A Symbol of **Leadership**

2019 Annual Report

tecsys™

The statements in this annual 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. More information about the risks and uncertainties associated with Tecsys Inc.'s business can be found in the MD&A section of this annual report and the Annual Information Form for the fiscal year ended April 30, 2019. These documents have been filed with the Canadian securities commissions and are available on our website (www.tecsys.com) and on SEDAR (www.sedar.com).

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Since our founding in 1983, so much has changed in the realm of supply chain technology. But one thing has remained consistent across industries, geographies, and decades—by transforming their supply chains, good organizations can become great.

We provide transformative supply chain solutions that equip growing organizations with industry-leading services and tools to achieve operational greatness. Tecsys' solutions are designed to create clarity out of the complex supply chain challenges that organizations face with increases in scale, customer expectations and inventory.

Tecsys at a Glance

Built on an enterprise platform, Tecsys solutions include warehouse management, distribution and transportation management, supply management at point-of-use, retail order management, as well as complete financial management and analytics solutions. Our customers reduce operating costs, improve customer service, and uncover optimization opportunities.

We believe that visionary organizations should have the opportunity to thrive. And they should not have to sacrifice their core values and principles as they grow. Our approach to supply chain transformation enables growing organizations to realize their aspirations.

Our Values

Integrity is what our customers value most about Tecsys. Our corporate culture and values are based on it. Our founding principles are:

Commitment to Customer Service

Commitment to Excellence

Respect for the Individual

Our *Customers for Life* philosophy is a compelling reason why more and more customers choose us to help them run their businesses.

2019 Highlights

Revenue, $ millions
76.4

Recurring revenue, $ millions
38.3

Backlog, $ millions[1]
76.6

Bookings, $ millions[1]
63.2

As of April 30, 2019

Over **1,000 customers**[2], primarily located in Canada, U.S.A. and Europe

Health systems market share: **Dominant**

Tecsys customers were **ranked top three** in “Masters Category” of Gartner’s Healthcare Supply Chain Top 25 for 2018[3]

For the eighth consecutive time, Tecsys was positioned in the **“Visionaries”** quadrant of Gartner’s 2019 Magic Quadrant for Warehouse Management Systems[4]

1 Refer to section at end of Management Discussion and Analysis titled “Key Performance Indicators”
2 Includes customers from recently acquired OrderDynamics Corporation and PCSYS A/S
3 Gartner the Healthcare Supply Chain Top 25 for 2018. Eric O’Daffer et al, 14 November, 2018
4 Gartner “Magic Quadrant for Warehouse Management Systems” by C. Dwight Klappich & Simon Tunstall, 08 May 2019

Message from the President

Fellow Shareholders,

Fiscal 2019 was a transformational year for Tecsys. Our innovative and diverse culture has been expanded to include the teams at OrderDynamics and PCSYS. With these exciting acquisitions, Tecsys transforms into a global innovator of complex supply chain solutions, particularly in the healthcare sector. In addition, Tecsys continues to make impressive inroads into the retail, 3PL and general distribution industries. I am proud that our customers in every vertical recognize that Tecsys enables them to traverse the challenges of their complex supply chains as they evolve from being good to becoming great.

$000's Except for EPS & ROE	2019	2018
Revenue	76,449	70,718
(Loss) Profit from Operations	(1,798)	4,254
(Loss) Profit	(741)	3,949
Adjusted EBITDA[1]	2,776	6,490
(Loss) Earnings per Share	(0.06)	0.30
Bookings[2]	63,211	48,100
Backlog[2]	76,563	45,091
ROE %	(0.02)	10.7
Cash from Operations	4,100	3,694
Annual Recurring Revenue[2]	38,276	26,179

In my view, one of the greatest achievements of 2019 was the complete rebranding of Tecsys. From the outset of the rebranding process, we recognized that a great brand should reveal the purpose and ethos of an organization. It should reveal that which is already in the beating heart of the organization. We did not want to change what is the essence of what makes Tecsys. Our objective was to reveal and celebrate that which we are most proud. We believe the new brand evokes at once both the warmth and high standards of quality the company represents. The response to our rebranding has been overwhelmingly positive—from across our stakeholder spectrum.

I am pleased to report that our clients are helping us to accelerate our transition from a traditional perpetual license revenue model to a software-as-a-service model. We are ahead of our expectations in our transition with 33% of our software bookings in fiscal 2019 coming from SaaS. Our SaaS bookings shift continued to accelerate within the year, with 60% of our fourth quarter software bookings coming from SaaS. In comparison to Fiscal 2018, our recurring revenues have increased by 16%, which is slightly better than we originally planned.

[1] Refer to section at end of Management Discussion and Analysis titled "Non-IFRS Performance Measure"
[2] Refer to section at end of Management Discussion and Analysis titled "Key Performance Indicators"

I am proud to say that our culture of innovation and responsiveness is creating an indelible bond with our clients.

While the shift to SaaS had the effect of reducing revenue and earnings by approximately $3 million, the impact on the longer term outlook is excellent. Ultimately, we aim to operate with recurring revenues representing more than 50% of total revenues.

Our transition to recurring revenue streams helps us to better predict and manage cash cycles, and improve gross margins, which allows us to operate more efficiently, and in turn benefit all of our stakeholders from customers and partners, to shareholders, to employees, and to the communities that we serve.

We continue to improve our responsiveness by further aligning our Product Development and R&D teams to interface directly with our clients. This gives us a better understanding of our clients' evolving pain points and supply chain needs and allows us to deliver innovative solutions that best fit their needs. I am proud to say that our culture of innovation and responsiveness is creating an indelible bond with our clients. Due to these ongoing customer-facing programs going forward and as we scale all of our revenue streams, we expect to continue to experience negligible customer churn.

Going forward, we expect to maximize financial performance by leveraging our evolving global footprint, maximizing our cloud resources, and building on the success of our partner ecosystem, especially Workday. Our partners span a wide variety of industries, allowing Tecsys to maximize sales coverage cost-effectively while leveraging co-branding with some of the world's leading hardware and software names. We should take pride that our Tecsys branding has matured to such levels, and we should also be vigilant to protect our brand in everything that we do.

The diversity of our revenue streams across multiple industry verticals and, increasingly, multiple geographies, will continue to be a core strength of our business. Regardless of the presence of market volatility in any of our service lines, I believe that our total revenue streams are reasonably protected. We withstood market volatility in 2018 and, with our recent acquisitions, we are better positioned now to withstand future potential market risks than we have ever been.

Our recent experience with acquisitions has been positive. As a result, we remain opportunistic and continue to search for targets that help us to better serve our clients, diversify and strengthen our revenue streams, make us more global and, most importantly, fit our culture of innovation and responsiveness.

Financial Results

In fiscal 2019, revenue increased by 8% to $76.4 million compared to $70.7 million in the previous fiscal year. The acquisitions of OrderDynamics and PCSYS drove the revenue increase. Annual Recurring Revenue[1] at April 30, 2019 was $38.3 million, up 46% from $26.2 million at April 30, 2018. Loss from Operations in fiscal 2019 was $1.8 million compared to Profit from Operations of $4.3 million in fiscal 2018. Most of the decline can be attributed to investment in Sales and Marketing and R&D of $1.9 million, OrderDynamics operating loss of $1.5 million and acquisition costs of $1.3 million. Additionally, the shift to SaaS had a negative impact on profitability in fiscal 2019 but sets the stage for more robust growth in our Cloud, Maintenance and Subscription revenue moving forward.

Total contract bookings[1] grew 31% to $63.2 million in fiscal 2019 from $48.1 million in fiscal 2018. On a quarterly basis these were also up 31% to $19.2 million in the fourth quarter of fiscal 2019 compared to $14.7 million in the fourth quarter of fiscal 2018 indicating continued strong momentum.

[1] Refer to section at end of Management Discussion and Analysis titled "Key Performance Indicators"

“In my view, one of the greatest achievements of 2019 was the complete rebranding of Tecsys. From the outset of the rebranding process, we recognized that a great brand should reveal the purpose and ethos of an organization.

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Peter Brereton, President and CEO, Tecsys

Going forward, we expect to maximize financial performance by leveraging our evolving global footprint, maximizing our cloud resources, and building on the success of our partner ecosystem, especially Workday.

Outlook to Fiscal 2020

We believe that core drivers for Fiscal 2020 are:

- Accelerating transition to SaaS. As I have mentioned above, we are seeing a rapid change of mindset in the market around SaaS in all of our markets. Whether healthcare, complex distribution or retailers and brands, the shift is underway and is happening quickly. We are in the right place at the right time to exploit this transition. We are continuing to invest in our cloud architecture, our customer-facing R&D and product teams, and SaaS customer support. As we become more SaaS oriented, our revenue streams may not grow as rapidly during this transition, but our margins will expand faster and our future will be more predictable. This is a very good thing!

- Increasing healthcare demand. We are seeing strong demand in the U.S. market for our healthcare solutions. This acceleration began partway through Fiscal 2019 and seems to be continuing with strong pipelines and backlogs, as hospital networks increasingly view us as one of the three main platforms they need to run their supply chain networks.

- Brand/Retail convergence. We will continue to work with our recent acquisition, Order Dynamics, to deliver integrated omni-channel business platforms that consolidate retail distribution and direct-to-consumer logistics.

- Partnership Ecosystem. It is difficult for me to overstate the importance of our partnership ecosystem to our future success. We have over thirty partners now, and this will continue to expand. We expect to bring on more household-named partners like Workday that will help us to exploit our global footprint, extend our capabilities, strengthen our brand, and make our clients less likely than ever to consider leaving the Tecsys family.

We continue to expect improving financial results through Fiscal 2020. In addition to our recurring revenue growth expectations, our objective is to improve our recurring revenue gross margins above 70%. We believe we can get there by leveraging our evolving global footprint, maximizing our cloud resources and building on the success of our partner ecosystem.

There is little doubt in our mind that the complexity of global supply chains will continue to evolve and grow. We can say with great conviction that Tecsys has never been in a stronger position to provide our customers with solutions that they increasingly need to battle supply chain complexity. With that, we expect to expand our increasingly global pipeline of business while continuing to deliver solid financial results through this next fiscal year and beyond.

As we near completing our fourth decade in business, we are increasingly aware and thankful for the loyalty demonstrated by our 480 employees and many hundreds of customers. We assure you that we do not take this for granted and we will continue to listen to all of our important stakeholders.

We wish to thank our Board of Directors for their continued guidance and support. Finally we would like to express gratitude to our loyal shareholder base and commit to continue to deliver solid returns on your investment well into the future.

Peter Brereton
President and CEO

Message from the Executive Chairman

A customer-focused culture of innovation & responsiveness

Fellow Shareholders,

In last year's Chairman's message I noted that Tecsys benefits from among the lowest employee turnover rates in the entire technology sector. In the past some might have said that it was because of complacency, or lack of options. But in today's hot market for technology professionals, it has become obvious that nothing could be further from the truth. I am truly proud that over the course of time, as the Tecsys team has grown from a start-up to nearly 500 employees, we have not lost our positive internal culture, our curiosity, our customer focus, and our responsiveness to client challenges. This drives our innovation. Without these core shared values, Tecsys would not consistently rank among the best technology companies in the supply chain industry. These values form the basis of our winning culture.

"As we add more SaaS revenue, margin improves and the lumps level out. I am pleased that this approach to licensing has been adopted enthusiastically by our clients because it also helps them plan and budget effectively. "

Dave Brereton
Executive Chairman of the Board

I am truly proud that over the course of time, as the Tecsys team has grown from a start-up to nearly 500 employees, we have not lost our positive internal culture, our curiosity, our customer focus, and our responsiveness to client challenges.

All of this has not developed by some magic, or by some managerial edict. It exists because each and every one of us contributes to the values and measures that makes us successful. And we each are dedicated to hold ourselves accountable to each other; each and every day. For this, as the Chairman of Tecsys, I am grateful and proud. As we continue to add people to the Tecsys team through acquisitions or by hiring, we must continue to find a way to perpetuate our culture while also being welcoming and inclusive to those that we bring on.

In 1983, we recognized, well before most, that software could help improve the efficiency and effectiveness of supply chains. We were ahead of the pack on a lot of these ideas. Today, we continue to lead, learn and innovate. Now we have the luxury of being able to draw on our collective wisdom in the sector to respond, better than ever, to our clients' needs as they evolve. In our efforts to fulfill market demands, we remain open to build or acquire the capabilities required. Our recent acquisitions of OrderDynamics and PCSYS are examples where we recognized and met rapidly to changing market needs. We will continue to leverage our combined wisdom to learn, innovate and respond efficiently to evolving market conditions however they occur.

Prudent Financial Management

For stakeholders who have followed us over the years, they will recognize that our methods of financial management have been rather unusual in the technology industry. Prudence has been an internal watchword among management and the Board. We have guided this business, often through turbulent waters, with a steady hand at the helm and this is something we intend to continue to do. That does not mean we will not jump at opportunities. As we strive for excellence, we will not compromise on taking carefully measured risks. The acquisitions of the past year are great examples.

Stakeholders can expect this management ethos to continue. As we transition to SaaS licensing from perpetual licensing, all Tecsys stakeholders will benefit from the improved revenue and earnings visibility, which reduces forecasting risk, and allows us to gain improved earnings from operational leverage. Basically, as we add more SaaS revenue, margin improves and the lumps level out. I am pleased that this approach to licensing has been adopted enthusiastically by our clients because it also helps them plan and budget effectively.

Giving Back

Tecsys puts half of one percent of revenue back into initiatives that help our communities and support youth development. We have been doing this for years. Philanthropy has become part of our DNA. With that in mind, we urge all employees to try to find ways to give back to their communities. Whether through volunteering, participation, or direct charity we see growing proof that Tecsys staff recognize the power of giving. This past year, I was truly humbled to be recognized for our philanthropy by the Governor General of Canada. I look at this as recognition of Tecsys' spirit of giving back as much as any individual effort on my part.

I am truly excited looking ahead—as much as at any point in our Company's 36 year history. The future truly looks bright for Tecsys and I continue to be honoured to be your Executive Chairman.

Dave Brereton
Executive Chairman of the Board

A Symbol of Leadership

Our business, Supply Chain Management (SCM), is defined as a business strategy to improve shareholder and customer value. SCM encompasses the processes of creating and fulfilling the market's demand for goods and services; it enhances distributor and customer value by optimizing the flow of products, services and related information from suppliers to customers, with a goal of enabling customer satisfaction.

The SCM industry is highly fragmented; it consists of hundreds of software suppliers, thousands of third-party logistics providers and distributors, and millions of customers, most of which are working in silos, making supply chains a complex industry. Supply chain complexity is also due to rising customer expectations, faster lead times, expanded products and services offerings, and tailored experiences.

For over three decades, Tecsys has been providing best practice supply chain management solutions to high-volume distribution customers, yet the company remained somewhat a best-kept secret. Consider these facts about Tecsys:

Experience

- 35 years delivering market-leading supply chain management solutions
- Over 1,000 customers in Canada, the U.S.A. and Europe

Leadership

- Eight consecutive times as visionary in Gartner's WMS Magic Quadrant
- Tecsys customers are top three in Gartner's Healthcare Supply Chain Top 25
- Dominant market share in health systems
- Dominant market share in CAT Dealers

Growth

- Recurring revenue growth 16.8% CAGR (FY2014 to FY2019)
- Bookings growth 21.6% CAGR (FY2014 to FY2019)

In today's complex and very noisy world, brand success largely hinges on creating and articulating an uncontested market position. In this information-rich economy, customers have unrestricted access to information about suppliers, products and services, and their user ratings. To influence them and differentiate themselves, suppliers must focus on product innovations that reshape industry boundaries and create new competitive opportunities. Having an innovative product is just part of the solution for achieving uncontested market position, having a clear and well-articulated brand strategy is equally important.

A number of research studies on customer behavior indicate that a buying decision is no longer based on features and economic factors only. Brand choices are largely driven by perceptions of what brands do for customers rather than competing on purely economic factors. Today, brands compete based on the degree in which the brand creates customer intimacy. Customers are looking for a brand whose benefits help them achieve their objectives in a way that is very gratifying to them. Good brands remove barriers, eliminate frustrations, reduce risk and provide peace of mind. They make customers feel empowered, secure, confident, relieved, and safe.

The Need for Clarity

For years, Tecsys focused on providing an uncontested market position, which is evident in its leadership position in health systems and other markets. It was time to focus on a clear brand strategy. In this crowded, noisy world, and fiercely competitive supply chain landscape, it is vital to be clear and well differentiated against players in the industry. The motivation behind rebranding is often a combination of a few factors, below are some of the most common ones:

A platform to clearly define a **unique brand promise**

Clarify position with the company's stakeholders

Modernize brand, **make change visible**

Support **market evolution**, such as digitization of supply chains

Support international, geographical **expansion**

Facilitate **growing brand portfolio**

Enable support for **potential acquisitions**

Our New Brand Journey

Over the years, supply chains have evolved and became more visible. So we felt it was time for our brand to evolve as well—to make our purpose more visible. Through the course of this journey, we rediscovered our deepest beliefs and the long-term value that the people of Tecsys create in the world.

"The result is a powerful signal, supporting our market position. The refreshed brand is a foundational ingredient reigniting our employees and inspiring them to deliver on our customer for life objectives. The evolved T is a modern icon designed to live in today's world—it's dynamic, innovative and can be easily adapted for different visual contexts."

Laurie McGrath, CMO, Tecsys

We empower good companies to be great

From our first days more than 35 years ago, we have worked with pragmatic organizations who needed supply chain tools to realize their growth aspirations. Our rebrand quickly revealed this as our deep intention.

By clarifying uncertainty in the supply chain

As organizations grow, they increase in complexity. Often, their supply chain technologies create more uncertainty. Our rebrand uncovered our uniqueness of clarifying what future is possible with a transformed supply chain.

To equip supply chain greatness

We have seen how our tools can be a catalyst for realizing profound visions. Very simply: Supply chain transformation is a source for operational greatness. Our rebrand created the space for us to simplify this mission.

So that good companies have the space to thrive

We believe that growing organizations that have been good stewards should have every opportunity to reach their aspirations. Our rebrand solidified our vision for the impact of good organizations thriving within communities.

An approachable typemark

At Tecsys, we are dedicated to creating great customer experiences through holistic design solutions. We wanted our new typemark to represent our commitment of helping clients along their journey to transform their supply chain. Our new mark is friendly and approachable while still feeling dependable.

An icon that shows connection

Our icon represents the supply chain. While there is often complexity in these systems, we excel at creating clarity by helping you see the opportunities. Our icon focuses on the connections that make a supply chain efficient.

A color palette symbolic of our passion

We want to empower our customers by giving them the tools to achieve supply chain greatness. Our red represents our passion for empowering our clients to solve their unique supply chain challenges.

A Symbol of Leadership in Healthcare

In fiscal 2019, Tecsys extended its leadership in the healthcare industry winning the business of noteworthy clients in hospitals, health systems and third-party logistics providers, here are some of the highlights.

One of the largest hospital management companies in the U.S.

This health system has more than 350 acute care hospitals, behavioral health facilities and ambulatory centers, focused on making healthcare a positive and local experience.

Licensed beds:
Acute care: **6,000**
Behavioral: **23,000**

Facilities: **350**

Employees: **80,000**

The largest not-for-profit health organization in its region

Their objective is to improve the health of all in the eastern region of the U.S. through improved clinical quality and patient experience, while addressing the rising cost of healthcare.

Licensed beds: **2,600**

Hospitals: **6**

Employees: **32,000**

Health system strives to deliver personalized care

Located in the northeastern region of the U.S., this health system is an award winner for its quality, safety and patient experience. They strive to deliver personalized, exceptional and affordable healthcare where and when a patient needs it.

Licensed beds: **1,100**

Hospitals: **14**

Employees: **31,000**

Patient-centered, quality-focused health system

A volunteer-led and community owned, not-for-profit hospital located in the southern region of the U.S. The cornerstone of this hospital group is a concentration on patient-centered, quality-focused processes, which lead to optimum healthcare outcomes.

Licensed Beds: **1,800**

Facilities: **20**

Employees: **14,000**

One of the largest third-party logistics providers

A global third-party logistics provider of comprehensive distribution and transportation services to the healthcare industry to help maximize supply chain efficiency.

A Symbol of Leadership in Complex Distribution

In fiscal 2019, Tecsys extended its leadership in complex distribution winning the business of a number of noteworthy clients, here are some of the highlights.

One of the largest electrical products distributors

This organization is comprised of several regional businesses selling products from some 1,000 manufacturers out of 125 locations. They carry over $100M of inventory across 300,000 unique products in lighting, wire & wiring devices, tools, power distribution, control automation, data communications and solar products.

Dealer provides access to 1.4 million part numbers

A heavy equipment dealer in the southern part of the U.S. has been on the forefront of construction and power systems equipment for more than 60 years. They provide service parts and access to 1.4 million part numbers with order placing availability 24 hours a day, 7 days a week.

A retailer of farm and ranch equipment & supplies

Founded in the early 1960s, the company employs today more than 750 people in 25 locations in two states on the eastern side of the U.S. A new customer of OrderDynamics' Distributed Order Management software, this retailer sells work clothes, power tools, animal health products, automotive products, farm equipment and supplies.

Logistics provider helps ecommerce companies run easier

A logistics company, located in Denmark, its warehouse focus is on product storage pick & pack, shipping and expedition. A new customer of PCSYS products, they help customers run their online businesses easier using their booking platform, large product portfolio, and an established transport and logistics network.

A Symbol of Leadership
Expansion by Acquisitions

OrderDynamics Corp.

On November 14, 2018 —Tecsys Inc. announced its acquisition of Canadian-based OrderDynamics Corporation, a fast-growing leader in out-of-the-box distributed order management software.

- Founded in the early 2000s
- Fast-growing leader in out-of-the-box cloud-based distributed order management (DOM)
- Brand name customers

Value to Tecsys

Complements Tecsys' Supply Chain Management suite
Strengthens Tecsys' competitive position with DOM capabilities
Opportunity to expand to omnichannel distribution
Expands Tecsys' offering for the 3PL, retail and service parts markets

PCSYS A/S

On February 1, 2019 – Tecsys Inc. announced its acquisition of PCSYS A/S, a leader in Europe of software and hardware solutions for warehouse management, transportation management, and labelling systems.

- Established in 1990, headquarters in Copenhagen, Denmark
- Develops and supplies solutions for logistics and warehousing
- Serves more than 1,000 customers

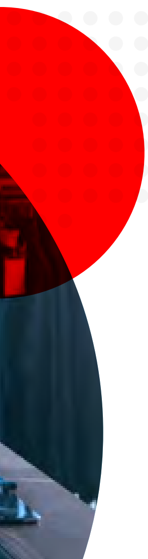
Value to Tecsys

Strong foundation for continued European expansion

Expertise in supply chain and local European markets

Portfolio of software products – WMS & TMS

Experienced management driving stable growth



A Symbol of Leadership
in Customer Success

In Conversation with **Thomas Campbell**
Chief Strategy Officer, Capacity LLC

About **Capacity LLC**

Capacity LLC provides warehousing and fulfillment services including warehousing and distribution, order fulfillment, client services, business-to-business, business to consumer and international fulfillment.

Editor

Thomas Campbell

Please tell us in your own words the Capacity LLC story.

Capacity LLC was founded in 1999 to bring advanced distribution capabilities to companies that need access to expert outsourced operations.

Capacity was founded by me, CEO Jeff Kaiden, CFO Arlen Fish and Jeff's father Allen, also a founding partner. Jeff's father is a supply chain consultant who has designed distribution centers since leaving NASA in the mid-60s. Allen has probably done hundreds of implementations and Jeff participated in many of them.

