to CA$1.0456 in the first nine months of fiscal 2014. Approximately 64% of the Company's revenues were generated in the United States during the first nine months of fiscal 2015, hence as a result of the stronger U.S. dollar, which was partially offset by the Company's designated hedging of highly probable U.S. revenue, the net impact to revenue was favorable by an estimated $1.0 million. The stronger U.S. dollar impacted cost of sales and operating expenses unfavorably by approximately $400,000.

Proprietary products, including proprietary software and technology hardware, increased to $8.6 million, $3.3 million or 62% higher, in the first nine months of fiscal 2015 in comparison to $5.3 million for the same period last year primarily as a result of the inclusion of Logi-D's proprietary products of $1.9 million and higher licenses from accounts in the healthcare vertical market. The Company signed thirteen new accounts with a total contract value of $8.0 million in the first nine months of fiscal 2015 compared to fourteen new accounts with a total contract value of $6.1 million in the first nine months of fiscal 2014. Overall total contract value bookings amounted to $31.0 million in the first nine months of fiscal 2015 in comparison to $14.9 million for the same period of the previous fiscal year. Logi-D contributed $3.3 million of the total contract value bookings.

Third party products revenue increased to $6.3 million, $976,000 or 18% higher, in the first nine months of fiscal 2015 in comparison to $5.3 million for the same period last year. Logi-D's revenue for third-party products accounted for $1.5 million, otherwise third-party product revenue decreased by $501,000, characterized mainly by lower radio-frequency equipment and other hardware of $274,000 and lower third-party software of $227,000.

Services revenue increased to $25.3 million, higher by $2.9 million or 13%, in the first nine months of fiscal 2015 compared to $22.4 million for the same period in the previous fiscal year. Logi-D's services revenue was $759,000 for the eight-month operating period. Excluding Logi-D's contribution, the increase of $2.1 million is primarily attributable to higher implementation consulting services due to increased activity derived mainly from a higher professional services backlog at the beginning of the year and continued strong bookings in the first three quarters and further bolstered by smaller revenue increases for hosting and support services.

As a percentage of total revenue, products accounted for 36% and services for 61% in the first nine months of fiscal 2015 and 31% and 66% respectively for fiscal 2014. This change in revenue mix is due to a significant increase in organic product revenue growth and the addition of Logi-D, where products account for 81% of its revenue.

Cost of Revenue

Total cost of revenue increased to $21.7 million, higher by $2.3 million or 12%, in the first nine months of fiscal 2015 in comparison to $19.4 million for the same period in fiscal 2014. The increase is attributable to higher services costs of $1.2 million, higher products costs of $872,000 related primarily to the introduction of Logi-D's proprietary products and third-party products, and higher reimbursable expenses of $241,000.

The cost of services increased to $15.8 million, higher by $1.2 million or 8%, in the first nine months of fiscal 2015 in comparison to $14.5 million for the same period last year. Logi-D's services cost accounted for $524,000. Excluding Logi-D, higher employee salaries and benefits, incentives, third-party consulting, travelling, and hosting infrastructure expenses, as well as lower e-business tax credits were the principle elements accounting for the remaining increase of $694,000. The average services headcount, excluding Logi-D, in the first nine months of fiscal 2015 was approximately two higher compared to the same period of fiscal 2014. The cost of services includes tax credits of $1.0 million for the first nine months of fiscal 2015 compared to $1.1 million for the same period in the previous fiscal year.

The cost of products increased by $872,000 or 23% to $4.6 million for the first nine months of fiscal 2015 in comparison to the same period last year and is largely related to Logi-D's products revenue. Logi-D's total cost of products was $1.2 million, otherwise, excluding Logi-D, cost of products decreased by $373,000 mainly related to the reduction of $501,000 in revenue of hardware and third-party software products.

Gross Profit

Gross profit increased to $19.8 million, higher by $5.1 million or 35%, in the first nine months of fiscal 2015 in comparison to $14.7 million for the same period last year. This is mainly attributable to higher services margin of $1.7 million, higher proprietary products margin of $2.8 million and higher third-party products margin of $591,000. Total gross profit percentage in the first nine months of fiscal 2015 was 48% compared to 43% in the same period of fiscal 2014.