In the late 90s, Jeff was in a business school with Arlen and in a class on entrepreneurship, so they had to come up with an idea for a business. They came up with the concept for a 3PL (third-party logistics) business idea to provide order fulfillment services. When the class was over (they did well), that idea took hold and they decided to make it a reality. That idea is what became Capacity. Even in the late 90s, it was becoming obvious that the internet was going to change commerce as we know it. I don't think we knew quite how much, but it was clear somebody was going to have to ship all those orders. They asked me to join them in founding the company, I liked the opportunity, and here we are 20 years later with a thriving global business.

What is your overall vision for Capacity?

To provide the best fulfillment solutions to brands in our target markets, and to grow and evolve alongside them. The 3PL market is still a very fragmented and incalculably large market. Most small and even medium-sized companies have little to no access to cutting edge material handling, software, and material handling techniques. We believed then as now that we could add value to them and build our business by filling that gap.

We are generally serving clients that average between 250 and 5,000 e-commerce orders per day in industries like health and beauty, color cosmetics, skincare and haircare, specialty footwear, toys and electronics. We organically developed a specialty in beauty. It's a higher value, smaller, high touch assignment, it has been a good fit with our orientation towards appropriately-curated technology and material handling solutions.

Our strategy is omnichannel. We want to be everything that a brand needs in an omnichannel order fulfillment provider. We want to be able to fulfill all of their channels, both B2B, B2C, and to perform the assembly work they need to add value to product. Whether it's kitting or preparing products for HSN (Home Shopping Network) or QVC (Quality Value Convenience), addressing compliance issues or working with the FDA; we are there to handle whatever their needs are once the product gets in our facilities. We want to be everything they could need in a warehousing and order fulfillment provider.

Editor

Thomas Campbell

What are some of the key challenges to meet your customers' needs and expectations?

Frictionless execution during extreme spikes in volumes as experienced during peak periods is one of our superpowers. We love helping to craft customized presentation for the optimum customer experience, innovative solutions to thorny supply chain challenges, and blowing through traditional bottlenecks in operations. Obviously, there are lots of challenges in running a warehousing business, but the spikes in e-commerce volume over the last decade have definitely become one of the biggest bogeys for 3PLs and it's one I believe we are extremely well suited to help brands meet. I think that a lot of the clients that come to us from other providers have had trouble with established SLAs (service level agreements) that those providers cannot meet in the heat of battle.

Why do customers choose Capacity?

I think it has to do with our engineered service offering with an emphasis on synthesizing great IT and people. We're not just creating a cookie-cutter pricing solution and methodology for handling every brand. We have very specific value-added approaches to each of their challenges, whether it is consolidating their business-to-business ordering, or crafting a delightful customer experience for their consumers. We work to be efficient, friction-free, cost-effective, while still maintaining delighted customers who become evangelists for the brand.

We have an in-house engineering and IT effort. We rely on carefully selected software solutions, like Tecsys' WMS (warehouse management systems), in order to provide some of the most business critical applications. We look at problems and engineer solutions as opposed to engineering a solution and then trying to shoehorn a client into that solution. For example, the pick-to-light and put-to-light solutions that we use for high volume e-commerce was crafted specifically for a customer. We designed the carts with one vendor, the lighted pick and put systems with another, and integrated all of that with our Tecsys WMS. All of that to handle tens of thousands of orders in a single day. When brands put on sales, they pop to 10 or 50X, their normal volumes. This year we have seen as many as 100,000 orders fulfilled and shipped across multiple brands in one day during peak periods.

How do you handle orders from your customers?

It varies by client, but for DTC (direct to consumer), the orders will generally flow directly into Capacity's proprietary OMS (order management system) straight from their e-commerce platform. Those orders can be integrated with Capacity through techniques like API (application programming interface), FTPS (secure file transfer protocols), and a number of other protocols. They can be passed to us through an integration with the client's ERP.

In the case of our larger clients that operate on a major ERP, we import orders, process them, and send back ship confirmation through a secure, integrated protocol, APIs and FTPS, whatever the

Editor

Thomas Campbell

client requires. Something similar, if more complex, happens with EDI (electronic data interchange) orders going to retailers. Those orders are either coming to us directly as an EDI 850 (purchase order) from the client's ERP, or as an EDI 940 (warehouse advice – like a purchase order, but from the brand not the retailer). Then we're sending back the ASNs (advance ship notices) and the invoices and the ship confirmations to the retailer or the client.

Given the labor challenges in this industry, what is your strategy?

Labor strategy is critical. There are a few cornerstones to ours. First, we genuinely value all of our employees down to the warehouse associate level. We do not see labor as a commodity, and we believe that is a real weak spot in our industry. Labor management and strategy for Capacity is a core competency, a strategic asset and key advantage for us in our industry.

We try to be the best employer possible, offering time off, health care, a career path for every single person in our organization, whether they are a direct Capacity employee or through a temporary labor agency. As we're moving into peak season, we start feathering in additional shifts, but we do so long before we actually need the labor, so that we can have training time, retention, and no scrambling of the jets on the Wednesday before Black Friday. That's where Tecsys' WMS ease-of-use comes in handy: we can rapidly train and scale up with the new hires and crush our brands' objectives!

There's a robust cultural effort to make it a fun place to work, a safe place to work, an enjoyable place to work, a place where the CEO has a direct relationship with everybody from the warehouse supervisors to the person who cleans the office. We are a very flat organization.

When we have a good year, the owners do not just bank the profits. We reinvest in our platform and share a significant portion of profits with all of our dedicated team members who made that happen for us.

I understand that Capacity is big on sustainability, how do you incorporate sustainability into your operations?

We have consolidated transportation for employees and outbound shipments (multiple brands shipping to the same retailer on the same truck). We have solar panels on hundreds of thousands of square feet of warehouse roof space. We focus on sustainable packaging and won't ever use solutions like peanuts, because they are evil. We work with clients who are ever more focused on sustainable practices to create delightful but economically sustainable customer experiences. Whether it's by recycling our own corrugate and shrink wrap, or using recyclable air pillows, each component is evaluated and optimized. We know ours is a resource-intensive industry and we also know we have to be mindful as consumers and clients alike to focus more on this key area. We have to craft sustainable solutions for every brand, but especially for those clients for whom it's critical, like brands that are organic or natural that need to have an alignment between their packaging, their presentation and their values.

Editor

Thomas Campbell

How important is technology to your business?

Technology, alongside our people, is the cornerstone of our offering. There is clearly a labor revolution in which automation is increasingly going to be a critical part of closing the gap that is being created. As e-commerce rises as a proportion of retail, it takes a lot more physical space and labor than shipping to retailers. There is a lot of work to be done in warehouses generally, and there aren't necessarily as many people who want those jobs as are needed at this time in history.

We're focused on crafting solutions that will leverage advanced data mining, robotics, vision technology, and more, in order to get the productivity and efficiency that will allow us to lower the labor component. We don't plan to cut workers, but as we grow, we plan to do more with less people, through advanced fulfillment solutions and other ways where we can add value while improving service, efficiency, and profitability for us and our brand partners.

How do you monitor and measure business success?

We are a data-driven company. We have KPIs (key performance indicators) to monitor order accuracy and timeliness. We have KPIs and service level agreements (SLAs) surrounding inventory accuracy, shrinkage, throughput, and we have very, very granular, hourly internal KPIs during peak periods. We'll monitor the number of orders we're processing per hour for a given client to see which shifts are performing best and where we need to put additional attention in terms of our labor strategy. Those are the critical ones. We also have KPIs surrounding our customer service effort. We create cases for every client issue and categorize them and data mine them to help us and our clients improve service and platforms.

We also have a client service team that is focused on higher value-added tasks like project planning and execution. Planning from clients' projections, overall planning for peak season, redesigning packaging. All of those activities are captured and data mined to show how quickly we are closing cases, and where we need to rapidly escalate critical issues. Which clients are creating the most cases? Why? Which of our representatives is taking the least amount of time and being the most efficacious in closing cases? We need to know, and our Salesforce instance is customized to help with all of those touchpoints which contribute to a delightful and friction-free fulfillment experience for our brands.

Have you seen progress in the past couple of years?

Absolutely. I have participated in a number of quarterly business reviews, which we do for almost all of our clients on a regular basis, and in every single case, the customer service team has showed improvement in the time elapsed and closing issues and even a reduction in the number of overall cases. And that is reflected in our relationships with clients, especially those who understand the value of the partnership.

Editor

How does Tecsys add value to Capacity?

Thomas Campbell

Tecsys is absolutely core to what we do. Having a flexible partner who will customize our WMS and respond to our needs, whether it has to do with expiration dates or lot numbering or different wave types or different batching protocols. We can't have one of the big WMS providers walk in with some 21-year-old project manager who just gives us the platform the way it was crafted or gives us a multimillion-dollar bill for the customizations we need. We need a partner like Tecsys who can be responsive, provide great value, engage with us intellectually to create modifications that add value to our business and to the Tecsys platform. This in turn enhances the value in our clients' businesses, and those who understand how important we are to their ability to grow and be flexible on behalf of our clients keep coming back for more. Many of our relationships with new brands are with executives who know us from prior brand partners, and we think this is one of the highest compliments our service can receive.

Capacity's Daily Order Volumes

"Tecsys' WMS is the most critical system that we partner with today. It's at the heart of everything we do, by controlling the movement of inventory through our facilities, managing allocation, and the overall order flow. It's a combination of our nervous system and our circulatory system and our whole cardiovascular set up. We rely on it as critically as life support."

Thomas Campbell
Chief Strategy Officer, Capacity LLC

“Going forward, we expect to maximize financial performance by leveraging our evolving global footprint, maximizing our cloud resources, and building on the success of our partner ecosystem, especially Workday.”

Peter Brereton, President and CEO, Tecsys

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

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

This Management Discussion and Analysis (MD&A) dated July 3, 2019 comments on our operations, financial performance and financial condition as at and for the years ended April 30, 2019 and April 30, 2018 and should be read in conjunction with the Consolidated Financial Statements of Tecsys Inc. ("Tecsys" the "Company") and Notes thereto, which are included in this document. The Company's fiscal year ended on April 30, 2019. Fiscal 2019 refers to the twelve-month period ended April 30, 2019.

The Company prepares its consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") and are prepared by and are the responsibility of the Company's Management.

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 consolidated financial statements were authorized for issue by the Board of Directors on July 3, 2019.

Additional information about the Company can be obtained from SEDAR at www.sedar.com.

Overview

Tecsys is a global provider of supply chain solutions that equip organizations with industry-leading services and tools to achieve operational success. Tecsys' solutions are designed to create clarity out of the complex supply chain challenges facing organizations today. Tecsys solutions include warehouse management, distribution and transportation management, supply management at point-of-use, distributed order management, as well as financial management and analytics solutions.

Customers running on Tecsys' Itopia® supply chain platform are confident knowing they can execute, day in and day out, regardless of business fluctuations or changes in technology. As their businesses grow more complex, organizations operating a Tecsys platform can adapt and scale to business needs or size, expand and collaborate with customers, suppliers and partners as one borderless enterprise, and transform their supply chains at the speed that their growth demands. From demand planning to demand fulfillment, Tecsys puts power into the hands of both front-line workers and back office planners, helping business leaders focus on the future of their products, services and people, not on their operational challenges.

Tecsys is the market leader in North America for supply chain solutions for health systems and hospitals. Over 1,000 small, mid-size and large customers trust their supply chains to Tecsys in the healthcare, service parts, third-party logistics, retail and general wholesale high-volume distribution industries.

With the acquisition of OrderDynamics Corporation, Tecsys has added a number of major customers in the retail industry located in Canada, the U.S., Europe and Australia. With the acquisition of PCSYS A/S, Tecsys has added hundreds of customers in the manufacturing, retail and logistics industries, most of which are based in Europe.

As ecommerce grows exponentially, distribution organizations are facing mounting pressures to fulfil higher order volumes with changing customer demands. Consumers are expanding their use of shopping options, thereby increasing order fulfillment complexity for retail and direct-to-consumer companies, and driving investments in Distributed Order Management (DOM) systems. Through acquisition, Tecsys became a supplier to this market.

Tecsys' DOM offering orchestrates and optimizes the process of customer order fulfillment across a wide variety of inventory-holding locations by meeting customer expectations at the lowest possible cost of order fulfillment.

Tecsys' partnership strategy continued to develop and mature in Fiscal 2019. Foundational relationships with key technology partners including International Business Machines Corporation, Oracle Corporation, Microsoft Corporation, Amazon Web Services (AWS), Workday Inc., and Honeywell International Inc. continued to support its product offering while strategic industry players like Zebra Technologies Corporation, Terso Solutions Inc., and BluePay Processing LLC extend its offering. Value added reseller and service partners such as Sequoia Group Inc., Avalon Corporate Solution, OSF Commerce and RiseNow, LLC have become active in the Corporation's customer base, extending its reach as intended.

Industry Verticals

Tecsys' management believes that the Itopia® platform is well-suited to respond to the changing distribution market. Currently, Tecsys' business development and sales efforts are focused on vertical markets where the Corporation has the highest winning opportunity and best financial returns. From research and development and customer services perspectives, this allows Tecsys to replicate its solutions, enabling the Corporation to reduce costs inherent in new development and adoption of technology. It also helps increase the depth of expertise in these market segments where the Corporation has developed a reputation as an expert among its customers.

One such industry vertical is built on Tecsys' decades of expertise and investment into the healthcare industry through point-of-use, distribution and warehouse management solutions. Longstanding customers include major distributors, a number of health systems or Integrated Delivery Networks (IDNs), as well as third-party logistics providers (3PLs) in Canada and the United States. According to the American Hospital Association (AHA)[1], there are over 6,200 hospitals in the United States.

Today's healthcare supply chain is complex and costly; it represents the second largest area of expense for hospitals, behind only labor, consuming approximately 40% to 55%[2] of the average operating budget. Unlike retail and other industries where the supply chain is viewed as a strategic asset, the healthcare supply chain has often been underleveraged, even neglected. Most healthcare organizations are managing supplies using outdated information technology systems that cannot communicate with one another. As a result, supply chain processes are largely manual, with staff entering data into various hospital systems as they procure products, manage inventory, capture its use and trigger replenishment needs.

Healthcare has traditionally lagged behind other industries when it comes to supply chain technology investments. The manual labor required among supply chain, operations and clinical staff is inefficient, error prone and expensive. With disjointed systems and data, healthcare organizations have little or no visibility into and control over their supplies. This leads to expired product and significant waste.

In order for a hospital to transform its supply chain from a major liability into a strategic asset, it must transition from manual to electronic processes. This requires the use of enabling technologies for supply chain automation such as those offered by Tecsys. Technologies enabling standardization, consolidation and integration within a unified platform are a prerequisite to overcome the complexity and challenges.

As part of its vertical market strategy, the Corporation has been on the lookout for vertical market opportunities in the high-volume complex distribution area where it can profitably provide unique value and be able, over time, to capture market share and eventually dominate that industry. For the year ended April 30, 2019, Tecsys continued this initiative to explore additional opportunities using this strategy.

The SCM Industry

Supply Chain Management (SCM) is a business strategy to improve shareholder and customer value. SCM encompasses the processes of creating and fulfilling the market's demand for goods and services; it enhances distributor and customer value by optimizing the flow of products, services and related information from suppliers to customers, with a goal of enabling customer satisfaction. Within SCM is Supply Chain Execution (SCE), on which Tecsys has most of its focus, an execution-oriented set of solutions that enable the efficient procurement and supply of goods, services and information to meet customer-specific demand. Businesses deploying SCE solutions are looking to achieve greater visibility into product movements, cost containment and compliance.

Today's distribution landscape is more sophisticated and volatile than ever; nonetheless, it demands 100% fulfillment with faster service and at a lower cost. It demands collaboration with customers, suppliers and partners as a borderless enterprise. From omnichannel to the internet of things (IoT), change is reshaping supply chain platforms and they must extend, scale and adapt to the size and needs of business. Competition is fierce, and disintermediation continues to pose a significant threat, giving rise to omnichannel distribution networks and shrinking the margin for error in operations.

Thriving in the current distribution era means adapting internal infrastructure, technology and processes to external challenges. Consider the impact of major brick and mortar and online retailers, strong competition from those who stick to their core competencies and disruptions by new and innovative technologies. Such disruptions and the increasingly digital environment is pressuring distribution industry leaders to rethink their strategy and take the first step to transform their supply chain or risk being left behind.

[1] https://www.aha.org/statistics/fast-facts-us-hospitals

[2] https://rctom.hbs.org/submission/healthcare-where-supply-chain-digitalization-is-life-or-death/

Agile companies are quickly outperforming and overtaking their less nimble competitors. A study by The Boston Consulting Group[3] shows that the leaders in digital supply chain management are seeing tremendous benefits:

- Increases in product availability of up to 10%
- Response times to changes in market demand reduced by at least 25%
- Realization of working-capital reductions improved by 30%
- Operating margins 40-110% higher than others, and 17-64% fewer cash conversion days.

McKinsey & Company's research[4] suggests that, on average, companies that digitize their supply chains can expect to boost annual growth of earnings before interest and taxes by 3.2% and annual revenue growth by 2.3%.

Furthermore, according to the 2019 Material Handling Industry ("MHI")[5], the largest U.S. material handling, logistics and supply chain association, Annual Industry Report produced in conjunction with Deloitte Consulting LLP: "Many of today's consumers are demanding more from businesses in terms of shorter service cycles, lower costs, greater transparency and increased corporate responsibility. Over time, consumers have come to expect unprecedented levels of service, ranging from same-day delivery and free shipping to real-time alerts on the status and location of items they have purchased. These expectations are rippling across the entire supply chain ecosystem. Consumer-facing organizations themselves are increasingly demanding speed, visibility and transparency from their own upstream supply chain partners to meet the end-customer's rising expectations."

In response, leading companies are adopting a more digital approach to business. Using digital innovation to improve supply chain efficiency, transparency and sustainability has become a necessity for continuing to grow the customer base and maintain a competitive standing.

Selected Key Events

On May 2, 2018, Gartner, Inc. released the 2018 Magic Quadrant[6] for Warehouse Management Systems, in which Tecsys was positioned in the "Visionaries" quadrant, a position that it has held since its first inclusion in 2010. Gartner Magic Quadrant research methodology provides a graphical competitive positioning of four types of technology providers in fast-growing markets: Leaders, Visionaries, Niche Players and Challengers. Gartner has evaluated global WMS vendors based on their completeness of vision and ability to execute and has recognized 13 WMS suppliers that were included in the 2018 Magic Quadrant for Warehouse Management Systems, one of which is Tecsys.

On July 5, 2018, the Board authorized the establishment of a stock option plan, which was approved by the shareholders of the Corporation on September 6, 2018, ("2018 Stock Option Plan") pursuant to which directors, officers, key employees and consultants will be granted options to purchase common shares. Each option will be subject to the terms and conditions set forth in the 2018 Stock Option Plan and to those other terms and conditions specified by the Compensation Committee.

On September 10, 2018, Tecsys launched an IDN Readiness Assessment for Supply Chain Transformation. The interactive tool guides integrated delivery networks (IDN) leadership through a cross-functional view of their business and generates a quantifiable measure of the organization's readiness for a consolidated supply chain strategy.

On September 17, 2018, Mark J. Bentler joined the Corporation as Chief Financial Officer to succeed interim CFO, Berty Ho-Wo-Cheong.

On November 14, 2018, Tecsys acquired OrderDynamics, a Distributed Order Management software provider based in Richmond Hill, Ontario, to expand omnichannel distribution capabilities for E-commerce companies. See "Business Acquisition".

On November 14, 2018, Gartner, Inc. released its tenth annual Healthcare Supply Chain Top 25 ranking[7]. Each year, the Healthcare Supply Chain Top 25 identifies the supply chains that successfully advance healthcare by improving patient outcomes and controlling costs. To celebrate the 10th anniversary of the ranking, Gartner created a Masters category, recognizing supply chains that have sustained leadership over the past decade. The top three healthcare supply chains in the inaugural group of inductees are Tecsys customers.

In January 2019, Tecsys appointed Bill King as Chief Revenue Officer.

On January 14, 2019, Tecsys announced a new brand identity and logo that more readily communicates the Corporation's long-standing intention of equipping supply chain greatness. This move comes at a time when more organizations are

[3] https://on.bcg.com/2wkJDHC

[4] McKinsey & Company; Digital transformation: raising supply chain performance to new levels

[5] https://www.mhi.org/publications/report

[6] Gartner, "Magic Quadrant for Warehouse Management Systems" by C. Dwight Klappich & Simon Tunstall, May 8, 2019

[7] Gartner, "The Healthcare Supply Chain Top 25 for 2018", Eric O'Daffer et al., November 2018

experiencing increases in performance pressure and complexities in their supply chains. The new identity communicates the brand's purpose of empowering good companies to achieve greatness by clarifying uncertainty in the supply chain.

On January 30, 2019, Tecsys entered into a credit agreement with National Bank of Canada ("NBC") providing for (i) a $5,000,000 revolving facility to be used for general corporate purposes including to finance working capital requirements, capital expenditures, permitted acquisitions and permitted distributions and (ii) a $12,000,000 term facility used, inter alia, for the purposes of financing the acquisition of PCSYS. The credit facility must be repaid in full on February 1, 2024. Tecsys' credit facility is secured by a first ranking movable hypothec or security interest on all of the assets of Tecsys, Logi D, Logi D Inc. and OrderDynamics (the "Guarantors") and a guarantee agreement between each Guarantor and NBC.

On February 1, 2019, Tecsys acquired PCSYS, a Danish technology company to continue its European expansion. PCSYS is a leading European supplier of software and hardware solutions for warehouse management, transportation management, and labelling systems. See "Significant Acquisitions".

On April 8, 2019, Tecsys extended its warehouse management system with distributed order management capabilities following its acquisition of OrderDynamics enabling omnichannel efficiency benefits for customers. This end-to-end technology approach enables third-party logistics (3PL) companies, distributors, and retailers, including brand managers, to handle the complexities of multifaceted fulfillment demands.

On May 8, 2019, Gartner, Inc. released the latest Magic Quadrant[8] for Warehouse Management Systems, in which Tecsys was positioned in the "Visionaries" quadrant, a position it has held since its first inclusion in 2010. Gartner Magic Quadrant research methodology provides a graphical competitive positioning of four types of technology providers in fast-growing markets: Leaders, Visionaries, Niche Players and Challengers. Gartner has evaluated global WMS vendors based on their completeness of vision and ability to execute and has recognized 14 WMS suppliers that were included in the 2019 Magic Quadrant for Warehouse Management Systems, one of which is Tecsys.

Description of Business Model

Tecsys generates revenue from proprietary software sold as a perpetual license as well as under a Software as a Service (SaaS) model, proprietary hardware technology, third-party products (which includes hardware and software products), and the provision of related services.

Cloud, maintenance and subscription revenue includes SaaS, proprietary software maintenance, customer support, application hosting, database administration services and third-party products maintenance. At the end of fiscal 2019, this Annual Recurring Revenue[9] amounted to $38.3 million, up 46% from the prior year. Of the total Annual Recurring Revenue at the end of fiscal 2019, $8.7 million relates to the acquisitions of OrderDynamics and PCSYS. Annual Recurring Revenue is defined as the contractually committed purchase of cloud, maintenance and subscription services over the next twelve months. The quantification assumes that the customer will renew the contractual commitments on a periodic basis as they come up for renewal. This portion of the Company's revenue is predictable and stable, and the Company has reasonable assurance that it will occur at regular intervals with a high degree of certainty.

Professional services revenue includes both the fees associated with implementation assistance and ongoing services. These ongoing services include consulting, training, product adaptations and upgrade implementation assistance. Such revenue is typically derived from contracts based on a fixed-price or time-and-material basis and is recognized as the services are performed.

Cost of revenue comprises the cost of products purchased for re-sale and the cost of services.

Cost of products includes the cost of proprietary hardware technology and all third-party products purchased for re-sale and required to complete customer solutions and internal production and coordination costs related to the delivery of proprietary hardware technology and third-party equipment. The third party products purchased for re-sale are typically other software products such as database and business intelligence software and hardware such as radio frequency equipment, storage equipment, and computer servers.

Cost of services includes mainly salaries, incentives, benefits and travel expenses of all personnel providing services as well as third party cloud infrastructure costs associated with delivering SaaS and hosting services. Also included in the cost of services is a portion of overhead and e-business tax credits available under a Quebec government incentive program designed to support the development of the information technology industry.

Sales and marketing, as well as general and administration expenses include all personnel costs involved in these functions. They also include all other costs related to sales and marketing and general and administration, such as travel, rent, advertising, trade shows, professional fees, office expenses, training, telecommunications, bad debts, stock-based compensation, acquisition costs, equipment rentals and maintenance costs and overhead.

[8] Gartner, "Magic Quadrant for Warehouse Management Systems" by C. Dwight Klappich & Simon Tunstall, May 8, 2019

[9] See Non-IFRS Performance Measure

Research and development (R&D) includes salaries, benefits, incentives and expenses of all staff assigned to R&D. Fees paid to external consultants and sub-contractors are also included, along with a portion of overhead partially offset by research and development tax credits as well as e-business tax credits.

At the end of fiscal 2019, the Company employed 480 employees in comparison to 364 at the end of fiscal 2018. The average number of employees was 398 in fiscal 2019 in comparison to 372 for fiscal 2018.

Key Foreign Exchange Exposure and Hedging

The U.S. dollar strengthened by 3% against the Canadian dollar during fiscal 2019 in comparison to fiscal 2018. The U.S. dollar to Canadian dollar exchange rates for fiscal 2019 averaged CA $1.3176 in comparison to CA $1.2774 for fiscal 2018. Approximately 61% of the Company's revenue were generated in the United States in fiscal 2019. In comparison to fiscal 2018, the stronger U.S. dollar partially offset by the unfavorable variance of the Company's partial hedging of U.S. revenue in fiscal 2019 gave rise to a favorable variance of $0.5 million. The stronger U.S. dollar impacted costs of sales and operating expenses unfavorably by approximately $0.4 million in fiscal 2019 as compared to fiscal 2018.

The U.S. dollar weakened by 3% against the Canadian dollar during fiscal 2018 in comparison to fiscal 2017. The U.S. dollar to Canadian dollar exchange rates for fiscal 2018 averaged CA $1.2774 in comparison to CA$1.3176 for fiscal 2017. Approximately 68% of the Company's revenue were generated in the United States in fiscal 2018. In comparison to fiscal 2017, revenue had an estimated unfavorable impact of $1.3 million due to the unfavorable U.S dollar exchange rate being lower in comparison to fiscal 2017 and partially offset by the favorable variance generated by the Company's designated hedging of highly probable U.S. revenue. The weaker U.S. dollar impacted cost of sales and operating expenses favorably by approximately $0.4 million.

Selected Annual Information

In thousands of Canadian dollars, except per share data

	2019	2018	2017
Total Revenue	76,449	70,718	68,447
(Loss)/Profit	(741)	3,949	5,998
Comprehensive Income	(835)	4,115	5,112
Adjusted EBITDA[10]	2,776	6,490	5,676
Basic and Diluted Earnings (Loss) per Common Share	(0.06)	0.30	0.49
Common Share Dividends	0.21	0.19	0.15
Total Assets	85,445	63,417	52,537
Long-term Debt (including the current portion)	11,849	121	190

Fiscal 2019 was a very active year, including two acquisitions, a rebranding campaign and a significant shift in our business to SaaS along with development and sales and marketing investment to drive growth.

Compared to fiscal 2018, fiscal 2019 (Loss)/Profit was negatively impacted by $1.5 million of OrderDynamics losses (our first acquisition of the year which closed in November 2018), $0.7 million of amortization related to intangible assets acquired in acquisitions closed during the year, $0.7 million of marketing rebranding costs, $1.9 million increased investment in sales and marketing and research and development, $0.3 million increase in bonus cost driven primarily by increased bookings especially with respect to our SaaS business, $1.3 million of acquisition costs related to the two acquisitions closed during the year, and $0.4 million of stock-based compensation expense related to the stock option plan introduced during the year, and $0.3 million legal expenses resulting primarily from a legal fee recovery in 2018. Fiscal 2019 (Loss)/Profit was positively impacted by $0.6 million of PCSYS contribution (our second acquisition during the year which closed February 2019), $0.5 million increase in gross margin from the organic business and $1.5 million of tax benefit resulting primarily from the recognition of deferred tax assets.

Our business is shifting to SaaS even more quickly than we had previously expected, with a significant portion of our Q3 and Q4 software product bookings coming in the form of recurring SaaS subscriptions. While this will build annual recurring revenue moving forward, current profit is negatively impacted as revenue on SaaS subscriptions is recognized prospectively,

[10] See Non-IFRS Performance Measure

typically over a five-year contract term. While the $2.6 million investment in sales, marketing, branding and development definitely paid off with a 32% increase in organic software product bookings, most of the resulting revenue benefit will hit fiscal 2020 and beyond.

Results of Operations

Year ended April 30, 2019 compared to year ended April 30, 2018

Revenue

Total revenue increased to $76.4 million, up $5.7 million or 8%, compared to $70.7 million for fiscal 2018. The OrderDynamics and PCSYS acquisitions contributed $6.2 million in revenue while the organic business was down slightly.

Proprietary products revenue, defined as internally developed products including proprietary software sold as perpetual license and hardware technology products, was flat at $6.9 million in comparison to fiscal 2018. Perpetual license revenue declined in our organic business, but this decline was offset by perpetual license revenue resulting from the PCSYS acquisition as well as a slight increase in hardware technology revenue in our organic business. The decline in our organic perpetual license revenue was influenced by a shift to SaaS subscription bookings. In fiscal 2019, SaaS subscriptions bookings comprised approximately 33% of our software product bookings compared to 2% in fiscal 2018.

Overall total contract bookings[11] amounted to $63.2 million during fiscal 2019 compared to $48.1 million in 2018. The Company signed twenty-three new accounts during fiscal 2019 with a total contract value of $15.4 million in comparison to twelve new accounts with a total contract value of $15.2 million during fiscal 2018.

Third-party products revenue was flat at $6.8 million in comparison to fiscal 2018 with a decline in our organic business offset by third party products revenue resulting from the PCSYS acquisition.

Cloud, maintenance and subscription revenue was $31.3 million during fiscal 2019, up $4.3 million or 16%, compared to $27.0 million for the previous fiscal year. This increase is attributable to higher maintenance revenue derived from new licences and SaaS sales in our organic business as well as $2.9 million relating to maintenance and subscription revenue from the OrderDynamics and PCSYS acquisitions.

Professional services revenue increased to $29.3 million during fiscal 2019, up $1.5 million or 5%, compared to $27.8 million for the previous fiscal year. The increase is attributable to professional services revenue from the OrderDynamics and PCSYS acquisitions, with a slight year on year decline in the organic business.

Cost of Revenue

Total cost of revenue increased to $39.0 million in fiscal 2019, $3.2 million or 9% higher, in comparison to $35.8 million for fiscal 2018. The increase is mainly attributable to higher services costs of $3.4 million.

The cost of products decreased to $6.0 million in fiscal 2019, $0.2 million or 2% lower, in comparison to $6.2 million in fiscal 2018.

The cost of services increased to $30.9 million in fiscal 2019, $3.4 million or 12% higher, in comparison to $27.5 million for fiscal 2018. The increase is primarily attributable to $3.0 million in cost of services associated with the OrderDynamics and PCSYS acquisitions. The cost of services includes tax credits of $1.9 million for fiscal 2019 compared to $2.1 million for fiscal 2018.

Gross Profit

The gross profit increased to $37.4 million in fiscal 2019, $2.5 million or 7% higher, in comparison to $34.9 million for the previous fiscal year. This is mainly attributable to a higher services margin of $2.4 million and higher products margin of $0.1 million. Total gross profit percentage in fiscal 2019 and 2018 was 49%.

Services gross profit during fiscal 2019 increased to $29.7 million, $2.4 million higher, in comparison to $27.3 million in fiscal 2018. Services gross profit was 49% of services revenue in fiscal 2019 and 50% in fiscal 2018. The decrease in gross margin percentage is attributable to lower margin in the OrderDynamics and PCSYS business and was also impacted by the recognition, in the second quarter of fiscal 2018, of $1.0 million of deferred professional services revenue due to the termination of a contract and its associated future obligations. The increase in gross profit is primarily attributable to gross profit from OrderDynamics and PCSYS of $2.0 million.

[11] See Key Performance Indicators

The products margin increased to $7.7 million, $0.1 million higher during fiscal 2019 in comparison to $7.6 million in fiscal 2018. The increase in margin is mainly attributable to PCSYS margin of $0.7 million offset by lower organic software license and third party product margin.

Operating Expenses

Total operating expenses increased to $39.2 million for fiscal 2019, $8.6 million or 28% higher, compared to $30.6 million for fiscal 2018. OrderDynamics and PCSYS operating expenses contributed $3.6 million of the overall increase. The most notable differences between fiscal 2019 in comparison with fiscal 2018 are as follows.

- Sales and marketing expenses amounted to $17.2 million, $2.7 million higher than the comparable prior period. OrderDynamics and PCSYS contributed $1.4 million of the increase while organic spend increased mainly in marketing program costs (including non-recurring rebranding program of $0.7 million), recruitment fees and commissions in comparison to last fiscal year.
- General and administrative expenses increased to $9.4 million, $3.0 million higher than the comparable previous fiscal year. OrderDynamics and PCSYS contributed approximately $0.6 million of the increase and the balance of the increase is mainly due to acquisition costs of $1.3 million, stock-based compensation cost of $0.4 million, increased legal expenses of $0.3 million resulting primarily from a legal fee recovery in 2018 and increased bonus expenses of $0.3 million.
- Net R&D expenses increased to $12.7 million in fiscal 2019, $2.9 million higher than the previous fiscal year. OrderDynamics and PCSYS contributed $1.6 million of the increase with the balance mainly attributable to higher salaries and benefits and consulting fees in our organic business. The Company recorded $1.7 million of refundable and non-refundable tax credits in fiscal 2019 compared to $1.6 million for fiscal 2018. The Company amortized deferred development costs and other intangible assets of $1.1 million in fiscal 2019 in comparison to $1.3 million for fiscal 2018.

(Loss) Profit from Operations

The Company recorded a loss from operations of $1.8 million representing 2% of revenue in fiscal 2019 in comparison to a profit from operations of $4.3 million in fiscal 2018 representing 6% of revenue. Compared to fiscal 2018, fiscal 2019 (Loss) from Operations was negatively impacted by $1.5 million of OrderDynamics losses, $0.7 million of amortization related to intangible assets acquired in acquisitions closed during the year, $0.7 million of marketing rebranding costs, $1.9 million increased investment in sales and marketing and research and development, $0.3 million increase in bonus cost driven primarily by increased bookings especially with respect to our SaaS business, $1.3 million of acquisition costs related to the two acquisitions closed during the year, $0.4 million of stock-based compensation expense related to the stock option plan introduced during the year and increased legal fees. Fiscal 2019 (Loss) from Operations was positively impacted by $0.6 million of PCSYS contribution and $0.5 million increase in gross margin from the organic business.

The Company is seeing increased SaaS bookings. Such bookings are recognized as revenue over the contract period as opposed to up-front recognition for sales of perpetual licences. This has had an impact on operating profit in the current year and will continue to affect operating profit in the medium term.

Net Finance Costs

In fiscal 2019, the Company recorded net finance income of $39,000 in comparison to net finance income of $0.2 million for fiscal 2018. The lower net finance income is primarily attributable to higher interest expense on long-term debt and lower interest income on the long-term investment offset by an exchange gain in fiscal 2019 compare to an exchange loss in fiscal 2018.

Income Taxes

In fiscal 2019, the Company recorded an income tax benefit of $1.0 million comprised of current income tax expense of $1.1 million and deferred income tax benefit of $2.1 million. In fiscal 2018, the Company recorded an income tax expense of $0.5 million comprised of current income tax expense of $1.5 million and deferred income tax benefit of $1.1 million. The decrease in current income tax expense as compared to fiscal 2018 is due to the decrease in profitability as compared to the prior fiscal year. The increase in the deferred income tax expense in fiscal 2019 is mainly due to an increase in the net change in unrecognized deductible temporary difference in fiscal 2019 as well as an increase in net origination and reversal of temporary differences giving rise to deferred tax benefit.

As at April 30, 2019, the Company had recognized net deferred tax assets of $5.5 million and has an unrecognized net deferred tax asset of $4.2 million covering various jurisdictions and approximately $6.0 million of Canadian federal non-refundable SRED tax credits which may be used only to reduce future Canadian federal income taxes otherwise payable. As such, the Company does not anticipate any significant cash disbursements related to Canadian federal income taxes in the medium term given its availability of Canadian federal non-refundable tax credits and deferred tax assets. Refer to note 15 of the consolidated financial statements for further detail.

(Loss) Profit

The Company incurred a loss of $0.7 million or $(0.06) per common share in fiscal 2019 compared to Profit of $3.9 million or $0.30 per common share for fiscal 2018. See prior discussion above regarding profitability.

Results of Operations for the Fourth Quarter

Quarter ended April 30, 2019 compared to quarter ended April 30, 2018

Revenue

Total revenue for the fourth quarter ended April 30, 2019 increased to $23.2 million, up $4.3 million or 23%, compared to $18.9 million for the same period of fiscal 2018. OrderDynamics and PCSYS contributed $4.9 million of incremental revenue while the decline in fourth quarter organic revenue of $0.6 million resulted from a decline in license revenue partially offset by increases in cloud, maintenance and subscription revenue as well as professional services revenue. Approximately 58% (2018 - 67%) of the Company's revenues were generated in the United States during the fourth quarter of fiscal 2019. In comparison to the fourth quarter of 2018, the stronger U.S. dollar partially offset by the unfavorable variance of the Company's partial hedging of U.S. revenue in the fourth quarter of 2019 gave rise to a favorable variance of $0.4 million. The stronger U.S. dollar impacted costs of sales and operating expenses unfavorably by approximately $0.1 million in the fourth quarter fiscal 2019 as compared to the fourth quarter of fiscal 2018.

Proprietary products revenue decreased to $1.6 million, $1.5 million or 48% lower, in the fourth quarter of fiscal 2019 in comparison to $3.1 million for the same period last year. The decrease is primarily due to a decrease in proprietary software license revenue compared to the same period last year. Q4 of fiscal 2018 had a significant perpetual license deal and, as noted above, the decline in our organic perpetual license revenue was influenced by a shift to SaaS subscription bookings. During the fourth quarter of fiscal 2019, approximately 60% of our software product bookings were SaaS compared to 4% in the fourth quarter of fiscal 2018. Overall total contract value bookings amounted to $19.2 million in the fourth quarter of fiscal 2019 in comparison to $14.7 million for the same period of the previous fiscal year. During the fourth quarter of fiscal 2019, the Company signed nine new accounts with a total contract value of $6.7 million compared to six new accounts with a total contract value of $8.3 million in the fourth quarter of fiscal 2018.

Third party products revenue increased to $2.7 million, up $0.8 million or 39%, in the fourth quarter of fiscal 2019 in comparison to $1.9 million for the same period last year. The increase was the result of the acquisition of PCSYS, which contributed $1.5 million of the increase offset by lower equipment revenue in the organic business.

Cloud, maintenance and subscription revenue increased to $9.4 million, up $2.5 million or 36%, in the fourth quarter of fiscal 2019 in comparison to $6.9 million in the fourth quarter of fiscal 2018. The increase is the result of $2.0 million of contribution from the acquisitions of OrderDynamics and PCSYS as well as $0.5 million of growth in our organic business with more than half of that growth coming from SaaS.

Professional services revenue increased to $9.0 million during fiscal 2019, up $2.5 million or 39%, compared to $6.5 million for the previous fiscal year. The acquisitions of OrderDynamics and PCSYS contributed $1.3 million of the increase while our organic business contributed $1.2 million of the increase (up 19% from the same period last year).

Cost of Revenue

Total cost of revenue increased to $12.3 million, up $2.9 million or 31%, in the fourth quarter of fiscal 2019 in comparison to $9.3 million for the same period in fiscal 2018. The increase is attributable to higher product costs of $0.7 million and higher services costs of $2.3 million.

The cost of products increased to $2.4 million, up $0.7 million or 40%, in the fourth quarter of fiscal 2019 in comparison to $1.7 million for the same period in fiscal 2018. The increase is mainly due to the acquisition of PCSYS, which had an impact of $1.1 million partially offset by lower costs in our organic business (lower equipment revenue).

The cost of services increased to $9.4 million, up $2.3 million or 32%, in the fourth quarter of fiscal 2019 in comparison to $7.1 million for the same period in fiscal 2018. The increase is primarily the result of the acquisitions of OrderDynamics and PCSYS, which contributed $2.1 million. The cost of services includes tax credits of $0.4 million for the fourth quarter of fiscal 2019 compared to $0.5 million for the same period in the previous fiscal year.

Gross Profit

Gross profit increased to $10.9 million, higher by $1.3 million or 14%, in the fourth quarter of fiscal 2019 in comparison to $9.6 million for the same period last year. This is mainly attributable to higher service margin of $2.7 million offset by lower products margin of $1.4 million. Total gross profit percentage in the fourth quarter of fiscal 2019 was lower at 47% compared to 51% for the same period of fiscal 2018. The key driver for this decline was the lower mix of license revenue in the fourth quarter of fiscal 2019.

Services gross profit during the fourth quarter of fiscal 2019 increased by $2.7 million to $9.0 million in comparison to $6.2 million in the same period of fiscal 2018. Services gross profit was 49% of services revenue in the fourth quarter of fiscal 2019 in comparison to 47% for the comparable period last year.

The products margin decreased by $1.4 million in the fourth quarter of fiscal 2019 compared to the same period last year, as a result of lower proprietary product revenue of $1.5 million. This was the result of lower license revenue and was directly impacted by the shift to SaaS noted above.

Operating Expenses

Total operating expenses for the fourth quarter of fiscal 2019 increased to $11.7 million, higher by $3.9 million or 50%, compared to $7.8 million for the same period last year. The acquisitions of OrderDynamics and PCSYS contributed $2.5 million of the increase. The most notable differences between the fourth quarter of fiscal 2019 in comparison with the same period in fiscal 2018 are as follows.

- Sales and marketing expenses amounted to $5.1 million, $1.4 million higher than the comparable quarter last year. The acquisitions of OrderDynamics and PCSYS contributed $1.0 million of the increase while the increase in the organic business is primarily due to higher personnel costs including commission.
- General and administrative expenses increased to $2.8 million, $1.2 million higher than the comparable quarter last year. The acquisitions of OrderDynamics and PCSYS contributed $0.4 million of the increase while acquisition costs and stock-based compensation costs accounted for $0.5 million of the increase with the balance primarily increased bonus costs and legal expenses.
- Net R&D expenses amounted to $3.9 million in fourth quarter of fiscal 2019, up $1.3 million from the same quarter last year. The acquisitions of OrderDynamics and PCSYS accounted for $1.1 million of the increase with the balance coming from the organic business. The Company recorded $0.4 million of R&D refundable and non-refundable tax credits and refundable and non-refundable e-business tax credits in the fourth quarter of fiscal 2019 in comparison to $0.3 million for the same period in fiscal 2018. The Company amortized deferred development costs and other intangible assets of $0.2 million in the fourth quarter of fiscal 2019 in comparison to $0.3 million for the same period in the prior fiscal year.

(Loss) Profit from Operations

The Company recorded a loss from operations of $0.8 million representing 4% of revenue in the fourth quarter of fiscal 2019 in comparison to an income from operations of $1.7 million representing 9% of revenue for the same period in fiscal 2018. Contributing to the decrease in profit was $1.6 million of acquisition costs, OrderDynamics operating losses and stock-based compensation expenses as well as the decrease in license revenue mentioned previously. The decrease in profit is also due to higher operating expenses partially offset by higher professional services and cloud, maintenance and subscription margin and profit from PCSYS. The Company is seeing increased software as a service (SaaS) bookings. As mentioned above, this has had an impact on operating profit in the current period and will continue to affect operating profit in the medium term.

Net Finance Costs

In the fourth quarter of fiscal 2019 and 2018, the Company recorded net finance costs of $0.1 million primarily related to long-term debt.

Income Taxes

In the fourth quarter of fiscal 2019, the Company recorded an income tax benefit of $1.0 million in comparison to an income tax expense of $14,000 in the fourth quarter of fiscal 2018. The decrease in income tax expense as compared to the same period in fiscal 2018 is due to the decrease in profitability and to the recognition of additional deductible temporary differences as well as to an increase in the net change in unrecognized deductible temporary difference in fiscal 2019 and an increase in net origination and reversal of temporary differences giving rise to deferred tax benefit.

Profit

The Company realized profit of $0.1 million or 0.01 per share in the fourth quarter of fiscal 2019 compared to $1.8 million or $0.13 per share for the same period in fiscal 2018.

Quarterly Selected Financial Data

(Quarterly data are unaudited)

In thousands of Canadian dollars, except per share data

Fiscal Year 2019	Q1	Q2	Q3	Q4	Total
Total Revenue	16,282	18,184	18,792	23,191	76,449
Profit (loss)	13	596	(1,429)	79	(741)
Comprehensive Income (loss)	63	552	(1,307)	(143)	(835)
Adjusted EBITDA[12]	536	1,654	(98)	684	2,776
Basic and Diluted Earnings per Common Share	NIL	0.05	(0.11)	0.01	(0.06)

Fiscal Year 2018	Q1	Q2	Q3	Q4	Total
Total Revenue	16,511	18,072	17,227	18,908	70,718
Profit	69	1,356	722	1,802	3,949
Comprehensive (Loss) Income	864	701	1,057	1,493	4,115
Adjusted EBITDA[12]	687	2,184	1,312	2,307	6,490
Basic and Diluted Earnings per Common Share	0.01	0.10	0.06	0.13	0.30

In the fourth quarter of fiscal 2019, the Company recorded $0.5 million of costs related to the acquisition of OrderDynamics and PCSYS and $0.1 million related to stock-based compensation expense. This had a negative impact on Profit. Also, included in the fourth quarter of fiscal 2019 is the loss related to OrderDynamics of $1.1 million. This had a negative $1.1 million impact on Profit and a negative $0.9 million impact on Adjusted EBITDA. The total of the above items had a $1.7 million negative impact on Profit and a $0.9 million negative impact on Adjusted EBITDA in the fourth quarter of fiscal 2019.

[12] See Non-IFRS Performance Measure

As noted above, the decline in our organic perpetual license revenue in the fourth quarter was influenced by a shift to SaaS subscription bookings. During the fourth quarter of fiscal 2019, approximately 60% of our software product bookings were SaaS compared to 4% in the fourth quarter of fiscal 2018. This had a material impact on Profit and Adjusted EBITDA in the fourth quarter as these bookings result in revenue recognition over the coming years (typically five-year contracts recognized rateably) as opposed to up front revenue recognition for perpetual license bookings.

In the third quarter of fiscal 2019, the Company recorded $0.8 million of costs related to the acquisition of OrderDynamics and PCSYS and $0.1 million related to stock-based compensation expense. This had a negative impact on Profit. Included in the third quarter of fiscal 2019 is the loss related to OrderDynamics of $0.7 million. This had a negative $0.7 million impact on Profit and a negative $0.6 million impact on Adjusted EBITDA. Additionally, the third quarter of fiscal 2019 included non-recurring marketing rebranding program costs of $0.4 million. This had a negative impact on Profit and Adjusted EBITDA. The total of the above items had a $2.0 million negative impact on Profit and a $1.0 million negative impact on Adjusted EBITDA in the third quarter of fiscal 2019.

In the fourth quarter of fiscal 2019, the Company recorded $0.1 million of Canadian federal non-refundable research and development tax credits and $2.1 million of deferred tax benefit.