Services gross profit during the first nine months of fiscal 2015 increased to $9.5 million, higher by $1.7 million, in comparison to $7.8 million in the same period of fiscal 2014. Services gross profit was 37% of services revenue in the first nine months of fiscal 2015 in comparison to 35% for the comparable period last year. The improvement in the services gross profit margin and percentage is a reflection of the improved organization structure, the new management and focus that has occurred over the course of the past year and one-half, and the growing maturity and proficiency in contributing to the revenue stream of a significant number of employees hired in prior fiscal years to address the growing backlog.

The third-party products margin increased to $2.2 million, $591,000 higher during the first nine months of fiscal 2015 in comparison to $1.6 million of the same period last year. The third-party products margin was 34% of revenue in the first nine months of fiscal 2015 in comparison to 29% for the same period last year. The increase in margin and margin percentage is attributable to Logi-D's integration as it contributed a third-party margin of $719,000 and a third-party products gross margin percentage of 49%. Excluding Logi-D, third-party products margin decreased $128,000 in the first nine months of fiscal 2015 in comparison to the same period last year.

Operating Expenses

Total operating expenses for the first nine months of fiscal 2015 increased to $18.1 million, higher by $5.0 million or 38%, compared to $13.2 million for the same nine-month period last year. Excluding Logi-D's operating expenses of $2.7 million, including the costs related to acquisition and amortization of intangible technology assets of Logi-D, operating expenses are higher by $2.3 million or 17%. The most notable differences between the first nine months of fiscal 2015 in comparison with the same period in fiscal 2014 are as follows.

- Sales and marketing expenses amounted to $8.8 million, $2.4 million higher than the comparable first three quarters last year. Logi-D's sales and marketing expenses amounted to $1.3 million for the eight-month operating period. Excluding Logi-D, expenses were higher by $1.2 million due primarily to higher employee related expenses, incentives, commissions and travel compared to the same period last year. Excluding Logi-D, the sales and marketing headcount increased by four in comparison to the same period last year.

- General and administrative expenses increased to $4.3 million, $1.3 million higher than the comparable first nine months last year. Logi-D's general and administrative expenses amounted to $729,000. In addition the Company incurred $160,000 of acquisition related expenses. Excluding Logi-D and acquisition costs, expenses were higher by $429,000 primarily as a result of higher salaries, management incentives, legal fees, consulting and investor relations expenses.

- Net R&D expenses increased to $5.1 million, $1.2 million higher than the comparable first nine months last year. Logi-D net R&D expenses amounted to $542,000 including $72,000 of tax credits and amortization related to identified intangible technology assets arising from the acquisition of $110,000. Excluding Logi-D's expenses, gross R&D expenses increased by $266,000 comprising primarily of higher employee related costs, incentives, and travel expenses. Excluding Logi-D, the Company also recorded $949,000 of R&D refundable and non-refundable tax credits and e-business tax credits in the first nine months of fiscal 2015 compared to $956,000 for the same period of the last fiscal year. In addition, the Company capitalized deferred development costs of $1.1 million in the first nine months of fiscal 2015 compared to $1.3 million for the same period of the last fiscal year while amortizing deferred development costs of $962,000 in the first nine months of fiscal 2015 in comparison to $741,000 for the same period a year earlier.

Profit from Operations

The Company recorded profit from operations of $1.6 million in the first nine months of fiscal 2015 in comparison to $1.5 million for the comparable period of the previous year primarily as a result of higher proprietary products margin, higher services margin and third-party products margin and offset partially by higher operating expenses.

Net Finance Costs

In the first nine months of fiscal 2015, the Company recorded net finance costs of $106,000 in comparison to $203,000 for the comparable period last year. The decrease in net finance costs is largely attributable to the lower increase in the fair value of outstanding share options as compared to last year as there are only 3,400 share options outstanding, and for which the fair value liability is at a relatively immaterial amount of $25,000. Please see note 9 to the condensed interim consolidated financial statements for an overview of the components comprising net finance costs.

Net Profit

The Company recorded a profit of $1.2 million or $0.11 per share in the first nine months of fiscal 2015 compared to $1.2 million or $0.10 per share for the same period last year.