In the fourth quarter of fiscal 2018, the Company recorded $0.1 million of Canadian federal non-refundable research and development tax credits and $0.9 million of deferred tax benefit.

Business acquisitions

OrderDynamics

On November 14, 2018, Tecsys Inc. acquired 100% of the issued and outstanding shares of OrderDynamics Corporation ("OrderDynamics") for a total consideration of $13,399,461 including $9,380,184 of cash paid at closing, $500,000 of cash paid in January 2019, the assumption of $1,604,512 of short term liabilities owed by OrderDynamics to Canada Revenue Agency ("CRA Liability") and future cash payments of (a) $500,000 held back pending final calculation of the CRA Liability ("CRA Liability Holdback") and (b) $1,500,000 held back for indemnification security ("Indemnification Holdback"), which was recorded at present value. The CRA Liability Holdback will be paid to the seller upon final agreement with Canada Revenue Agency on the CRA Liability. The Indemnification Holdback will be released two years from the date of closing, subject to the terms of the share purchase agreement and is recorded in other non-current liabilities.

The acquisition was funded from existing cash balances. See note 9 - Long-term investments.

As at April 30, 2019, an amount of $0.5 million related to Canada Revenue Agency Holdback and $1.9 million related to Canada Revenue Agency liability including interest is included in other current liabilities. See note 13 - Accounts payable and accrued liabilities.

As at April 30, 2019, an amount of $1.5 million related to indemnification holdback, recorded at its present value of $1.4 million, is included in other non-current liabilities. See note 13 - Accounts payable and accrued liabilities.

The operating results of OrderDynamics are included in the consolidated results from the date of acquisition. For the period from November 14, 2018 through April 30, 2019, OrderDynamics generated revenue of $2,912,000 and incurred an operating loss of $1,814,000. If the acquisition had closed on May 1, 2018, OrderDynamics' revenue and operating loss would have amounted to $6,525,000 and $3,211,000, respectively.

On November 14, 2018, the acquired receivables comprise primarily accounts receivable representing the gross contractual amount receivable which is equal to fair value.

OrderDynamics is a software company based in Richmond Hill, Ontario with a Software as a Service distributed order management solution enabling retail merchants and brand managers to optimize inbound business-to-consumer order channels and fulfilment, increasing sales, reducing operating costs, and improving customer satisfaction.

Purchase price

The following table represents the preliminary purchase price allocation based on the estimated fair value of the assets acquired and liabilities assumed at the date of acquisition, with any excess allocated to goodwill.

Cash payment on closing	$ 9,880
Canada Revenue Agency liability	1,605
Canada Revenue Agency Holdback	500
Indemnification Holdback	1,414
Total purchase price	$13,399

Purchase Price Allocation

Assets Acquired		
Accounts receivable	$	875
Prepaid expenses		296
Other receivables		36
Property and equipment		43
Identified intangible assets:		
Technology assets		5,074
Customer assets		884
Deferred tax assets		1,579
		8,787
Liabilities Assumed		
Bank overdraft	$	12
Accounts payable and accrued liabilities		512
Deferred revenue		418
Deferred tax liabilities		1,579
		2,521
Net Assets Acquired		**6,266**
Goodwill		7,133
Gross purchase consideration	**$**	**13,399**

This purchase price allocation is preliminary. The final purchase price allocation could result in changes to the fair value of assets acquired and liabilities assumed.

The deferred tax liabilities represent the tax effect from the recognition of identifiable intangible assets at date of acquisition, at OrderDynamics' statutory rate of 26.5%. The deferred tax assets represent the recognition of previously unrecognized tax assets to the extent of the deferred tax liabilities recognized.

This acquisition will allow the Company to broaden its existing supply chain solutions offering by providing order management and e-fulfilment capabilities.

Goodwill recorded in connection with this acquisition is non-deductible for tax purposes. Goodwill is primarily attributable to expected synergies, which were not recorded separately since they did not meet the recognition criteria for identifiable intangible assets.

PCSYS A/S

On February 1, 2019, Tecsys Inc. acquired 100% of the issued and outstanding shares of PCSYS A/S ("PCSYS") for $13,370,000, net of cash and cash equivalents acquired, and consisting of $10,355,088 of cash paid at closing, $792,135 cash paid in March 2019 for working capital adjustments and future cash payments of (a) $1,216,800 held back for indemnification security ("Indemnification holdback") payable fifty percent 12 months after closing and fifty percent 24 months after closing and (b) $1,006,036 Earnout payment based on achieving certain revenue and earnings before income taxes, depreciation and amortization targets through September 30, 2019.

Cash payments for the acquisition were funded with a bank term loan of $12.0 million and existing cash balances. See note 12 - Banking facilities and long-term debt.

On February 1, 2019, the acquired receivables comprise primarily accounts receivable representing the gross contractual amount receivable which is equal to fair value.

As at April 30, 2019, an amount of $0.7 million related to indemnification holdback including interest and $1.0 million related to contingent consideration is included in other current liabilities. See note 13 - Accounts payable and accrued liabilities.

At April 30, 2019, an amount of $0.6 million related to indemnification holdback is included in other non-current liabilities. See note 13 - Accounts payable and accrued liabilities. See note 13 - Accounts payable and accrued liabilities.

The results of PCSYS' operations have been included in the Company's results of operations from the date of acquisition. For the period from February 1, 2019 through April 30, 2019, PCSYS generated revenue of $3,306,000 and incurred an operating profit of $297,000. If the acquisition had closed on May 1, 2018, PCSYS' revenue and an operating profit would have amounted to approximately $13,802,000 and $1,618,000 respectively.

PCSYS, a Danish technology company, is a Scandinavian leader in software and hardware solutions for warehouse management, transportation management, and labelling systems. PCSYS supports more than 1,000 companies on their journey to achieve supply chain excellence by using robust technology to manage ever changing requirements and introduce new productivity and cost-savings strategies. This acquisition brings two technology-based companies together with the intention to reach new markets and be a stronger supply chain partner to new and existing customers worldwide.

Purchase price

The following table represents the preliminary purchase price allocation based on the estimated fair value of the assets acquired and liabilities assumed at the date of acquisition, with any excess allocated to goodwill.

Net cash consideration on closing	$ 10,355
Working capital adjustment paid on March 2019	792
Indemnification holdback, payable in two equal annual instalments to February 2021	1,217
Contingent consideration – Earnout	1,006
Total purchase price	$13,370

Purchase Price Allocation

Assets Acquired		
Cash	$	595
Accounts receivable		1,933
Work in progress		66
Inventory		5
Prepaid expenses		134
Other receivables		97
Property and equipment		56
Identified intangible assets:		
Technology assets		1,185
Customer assets		7,111
		11,182
Liabilities Assumed		
Accounts payable and accrued liabilities		1,319
Deferred revenue		776
Other current liabilities		69
Deferred tax liabilities		1,825
		3,989
Net Assets Acquired		7,193
Goodwill		6,772
Gross purchase consideration	**$**	**13,965**
Less: Cash acquired on acquisition		**595**
Purchase price, net of cash acquired	**$**	**13,370**

This purchase price allocation is preliminary. The final purchase price allocation could result in changes to the fair value of assets acquired and liabilities assumed.

The deferred tax liabilities represent the tax effect from recognition of identifiable intangible assets at date of acquisition, at the PCSYS statutory rate of 22.0%.

Goodwill recorded in connection with this acquisition is non-deductible for tax purposes. The goodwill recognized in connection with this acquisition is primarily attributable to synergies with existing businesses, and other intangibles that do not qualify for separate recognition including assembled workforce.

Liquidity and Capital Resources

On April 30, 2019, current assets totaled $38.5 million compared to $35.0 million at the end of fiscal 2018. Cash and cash equivalents increased to $14.9 million compared $13.5 million in fiscal 2018.

Accounts receivable and work in progress totaled $15.8 million on April 30, 2019 compared to $14.6 million as at April 30, 2018.

The Company's DSO[13] (days sales outstanding) stood at 61 days at the end of fiscal 2019 compared to 69 at the end of fiscal 2018.

Current liabilities on April 30, 2019 increased to $31.0 million compared to $19.9 million at the end of fiscal 2018 mainly due to an increase in accounts payable and accrued liabilities, deferred revenue and current portion of long-term debt. Working capital decreased to $7.5 million at the end of April 30, 2019 in comparison to $15.0 million at the end of fiscal year 2018. The decrease was driven by a $4.1 million increase in other current liabilities related to liabilities assumed in the acquisitions as well as holdback and earn-out liabilities assossiated with the acquisitions.

The Company believes that funds on hand at April 30, 2019 combined with cash flow from operations and its accessibility to banking facilities will be sufficient to meet its covenants, and its needs for working capital, R&D, capital expenditures, and dividends for at least the next twelve months.

[13] See Key Performance Indicators

Cash from Operations

Operating activities generated $4.1 million of cash in fiscal 2019 in comparison to $3.7 million in fiscal 2018. Operating activities excluding changes in non-cash working capital items related to operations generated $0.6 million in fiscal 2019 and $5.1 million in fiscal 2018. The decrease is primarily due to lower overall profitability and includes the impact of acquisition costs paid as well as the shift to SaaS mentioned previously.

Non-cash working capital items generated funds of $3.5 million in fiscal 2019 primarily due to a decrease in accounts receivable and an increase in deferred revenue.

Non-cash working capital items used funds of $1.4 million in fiscal 2018 primarily due to a decrease in deferred revenue.

Financing Activities

Cash flows generated from financing activities amounted to $8.9 million for fiscal 2019 in comparison to $7.9 million for fiscal 2018.

During fiscal 2019, financing activities related primarily to proceeds received from the Term Loan of $12.0 million. Cash proceeds from the Term loan were subsequently used for the acquisition of PCSYS.

During fiscal 2018, on June 27, 2017, the Company completed an offering of 1,100,050 common shares of the Company at the offering price of $15.00 per common share for aggregate gross proceeds of $16,500,750 (the "Offering"). The Offering included a treasury offering of 767,050 shares by the Company, including 100,050 common shares purchased by the underwriters pursuant to the exercise of their over-allotment option on June 27, 2017, for gross proceeds of $11,505,750 and a secondary offering of 333,000 shares by (i) David Brereton, Executive Chairman of the Company; (ii) Dabre Inc., David Brereton's holding company; and (iii) Kathryn Ensign-Brereton, David Brereton's spouse for aggregate gross proceeds of $4,995,000. The Offering was completed on a bought deal basis and was underwritten by a syndicate of underwriters led by Cormark Securities Inc. on its own behalf and on behalf of two other underwriters.

The common shares were offered by way of a short form prospectus filed in all provinces in Canada.

Transaction costs directly associated with this issuance of treasury shares of approximately $1,016,280 have been recognized as a reduction of the proceeds, resulting in net total proceeds of approximately $10,489,000 for the treasury offering.

During fiscal 2019, the Company repaid $0.3 million of the long-term debt compared to $0.1 million for fiscal 2018.

During fiscal 2019, the Company declared quarterly dividends of $0.05 for the first two quarters and $0.055 for each of the following quarters for an aggregate of $2.8 million. During fiscal 2018, the Company declared quarterly dividends of $0.045 for each of the first two quarters and $0.05 for each of the following two quarters for an aggregate of $2.5 million.

Investing Activities

During fiscal 2019, investing activities used funds of $11.5 million in comparison to $11.6 million for fiscal 2018.

In fiscal 2018, $10.0 million of the cash generated by the bought deal discussed above was invested in a long-term redeemable GIC for a period of three years. These funds were partially used for the acquisition of OrderDynamics on November 14, 2018. Cash proceeds from the Term Loan mentioned above of $12.0 million were subsequently used for the acquisition of PCSYS.

The Company used funds of $0.6 million and $1.6 million for the acquisition of property and equipment and intangible assets in fiscal 2019 and fiscal 2018, respectively.

Additionally, the Company invested in its proprietary products with the capitalization of $0.2 million reflected as deferred development costs in fiscal 2019 and fiscal 2018, respectively.

The Company received interest of $0.2 million and $0.3 million in fiscal 2019 and fiscal 2018, respectively.

Commitments and Contractual Obligations

The Company has a lease agreement for its head office in Montreal, Quebec. The lease term was expected to terminate on October 31, 2020, however, in April 2017, the Company signed an amendment and exercised its option to extend the term of its lease for the head office in Montreal for an additional period of five years and one month, which expires November 30, 2025, and to occupy additional space in the same building as of December 1, 2017. The Company has a lease agreement for its office in Markham, Ontario. The lease term of ten years and eight months terminates on July 31, 2022. The Company also has a lease agreement for its office in Laval, Quebec. The lease term of ten years ends on February 28, 2026. These are the principal leases of the Company.

As at April 30, 2019, the principal commitments consist of operating leases, long-term debt and other obligations. The following table summarizes significant contractual obligations as at April 30, 2019.

In thousands of Canadian dollars

		Payments Due by Period			
Contractual Obligations	Total	Less than 1 year	1 – 3 years	3 – 5 years	After 5 years
Long-term Debt	11,849	1,022	3,627	7,200	-
Operating Leases	13,804	3,048	4,545	3,301	2,910
Other Obligations	18,077	15,744	2,333	-	-
Total Contractual Obligations	43,730	19,814	10,505	10,501	2,910

Under the terms of a licensing agreement with a third party, the Company is committed to pay royalties calculated at a rate of 1.25% of revenue derived from that portion of the EliteSeries product line that utilizes the embedded third-party software, excluding reimbursable expenses and hardware sales. Revenue derived from the operations of other business units or acquired companies are exempt from these royalties. The agreement automatically renews for consecutive one-year terms. The Company has incurred royalty fees related to this agreement of $0.1 million in fiscal 2019 (2018 – $0.1 million).

Dividend Policy

The Company maintains a quarterly dividend policy. The declaration and payment of dividends is at the discretion of the Board of Directors, which will consider earnings, capital requirements, financial conditions and other such factors as the Board of Directors, in its sole discretion, deems relevant.

During fiscal 2019, the Company declared a dividend of $ 0.05 on two occasions that were paid on August 3, 2018 and October 5, 2018 to shareholders of record at the close of business on July 20, 2018, and September 21, 2018 and declared a dividend of $0.055 on two other separate occasions that were paid on January 11, 2019 and April 11, 2019 to shareholders of record at the close of business on December 21, 2018 and March 21, 2019, respectively, for an aggregate of $2.7 million.

During fiscal 2018, the Company declared a dividend of $ 0.045 on two occasions that were paid on August 4, 2017 and October 6, 2017 to shareholders of record at the close of business on July 21, 2017, and September 22, 2017 and declared a dividend of $0.05 on two other separate occasions that were paid on January 11, 2018 and April 12, 2018 to shareholders of record at the close of business on December 21, 2017 and March 22, 2018, respectively, for an aggregate of $2.5 million.

Related Party Transactions

Under the provisions of the share purchase plan for key management and other management employees, the Company provided interest-free loans to key management and other management employees of $575,000 (2018-$538,000) to facilitate their purchase of the Company's common shares during fiscal 2019. As of April 30, 2019, loans outstanding amounted to $241,000 (2018-$305,000).

Contingencies

In the normal course of operations, the Company may be exposed to lawsuits, claims and contingencies. Provisions are recognized as liabilities in instances when there are present obligations and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations and where such liabilities can be reliably estimated. Although it is possible that liabilities may be incurred in instances where no provision has been made, the Company has no reason to believe that the ultimate resolution of such matters will have a material impact on its financial position.

Subsequent Event

On July 3, 2019, the Company's Board of Directors declared a quarterly dividend of $0.055 per share to be paid on August 2, 2019 to shareholders of record on July 19, 2019.

Off-Balance Sheet Agreements

The Company was not involved in any off-balance sheet arrangements as at April 30, 2019 with the exception of operating leases as noted in the "Commitments and Contractual Obligations" above.

Current and Anticipated Impacts of Current Economic Conditions

The current overall economic condition, together with the market uncertainty and volatility that exists today, 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. Furthermore, potential regulatory changes in the United States health care system from which the Company derives a significant amount of its revenue continues to go through a period of uncertainty. This uncertainty may impact the Company's revenue.

Fiscal 2019 was a robust period with bookings amounting to $63.2 million (including OrderDynamics and PCSYS), and this continued the trend from fiscal year 2018 where bookings totaled $48.1 million, with a substantial amount of the bookings being in the healthcare sector. The magnitude of the growth trend will depend on the strength and sustainability of economic growth and the demand for supply chain management software.

Given the current backlog[14] of $76.6 million (including OrderDynamics and PCSYS), comprised primarily of services, the Company's management believes that the services revenue level, which includes cloud, maintenance, subscription and professional services ranging between $17.5 million and $18.5 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. We see continued market appetite for subscription based SaaS licensing. To the extent our bookings shift from perpetual licence to SaaS, revenue and operating profit will be impacted in the medium term and this could be material.

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% to 75% 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 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.

Financial Instruments and Financial Risk Management

The Company has determined that the carrying values of its short-term financial assets and liabilities, including cash and cash equivalents, accounts receivable, other accounts receivable, and accounts payable and accrued liabilities approximate their fair value because of the relatively short period to maturity of the instruments. The fair value of the long-term debt was determined to be not significantly different from its carrying value.

Derivative instruments are also recorded as either assets or liabilities measured at their fair value. As such, the net fair value of all outstanding foreign exchange contracts representing a $0.3 million loss was recorded as a liability in accounts payable and accrued liabilities as at April 30, 2019 (April 30, 2018 - $0.2 million loss was recorded as a liability in accounts payable and accrued liabilities).

Derivatives in the form of forward exchange contracts are used to manage currency risk related to the fluctuation of the U.S. dollar. The Company is exposed to currency risk as a certain portion of the Company's revenue and expenses are realized 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.

[14] See Key Performance Indicators

The Company's hedging strategy is practiced on two fronts. Firstly, the Company enters into forward exchange contracts to hedge approximately 50% of its highly probable future revenue denominated in U.S. dollars covering approximately the six month span beyond the current reporting date with the intention of stabilizing revenue and margin expectations due to possible short term exchange fluctuations, and secondly in order to offset the impact of the fluctuation of the U.S. dollar regarding the revaluation of its U.S net monetary asset and liability position. In this regard, the Company practices economic hedging regularly by analysing its net U.S. monetary asset and liability position and uses forward exchange contracts to equilibrate its position. 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 and the recognition of highly probable future U.S. denominated revenue and related accounts receivable. The Company uses derivative financial instruments only for risk management purposes, not for generating speculative trading profits.

Financial instruments which potentially subject the Company to credit risk consist principally of cash and cash equivalents, accounts receivable, and other receivables. The Company's cash and cash equivalents are maintained at major financial institutions.

At April 30, 2019, there is one customer comprising 9% (fiscal 2018-12%) of total trade accounts receivable and work in progress. Subsequent to April 30, 2019, this amount has been substantially collected. Generally, there is no particular concentration of credit risk related to the accounts receivable due to the distribution of customers and procedures for the management of commercial risks. The Company performs ongoing credit reviews of all its customers and establishes an allowance for expected credit loss when accounts are determined to be uncollectible. Customers do not provide collateral in exchange for credit.

Refer to note 21 of the April 30, 2019 Annual Consolidated Financial Statements for additional discussion of the Company's risk management policies, including currency risk, credit risk, liquidity risk, interest rate risk and market price risk.

Outstanding Share Data

As at July 3, 2019, the Company has 13,082,376 common shares outstanding as there were no transactions since the end of the fiscal year.

Critical Accounting Policies

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

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:

Revenue recognition is subject to critical judgment, particularly in bundled arrangements where judgment is required in identifying performance obligations and allocating revenue to each performance obligation, which may include licenses, professional services, maintenance services and subscription services, based on the relative stand-alone selling price of each performance obligation. As certain of these performance obligations have a term of more than one year, the identification and the allocation of the consideration received to the performance obligations impacts the amount and timing of revenue recognition.

(ii) Government assistance:

Management uses judgment in estimating amounts receivable for various refundable and non-refundable tax credits earned from the federal and provincial governments and in assessing the eligibility of research and development and other expenses which give rise to these credits.

(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.

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 expected credit losses:

The Company recognizes a loss allowance for expected credit losses on trade accounts receivable, using a probability weighted estimate of credit losses. In its assessment, management estimates the expected credit losses based on actual credit loss experience and informed credit assessment, taking into consideration credit loss insurance and the credit-worthiness of each customer, taking into account each customer's financial condition and payment history and forward-looking information. Furthermore, these estimates must be continuously evaluated and updated. If actual credit losses differ from estimates, future earnings would be affected.

(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.

New Accounting Standards and Interpretations adopted during the year

IFRS 15: Revenue from Contracts with Customers (''IFRS 15"):

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.

The Company has determined that the adoption of IFRS 15 impacted the accounting for its: a) license arrangements that require the customer to renew its annual support agreement in order to maintain its right to continue to use the software; and b) capitalization of contract acquisition costs. Under previous revenue recognition policies, the license revenue mentioned in a) above was deferred and recognized ratably over a twelve-month period. Under IFRS 15, revenue under these license arrangements is recognized ratably over the estimated life of the software, which is seven years. Contract acquisition costs, including incremental commissions paid to employees, were previously expensed upon commencement of the related contract revenue. Under IFRS 15, the Company capitalizes contract acquisition cost related to contracts having a term of at least 12 months or for contracts which have license fees described above. These capitalized contract costs will be expensed over the terms of the contract or the estimated life of the software.

Impact of transition

Effective May 1, 2018, the Company adopted IFRS 15 using the modified retrospective transition method. Accordingly, the information presented for fiscal year ended April 30, 2018 has not been restated. It remains as previously reported under IAS 18, IAS 11 and related interpretations.

The following tables summarizes the impact of adopting IFRS 15 on the Company Consolidated Statement of Financial Position as at May 1, 2018 and its Statement of Income and Comprehensive income for year ended April 30, 2019. There was no impact on the Company's Consolidated Statement of Cash Flows for these periods.

		Impact of adopting IFRS 15 on May 1, 2018
Software license - Deferred revenue	$	(981)
Previously expensed contract acquisition costs - Prepaid expenses		406
Related income tax impact - Deferred tax assets		154
Impact at May 1, 2018 - Retained earnings	$	(421)

		Impact of adopting IFRS 15 for the year - ended April 30, 2019
Revenue – Proprietary products - increase	$	345
Operating expenses – Sales and marketing – Increase		(155)
Related income tax – Deferred tax assets		(50)
Impact at April 30, 2019 – Consolidated Statements of Income and Comprehensive income	$	140

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

Effective May 1, 2018, the Company adopted IFRS 9, which sets out requirements for recognition and measurement, impairment, derecognition and general hedge accounting. This standard simplifies the classification of a financial asset as either at amortized cost or at fair value as opposed to the multiple classifications which were permitted under IAS 39. This standard also requires the use of a single impairment method as opposed to multiple methods in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flows characteristics of the financial assets. The standard also adds guidance on the classification and measurement of financial liabilities.

Trade and other receivables that were classified as loans and receivables under IAS 39 are classified as financial assets measured at amortized cost. There is no change to the initial measurement of the Company's financial assets resulting from the adoption of IFRS 9. Impairment of financial assets is based on an expected credit loss (''ECL'') model under IFRS 9, rather than the incurred loss model under IAS 39. ECL's are a probability-weighted estimate of credit losses. The Company calculated ECL's based on consideration of customer-specific factors and actual credit loss experience over the past two years. Based on our analysis, historical default rates generally represent a reasonable approximation for future expected defaults. As a percentage of revenue, the Company's actual credit loss experience has not been material.

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 International Financial Reporting Standards Interpretations Committee ("IFRS IC") that are mandatory but not yet effective for the year ended April 30, 2019, and have not been applied in preparing these consolidated financial statements. None are expected to have an impact on the consolidated financial statements of the Company, except for the following:

IFRS 16, Leases ("IFRS 16"):

IFRS 16 provides a single lessee accounting model, requiring lessees to recognize a right-of-use asset as well as a lease liability reflecting the present value of future lease payments. Depreciation expense on the right-of-use asset and interest expense on the lease liability will replace the operating expense that were recognized under IAS 17.