Income Taxes

As at April 30, 2014, the Company had recognized net deferred tax assets of $714,000 and unrecognized net deferred tax assets of $6.5 million covering various jurisdictions and Canadian federal non-refundable SRED tax credits totaling approximately $7.0 million which may be used only to reduce future current Canadian federal income taxes otherwise payable. Refer to note 14 of the annual consolidated financial statements for further detail.

On May 31, 2014, TECSYS' acquisition of Logi-D provides an additional $7.0 million of tax losses for Canadian federal and provincial tax purposes, which the Company estimates can result in potential net deferred tax assets of approximately $1.9 million, currently unrecognized.

The Company believes that all these deferred tax assets and Canadian federal non-refundable tax credits are not significantly different as at January 31, 2015. As such, the Company does not expect to pay any significant cash taxes in the foreseeable future.

Liquidity and Capital Resources

On January 31, 2015, current assets totaled $24.3 million compared to $22.5 million at the end of fiscal 2014. Cash and cash equivalents decreased to $2.4 million compared to $8.8 million as at April 30, 2014. This decrease is primarily due to the acquisition of Logi-D, the financing of non-cash working capital, the repayment of long-term debt and Logi-D bank loans, the distribution of dividends, as well as investment in the Company's flagship product, EliteSeries. Accounts receivable and work in progress totaled $14.7 million on January 31, 2015 compared to $9.6 million as at April 30, 2014.

The Company's DSO (days sales outstanding) stood at 88 days at the end the third quarter of fiscal 2015 compared to 69 days at the end of fiscal 2014 and 73 days at the end of the third quarter of fiscal 2014. The DSO at the end of January 31, 2015 was impacted unfavorably by 6 days due to the fact that the revenues generated in U.S. for the quarter were recognized at an exchange rate of about 1.1187, whereas the accounts receivable were valued at 1.2717.

Current liabilities on January 31, 2015 totaled $20.1 million compared to $14.7 million at the end of fiscal 2014. The increase in current liabilities is mainly due to the acquisition of Logi-D accounting for $2.0 million in current liabilities at the end of the third quarter, the accrued exchange loss of $1.7 million on the outstanding derivative instruments (note 10 to the consolidated financial statements), the increase in accounts payable and accrued liabilities of $1.1 million, and the increase of deferred revenue of $533,000. Working capital decreased to $4.2 million at the end of January 31, 2015 in comparison to $7.8 million at the end of fiscal year 2014 largely due to the acquisition of Logi-D as the cash portion of the purchase price was paid with cash on hand. Please refer to note 5 of the condensed interim consolidated financial statements for further information.

The Company's banking and credit facilities require adherence to financial covenants. The Company is in compliance with these covenants as at January 31, 2015 and April 30, 2014.

Operating activities used funds of $154,000 in the first nine months of fiscal 2015 in comparison to generating $3.5 million in the same period of fiscal 2014. Operating activities excluding changes in non-cash working capital items generated $4.1 million in the first nine months of fiscal 2015 in comparison to $3.1 million in the same period in fiscal 2014 mainly due to higher depreciation and higher unrealized exchange losses. Non-cash working capital items used funds of $4.3 million in the first nine months of fiscal 2015 primarily due to increases in accounts receivable of $3.1 million, tax credits receivable of $1.9 million, work in progress, and other accounts receivable and offset partially by the increase in accounts payable and accrued liabilities and deferred revenue. Non-cash working capital items generated funds of $379,000 in the first nine months of fiscal 2014 primarily due to the reduction of work in progress, higher accounts payable and deferred revenue and offset by the increase in accounts receivable. In the first nine months of fiscal 2014, the Company recorded the receipt of 2012 tax credits of $1.9 million that had been delayed as a result of a Quebec government audit. This accounts for a significant portion of the variance regarding the use of cash for non-cash working capital items when comparing the first nine months of both fiscal years.

The Company believes that funds on hand at January 31, 2015 combined with cash flow from operations and its accessibility to its 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 $1.8 million in the first nine months of fiscal 2015 in comparison to $1.3 million in the same period in fiscal 2014. During the first nine months of fiscal 2015, the Company repaid $795,000 of long-term debt in comparison to $750,000 repaid in the same period of fiscal 2014. Shortly after the acquisition of Logi-D, during the first quarter of fiscal 2015, the Company repaid $140,000 of outstanding bank loans held by Logi-D. During the first nine months of fiscal 2015, the Company disbursed dividends of $779,000 in comparison to $402,000 disbursed in the same period of fiscal 2014. 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. Lastly, the Company paid interest of $99,000 and $127,000 during the first nine months of fiscal 2015 and fiscal 2014, respectively.