IFRS 16 is effective for annual periods beginning on or after January 1, 2019 and offers the option on transition of adopting a full retrospective approach or a modified retrospective approach. The Full Retrospective Approach involves restating each prior reporting period presented, applying IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors. The Modified Retrospective Approach involves recognizing the cumulative effect of initially applying IFRS 16 in retained earnings at the date of initial application.

The Company has elected to apply IFRS 16 using the Modified Retrospective Approach. Under this method, the lessee can, on a lease-by-lease basis, measure the right-of-use asset based on two methodologies. The first methodology consists of measuring the right-of-use asset at the date of initial application as if IFRS 16 had been applied since the beginning of the lease, but discounted using a rate at the date of initial application. The cumulative effect of initially applying IFRS 16 at initial application will be recognized in retained earnings on May 1, 2019. The second methodology consists of having the right-of-use asset equal the lease liability, adjusted for any prepaids or accrued lease payments.

The implementation of IFRS 16 allows for certain practical expedients at the date of initial application. The Company has elected to use the following exemptions and practical expedients:

(i) Use of the same discount rate for portfolio of leases with similar characteristics;

(ii) Exemption, on a lease-by-lease basis, of recognizing a right-of-use asset and lease liability when the lease term is within 12 months of the date of initial application. After date of initial application, the Company will exempt the recognition of right-of-use asset and lease liability to all leases that are short-term.

(iii) Exemption, on a lease-by-lease basis, of recognizing a right-of-use asset and lease liability when the lease has an underlying asset that is of low value;

(iv) Exclude initial direct costs, at the date of initial application only, on a lease-by-lease basis from the measurement of the right-of-use asset;

(v) Use hindsight at the date of initial application only, on a lease-by-lease basis, to determine the lease term if the contract contains options to extend or terminate the lease;

(vi) No reassessment on whether a contract is or contains a lease under IAS 17;

This standard will have a significant impact on the Company's Consolidated Statement of Financial Position. The Company expects that the adoption of IFRS 16 will result in a material increase to its assets and liabilities through the recognition of right-of-use assets and lease liabilities. The Company is currently assessing the impact of adoption of this Standard and estimates that the increase of assets should represent approximately a range from $8.0 million to $9.0 million and increase of liabilities should represent approximately a range from $10.0 million to $11.0 million, excluding any tax impact. The impact described is subject to change upon completion of the implementation of the standard.

Risks and Uncertainties

The Corporation has incurred net losses in the past and may incur losses in the future.

The Corporation incurred net profits from fiscal 2008 to fiscal 2018, but incurred losses in fiscal 2019. The Corporation continuously adjusts its operating model to ensure ongoing profitability. However, there can be no assurance that the Corporation will achieve or sustain profitability in the future. As of April 30, 2019, the Corporation had retained earnings of $10.6 million. The limited operating history of the Corporation as a public company and its dependence on a market characterized by rapid technological change make the prediction of future results of operations difficult or impossible. There can be no assurance that the Corporation can generate substantial revenue growth on a quarterly or annual basis, or that any revenue growth that is achieved can be sustained. Revenue growth that the Corporation has achieved or may achieve may not be indicative of future operating results. In addition, the Corporation may increase its operating expenses in order to fund higher levels of R&D, increase its sales and marketing efforts, develop new distribution channels, broaden its customer support capabilities and expand its administrative resources in anticipation of future growth. To the extent that increases in such expenses precede or are not subsequently followed by increased revenues, the Corporation's business, results of operations and financial condition would be materially adversely affected.

If the Corporation is unable to attract new customers or sell additional products to its existing customers, its revenue growth and profitability will be adversely affected.

To increase its revenue and achieve and maintain profitability, the Corporation must regularly add new customers or sell additional solutions to its existing customers, which it plans to do. Numerous factors, however, may impede its ability to add new customers and sell additional solutions to its existing customers, including its inability to convert companies that have been referred to the Corporation by its existing network into paying customers, failure to attract and effectively train new sales and marketing personnel, failure to retain and motivate its current sales and marketing personnel, failure to develop relationships with partners or resellers and/or failure to ensure the effectiveness of its marketing programs. In addition, if prospective customers do not perceive its solutions to be of sufficiently high value and quality, it will not be able to attract the number and types of new customers that it is seeking.

Impact of transitioning from primarily on-premise perpetual license sales to a higher mix of Software as a Service ("SaaS")

The Corporation offers certain of its solutions as Software as a Service ("SaaS") which will negatively impact revenue and earnings in the transition period and make forecasting its revenue, earnings and cash flow more unpredictable. The Corporation significantly began to offer more of its solutions under the SaaS option in fiscal 2019, in addition to its on-premise perpetual license option. Under a SaaS subscription agreement, customers pay a periodic fee for the right to use the Corporation's software within a cloud-based environment that it provides and manages over a specified period of time. The Corporation believes that over time a growing number of its customers and prospects will elect to purchase its solutions as SaaS rather than under an on-premise perpetual license.

Until the Corporation has fully transitioned to a stable mix of SaaS and on-premise perpetual license arrangements, it expects that combined license and SaaS revenue will decrease due to the difference in revenue recognition for an SaaS (for which revenue is recognized ratably over the term of the SaaS arrangement) and an on-premise perpetual license (for which revenue is generally recognized upon purchase) and that maintenance revenue (which comprises a significant portion of Tecsys' revenue) may also be impacted due to support being included in the SaaS offering.

The Corporation's revenue, earnings and cash flow are based on the mix of revenue between SaaS and on-premise perpetual license revenue including timing, number and size of deals. If a greater percentage of its customers purchase its solutions as SaaS in any period, Tecsys' revenue, earnings and cash flow will likely fall below expectations for that period.

Fluctuations in Quarterly Results may fail to meet the expectations of investors or security analyst which could cause the Corporation's share price to decline.

The Corporation's quarterly operating results have in the past, and will in the future, fluctuate significantly, depending on factors such as the demand for the Corporation's products, the size and timing of orders, the mix of on-premise perpetual license and SaaS, the number, timing and significance of new product announcements by the Corporation and its competitors, the ability of the Corporation to develop, introduce and market new and enhanced versions of its products on a timely basis, the level of product and price competition, changes in operating expenses, changes in average selling prices and product mix, sales personnel changes, the mix of direct and indirect sales, product returns and general economic factors, among others.

In particular, the Corporation's quarterly results are affected by the mix of on-premise perpetual license and SaaS, timing of new releases of its products and upgrades. The Corporation's operating expenses are based on anticipated revenue levels in the short term and are relatively fixed and incurred throughout the quarter. As a result, if the revenues are not realized in the expected quarter, the Corporation's operating results could be materially adversely affected. Quarterly results in the future will be influenced by these or other factors, including possible delays in the shipment of new products and purchasing delays of current products as customers anticipate new product releases. Accordingly, there will be significant variations in the Corporation's quarterly operating results.

Lengthy Sales and Implementation Cycle could have an adverse effect on the amount, timing and predictability of the Corporation's revenue.

The sale and implementation of the Corporation's products generally involves a significant commitment of resources by prospective customers. As a result, the Corporation's sales process is often subject to delays associated with lengthy approval processes attendant to significant capital expenditures. For these and other reasons, the sales cycle associated with the signing of new sales agreements for the Corporation's products varies substantially from customer to customer and typically lasts between six and twelve months. During this time, the Corporation may devote significant resources to a prospective customer, including costs associated with multiple site visits, product demonstrations and feasibility studies, and experience a number of significant delays over which it has no control. In addition, following a new sales agreement, the implementation period may involve six to twenty-four months for consulting services, customer training and integration with the customer's other existing systems.

Defects, Delays or Interruptions in providing SaaS will have an impact on the operating results of the Corporation.

If the Corporation encounters defects, delays or interruptions in its SaaS, the demand for these services could diminish, and the Corporation could incur significant liability. The Corporation currently utilizes data center hosting facilities and cloud compute service providers, which are managed by third-parties, to provide cloud-based solutions and hosting services to its customers. If the data center facilities or cloud compute service providers fail or encounter any damage, it could result in interruptions in services to the Corporation's customers. This could result in unanticipated downtime for the Corporation's customers, and in turn, its reputation and business could be adversely affected. In addition, if the Corporation's customers use SaaS arrangements in unanticipated ways, this could cause an interruption in service for other customers attempting to access their data. Moreover since SaaS customers access the services via the internet, any interruptions in the internet availability will affect the customers' operations.

If any defects, delays or interruption in the Corporation's SaaS solutions occur, customers could elect to cancel their service, delay or withhold payment to the Corporation, not purchase from the Corporation in the future or make claims against it, which could adversely affect its business reputation, results of operations, cash flow, and financial condition.

Security breaches could delay or interrupt service to its customers, harm its reputation or subject the Corporation to significant liability and adversely affect its business and financial results. Its ability to retain customers and attract new customers could be adversely affected by an actual or perceived breach of security relating to customer information.

The Corporation's operations involve the storage and transmission of the confidential information of many of its customers and security breaches could expose it to a risk of loss of this information, litigation, indemnity obligations and other liability. If its security measures are breached as a result of third-party action, employee error, malfeasance or otherwise, and, as a result, someone obtains unauthorized access to its customers' data, including personally identifiable information regarding users, damage to its reputation is likely, its business may suffer and it could incur significant liability. Because techniques used to obtain unauthorized access or to sabotage systems change frequently and generally are not recognized until launched against a target, it may be unable to prevent these techniques or to implement adequate preventative measures. The Corporation has implemented technical, organizational and physical security measures, including employee training, backup systems, monitoring and testing and maintenance of protective systems and contingency plans, to protect and to prevent unauthorized access to confidential information of its customers and to reduce the likelihood of disruptions to its systems.

Despite these measures, all its information systems, including back-up systems and any third party service provider systems that it employs, are vulnerable to damage, interruption, disability or failure due to a variety of reasons, including physical theft, electronic theft, fire, power loss, computer and telecommunication failures or other catastrophic events, as well as from internal and external security breaches, denial of service attacks, viruses, worms and other known or unknown disruptive events. The Corporation or its third-party service providers may be unable to anticipate, timely identify or appropriately respond to one or more of the rapidly evolving and increasingly sophisticated means by which computer hackers, cyber-terrorists and others may attempt to breach its security measures or those of its third-party service providers' information systems.

If a breach of its security measures occurs, the market perception of their effectiveness could be harmed and the Corporation could lose potential sales and existing customers. Further, a security breach affecting one of its competitors or any other company that provides hosting services or delivers applications under a SaaS model, even if no confidential information of its customers is compromised, may adversely affect the market perception of its security measures and it could lose potential sales and existing customers.

The Corporation's ability to develop new products and services in order to sell its solutions into new markets or further penetrate its existing markets will impact its revenue growth.

The software industry is characterized by rapid technological change and frequent new product introductions. Accordingly, the Corporation believes that its future success depends upon its ability to enhance current products or develop and introduce new products that enhance performance and functionality at competitive prices. The Corporation's inability, for technological or other reasons, to develop and introduce products in a timely manner in response to changing market conditions or customer requirements could have a material adverse effect on its business, results of operations and financial condition.

The ability of the Corporation to compete successfully will depend in large measure on its ability to maintain a technically competent R&D staff and adapt to technological changes and advances in the industry, including providing for the continued compatibility of its software products with evolving computer hardware and software platforms and operating environments. There can be no assurance that the Corporation will be successful in these efforts.

The markets in which the Corporation participates is highly competitive, its failure to compete successfully would make it difficult to add and retain customers and would reduce and impede its growth.

The Corporation competes in many cases against companies with more established and larger sales and marketing organizations, larger technical staff and significantly greater financial resources. As the market for the Corporation's products continues to develop, additional competitors may enter the market and competition may intensify. Additionally, there can be no assurance that competitors will not develop products superior to the Corporation's products or achieve greater market acceptance due to pricing, sales channels or other factors.

If the Corporation fails to retain its key employees, its business would be negatively impacted.

The Corporation's dependence on key personnel to operate its business represents risk of loss of expertise if key personnel were to leave.

The Corporation depends on the experience and expertise of its executive management team. Competition for executives, as well as for skilled product development and technical personnel, in the software industry is intense and the Corporation may not be able to retain or recruit needed personnel. If the Corporation is not able to retain and attract existing and additional highly-qualified management, sales and technical personnel, it may not be able to successfully execute its business strategy.

The Corporation's ability to support the growth of its business will be substantially dependent upon having in place highly trained internal and third-party resources to conduct pre-sales activity, product implementation, training and other customer support services.

The Corporation's strategy includes pursuing acquisitions and its potential inability to successfully integrate newly-acquired companies or businesses may adversely affect its financial results.

The Corporation may continue to expand its operations or product line through the acquisition of additional businesses, products or technologies which may include different geographic locations. Acquisitions may involve a number of special risks, including diversion of Management's attention, failure to retain key acquired personnel, risk associated with specific vertical markets, business model, integration, geographic locations, unanticipated events or circumstances and legal liabilities, some or all of which could have a material adverse effect on the Corporation's business, results of operations and financial condition.

Risk of Software Defects could adversely affect the Corporation's business.

Software products as complex as those offered by the Corporation frequently contain errors or defects, especially when first introduced or when new versions or enhancements are released. Despite product testing, the Corporation has in the past released products with defects, discovered software errors in certain of its new versions after introduction and experienced delays or lost revenue during the period required to correct these errors. The Corporation regularly introduces new releases and periodically introduces new versions of its software. There can be no assurance that, despite testing by the Corporation and its customers, defects and errors will not be found in existing products or in new products, releases, versions or enhancements after commencement of commercial shipments.

Risk Related to Protection of Intellectual Property

The Corporation considers certain aspects of its internal operations, software and documentation to be proprietary, and relies on a combination of copyright, patents, trademark and trade secret laws; confidentiality agreements with employees and third parties; protective contractual provisions (such as those contained in its license agreements with consultants, vendors, partners and customers) and other measures to maintain its intellectual property rights. Any of the Corporation's intellectual property rights could be challenged, invalidated, circumvented or copied, causing a competitive disadvantage, lost opportunities or market share, and potential costly litigation to enforce or re-establish the Corporation's rights. This could materially and adversely affect the Corporation's business, operating results and financial condition.

Risk of Third-Party Claims for Infringement

The Corporation is not aware that any of its products infringe the proprietary rights of third parties. There can be no assurance, however, that third parties will not claim such infringement by the Corporation or its licensees with respect to current or future products. The Corporation expects that software developers will increasingly be subject to such claims as the number of products and competitors in the Corporation's industry segment grows and as functionality of products in different industry segments overlaps.

Reliance on Third-Party Software

The Corporation relies on certain software that it sub-licenses from third parties. There can be no assurance that these third-party software companies will continue to permit the Corporation to sub-license on commercially reasonable terms.

Cyber Security

With the increasing sophistication and persistence of cyber-threats, Tecsys is well aware of the need to manage the risks of data loss, malware and malicious attacks, whether originating internally or externally. Tecsys has implemented a continuously-evolving security program to keep pace with these threats. Independent checks reveal that Tecsys has not experienced material breaches in cyber security. Tecsys continues to monitor these risks and continues to fortify its defenses against intrusion and refine its security governance. Despite the Corporation's security measures, its information technology and infrastructure may be vulnerable to attacks by hackers or breached due to employee error, malfeasance or other disruptions. Any such breach could compromise Tecsys' networks and the information stored there could be accessed, publicly disclosed, lost or stolen.

Currency Risk

A significant part of the Corporation's revenues are realized in U.S. dollars. Fluctuations in the exchange rate between the U.S. dollar and other currencies may have a material adverse effect on the margin the Corporation may realize from its products and services and may directly impact results of operations. From time to time, the Corporation may take steps to manage such risk by engaging in exchange rate hedging activities; however, there can be no assurance that the Corporation will be successful in such hedging activities. The Corporation also has an operating subsidiary in Denmark. Significant fluctuations between the Danish krone and the Canadian dollar may have an impact on the Corporation's operating results.

The Corporation may need to raise additional funds to pursue its growth strategy or continue its operations, and it may be unable to raise capital when needed or on acceptable terms.

From time to time, the Corporation may seek additional equity or debt financing to fund its growth, enhance is products and services, respond to competitive pressures or make acquisitions or other investments. Its business plans may change, general economic, financial or political conditions in its markets may deteriorate or other circumstances may arise, in each case that have a material adverse effect on its cash flows and the anticipated cash needs of its business. Any of these events or circumstances could result in significant additional funding needs, requiring the Corporation to raise additional capital. It cannot predict the timing or amount of any such capital requirements at this time. If financing is not available on satisfactory terms, or at all, it may be unable to expand its business at the rate desired and its results of operations may suffer. Financing through issuances of equity securities would be dilutive to holders of its shares.

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 April 30, 2019. The PCSYS acquisition occured in Q4 of fiscal 2019 and we have elected to scope this out of the certification.

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.

An evaluation was carried out under the supervision and with the participation of the Company's Chief Executive Officer and the Chief Financial Officer to evaluate the design and operating effectiveness of the Company's internal controls over financial reporting as at April 30, 2019. Based on that evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the internal control over financial reporting, as defined by National Instrument 52-109 was appropriately designed and operating effectively. The evaluations were conducted 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), a recognized control model, and the requirements of National Instrument 52-109, Certification of Disclosures in Issuers' Annual and Interim Filings. The PCSYS acquisition occured in Q4 of fiscal 2019 and we have elected to scope this out of the certification.

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. Important risk factors that may affect these expectations include, but are not limited to, the factors described under the section "Risks and Uncertainties".

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 Measure

The Company uses a certain non-IFRS financial performance measure in its MD&A and other communications which is described in the following section. This non-IFRS measure does not have any standardized meaning prescribed by IFRS and is unlikely to be comparable to a similarly titled measure reported by other companies. Readers are cautioned that the disclosure of this metric 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 and Adjusted EBITDA

EBITDA is calculated as earnings before interest expense, interest income, income taxes, depreciation and amortization. Adjusted EBITDA is calculated as EBITDA before acquisition related costs, stock-based compensation and non-recurring costs. 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 and Adjusted EBITDA calculation for fiscal 2019, 2018 and 2017 derived from IFRS measures in the Company's Consolidated financial statements, is as follows:

		2019		2018		2017
Profit for the period	$	(741)	$	3,949	$	5,998
Adjustments for:						
Depreciation of property and equipment		879		760		819
Amortization of deferred development costs		949		1,118		1,319
Amortization of other intangible assets		995		462		486
Interest expense		196		4		81
Interest income		(197)		(259)		(103)
Income taxes		(1,018)		456		1,764
EBITDA	$	1,063	$	6,490	$	10,364
Adjustments for:						
Acquisition related costs		1,347		-		-
Stock based compensation		366		-		-
Non-recurring costs (Canadian tax credits)		-		-		(4,688)
Adjusted EBITDA	$	2,776	$	6,490	$	5,676

In the fourth quarter of fiscal 2017, the Company recorded $4.7 million of Canadian federal non-refundable research and development tax credits representing primarily tax credits earned in prior years for which the criteria for recognition was met in fiscal 2017.

Key Performance Indicators

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

Recurring Revenue

Recurring revenue (also referred to as Annual Recurring Revenue) is defined as the contractually committed purchase of SaaS, proprietary software maintenance, customer support, application hosting, database administration services and third-party maintenance 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, SaaS, third-party hardware and software and related support services, contracted work for 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 have historically been 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. Acknowledging the business shift to SaaS and in order to provide greater clarity around expected timing of future revenue, the Company intends to provide disaggregated information about bookings including software product bookings (perpetual license as well as SaaS Annual Recurring Revenue bookings) and professional services bookings. Accordingly, we expect to phase out the reporting of TCV bookings.

Backlog

Generally, backlog refers to something unfulfilled. In a traditional software company, this term is used largely within finance. Historically for Tecsys, backlog referred to the value of contracted orders that have not shipped and services that had not yet been delivered. Backlog could also 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 Company's quantification of backlog was not limited to the first year, nor would it typically exclude certain transaction types. In this context, backlog was really "revenue backlog" and was the total unrecognized future revenue from existing signed contracts. Historically, Backlog included recurring revenue as discussed earlier.

With the Company's shift to SaaS, we believe it has become more relevant to measure Backlog from two different perspectives: (a) Professional Services Backlog that includes the value of contracted orders for the delivery of professional services (including those contracted orders that may extend beyond one year) and (b) the natural backlog that is created by Annual Recurring Revenue (recurring revenue assuming the customer will renew the contractual commitment on a periodic basis as those commitments come up for renewal). We believe that this disaggregation provides greater visibility to stakeholders in particular as the Company continues its transition to SaaS. As such, we expect to phase out the reporting of aggregated Backlog amounts.

Days Sales Outstanding (DSO)

Days sales outstanding (DSO) is a measure of the average number of days that a company takes to collect revenue after a sale has been made. The Company's DSO is determined on a quarterly basis and can be calculated by dividing the amount of accounts receivable and work in progress at the end of a quarter by the total value of sales during the same quarter, and multiplying the result by 90 days.

Additional Information about Tecsys

Additional information about the Company, including copies of the continuous disclosure materials such as annual information form and the management proxy circular are available through the SEDAR website at https://www.sedar.com.

Management's Report

The consolidated financial statements of the Company included herewith as well as all the information presented in this Annual Report are the responsibility of management and have been approved by the Board of Directors.

The consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards ("IFRS"). The consolidated financial statements include amounts based on the use of best estimates and judgements. Management has established these amounts in a reasonable manner in order to ensure that the consolidated financial statements are fairly presented in all material respects. Management has also prepared the financial information presented elsewhere in the annual report and has ensured that it agrees with the consolidated financial statements. The Company maintains control systems for internal accounting and administration. The objective of these systems is to provide a reasonable assurance that the financial information is pertinent, reliable and accurate and that the Company's assets are properly accounted for and safeguarded.

The Board of Directors is entrusted with ensuring that management assumes its responsibilities with regard to the presentation of financial information and is ultimately responsible for the examination and approval of the financial statements. However, it is mainly through its Audit Committee, whose members are external directors, that the Board discharges this responsibility. This committee meets periodically with management and the external auditors to discuss the internal controls exercised over the process of presentation of the financial information, auditing issues and questions on the presentation of financial information, in order to assure itself that each party properly fulfills its function and also to examine the consolidated financial statements and the external auditors' report.

The consolidated financial statements have been audited on behalf of the shareholders by the external auditors, KPMG LLP for the fiscal years ended April 30, 2019 and 2018. The auditors have free and full access to internal records, to management and to the Audit Committee.

Peter Brereton
President and CEO
July 3, 2019

Mark J. Bentler
Chief Financial Officer

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Independent Auditors' Report

To the Shareholders of Tecsys Inc.

Opinion

We have audited the consolidated financial statements of Tecsys Inc. (the "Entity"), which comprise:

- the consolidated statements of financial position as at April 30, 2019 and 2018
- the consolidated statements of income and comprehensive income for the years then ended
- the consolidated statements of changes in equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at April 30, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the ***"Auditors' Responsibilities for the Audit of the Financial Statements"*** section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.
- the information, other than the financial statements and the auditors' report thereon, included in a document likely to be entitled "Tecsys Annual Report 2019".

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

The information, other than the financial statements and the auditors' report thereon, included in a document likely to be entitled "Tecsys Annual Report 2019" is expected to be made available to us after the date of this auditors' report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

KPMG

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

The engagement partner on the audit resulting in this auditors' report is Michael Baratta.

KPMG LLP*

July 3, 2019
Montréal, Canada

*CPA auditor, CA, public accountancy permit No. A120841

Tecsys Inc.

Consolidated Statements of Financial Position

(in thousands of Canadian dollars)

	Note	April 30, 2019	April 30, 2018
Assets			
Current assets			
Cash and cash equivalents	6	$ 14,913	$ 13,496
Accounts receivable		14,986	13,939
Work in progress		811	617
Other receivables		392	535
Tax credits	7	3,493	3,391
Inventory	8	673	1,145
Prepaid expenses		3,223	1,829
Total current assets		38,491	34,952
Non-current assets			
Long-term investments	9	-	10,007
Other long-term receivables		278	215
Tax credits	7	5,260	4,840
Property and equipment	10	2,714	3,091
Deferred development costs	11	1,064	1,850
Other intangible assets	11	14,706	1,342
Goodwill	11	17,456	3,596
Deferred tax assets	15	5,476	3,524
Total non-current assets		46,954	28,465
Total assets		$ 85,445	$ 63,417
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	13	$ 11,633	$ 9,087
Deferred revenue		14,252	10,774
Current portion of long-term debt	12	1,022	47
Other current liabilities	13	4,111	-
Total current liabilities		31,018	19,908
Non-current liabilities			
Long-term debt	12	10,827	74
Other non-current liabilities	13	2,333	300
Deferred tax liabilities	15	1,769	-
Total non-current liabilities		14,929	374
Total liabilities		45,947	20,282
Contingencies and commitments	18, 19		
Equity			
Share capital	14	19,144	19,144
Contributed surplus		9,943	9,577
Retained earnings		10,618	14,527
Accumulated other comprehensive loss	21	(207)	(113)
Total equity attributable to the owners of the Company		39,498	43,135
Total liabilities and equity		$ 85,445	$ 63,417

See accompanying notes to the consolidated financial statements.

Approved by the Board of Directors

Director

Director

Tecsys Inc.

Consolidated Statements of Income and Comprehensive Income

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

Years ended April 30,	Note	2019	2018
Revenue:			
Proprietary products		$ 6,948	$ 6,895
Third-party products		6,822	6,847
Cloud, maintenance and subscription		31,282	27,000
Professional services		29,338	27,830
Reimbursable expenses		2,059	2,146
Total revenue		76,449	70,718
Cost of revenue:			
Products		6,036	6,187
Services		30,913	27,510
Reimbursable expenses		2,059	2,146
Total cost of revenue		39,008	35,843
Gross profit		37,441	34,875
Operating expenses:			
Sales and marketing		17,204	14,496
General and administration		9,354	6,328
Research and development, net of tax credits	7	12,681	9,797
Total operating expenses		39,239	30,621
(Loss) profit from operations		(1,798)	4,254
Net finance income	17	(39)	(151)
(Loss) profit before income taxes		(1,759)	4,405
Income tax (benefit) expense	15	(1,018)	456
(Loss) profit attributable to the owners of the Company		$ (741)	$ 3,949
Other comprehensive (loss) income:			
Effective portion of changes in fair value on designated revenue hedges	21	(14)	166
Exchange differences on translation of foreign operations	21	(80)	-
Comprehensive (loss) income attributable to the owners of the Company		$ (835)	$ 4,115
Basic and diluted (loss) earnings per common share	14	$ (0.06)	$ 0.30

See accompanying notes to the consolidated financial statements.

Tecsys Inc.

Consolidated Statements of Cash Flows

(in thousands of Canadian dollars)

Years ended April 30,	Note	2019	2018
Cash flows from operating activities:			
(Loss) profit for the year		$ (741)	$ 3,949
Adjustments for:			
Depreciation of property and equipment	10	879	760
Amortization of deferred development costs	11	949	1,118
Amortization of other intangible assets	11	995	462
Net finance income	17	(39)	(151)
Unrealized foreign exchange and other		275	(465)
Non-refundable tax credits		(902)	(925)
Stock-based compensation	14	366	-
Income taxes		(1,182)	361
Net cash from operating activities excluding changes in non-cash working capital items related to operations		600	5,109
Accounts receivable		1,749	279
Work in progress		(129)	(5)
Other receivables		109	(346)
Tax credits		(212)	(156)
Inventory		476	(231)
Prepaid expenses		(595)	70
Accounts payable and accrued liabilities		795	294
Deferred revenue		1,307	(1,320)
Changes in non-cash working capital items related to operations		3,500	(1,415)
Net cash from operating activities		4,100	3,694
Cash flows from financing activities:			
Repayment of long-term debt	12	(272)	(69)
Issuance of long-term debt	12	12,000	-
Issuance of common shares	14	-	10,489
Payment of dividends	14	(2,747)	(2,486)
Interest paid	17	(115)	(4)
Net cash from financing activities		8,866	7,930
Cash flows from (used in) investing activities:			
Decrease (increase) in long-term investments		10,007	(10,007)
Interest received	17	197	259
Acquisitions of property and equipment	10	(403)	(1,358)
Acquisitions of other intangible assets	11	(160)	(281)
Deferred development costs	11	(163)	(217)
Business acquisitions	5	(21,027)	-
Net cash used in investing activities		(11,549)	(11,604)
Net increase in cash and cash equivalents during the year		1,417	20
Cash and cash equivalents - beginning of year		13,496	13,476
Cash and cash equivalents - end of year		$ 14,913	$ 13,496
Supplemental cash flow information:			
Purchase of property and equipment included in accounts payable and accrued liabilities		$ -	$ 49
Deferred tax asset recognized in share capital related to transaction fees		-	306

See accompanying notes to the consolidated financial statements.

Tecsys Inc.

Consolidated Statements of Changes in Equity

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

		Share capital		Contributed surplus	Accumulated other comprehensive income (loss)	Retained earnings	Total
	Note	Number	Amount				
Balance, April 30, 2017		12,315,326	$ 8,349	$ 9,577	$ (279)	$ 13,064	$ 30,711
Profit for the year		-	-	-	-	3,949	3,949
Other comprehensive income for the year:							
Effective portion of changes in fair value on designated revenue hedges	21	-	-	-	166	-	166
Total comprehensive income for the year		-	-	-	166	3,949	4,115
Common shares issued under bought deal financing, net of taxes of $306	14(c)	767,050	10,795	-	-	-	10,795
Dividends to equity owners	14(d)	-	-	-	-	(2,486)	(2,486)
Total transactions with owners of the Company		767,050	10,795	-	-	(2,486)	8,309
Balance, April 30, 2018		13,082,376	$ 19,144	$ 9,577	$ (113)	$ 14,527	$ 43,135
Adjustment on initial application of IFRS 15	3	-	-	-	-	(421)	(421)
Adjusted balance, May 1, 2018		13,082,376	$ 19,144	$ 9,577	$ (113)	$ 14,106	$ 42,714
Loss for the year		-	-	-	-	(741)	(741)
Other comprehensive income (loss) for the year:							
Effective portion of changes in fair value on designated revenue hedges	21	-	-	-	(14)	-	(14)
Exchange difference on translation of foreign operations	21	-			(80)	-	(80)
Stock-based Compensation		-	-	366	-	-	366
Total comprehensive income (loss) for the year		-	-	366	(94)	(741)	(469)
Dividends to equity owners	14(d)	-	-	-	-	(2,747)	(2,747)
Total transactions with owners of the Company		-	-	-	-	(2,747)	(2,747)
Balance, April 30, 2019		13,082,376	$ 19,144	$ 9,943	$ (207)	$ 10,618	$ 39,498

See accompanying notes to the consolidated financial statements.

1. Description of business:

Tecsys Inc. (the "Company") was incorporated under the Canada Business Corporations Act in 1983. The Company's principal business activity is the development, marketing and sale of enterprise-wide supply chain management software for distribution, warehousing, transportation logistics, point-of-use and order management. 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, Canada and Europe. The Company's customers consist primarily of healthcare systems, services parts, third-party logistics, retail and general wholesale high volume distribution industries. The consolidated financial statements comprise the Company and its wholly-owned subsidiaries. The Company is a publicly listed entity and its shares are traded on the Toronto Stock Exchange under the symbol TCS.

2. Basis of preparation:

(a) Statement of compliance:

The Company's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements for the year ended April 30, 2019 were authorized for issuance by the Board of Directors on July 3, 2019.

(b) Basis of measurement:

The consolidated financial statements have been prepared on a going concern basis using the historical cost basis except for the following items in the consolidated statements of financial position:

- Derivative financial instruments which are measured at fair value; and
- Identifiable assets acquired and liabilities assumed in connection with a business combination which are initially measured at fair value at the acquisition date; and
- Share based compensation arrangements which are measured in accordance with IFRS 2, Share Based Payments.

(c) Functional and presentation currency:

The consolidated financial statements are presented in Canadian dollars. All financial information has been rounded to the nearest thousand, except where otherwise indicated.

(d) 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:

Revenue recognition is subject to critical judgment, particularly in bundled arrangements where judgment is required in identifying performance obligations and allocating revenue to each performance obligation, which may include licenses, professional services, maintenance services and subscription services, based on the relative stand-alone selling price of each performance obligation. As certain of these performance obligations have a term of more than one year, the identification and the allocation of the consideration received to the performance obligations impacts the amount and timing of revenue recognition.

(ii) Government assistance:

Management uses judgment in estimating amounts receivable for various refundable and non-refundable tax credits earned from the federal and provincial governments and in assessing the eligibility of research and development and other expenses which give rise to these credits.

(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.

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 expected credit losses:

The Company recognizes a loss allowance for expected credit losses on trade accounts receivable, using a probability weighted estimate of credit losses. In its assessment, management estimates the expected credit losses based on actual credit loss experience and informed credit assessment, taking into consideration credit loss insurance and the credit-worthiness of each customer, taking into account each customer's financial condition and payment history and forward-looking information. Furthermore, these estimates must be continuously evaluated and updated. If actual credit losses differ from estimates, future earnings would be affected.

(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.

3. Significant accounting policies:

These consolidated financial statements have been prepared with the accounting policies set out below and have been applied consistently to all periods presented, unless otherwise indicated.

(a) Basis of consolidation:

These consolidated financial statements include the accounts of the Company and its subsidiaries.

(i) Business combinations:

Business combinations are accounted for using the acquisition method. The Company measures goodwill as the fair value of the consideration transferred less the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Company incurs in connection with a business combination are expensed as incurred.

(ii) Subsidiaries:

Subsidiaries are entities controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Company's wholly-owned subsidiaries and their jurisdiction of incorporation are as follows:

Subsidiary	Jurisdiction of Incorporation
Tecsys U.S. Inc.	Ohio
Tecsys Europe Limited	England
Logi D Holding Inc.	Canada
Logi D Inc.	Canada
Logi D Corp.	Delaware
OrderDynamics Corp.	Canada
OrderDynamics US Inc.	Delaware
Tecsys Denmark Holding ApS	Denmark
PCSYS A/S	Denmark
PCSYS Inc.	Wyoming

(iv) Transactions eliminated on consolidation:

Inter-company balances and transactions, and any unrealized income and expenses arising from inter-group transactions, are eliminated in preparing the consolidated financial statements.

(b) Foreign currency transactions:

Transactions in foreign currencies that are not hedged are translated to the respective functional currencies of the Company's subsidiaries at the average exchange rates for the period. The monetary assets and liabilities denominated in currencies other than the functional currency of a subsidiary are translated at the exchange rates prevailing at the statement of financial position date and translation gains and losses are included in the consolidated income statement. Non-monetary items denominated in foreign currencies other than the functional currency are translated at historical rates.

Revenues that are hedged are translated at the exchange rate specified in the underlying derivative instrument hedging the transaction.

Foreign Currency Translation

The assets and liabilities of foreign operations, whose functional currency is not the Canadian dollar, are translated into Canadian dollars at the exchange rates in effect at the statement of financial position date. Revenue and expenses that are not hedged are translated at the exchange rate in effect on the date of the transaction. Differences arising from the exchange rate changes are included in other comprehensive income (loss) in the cumulative translation account.

On disposal of a foreign operation where control is lost, the cumulative amount of the exchange differences recognized in other comprehensive income (loss) relating to that particular foreign operation is recognized in the consolidated income statement as part of the gain or loss on disposal.

For foreign operations whose functional currency is the Canadian dollar, monetary assets and liabilities are translated into Canadian dollars at the exchange rates in effect at the statement of financial position date. Non-monetary items measured at historical cost are translated using the historical exchange rate at the date of the transaction. Non-monetary assets and liabilities measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Revenue and expenses that are not hedged are translated at average exchange rates for the period. Differences arising from the exchange rate changes are included in the statement of income and comprehensive income.

Foreign exchange gains or losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future and monetary items for which the settlement of which is planned but that have been designated as a hedge of the net investment in a foreign operation and to the extent the hedge is effective, are recognized in other comprehensive income (loss) in the cumulative translation account and reclassified from equity to the consolidated income statement on the disposal of the net investment.

(c) Inventory:

Inventory is stated at the lower of cost and net realizable value. Cost is determined on an average cost basis. Inventory costs include the purchase price and other costs directly related to the acquisition of materials, and other costs incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business less selling expenses.

(d) 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.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

Financial assets are classified into the following categories, and depend on the purpose for which the financial assets were acquired.

(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 currently classifies its cash and cash equivalents, accounts receivable, and other accounts receivable (excluding the fair value of derivatives) 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.

(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 and non-hedge derivative financial instruments), and long-term debt as financial liabilities measured at amortized cost.

(iv) Derivative financial instruments not designated in a hedging relationship measured at fair value:

Non-hedge derivative financial instruments, including forward foreign exchange contracts, are recorded as either assets or liabilities measured initially at 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 designated in a hedging relationship 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 revenue.

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.

(vi) Fair value of financial instruments:

The Company must classify the fair value measurements of financial instruments according to a three-level hierarchy, based on the type of inputs used in making these measurements. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

(vii) Impairment of financial assets:

Loss allowances for 'expected credit losses' ("ECLs") are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.
- The Company has elected to measure loss allowances for trade accounts receivable at an amount equal to lifetime ECLs.

The Company measures loss allowances for other receivables in accordance with the following model:

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment, including forward-looking information.

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as recovering inventory or the Company's credit insurance (if any); or
- the financial asset is more than 180 days past due.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

i. Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). The Company establishes an impairment loss allowance on a collective and individual assessment basis, by considering past events, current conditions and forecasts of future economic conditions. Collective assessment is carried out by grouping together trade accounts receivable with similar characteristics. ECLs are discounted at the effective interest rate of the financial asset.

ii. Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Examples of events that could occur are:

- significant financial difficulty of the borrower;
- a breach of contract, such as a default or past due event;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for that financial asset because of financial difficulties.

It may not be possible to identify a single discrete event; instead, the combined effect of several events may have caused financial assets to become credit-impaired.

iii. Presentation of impairment

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. Impairment losses related to trade and other receivables are presented separately in the consolidated income statements.

iv. Write-off

The gross carrying amount of a financial assets is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

v. Cash and cash equivalents:

Cash and cash equivalents consist primarily of unrestricted cash and short-term investments having an initial maturity of three months or less.

(e) Property and equipment:

Property and equipment are carried at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment, and are recognized net within profit or loss.

Subsequent costs

The cost of replacing a part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. Costs of the day-to-day servicing of property and equipment are recognized in profit or loss as incurred.

Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset less its residual value.

The Company provides for depreciation of property and equipment commencing once the related assets have been put into service. Depreciation is recognized in profit or loss on a straight-line basis since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The Company uses the straight-line method and the following periods are used to calculate depreciation:

	Period
Computer equipment	2 to 5 years
Furniture and fixtures	10 years
Leasehold improvements	Lower of term of lease or economic life

Depreciation methods, useful lives and residual values are reviewed at each financial period-end and adjusted prospectively if appropriate.

(f) Intangible assets:

(i) Goodwill:

Goodwill is measured at cost less accumulated impairment loss.

(ii) Research and development costs:

Costs related to research are expensed as incurred.

Development costs of new software products for sale, net of government assistance, are capitalized as deferred development costs if they can be measured reliably, the product is technically and commercially feasible, future economic benefits are probable and the Company intends to and has sufficient resources to complete development and to use or sell the product. Otherwise, development costs are expensed as incurred. Expenditures capitalized include the cost of materials, direct labour, overhead costs that are directly attributable to preparing the asset for its intended use, and borrowing costs on qualifying assets.

Deferred development costs are depreciated, commencing when the product is available for general release and sale, over the estimated product life of five years using the straight-line method.

Subsequent to initial measurement, deferred development costs are stated at cost less accumulated depreciation and accumulated impairment losses.

(iii) Other intangible assets:

Other intangible assets consist of software technology and customer assets, and are carried at cost less accumulated depreciation and accumulated impairment losses. All intangible assets have finite useful lives and are therefore subject to depreciation.

Depreciation is calculated over the cost of the asset, or other amount substituted for cost, less its residual value. The Company uses the straight-line method and the following periods are used to calculate depreciation:

	Period
Technology	5 to 10 years
Customer assets	5 to 15 years
Patents	5 years
Software	5 years

Depreciation methods, useful lives and residual values are reviewed at each financial period-end and adjusted prospectively if appropriate.

(g) Impairment of non-financial assets:

The Company reviews the carrying value of its non-financial assets, which include property and equipment, technology, customer assets, patents, software, and deferred development costs at each reporting date to determine whether events or changed circumstances indicate that the carrying value may not be recoverable. For goodwill, the recoverability is estimated annually, on April 30 or more often when there are indicators of impairment.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU"). For the purposes of goodwill impairment testing, goodwill acquired in a business combination is allocated to the CGU, or the group of CGUs, that is expected to benefit from the synergies of the combination. This allocation is subject to an operating segment ceiling test and reflects the lowest level at which that goodwill is monitored for internal reporting purposes.

The Company's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU or group of CGU's to which the corporate asset belongs.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognized if the carrying value of a non-financial asset exceeds the recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the unit, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other non-financial assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

(h) Government assistance:

Government assistance consists of scientific research and experimental development ("SRED") tax credits and e-business tax credits. SRED and e-business tax credits are accounted for as a reduction of the related expenditures and recorded when there is reasonable assurance that the Company has complied with the terms and conditions of the approved government program.

The refundable portion of tax credits is recorded in the period in which the related expenditures are incurred. The non-refundable portion of tax credits is recorded in the period in which the related expenditures are incurred or in a subsequent period to the extent that their future realization is determined to be probable, provided the Company has reasonable assurance the credits will be received and the Company will comply with the conditions associated with the award.

SRED and e-business tax credits claimed for the current and prior years are subject to government review which could result in adjustments to profit or loss.

(i) Provisions:

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as a finance cost.

(j) Leases:

All of the Company's leases are operating leases. The leased assets are not recognized in the Company's consolidated statements of financial position since the Company does not assume substantially all risks and rewards of ownership of the leased assets. Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the leases.

Lease incentives are recognized as an integral part of the total lease expense, over the term of the leases. The deferred portion of the lease expense is included in accounts payable and accrued liabilities and other non-current liabilities.

(k) Income taxes:

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(l) Revenue recognition:

The Company's revenue consists of fees from sale of proprietary software licenses, third-party software, customer support services, software as a service ("SaaS") and Cloud subscriptions, fees from implementation services such as training, installation, consulting as well as fees from sale of hardware. Software licenses sold by the company are generally perpetual in nature and the arrangement generally comprise various services.

As of May 2018, the Company adopted IFRS 15. IFRS 15 provides a single, principles-based five step model for revenue recognition to be applied to all customer contracts. Following are the five steps:

- Identify the contract with a customer;
- Identify the performance obligation in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract; and
- Recognize the revenue when (or as) the entity satisfies a performance obligation.

Revenues generated by the Company include the following:

(i) License fees and hardware products:

The Company recognizes perpetual license revenue at a point in time when the product has been delivered and where the title and risk of loss has been passed to the customer and the Company no longer retains continuing managerial involvement or effective control over the products sold. In the case of hardware, the revenue is recognized upon evidence of acceptance is received from the customer or the Company has completed its contractual obligations.

In some arrangements, the support must be renewed annually in order to maintain active use of the Tecsys' license. In such circumstances, revenue is recognized over time over the estimated contract support period of the license which has been determined to be seven years.

(ii) Support agreements:

Maintenance and support services provided to customers on legacy perpetual software licenses is recognized ratably over the term of the maintenance and support services.

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 deemed insignificant. In addition, unspecified upgrades for third-party support agreements historically have been and are expected to continue to be minimal and infrequent.

Cloud subscriptions include SaaS. SaaS agreement allows our customers to access our cloud-based environment that we provide and manage, the support and the software, however the customer does not have the right to take possession of the software. SaaS and hosting revenues are recognized over the term of the related contracts.

(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) Bundled arrangements:

Some of the Company's sales involve bundled arrangements that include products (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 distinct performance obligation. Revenue is recognized for each performance obligation when the applicable revenue recognition criteria, as described above, are met. In bundled arrangements, the Company separately accounts for each product or service when the promised product or service is capable of being distinct and is distinct within the context of the contract.

The transaction price is allocated to each performance obligation on a relative stand-alone selling price basis. In certain cases the residual approach is used if the stand-alone selling price of one or more goods or services is highly variable or uncertain, and observable stand-alone selling prices exist for the other goods or services promised in the contract.

(vi) Contract costs:

The Company recognizes an asset for the incremental costs of obtaining a contract with a customer if it expects the costs to be recoverable, and has determined that certain sales incentive programs (commissions) meet the requirements to be capitalized. Capitalized contract acquisition costs are amortized consistently with the pattern of transfer to the customer for the goods and services to which the asset relates.

(m) Employee benefits:

The Company maintains employee benefit programs which provide retirement savings, medical, dental and group insurance benefits for current employees. The Company's expense is limited to the employer's match of employees' contributions to a retirement savings plan, and to the employer's share of monthly premiums for insurance covering other benefits. The Company has no legal or constructive obligation to pay additional amounts. An employee's entitlement to all benefits ceases upon termination of employment with the Company.

(i) Short-term employee benefits:

Short-term employee benefits include wages, salaries, compensated absences, medical, dental and insurance benefits, profit-sharing and bonuses. Short-term employee benefits are measured on an undiscounted basis and are recognized in profit or loss as the related service is provided or capitalized if the related service is rendered in connection with creation of property and equipment or intangible assets.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(ii) Defined contribution plans:

Post-employment benefits include defined contribution plans under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay additional amounts. Obligations for contributions to defined contribution plans are recognized as an employee benefit expense when earned by the employee.

(iii) Termination benefits:

Termination benefits are recognized as an expense when the Company is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan or through a contractual agreement, to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognized as an expense if the Company has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

(n) Finance income and finance costs:

Finance income comprises interest income on funds invested and gains in the fair value of financial assets held at fair value through profit or loss. Interest income is recognized as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on financial liabilities measured at amortized cost, losses in fair value of financial assets and liabilities recognized at fair value through profit or loss, unwinding of the discount related to provisions, and any losses on sale of financial assets. Borrowing costs that are not directly attributable to the acquisition or production of a qualifying asset are recognized in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis as finance income or finance costs.

The net change in the fair value of foreign exchange contracts not designated in a hedging relationship and the net change in the fair value of outstanding foreign exchange contracts designated in a hedging relationship after the hedged transaction has occurred are reported as finance income or finance costs, as appropriate.

(o) Earnings per share:

Basic earnings per share is calculated using the weighted average number of common shares outstanding during the period.

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

(p) Share capital:

Common shares are classified as equity. Incremental costs directly attributable to the issuance of common shares are recognized as a deduction from equity, net of any tax effects.

(q) Segment reporting:

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. The operating segment's operating results are reviewed regularly by the Company's Chief Operating Decision Maker ("CODM") to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the CODM include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly of corporate assets (primarily the Company's headquarters), head office expenses, and income tax assets and liabilities.

New accounting standards adopted during the year:

IFRS 15: Revenue from Contracts with Customers (''IFRS 15"):

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.