During the first nine months of fiscal 2015, investing activities used funds of $4.5 million in comparison to $1.7 million in the comparable period last year. The Company used funds of $2.9 million for the acquisition of Logi-D. Please refer to note 5 to the condensed interim consolidated financial statements for further information. The Company used funds of $474,000 and $485,000 for the acquisition of property and equipment, and intangible assets in the first nine months of fiscal 2015 and fiscal 2014 respectively. Additionally, the Company invested in its proprietary software products with the capitalization of $1.1 million and $1.3 million reflected as deferred development costs in the first nine months of fiscal 2015 and fiscal 2014, respectively. The Company received interest of $18,000 and $31,000 in the first nine months of fiscal 2015 and fiscal 2014, respectively. Lastly, the Company generated funds of $40,000 during the first nine months of fiscal 2015 and 2014 by reductions in restricted cash equivalents related to a landlord guarantee.

Related Party Transactions

Under the provisions of the current share purchase plan for key management, the Company extended interest-free loans of $216,000 to key management to facilitate their purchase of Company shares during the first quarter ended July 31, 2014. These loans will be fully repaid before the end of the fiscal year, April 30, 2015. The outstanding loans as at January 31, 2015 amounted to $54,000.

Subsequent Event

On February 26, 2015, the Company declared a dividend of $0.0225 per share, to be paid on April 9, 2015 to shareholders of record at the close of business on March 19, 2015.

Current and Anticipated Impacts of Current Economic Conditions

The current overall economic condition has improved relative to the uncertainty and volatility that existed only a few years ago. 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. During each of the past two complete fiscal years, the Company generated approximately $24 million in new total contract value bookings. The Company observed generally positive signs over the past several years of prospects and customers ramping up investment in supply chain management software. During the last ten quarters ending April 30, 2014, the Company booked significant increases in business volume with total contract values averaging $6.4 million per quarter, whereas for the previous fourteen quarters since the beginning of fiscal 2009, bookings averaged approximately $4.8 million per quarter. The first nine months of fiscal 2015 was another strong period with bookings amounting to $31.0 million, including Logi-D. 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 $40.8 million, comprised primarily of services, the Company's management believes that the services revenue level ranging between $8.5 million and $9.0 million per quarter can be sustained in the short term if no significant new agreements are completed.

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 64% 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 dividend policy.

Outstanding Share Data

On February 26, 2015, the Company has 11,540,046 common shares as there has been no activity since the end of the Company's third quarter.

Similarly, on February 26, 2015, outstanding share options to purchase common shares numbered 3,400 as there has been no activity since the end of the third quarter.

Change in Accounting Policies

New accounting standards adopted in 2015

The Company has adopted the following new standards, amendments and interpretations to existing standards in the first quarter of 2015 commencing May 1, 2014.

IFRIC 21, *Levies* ("IFRIC 21"):
This interpretation provides guidance on accounting for levies in accordance with IAS 37, *Provisions, Contingent Liabilities and Contingent Assets.* It defines a levy as an outflow from an entity imposed by a government in accordance with legislation and confirms that an entity recognizes a liability for a levy only when the triggering event specified in the legislation occurs. Based on the Company's review, there was no material impact on the Company's condensed interim consolidated financial statements upon the adoption of IFRIC 21 on May 1, 2014.

IFRS 9, *Financial Instruments* ("IFRS 9"):

On May 1, 2014, the Company has early adopted IFRS 9, *Financial Instruments* (2013). This standard establishes principles for the financial reporting classification of financial assets and financial liabilities. This standard also incorporates a new hedging model which increases the scope of hedged items eligible for hedge accounting and removes the requirements for quantitative thresholds when calculating hedge effectiveness, allowing flexibility in how an economic relationship is demonstrated. This new standard also increases required disclosures about an entity's risk management strategy, cash flows from hedging activities and the impact of hedge accounting on the consolidated financial statements.

IFRS 9 (2013) uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39, *Financial Instruments: Recognition and Measurement*. The approach in IFRS 9 (2013) is based on how an entity manages its financial instruments and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9 (2013).