The Company has determined that the adoption of IFRS 15 impacted the accounting for its: a) license arrangements that require the customer to renew its annual support agreement in order to maintain its right to continue to use the software; and b) capitalization of contract acquisition costs. Under previous revenue recognition policies, the license revenue mentioned in a) above was deferred and recognized ratably over a twelve-month period. Under IFRS 15, revenue under these license arrangements is recognized ratably over the estimated life of the software, which is seven years. Contract acquisition costs, including incremental commissions paid to employees, were previously expensed upon commencement of the related contract revenue. Under IFRS 15, the Company capitalizes contract acquisition cost related to contracts having a term of at least 12 months or for contracts which have license fees described above. These capitalized contract costs will be expensed over the terms of the contract or the estimated life of the software.

(in Canadian dollars, tabular amounts in thousands, except as otherwise noted)

Impact of transition

Effective May 1, 2018, the Company adopted IFRS 15 using the modified retrospective transition method. Accordingly, the information presented for fiscal year ended April 30, 2018 has not been restated. It remains as previously reported under IAS 18, IAS 11 and related interpretations.

The following tables summarizes the impact of adopting IFRS 15 on the Company Consolidated Statement of Financial Position as at May 1, 2018 and its Statement of Income and Comprehensive income for year ended April 30, 2019. There was no impact on the Company's Consolidated Statement of Cash Flows for these periods.

		Impact of adopting IFRS 15 on May 1, 2018
Software license - Deferred revenue	$	(981)
Previously expensed contract acquisition costs - Prepaid expenses		406
Related income tax impact - Deferred tax assets		154
Impact at May 1, 2018 - Retained earnings	$	(421)

		Impact of adopting IFRS 15 for the year - ended April 30, 2019
Revenue – Proprietary products - increase	$	345
Operating expenses – Sales and marketing – Increase		(155)
Related income tax – Deferred tax assets		(50)
Impact at April 30, 2019 – Consolidated Statements of Income and Comprehensive income	$	140

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

Effective May 1, 2018, the Company adopted IFRS 9, which sets out requirements for recognition and measurement, impairment, derecognition and general hedge accounting. This standard simplifies the classification of a financial asset as either at amortized cost or at fair value as opposed to the multiple classifications which were permitted under IAS 39. This standard also requires the use of a single impairment method as opposed to multiple methods in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flows characteristics of the financial assets. The standard also adds guidance on the classification and measurement of financial liabilities.

Trade and other receivables that were classified as loans and receivables under IAS 39 are classified as financial assets measured at amortized cost. There is no change to the initial measurement of the Company's financial assets resulting from the adoption of IFRS 9. Impairment of financial assets is based on an expected credit loss (''ECL") model under IFRS 9, rather than the incurred loss model under IAS 39. ECL's are a probability-weighted estimate of credit losses. The Company calculated ECL's based on consideration of customer-specific factors and actual credit loss experience over the past two years. Based on our analysis, historical default rates generally represent a reasonable approximation for future expected defaults. As a percentage of revenue, the Company's actual credit loss experience has not been material.

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 International Financial Reporting Standards Interpretations Committee ("IFRS IC") that are mandatory but not yet effective for the year ended April 30, 2019, and have not been applied in preparing these consolidated financial statements. None are expected to have an impact on the consolidated financial statements of the Company, except for the following:

IFRS 16, Leases ("IFRS 16"):

IFRS 16 provides a single lessee accounting model, requiring lessees to recognize a right-of-use asset as well as a lease liability reflecting the present value of future lease payments. Depreciation expense on the right-of-use asset and interest expense on the lease liability will replace the operating expense that were recognized under IAS 17.

IFRS 16 is effective for annual periods beginning on or after January 1, 2019 and offers the option on transition of adopting a full retrospective approach or a modified retrospective approach. The Full Retrospective Approach involves restating each prior reporting period presented, applying IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors. The Modified Retrospective Approach involves recognizing the cumulative effect of initially applying IFRS 16 in retained earnings at the date of initial application.

The Company has elected to apply IFRS 16 using the Modified Retrospective Approach. Under this method, the lessee can, on a lease-by-lease basis, measure the right-of-use asset based on two methodologies. The first methodology consists of measuring the right-of-use asset at the date of initial application as if IFRS 16 had been applied since the beginning of the lease, but discounted using a rate at the date of initial application. The cumulative effect of initially applying IFRS 16 at initial application will be recognized in retained earnings on May 1, 2019. The second methodology consists of having the right-of-use asset equal the lease liability, adjusted for any prepaids or accrued lease payments.

The implementation of IFRS 16 allows for certain practical expedients at the date of initial application. The Company has elected to use the following exemptions and practical expedients:

(i) Use of the same discount rate for portfolio of leases with similar characteristics;

(ii) Exemption, on a lease-by-lease basis, of recognizing a right-of-use asset and lease liability when the lease term is within 12 months of the date of initial application. After date of initial application, the Company will exempt the recognition of right-of-use asset and lease liability to all leases that are short-term.

(iii) Exemption, on a lease-by-lease basis, of recognizing a right-of-use asset and lease liability when the lease has an underlying asset that is of low value;

(iv) Exclude initial direct costs, at the date of initial application only, on a lease-by-lease basis from the measurement of the right-of-use asset;

(v) Use hindsight at the date of initial application only, on a lease-by-lease basis, to determine the lease term if the contract contains options to extend or terminate the lease;

(vi) No reassessment on whether a contract is or contains a lease under IAS 17;

This standard will have a significant impact on the Company's Consolidated Statement of Financial Position. The Company expects that the adoption of IFRS 16 will result in a material increase to its assets and liabilities through the recognition of right-of-use assets and lease liabilities. The Company is currently assessing the impact of adoption of this Standard and estimates that the increase of assets should represent approximately a range from $8.0 million to $9.0 million and increase of liabilities should represent approximately a range from $10.0 million to $11.0 million, excluding any tax impact. The impact described is subject to change upon completion of the implementation of the Standard.

5. Business acquisitions:

OrderDynamics

On November 14, 2018, Tecsys Inc. acquired 100% of the issued and outstanding shares of OrderDynamics Corporation ("OrderDynamics") for a total consideration of $13,399,461 including $9,380,184 of cash paid at closing, $500,000 of cash paid in January 2019, the assumption of $1,604,512 of short term liabilities owed by OrderDynamics to Canada Revenue Agency ("CRA Liability") and future cash payments of (a) $500,000 held back pending final calculation of the CRA Liability ("CRA Liability Holdback") and (b) $1,500,000 held back for indemnification security ("Indemnification Holdback"), which was recorded at present value. The CRA Liability Holdback will be paid to the seller upon final agreement with Canada Revenue Agency on the CRA Liability. The Indemnification Holdback will be released two years from the date of closing, subject to the terms of the share purchase agreement and is recorded in other non-current liabilities.

The acquisition was funded from existing cash balances. See note 9 - Long-term investments.

As at April 30, 2019, an amount of $0.5 million related to Canada Revenue Agency Holdback and $1.9 million related to Canada Revenue Agency liability including interest is included in other current liabilities. See note 13 - Accounts payable and accrued liabilities.

As at April 30, 2019, an amount of $1.5 million related to indemnification holdback, recorded at its present value of $1.4 million, payable in two years, is included in other non-current liabilities. See note 13 - Accounts payable and accrued liabilities.

The operating results of OrderDynamics are included in the consolidated results from the date of acquisition. For the period from November 14, 2018 through April 30, 2019, OrderDynamics generated revenue of $2,912,000 and incurred an operating loss of $1,814,000. If the acquisition had closed on May 1, 2018, OrderDynamics' revenue and operating loss would have amounted to $6,525,000 and $3,211,000, respectively.

On November 14, 2018, the acquired receivables comprise primarily accounts receivable representing the gross contractual amount receivable which is equal to fair value.

OrderDynamics is a software company based in Richmond Hill, Ontario with a Software as a Service distributed order management solution enabling retail merchants and brand managers to optimize inbound business-to-consumer order channels and fulfilment, increasing sales, reducing operating costs, and improving customer satisfaction.

(in Canadian dollars, tabular amounts in thousands, except as otherwise noted)

Purchase price

The following table represents the preliminary purchase price allocation based on the estimated fair value of the assets acquired and liabilities assumed at the date of acquisition, with any excess allocated to goodwill.

Cash payment on closing	$ 9,880
Canada Revenue Agency liability	1,605
Canada Revenue Agency Holdback	500
Indemnification Holdback	1,414
Total purchase price	$13,399

Purchase Price Allocation

Assets Acquired		
Accounts receivable	$	875
Prepaid expenses		296
Other receivables		36
Property and equipment		43
Identified intangible assets:		
Technology assets		5,074
Customer assets		884
Deferred tax assets		1,579
		8,787
Liabilities Assumed		
Bank overdraft	$	12
Accounts payable and accrued liabilities		512
Deferred revenue		418
Deferred tax liabilities		1,579
		2,521
Net Assets Acquired		**6,266**
Goodwill		7,133
Gross purchase consideration	**$**	**13,399**

This purchase price allocation is preliminary. The final purchase price allocation could result in changes to the fair value of assets acquired and liabilities assumed.

The deferred tax liabilities represent the tax effect from the recognition of identifiable intangible assets at date of acquisition, at OrderDynamics' statutory rate of 26.5%. The deferred tax assets represent the recognition of previously unrecognized tax assets to the extent of the deferred tax liabilities recognized.

This acquisition will allow the Company to broaden its existing supply chain solutions offering by providing order management and e-fulfilment capabilities.

Goodwill recorded in connection with this acquisition is non-deductible for tax purposes. Goodwill is primarily attributable to expected synergies, which were not recorded separately since they did not meet the recognition criteria for identifiable intangible assets.

PCSYS A/S

On February 1, 2019, Tecsys Inc. acquired 100% of the issued and outstanding shares of PCSYS A/S ("PCSYS") for $13,370,000, net of cash and cash equivalents acquired, and consisting of $10,355,088 of cash paid at closing, $792,135 cash paid in March 2019 for working capital adjustments and future cash payments of (a) $1,216,800 held back for indemnification security ("Indemnification holdback") payable fifty percent 12 months after closing and fifty percent 24 months after closing and (b) $1,006,036 Earnout payment based on achieving certain revenue and earnings before income taxes, depreciation and amortization targets through September 30, 2019.

Cash payments for the acquisition were funded with a bank term loan of $12.0 million and existing cash balances. See note 12 - Banking facilities and long-term debt.

On February 1, 2019, the acquired receivables comprise primarily accounts receivable representing the gross contractual amount receivable which is equal to fair value.

As at April 30, 2019, an amount of $0.7 million related to indemnification holdback including interest and $1.0 million related to contingent consideration is included in other current liabilities. See note 13 - Accounts payable and accrued liabilities.

At April 30, 2019, an amount of $0.6 million related to indemnification holdback is included in other non-current liabilities. See note 13 - Accounts payable and accrued liabilities.

The results of PCSYS' operations have been included in the Company's results of operations from the date of acquisition. For the period from February 1, 2019 through April 30, 2019, PCSYS generated revenue of $3,306,000 and incurred an operating profit of $297,000. If the acquisition had closed on May 1, 2018, PCSYS' revenue and an operating profit would have amounted to approximately $13,802,000 and $1,618,000 respectively.

PCSYS, a Danish technology company, is a Scandinavian leader in software and hardware solutions for warehouse management, transportation management, and labelling systems. PCSYS supports more than 1,000 companies on their journey to achieve supply chain excellence by using robust technology to manage ever changing requirements and introduce new productivity and cost-savings strategies. This acquisition brings two technology-based companies together with the intention to reach new markets and be a stronger supply chain partner to new and existing customers worldwide.

(in Canadian dollars, tabular amounts in thousands, except as otherwise noted)

Purchase price

The following table represents the preliminary purchase price allocation based on the estimated fair value of the assets acquired and liabilities assumed at the date of acquisition, with any excess allocated to goodwill.

Net cash consideration on closing	$ 10,355
Working capital adjustment paid on March 2019	792
Indemnification holdback, payable in two equal annual instalments to February 2021	1,217
Contingent consideration – Earnout	1,006
Total purchase price	$13,370

Purchase Price Allocation

Assets Acquired		
Cash	$	595
Accounts receivable		1,933
Work in progress		66
Inventory		5
Prepaid expenses		134
Other receivables		97
Property and equipment		56
Identified intangible assets:		
Technology assets		1,185
Customer assets		7,111
		11,182
Liabilities Assumed		
Accounts payable and accrued liabilities		1,319
Deferred revenue		776
Other current liabilities		69
Deferred tax liabilities		1,825
		3,989
Net Assets Acquired		7,193
Goodwill		6,772
Gross purchase consideration	**$**	**13,965**
Less: Cash acquired on acquisition		**595**
Purchase price, net of cash acquired	**$**	**13,370**

This purchase price allocation is preliminary. The final purchase price allocation could result in changes to the fair value of assets acquired and liabilities assumed.

The deferred tax liabilities represent the tax effect from recognition of identifiable intangible assets at date of acquisition, at the PCSYS statutory rate of 22.0%.

Goodwill recorded in connection with this acquisition is non-deductible for tax purposes. The goodwill recognized in connection with this acquisition is primarily attributable to synergies with existing businesses, and other intangibles that do not qualify for separate recognition including assembled workforce.

(in Canadian dollars, tabular amounts in thousands, except as otherwise noted)

6. Cash and cash equivalents:

Cash and Cash equivalents are comprised of the following:

	2019	**2018**
Bank balances	14,913	13,496

On April 30, 2019 and 2018, there were no short-term investments.

7. Government assistance:

The Company is eligible to receive scientific research and experimental development ("SRED") tax credits granted by the Canadian federal government ("Federal") and the government of the province of Québec ("Provincial").

Federal SRED tax credits, which are non-refundable, are earned on qualified Canadian SRED expenditures and can only be used to offset Federal income taxes otherwise payable. Provincial SRED tax credits, which are refundable, are earned on qualified SRED salaries in the province of Québec.

The Company is eligible to receive a refundable and non-refundable tax credit for the development of e-business information technologies. This tax credit is granted to corporations on salaries paid to employees carrying out activities based on specific eligibility requirements. The credits are earned at an annual rate of 30% of salaries paid to eligible employees engaged in eligible activities, to a maximum annual refundable tax credit of $20,000 and maximum annual non-refundable tax credit of $5,000 per eligible employee. The Company must obtain an eligibility certificate each year confirming that it has satisfied the criteria relating to the proportion of the activities in the information technology sector and for the services supplied.

	SRED Canadian Federal non-refundable tax credits	SRED Canadian Provincial refundable tax credits	E-business refundable tax credits	E-business non-refundable tax credits	Total
Balance, April 30, 2017	$ 6,031	$ 223	$ 2,279	$ -	$ 8,533
Tax credits received or utilized against income Tax expense	(733)	(244)	(2,449)	(650)	(4,076)
Adjustments to prior year's credits	52	21	170	26	269
Recognition of tax credit	223	235	2,423	624	3,505
Balance, April 30, 2018	$ 5,573	$ 235	$ 2,423	$ -	$ 8,231
Presented as:					
Current					
Tax credits	$ 733	$ 235	$ 2,423	$ -	$ 3,391
Non-current					
Tax credits	$ 4,840	$ -	$ -	$ -	$ 4,840
Tax credits received or utilized against income tax expense	(390)	(110)	(2,463)	(201)	(3,164)
Adjustments to prior year's credits	125	(125)	40	(14)	26
Recognition of tax credit	364	116	2,529	651	3,660
Balance, April 30, 2019	$ 5,672	$ 116	$ 2,529	$ 436	$ 8,753
Presented as:					
Current					
Tax credits	$ 412	$ 116	$ 2,529	$ 436	$ 3,493
Non-current					
Tax credits	$ 5,260	$ -	$ -	$ -	$ 5,260

(in Canadian dollars, tabular amounts in thousands, except as otherwise noted)

The amounts recorded as receivable are subject to a government tax audit and the final amounts received may differ from those recorded. There are no unfulfilled conditions or contingencies associated with the government assistance received.

As at April 30, 2019, the Company has non-refundable research and development tax credits totaling approximately $5,672,000 (April 30, 2018 - $5,573,000) for Canadian income tax purposes which may be used to reduce taxes payable in future years. These Federal non-refundable tax credits may be claimed no later than fiscal years ending April 30:

	Federal non-refundable tax credits
2021	$ 951
2022	1,139
2023	999
2024	160
2025	204
2026	173
2027	143
2028	165
2029	154
2030	86
2031	94
2032	73
2033	94
2034	129
2035	114
2036	115
2037	166
2038	349
2039	364
	$ 5,672

Tax credits recognized in profit and loss for the years are outlined below:

	2019	2018
Federal non-refundable research and development tax credits	$ 364	$ 223
Provincial refundable research and development tax credits	116	235
E-business refundable tax credits for research and development employees	963	775
E-business non-refundable tax credits for research and development employees	268	194
Adjustments to prior year's credits	-	73
Total research and development tax credits	1,711	1,500
E-business refundable tax credits for other employees	1,566	1,648
E-business non-refundable tax credits for other employees	383	430
Adjustments to prior year's credits	26	196
Tax credits recognized in the year	$ 3,686	$ 3,774

(in Canadian dollars, tabular amounts in thousands, except as otherwise noted)

8. Inventory:

		2019		2018
Finished goods	$	611	$	1,003
Third-party software licenses for resale		62		142
	$	673	$	1,145

During fiscal 2019, finished goods and third-party software licenses for resale recognized as cost of revenue amounted to $ 5,116,861 (2018 - $4,997,000).

9. Long-term investments:

On October 17, 2017, the Company invested $10,007,000 in a 3-year redeemable guaranteed investment certificate ("GIC") which has a maturity date of October 17, 2020. The GIC bore interest at a rate of 1.9% and interest payments were made to the Company on an annual basis. If the GIC was redeemed prior to maturity but at least 31 days after the initial investment date, the Company would receive interest based on interest rates ranging from 1.35% to 1.70%. The Company redeemed the investment during fiscal 2019 for working capital purposes considering the acquisition of OrderDynamics Corporation and PCSYS A/S. See note 5 – Business acquisitions.

10. Property and equipment:

		Computer equipment		Furniture and fixtures		Leasehold Improve-ments		Total
Cost								
Balance at April 30, 2017	$	8,496	$	1,454	$	1,878	$	11,828
Additions		533		262		612		1,407
Balance at April 30, 2018	$	9,029	$	1,716	$	2,490	$	13,235
Additions		374		25		4		403
Additions through business combinations		68		21		10		99
Balance at April 30, 2019	$	9,471	$	1,762	$	2,504	$	13,737
Accumulated Depreciation								
Balance at April 30, 2017	$	7,460	$	896	$	1,028	$	9,384
Depreciation for the year		496		118		146		760
Balance at April 30, 2018	$	7,956	$	1,014	$	1,174	$	10,144
Depreciation for the year		538		144		197		879
Balance at April 30, 2019	$	8,494	$	1,158	$	1,371	$	11,023
Carrying Amounts								
At April 30th, 2018	$	1,073	$	702	$	1,316	$	3,091
At April 30th, 2019	$	977	$	604	$	1,133	$	2,714

(in Canadian dollars, tabular amounts in thousands, except as otherwise noted)

11. Goodwill, deferred development costs, and other intangible assets:

	Goodwill	Deferred development costs	Other intangible assets: Software	Technology	Customer relationships	Other	Total of other intangible assets
Cost							
Balance at April 30, 2017	$ 3,596	$10,839	$ 4,127	$ 2,440	$ 2,600	$ 245	$ 9,412
Additions	-	217	281	-	-	-	281
Balance at April 30, 2018	$ 3,596	$11,056	$ 4,408	$ 2,440	$ 2,600	$ 245	$ 9,693
Additions	-	-	160	-	-	-	160
Additions from business aquisition	13,905	163	-	6,259	7,995	-	14,254
Effect of foreign currency exchange differences	(45)	-	-	(8)	(47)	-	(55)
Balance at April 30, 2019	$17,456	$11,219	$ 4,568	$ 8,691	$10,548	$ 245	$24,052
Accumulated amortization							
Balance at April 30, 2017	$ -	$ 8,088	$ 3,603	$ 2,095	$ 1,985	$ 206	$ 7,889
Amortization for the year	-	1,118	199	165	87	11	462
Balance at April 30, 2018	$ -	$ 9,206	$ 3,802	$ 2,260	$ 2,072	$ 217	$ 8,351
Amortization for the year	-	949	212	427	345	11	995
Balance at April 30, 2019	$ -	$10,155	$ 4,014	$ 2,687	$ 2,417	$ 228	$ 9,346
Carrying amounts							
At April 30, 2018	$ 3,596	$ 1,850	$ 606	$ 180	$ 528	$ 28	$ 1,342
At April 30, 2019	$17,456	$ 1,064	$ 554	$ 6,004	$ 8,131	$ 17	$14,706

Additions to goodwill and other intangible assets were primarily the result of business acquisitions. (See also note 5 - Business acquisitions.)

Certain technology, customer relationships, and other intangible assets are fully amortized, but are still property of the Company.

The following table reflects the amortization recognized for the various intangible assets within the various functions for the years ended April 30, 2019 and 2018:

	2019: Deferred development costs	Software	Technology	Customer relationships	Other intangible assets	Total
Cost of revenue: Products	$ -	$ -	$ -	$ 87	$ -	$ 87
Cost of revenue: Services	-	99	262	-	-	361
Sales and marketing	-	8	-	258	-	266
General and administration	-	105	-	-	11	116
Research and development	949	-	165	-	-	1,114
	$ 949	$ 212	$ 427	$ 345	$ 11	$ 1,944

(in Canadian dollars, tabular amounts in thousands, except as otherwise noted)

	2018					
	Deferred development costs	Software	Technology	Customer relationships	Other intangible assets	Total
Cost of revenue: Products	$ -	$ 1	$ -	$ 87	$ -	$ 88
Cost of revenue: Services	-	134	-	-	-	134
Sales and marketing	-	24	-	-	-	24
General and administration	-	14	-	-	11	25
Research and development	1,118	26	165	-	-	1,309
	$ 1,118	$ 199	$ 165	$ 87	$ 11	$ 1,580

Impairment testing for cash-generating units containing goodwill

For the purposes of impairment testing, goodwill is allocated to the cash-generating units ("CGUs") which represent the lowest level within the Company for which there are separately identifiable cash inflows. At April 30, 2019, the Company had two CGUs, the Tecsys organic business including OrderDynamics ("the non-PCSYS CGU") and PCSYS. At April 30, 2018, the Company had one CGU, the Tecsys organic business.

Goodwill acquired through acquisitions has been allocated to the Company's CGU's as follows:

	2019	2018
Non-PCSYS CGU	$ 10,684	$ 3,596
PCSYS CGU	6,772	-
	$ 17,456	$ 3,596

The Company performs its goodwill impairment assessment on an annual basis or more frequently if there are any indications that impairment may exist. The recoverable amount of the Company's CGU's was based on its value in use which was determined by discounting the future cash flows generated from the continuing use of the units. The carrying amount of the units were determined to be lower than their recoverable amount and no impairment loss was recognized on April 30, 2019 and 2018.

The calculation of the value in use was based on the following key assumptions:

Cash flows were projected based on past experience, actual operating results, and the annual business plan approved by the Board of Directors prepared for the forthcoming year at the end of both fiscal 2019 and 2018. Cash flows for an additional four-year period and a terminal value were extrapolated using a constant growth rate of 5% (April 30, 2018 - 5%), which does not exceed the long-term average growth rate for the industry.

A pre-tax discount rate of 12% (April 30, 2018 - 12%) was applied in determining the recoverable amount of the unit. The discount rate was estimated based on the Company's past experience, and the consideration of the risk free rate plus the risk associated with further possible variations in the amount or timing of the cash flows, the price for uncertainty inherent in the combination of assets comprising the consolidated entity, and other factors, such as illiquidity, that would normally be considered in valuing the cash flows from the assets and are specific to the consolidated entity.

The values assigned to the key assumptions represent management's assessment of future trends in the software industry and are based on both external and internal sources.

No reasonably possible change in the key assumptions used in determining the recoverable amount would result in any impairment of goodwill.