On July 24, 2014, the IASB issued the final version of IFRS 9, bringing together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39. The final version of IFRS 9 supersedes all previous versions of IFRS 9 and is effective for periods beginning on or after January 1, 2018, however an entity may elect to apply earlier versions of IFRS 9 if the entity's relevant date of initial application is before February 1, 2015.

The adoption of IFRS 9 (2013) did not result in any measurement adjustments to our financial assets and financial liabilities, including the fair value of derivatives that existed as at April 30, 2014. These financial assets and financial liabilities are also included in the same line items in the statement of financial position as at May 1, 2014. During the first nine months of fiscal 2015, the Company executed six designated hedge transactions to sell U.S. dollars forward via foreign exchange contracts to hedge highly probable future revenue denominated in U.S. dollars commencing on July 1, 2014. As such, the Company has analysed its eligibility for hedge accounting and the accounting for the derivative financial instruments designated as effective hedging instruments at the transition date. Please refer to note 10 for a more elaborate discussion on derivatives. The Company has reviewed its significant accounting policies for financial instruments and derivative financial instruments and hedging relationships to align them with IFRS 9 (2013).

The following summarizes the classification and measurement changes for the Company's non-derivative financial assets and financial liabilities as a result of the adoption of IFRS 9 (2013).

	Category under IAS 39	Category under IFRS 9
Financial assets:		
Cash and cash equivalents	Loans and receivables	Amortized cost
Restricted cash equivalents	Loans and receivables	Amortized cost
Accounts receivable	Loans and receivables	Amortized cost
Other accounts receivable	Loans and receivables	Amortized cost
Financial liabilities:		
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Long-term debt	Other financial liabilities	Amortized cost

As at January 31, 2015, the Company had derivative financial liabilities measured at fair value included in accounts payable and accrued liabilities.

Update to significant accounting policies:

As a result of the initial adoption of IFRS 9 (2013), as described above, the Company has updated its significant accounting policies as follows:

Financial instruments:
The Company initially recognizes financial assets on the trade date at which the Company becomes a party to the contractual provisions of the instrument. Financial assets are initially measured at fair value. If the financial asset is not subsequently accounted for at fair value through profit or loss, then the initial measurement includes transaction costs that are directly attributable to the asset's acquisition or origination. On initial recognition, the Company classifies its financial assets as subsequently measured at either amortized cost or fair value, depending on its business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

(i) Financial assets measured at amortized cost

A financial asset is subsequently measured at amortized cost, using the effective interest method and net of any impairment loss, if:
•The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
•The contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest.

The Company's policy on impairment of financial assets measured at amortized cost is the same as that applied in its consolidated financial statements as at and for the year ended April 30, 2014 for loans and receivables. The Company currently classifies its cash and cash equivalents, restricted cash equivalents, accounts receivable, and other accounts receivable as financial assets measured at amortized cost.

(ii) Financial assets measured at fair value

These assets are measured at fair value and changes therein, including any interest or dividend income, are recognized in profit or loss.

However, for investments in equity instruments that are not held for trading, the Company may elect at initial recognition to present gains and losses in other comprehensive income. For such investments measured at fair value through other comprehensive income, gains and losses are never reclassified to profit or loss, and no impairment is recognized in profit or loss. Dividends earned from such investments are recognized in profit or loss, unless the dividend clearly represents a repayment of part of the cost of the investment. The Company currently has no significant financial assets measured at fair value.

(iii) Financial liabilities measured at amortized cost

A financial liability is subsequently measured at amortized cost, using the effective interest method. The Company currently classifies accounts payable and accrued liabilities (excluding derivative financial instruments designated as effective hedging instruments, non-hedge derivative financial instruments, and the fair value liability of share options), and long-term debt as financial liabilities measured at amortized cost.

(iv) Non-hedge derivative financial instruments measured at fair value

Non-hedge derivative financial instruments, including forward foreign exchange contracts, are recorded as either assets or liabilities measured initially at their fair value. Attributable transaction costs are recognized in profit or loss as incurred. The Company may hold derivative financial instruments to offset its risk exposure to fluctuations of other currencies compared to the Canadian dollar. All derivative financial instruments not designated in a hedge relationship are classified as financial instruments at fair value through profit and loss. The fair value of derivative financial instruments is based on forward rates considering the market price, rate of interest and volatility and takes into account the credit risk of the financial instrument. The net fair value of outstanding forward foreign exchange contracts are included as part of the accounts designated “other accounts receivable” or “accounts payable and accrued liabilities” as appropriate. Any subsequent change in the fair value of non-hedge designated outstanding forward foreign exchange contracts are accounted for in finance income or finance cost in profit or loss for the period in which it arises. The foreign currency gains and losses on these contracts are recognized in the period in which they are generated and offset the exchange losses or gains recognized on the revaluation of the foreign currency net monetary assets. Cash flows from foreign exchange contract settlements are classified as cash flows from operating activities along with the corresponding cash flows from the monetary assets being economically hedged.

(v) Derivative financial instruments and designated hedging relationships measured at fair value

The Company uses derivative financial instruments to hedge its exposure to exchange rate fluctuations on highly probable future foreign currency denominated revenues.

The Company formally documents all relationships between hedging instruments and hedged items, as well as its risk management objectives and strategies for undertaking hedge transactions. This process includes linking all derivative hedging instruments to forecasted transactions. Hedge effectiveness is assessed based on the degree to which the cash flows from the derivative contracts are expected to offset the cash flows of the underlying transaction being hedged.

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in fair value is recognized in accumulated other comprehensive income. The amounts in accumulated other comprehensive income are classified to profit when the underlying hedged transaction, identified at contract inception, affects profit or loss. Any ineffective portion of a hedge relationship is recognized immediately in profit. Ineffectiveness is mainly caused by the differences in discount rates between the actual derivative instrument and the perfectively effective hypothetical derivative.

When derivative contracts designated as cash flow hedges are terminated, expired, sold or no longer qualify for hedge accounting, hedge accounting is discontinued prospectively. Any amounts recorded in accumulated other comprehensive income up until the time the contracts do not qualify for hedge accounting remain in accumulated other comprehensive income until the hedged future cash flows occur if they are still expected to occur, however, if the amount in accumulated other comprehensive income is a loss and the Company expects that all or a portion of that loss will not be recovered in future periods, then it shall immediately reclassify the amount that is not expected to be recovered into profit. Additionally, if the hedged future cash flows are no longer expected to occur, then the amount in accumulated other comprehensive income shall be immediately reclassified to profit. Amounts recognized in accumulated other comprehensive income are recognized in profit in the period in which the underlying hedged transaction is completed. Gains or losses arising subsequent to the derivative contracts not qualifying for hedge accounting are recognized in the period incurred.

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 IFRS IC that are mandatory but not yet effective for the period ended January 31, 2015, 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 the following:

IFRS 15, *Revenue from Contracts with Customers* (“IFRS 15”):

In May 2014, the IASB issued IFRS 15 which establishes principles for reporting the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity’s contracts with customers. It provides a single model in order to depict the transfer of promised goods or services to customers.

IFRS 15 supersedes the following standards: IAS 11, *Construction Contracts*, IAS 18, *Revenue*, IFRIC 13, *Customer Loyalty Programmes*, IFRIC 15, *Agreements for the Construction of Real Estate*, IFRIC 18, *Transfers of Assets from Customers*, and SIC-31, *Revenue – Barter Transactions Involving Advertising Service*.

The core principle of IFRS 15 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services.

IFRS 15 also includes a cohesive set of disclosure requirements that would result in an entity providing comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity’s contracts with customers.

This standard is effective for annual periods beginning on or after January 1, 2017 with earlier adoption permitted. The Company has not yet assessed the impact of the adoption of this standard 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 accompanying financial statements and the financial statements for the year ended April 30, 2014.

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: expected sales, gross margins, 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) Allowance for doubtful accounts:

The Company makes an assessment of whether accounts receivable are collectable, which considers credit loss insurance and the credit-worthiness of each customer, taking into account each customer's financial condition and payment history in order to estimate an appropriate allowance for doubtful accounts. Furthermore, these estimates must be continuously evaluated and updated. The Company is not able to predict changes in the financial condition of its customers, and if circumstances related to its customers' financial conditions deteriorate, the estimates of the recoverability of trade accounts receivable could be materially affected and the Company may be required to record additional allowances. Alternatively, if the Company provides more allowances than needed, a reversal of a portion of such allowances in future periods may be required based on actual collection experience.

(vi) Business combinations:

Business combinations are accounted for in accordance with the acquisition method. On the date that control is obtained, the identifiable assets, liabilities and contingent liabilities of the acquired company are measured at their fair value. Depending on the complexity of determining these valuations, the Company uses appropriate valuation techniques which are generally based on a forecast of the total expected future net discounted cash flows. These valuations are linked closely to the assumptions

made by management regarding the future performance of the related assets and the discount rate applied as it would be assumed by a market participant.

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 January 31, 2015.

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 (2013)(COSO).

No changes to internal controls over financial reporting have come to management's attention during the nine-month period ending on January 31, 2015 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.

Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this management discussion and analysis. Such statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to, assumptions about: (i) competitive environment; (ii) operating risks; (iii) the Company's management and employees; (iv) capital investment by the Company's customers; (v) customer project implementations; (vi) liquidity; (vii) current global financial conditions; (viii) implementation of the Company's commercial strategic plan; (ix) credit; (x) potential product liabilities and other lawsuits to which the Company may be subject; (xi) additional financing and dilution; (xii) market liquidity of the Company's common shares; (xiii) development of new products; (xiv) intellectual property and other proprietary rights; (xv) acquisition and expansion; (xvi) foreign currency; (xvii) interest rate; (xviii) technology and regulatory changes; (xix) internal information technology infrastructure and applications, (xx) and cyber security.

Non-IFRS Performance Measures

The Company uses certain non-IFRS financial performance measures in its MD&A and other communications which are described in the following section. Many of these non-IFRS measures are unlikely to be comparable to similarly titled measures reported by other companies. Readers are cautioned that the disclosure of these metrics is meant to add to, and not to replace, the discussion of financial results determined in accordance with IFRS. Management uses both IFRS and non-IFRS measures when planning, monitoring and evaluating the Company's performance.

EBITDA

EBITDA is calculated as earnings before interest expense, interest income, income taxes, depreciation and amortization. The Company believes that this measure is commonly used by investors and analysts to measure a company's performance, its ability to service debt and to meet other payment obligations, or as a common valuation measurement.

The EBITDA calculation for the first nine months of fiscal 2015 and 2014 is as follows:

	Nine-months ended January 31, 2015	Nine-months ended January 31, 2014
Profit for the period	$ 1,220	$ 1,155
Adjustments for:		
Depreciation of property and equipment	557	552
Depreciation of deferred development costs	962	741
Depreciation of other intangible assets	316	124
Interest expense	99	127
Interest income	(18)	(31)
Income taxes	310	150
EBITDA	$ 3,446	$ 2,818

Recurring Revenue

Recurring revenue is defined as the contractually committed purchase of services, generally comprising proprietary and third-party maintenance and hosting services, over the next twelve months. The quantification assumes that the customer will renew the contractual commitment on a periodic basis as they come up for renewal. This portion of the Company's revenue is predictable and stable.

Bookings

Broadly speaking, Bookings refers to the total value of accepted contracts, including software licenses and other proprietary products and related support services, third-party hardware and software and related support services, contracted work or services, and changes to such contracts recorded during a specified period. The Total Contract Value (TCV) is not typically limited to the first year, nor would it typically exclude certain transaction types. The Company believes that this metric is a primary indicator of the general state of the business performance. Bookings typically include all items with a revenue implication, such as new contracts, renewals, upgrades, downgrades, add-ons, early terminations and refunds. Bookings are typically segmented into classifications, such as New Account Bookings or Base Account Bookings, and performance in these bookings classes is frequently used in various sales and other compensation plans.

Backlog

Generally, backlog refers to something unfulfilled. In a traditional software company, this term is used largely within finance. Backlog refers to the value of contracted orders that have not shipped and services not yet delivered. Backlog could refer to the value of contracted or committed revenue that is not yet recognizable due to acceptance criteria, delivery of professional services, or some accounting rule. The quantification of backlog is not limited to the first year, nor would it typically exclude certain transaction types. In this context, backlog is really "revenue backlog" and is the total unrecognized future revenue from existing signed contracts. Backlog includes recurring revenue as discussed earlier.