(in Canadian dollars, tabular amounts in thousands, except as otherwise noted)

12. Banking facilities and long-term debt:

On January 30, 2019, the Company entered into a Credit Agreement. The Credit Agreement includes a Term Facility of up to $12,000,000 and a Revolving Facility of $5,000,000. The Term Facility is for the acquisition of PCSYS (see note 5 - Business acquisitions) and for general corporate purposes. The Revolving Facility is for general corporate purposes. As at April 30, 2019, the Company had borrowed $12,000,000 under the Term Facility (the "Term Loan"). The Revolving Facility remains undrawn as of April 30, 2019.

Canadian Dollar borrowings under the Credit Agreement are made in the form of Prime Rate Loans (bearing interest at prime plus 0.75%-1.75% per annum) or Banker's Acceptances (bearing interest at base plus 1.75% - 2.75% per annum). The Company may repay outstanding amounts under the Credit Agreement at any time.

Security under the credit agreement consists of a first-ranking movable hypothec on the Company's corporeal and incorporeal, present and future movable property.

The Credit Agreement requires the Company to maintain a Working Capital Ratio of not less than 1.20 : 1.0, a Fixed Charge Coverage Ratio of not less than 1.20 : 1.0, Net Debt to Bank EBITDA ratio not greater than 3.50 : 1.0 until July 31, 2019, then stepping down to not greater than 3.00 : 1.0 until April 29, 2021, and finally stepping down to 2.50 : 1.0 thereafter. At April 30, 2019, the Company was in compliance with the required financial covenants.

The term loan is payable in quarterly installments of 1.875% of the amount borrowed, starting April 30, 2019 through January 31, 2020; then 2.5% of the amount borrowed become payable quarterly thereafter until January 2024, with the balance payable on that same date.

	April 30, 2019	April 30, 2018
Term Loan, secured by a hypothec on movable properties	$ 11,775	$ -
Government funded debt, with no interest or security, payable over various installments, maturing in November 2020	74	121
	$ 11,849	$ 121
Current portion	(1,022)	(47)
Long-term debt	$ 10,827	$ 74

(in Canadian dollars, tabular amounts in thousands, except as otherwise noted)

13. Accounts payable and accrued liabilities

	2019	2018
Trade payables	$ 2,008	$ 1,364
Accrued liabilities and other payables	4,325	2,626
Salaries and benefits due to related parties	1,419	740
Employee salaries and benefits payable	5,894	4,472
Fair value of derivatives in a loss position	320	185
Other current liabilities	4,111	-
	$ 18,077	$ 9,387
Presented as:		
Current		
Accounts payable and accrued liabilities	$ 11,633	$ 9,087
Other current liabilities (note 5)	4,111	-
	$ 15,744	$ 9,087
Non-current		
Other non-current liabilities (note 5)	$ 2,333	$ 300

Other current liabilities are comprised of $0.5 million Canada Revenue Agency Holdback, $1.9 million Canada Revenue Agency liability, $0.7 million PCSYS Indemnification Holdback and $1.0 million Contingent Earnout liability. See also note 5 - Business acquisitions.

Other non-current liabilities are comprised of $1.4 million OrderDynamics Indemnification Holdback, $0.6 million PCSYS Indemnification Holdback and $0.3 million deferred rent. See also note 5 - Business acquisitions.

14. Share capital and Stock option plan:

(a) Authorized 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 shareholders' 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 April 30, 2019 and April 30, 2018.

(b) Executive share purchase plan:

The Company has an executive share purchase plan (the "purchase plan") to provide for mandatory purchases of common shares by certain key executives of the Company (the "participants") in order to better align the participant's financial interests with those of the holders of common shares, create ownership focus and build long-term commitment to the Company.

Each participant is required to make annual purchases of common shares through the facilities of the TSX secondary market ("annual purchases") having an aggregate purchase price equal to 10% of his or her annual base salary during the immediately preceding fiscal year (the "base salary"). Annual purchases must be made within 90 days of May 1 of every fiscal year.

Each participant has the obligation to make annual purchases until he or she owns common shares having an aggregate market value equal to at least 50% of his or her base salary (the "threshold"). If a participant reached his or her threshold and ceased making annual purchases but on any determination date for any subsequent fiscal year of the Company, (i) the market value of the common shares owned by a participant falls below his or her threshold, whether as a result of a disposition of common shares or a decrease in the market value of the common shares he or she owns, such participant is required to make additional purchases of common shares in accordance with the plan until his or her threshold is reached, or (ii) the market value of the common shares owned by a participant exceeds his or her threshold, whether as a result of an acquisition of common shares or an increase in the market value of the common shares he or she owns, such participant is entitled to dispose of common shares having an aggregate market value equal to the amount in excess of his or her threshold.

During each fiscal year, a participant is required to make an annual purchase, each participant has the right to borrow from the Company, and the Company has the obligation to loan to each participant, an amount not to exceed the annual purchase for such fiscal year for such participant (a "loan"). The loans bear no interest and are disbursed in one lump sum following receipt by the Company of a proof of purchase of the common shares. Each loan must be reimbursed to the Company on or before the fiscal year-end in which the loan was made in equal amounts during its term through periodic deductions at source for each of the pay periods remaining in the fiscal year. If the employment of a participant with the Company terminates for any reason whatsoever, all amounts due under any outstanding loan shall become immediately due and payable.

If a participant fails to make his or her annual purchase in full in any fiscal year, the Company may withhold half of any bonus or other incentive payment earned by the participant in that fiscal year until the participant completes the required annual purchase.

The Board of Directors may at any time amend, suspend or terminate the purchase plan upon notice to the participants.

(c) Bought deal shares issuance:

On June 27, 2017, the Company completed an offering of 1,100,050 common shares of the Company at the offering price of $15.00 per common share for aggregate gross proceeds of $16,500,750 (the "Offering"). The Offering included a treasury offering of 767,050 shares by the Company, including 100,050 common shares purchased by the underwriters pursuant to the exercise of their over-allotment option on June 27, 2017, for gross proceeds of $11,505,750 and a secondary offering of 333,000 shares by (i) David Brereton, Executive Chairman of the Company; (ii) Dabre Inc., David Brereton's holding company; and (iii) Kathryn Ensign-Brereton, David Brereton's spouse for aggregate gross proceeds of $4,995,000. The Offering was completed on a bought deal basis and was underwritten by a syndicate of underwriters led by Cormark Securities Inc. on its own behalf and on behalf of two other underwriters.

The common shares were offered by way of a short form prospectus filed in all provinces in Canada.

(in Canadian dollars, tabular amounts in thousands, except as otherwise noted)

Transaction costs directly associated with this issuance of treasury shares of approximately $1,016,280 ($708,085 net of taxes) have been recognized as a reduction of the proceeds, resulting in net total proceeds of approximately $10,489,470.

(d) Dividend policy:

The Company maintains a quarterly dividend policy. The declaration and payment of dividends is at the discretion of the Board of Directors, which will consider earnings, capital requirements, financial conditions and other such factors as the Board of Directors, in its sole discretion, deems relevant.

During fiscal 2019, the Company declared quarterly dividends of $0.05 for the first two quarters and $0.055 for each of the following quarters for an aggregate of $2.7 million. During fiscal 2018, the Company declared quarterly dividends of $0.045 for each of the first two quarters and $0.05 for each of the following quarters for an aggregate of $2.5 million.

(e) Earnings per share:

Basic earnings per share:

The calculation of basic earnings per share is based on the (loss) profit attributable to common shareholders and the weighted average number of common shares outstanding calculated as follows:

		2019		2018
(Loss) profit attributable to common shareholders	$	(741)	$	3,949
Weighted average number of common shares outstanding (basic)		13,082,376		12,962,590
Basic (loss) earnings per common share	$	(0.06)	$	0.30

Diluted earnings per share:

The calculation of diluted earnings per share is based on the profit attributable to common shareholders and the weighted average number of common shares outstanding after adjustment for the effects of all dilutive common shares. The 188,700 options as of April 30, 2019 (April 30, 2018 – Nil) were excluded from the weighted average number of diluted common shares as their effect would have been anti-dilutive. Therefore, diluted earnings per share equals basic earnings per share for the years ended April 30, 2019 and 2018.

(f) Stock option plan:

On September 6, 2018, the shareholders approved a common share stock option plan for the Company's employees and directors. Under the terms of the plan, the Company may grant options up to 10% of its issued and outstanding shares. The stock option plan is administered by the Board of Directors who may determine, in accordance with the terms of the plan, the terms relating to each option, including the extent to which each option is exercisable during the term of the options.

The exercise price is generally determined based on the weighted average trading price of the Company's common shares for the 5 days prior to the date the Board of Directors grants the option.

(in Canadian dollars, tabular amounts in thousands, except as otherwise noted)

On September 6, 2018, the Company granted stock options as follows:

	Number of options	Weighted average Exercise price	Weighted average Fair value
Outstanding at April 30, 2018	-	-	-
Granted	188,700	17.23	4.42
Exercised	-	-	-
Forfeited	-	-	-
Outstanding at April 30, 2019	188,700	17.23	4.42
Exercisable at April 30, 2019	23,588	17.23	4.42

The issued options vest on quarterly straight-line basis (6.25% per quarter) over the vesting period of 4 years and must be exercised within 5 years from the date of grant.

The fair value of options granted on September 6, 2018 was determined using the Black-Scholes option pricing model with the following assumptions:

	September 6, 2018
Weighted average share price	$ 17.23
Weighted average expected option life (years)	5
Weighted average expected stock price volatility	28.87%
Weighted average dividend yield	1.16%
Weighted average risk-free interest rate	2.16%

For the year ended April 30, 2019, the Company recognized stock-based compensation of $0.4 million (2018 - nil). As at April 30, 2019, the remaining contractual life in years of the granted 188,700 options is 4.35 years with 23,588 options are currently exercisable.

The contributed surplus accounts is used to record the accumulated compensation expense related to equity-settled share-based compensation transactions. Upon exercise of stock options, the corresponding amounts previously credited to contributed surplus are transferred to share capital.

15. Income taxes:

(a) Income taxes comprise the following components:

		2019		2018
Current income taxes				
Current year	$	1,094	$	1,522
Current income taxes expense	$	1,094	$	1,522
Deferred income taxes				
Origination and reversal of temporary differences	$	(777)	$	(142)
Net change in unrecognized deductible temporary difference		(1,335)		(924)
Deferred income tax benefit	$	(2,112)	$	(1,066)
Income tax (benefit) expense	$	(1,018)	$	456

(in Canadian dollars, tabular amounts in thousands, except as otherwise noted)

(b) The provision for income taxes varies from the expected provision at the statutory rate for the following reasons:

	2019	2018
	%	%
Combined basic federal and provincial statutory income tax rate	26.71	26.76
Net impact of current period unrecognized benefits	54.81	(20.98)
Permanent differences and other	(23.97)	4.57
Average effective tax rate	57.55	10.35

(c) Unrecognized net deferred tax assets

As at April 30, 2019 and 2018, the unrecognized net deferred tax assets consist of the following:

	2019	2018
Research and development expenses (i)	$ 456	$ 1,576
Net operating losses of Canadian subsidiaries (ii)	2,791	1,926
Net operating losses of UK subsidiary (iii)	106	118
Capital losses (iv)	854	854
Other	5	5
Unrecognized net deferred tax assets	$ 4,212	$ 4,479

On April 30, 2019:

The Company has unrecognized accumulated research and development expenses of approximately $2,206,000 (April 30, 2018 - $9,976,000) for Federal income tax purposes, $831,000 (April 30, 2018 - $126,000) for Québec provincial income tax purposes and $185,000 (2018 - nil) for Ontario provincial tax purposes which may be carried forward indefinitely and used to reduce taxable income in future years.

Canadian subsidiaries have unrecognized net operating losses carried forward of approximately $8,368,000 (April 30, 2018 - $7,903,000) for Federal income tax purposes, $7,019,000 (April 30, 2018 - $7,847,000) for Québec provincial income tax purposes and $1,012,000 (2018 - nil) for Ontario provincial tax purposes which may be applied to reduce taxable income in future years.

The Company's U.K. subsidiary has unrecognized net operating losses carried forward for income tax purposes of approximately $560,000 (£ 326,000) (April 30, 2018 – $591,000 (£ 334,000)) which may be applied to reduce taxable income in future years.

The Company and its subsidiaries have unrecognized accumulated capital losses of approximately $6,384,000 (April 30, 2018 – $6,384,000) which may be applied to reduce future taxable capital gains.

These deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilize the benefits.

(in Canadian dollars, tabular amounts in thousands, except as otherwise noted)

(d) Recognized deferred tax assets and liabilities

At April 30, 2019 and 2018 the recognized net deferred tax assets consist of the following:

	2019		2018
Deferred tax assets	Assets	Liabilities	Assets
Research and development expenses	$ 4,080	$ -	$ 2,815
Net operating losses	159	-	106
Property and equipment	2,805	-	2,630
Non-deductible reserves and accruals	236	-	217
IFRS 15 transition (see note 3 - Significant accounting policies)	154	-	-
Other	317	-	320
Deferred tax liabilities			
E-business tax credits	(294)	-	(297)
Federal tax credits	(1,573)	-	(1,671)
Deferred development costs	(282)	-	(490)
Intangibles	(126)	1,769	(106)
Net deferred tax assets recognized	$ 5,476	$ 1,769	$ 3,524

The Company had Canadian Federal non-refundable SRED tax credits totaling approximately $5,672,000 (note 7) (April 30, 2018 – $5,773,000) which may be used only to reduce future current federal income taxes otherwise payable. For the year ended April 30, 2019, the Company intends to claim available Federal non-refundable tax credits to reduce Canadian Federal income taxes otherwise payable of $390,000.

16. Personnel expenses:

	2019	2018
Salaries	$ 47,271	$ 41,160
Other short-term benefits	3,901	3,390
Payments to defined contribution plans	2,265	2,059
	$ 53,437	$ 46,609

17. Finance income and finance costs:

	2019	2018
Interest expense on financial liabilities measured at amortized cost	$ 196	$ 4
Foreign exchange (gain) loss	(38)	104
Interest income on bank deposits	(197)	(259)
Net finance income recognized in profit	(39)	(151)

(in Canadian dollars, tabular amounts in thousands, except as otherwise noted)

18. Contingencies:

In the normal course of operations, the Company may be exposed to lawsuits, claims and contingencies. Provisions are recognized as liabilities when there are present obligations and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations and where such liabilities can be reliably estimated. Although it is possible that liabilities may be incurred in instances where no provision has been made, the Company has no reason to believe that the ultimate resolution of such matters will have a material impact on its financial position.

19. Commitments:

(a) Operating lease commitments:

The Company has an option to extend the term of its lease for its office in Laval, which expires February 28, 2026, for one consecutive period of five years from the expiration of the term. In addition, the Company has an option to extend the term of its lease for the Markham office, which expires July 31, 2022 for two consecutive periods of five years each from its expiration term. The lease of the Montreal office, which expires on November 30, 2025, has a remaining option for a five year extension period.

During the year ended April 30, 2019, an expense of $4,239,000 was recognized in respect of operating leases (2018 – $3,108,000) and is included within the following expense classifications within the consolidated statements of comprehensive income.

	2019	2018
Cost of revenue: Products	$ 138	$ 124
Cost of revenue: Services	2,878	2,102
Sales and marketing	304	264
General and administration	206	184
Research and development	713	434
	$ 4,239	$ 3,108

The minimum future rental payments expiring up to February 28, 2026, including operating expenses required under non-cancellable long-term operating leases which relate mainly to premises are as follows:

	2019
Less than 1 year	$ 3,048
Between 1 and 5 years	7,846
More than 5 years	2,910
	$ 13,804

(b) Other commitments:

Under the terms of a licensing agreement with a third party, the Company is committed to pay royalties calculated at a rate of 1.25% of revenue derived from that portion of the EliteSeries product line that utilizes the embedded third-party software, excluding reimbursable expenses and hardware sales. Revenue derived from the operations of other business units or acquired companies are exempt from these royalties. This agreement automatically renews for consecutive one-year terms.

The Company has incurred royalty fees in fiscal 2019 related to this agreement of $112,000 (US $85,000) (2018 - $101,000 (US $80,000)).

(in Canadian dollars, tabular amounts in thousands, except as otherwise noted)

20. Related party transactions:

Key management includes Board of Directors (executive and non executive) and members of the Executive Committee that report directly to the President and Chief Executive Officer of the Company.

As at April 30,2019, key management and their spouses control 30.3% (April 30, 2018 - 32.1%) of the issued common shares of the Company.

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

		2019		2018
Salaries	$	3,244	$	3,377
Other short-term benefits		207		192
Payment to defined contribution plans		105		75
	$	3,556	$	3,644

Under the provisions of the share purchase plan for key management and other management employees, the company provided interest-free loans to key management and other management employees of $575,000 (2018-$538,000) to facilitate their purchase of the Company's common shares during fiscal 2019. As of April 30, 2019, loans outstanding amounted to $241,000 (2018-$305,000).

21. Financial instruments and risk management:

Classification of financial instruments

The table below summarizes the Company's financial instruments and their classifications.

		2019						2018
		Fair value		Amortized cost		Total		
Financial assets								
Cash and cash equivalents	$	-	$	14,913	$	14,913	$	13,496
Accounts receivable		-		14,986		14,986		13,939
Other accounts receivable		-		392		392		535
	$	-	$	30,291	$	30,291	$	27,970
Financial liabilities								
Accounts payable and accrued liabilities	$	-	$	11,313	$	11,313	$	8,904
Other current liabilities		-		4,111		4,111		-
Foreign exchange derivatives included in accounts payable and accrued liabilities		320		-		320		185
Long-term debt		-		11,849		11,849		121
	$	320	$	27,273	$	27,593	$	9,210

At April 30, 2019 and 2018, all financial instruments are carried at amortized cost with the exception of foreign exchange derivatives, which are recorded at fair value.

Fair value disclosures

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

The fair value of the long-term debt was determined using level 2 of the fair value hierarchy, by discounting the future cash flows using interest rates which the Company could obtain for loans with similar terms, conditions, and maturity dates. There is no significant difference between the fair value and the carrying value of the long-term debt as at April 30, 2019 and 2018.

The fair value of derivatives consisting of foreign exchange forward contracts is measured using a generally accepted valuation technique which is the discounted value of the difference between the contract's value at maturity based on the rate set out in the contract and the contract's value at maturity based on the rate that the counterparty would use if it were to renegotiate the same contract at the measurement date under the same conditions. 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 fair value of financial assets, financial liabilities and derivative financial instruments were measured using the Level 2 inputs in the fair value hierarchy as at April 30, 2019 and 2018.

The forward foreign exchange contracts in a hedging relationship designated as cash flow hedges qualified for hedge accounting. The forward foreign exchange contracts outstanding as at April 30, 2019 and April 30, 2018 consisted primarily of contracts to reduce the exposure to fluctuations in the U.S. dollar.

The fair value of long-term investments approximately equal the amortized cost.

For fiscal 2019 and 2018, the derivatives designated as cash flow hedges were considered to be fully effective and no ineffectiveness has been recognized in net finance costs.

Risk management

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

Currency risk

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 and to hedge highly probable future revenue denominated in U.S. dollars. 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 and the recognition of highly probable future U.S. denominated revenue and related accounts receivable.

Non-hedge designated derivative instruments

On April 30, 2019, the Company held five outstanding foreign exchange contracts with various maturities to July 2019 to sell US$2,750,000 into Canadian dollars at rates averaging CA$1.3194 to yield CA$3,628,000. On April 30, 2019, the Company recorded an unrealized exchange loss of $52,000, included in accounts payable and accrued liabilities, representing the change in fair value of these outstanding contracts since inception and their initial measurement.

On April 30, 2018, the Company held five outstanding foreign exchange contracts with various maturities to September 2018 to sell US$4,300,000 into Canadian dollars at rates averaging CA$1.2854 to yield CA$5,527,000. On April 30, 2018, the Company recorded an unrealized exchange gain of $23,000 included in other receivables representing the change in fair value of these outstanding contracts since inception and their initial measurement.

(in Canadian dollars, tabular amounts in thousands, except as otherwise noted)

Revenue hedge designated derivative instruments

On April 30, 2019, the Company held nine outstanding foreign exchange contracts with various maturities to January 31, 2020, to sell US$12,000,000 at rates averaging CA$1.31266 to yield CA$15,752,000. Of the outstanding US$12,000,000 designated foreign exchange contracts, US$8,000,000 pertain to highly probably future revenue denominated in U.S dollars expected over the six-month period through October 2019 while US$4,000,000 is related to realized U.S. dollar denominated revenue. On April 30, 2019, the Company had recorded an unrealized exchange loss of $273,000 included in accounts payables and accrued liabilities and an unrealized exchange gain of $5,000 representing the change in fair value of these outstanding contracts since inception and their initial measurement.

On April 30, 2018, the Company held ten outstanding foreign exchange contracts with various maturities to December 31, 2018 to sell US$10,000,000 at rates averaging CA$1.2602 to yield CA$12,593,000. Of the outstanding US$10,000,000 hedge designated foreign exchange contracts, US$6,000,000 pertain to highly probable future revenue denominated in U.S. dollars expected over the five-month period through September 2018 while US$4,000,000 is related to realized U.S. dollar denominated revenue. On April 30, 2018, the Company had recorded an unrealized exchange loss of $219,000 included in accounts payable and accrued liabilities and an unrealized exchange gain of $11,000 representing the change in fair value of these outstanding contracts since inception and their initial measurement.

	Carrying amount of the hedging instrument			
	Nominal amount of the hedging instrument	Assets presented in other receivables	Liabilities presented in accounts payable and accrued liabilities	Changes in fair value used for calculating hedge ineffectiveness
Cash-flow hedges:				
April 30, 2019 Foreign exchange risk:	US$ 12,000	CA$ 5	CA$ 273	CA$ (268)
April 30, 2018 Foreign exchange risk:	US$ 10,000	CA$ 11	CA$ 219	CA$ (208)

Hedging components of accumulated other comprehensive loss

During fiscal 2019, the Company recorded a loss of $771,000 (2018 - gain $748,000) in other comprehensive income, representing the change in fair value of the designated hedging contracts during the year. The following table represents the movement in accumulated other comprehensive loss since the designation of hedging derivative instruments.

	2019	2018
Accumulated other comprehensive (loss) as at the beginning of the fiscal year	$ (113)	$ (279)
Net (loss) gain on derivatives designated as cash flow hedges	(771)	748
Amounts reclassified from accumulated other comprehensive loss to net earnings, and included in:		
Revenue	577	(376)
Net finance costs	180	(206)
Accumulated other comprehensive loss from cash flow hedges	$ (127)	$ (113)
Cumulative translation adjustment from foreign operations	(80)	-
Accumulated other comprehensive loss	$ (207)	$ (113)

As at April 30, 2019, accumulated comprehensive loss includes a net loss from changes in the fair value of the effective portion of qualifying cash flow hedging instruments outstanding at the end of the year of $127 (2018-$113) and cumulative translation losses from foreign operations of $80. As at April 30, 2019, $127 of the net loss presented in accumulated other comprehensive loss is expected to be classified to net profit within the next six months.

(in Canadian dollars, tabular amounts in thousands, except as otherwise noted)

Foreign currency exposure

The following table provides an indication of the Company's significant foreign exchange currency exposures excluding designated hedge derivatives related to highly probable future revenue as at April 30, 2019 and 2018.

	2019				2018			
	DKK	US$	£	€	DKK	US$	£	€
Cash and cash equivalents	2,779	1,301	154	239	-	537	44	3
Accounts receivable	9,443	6,323	50	267	-	9,136	4	10
Other accounts receivable	349	227	-	-	-	213	1	-
Accounts payable and accrued liabilities	(17,397)	(1,405)	(61)	-	-	(1,665)	(53)	(52)
Derivative financial instruments – notional amount	-	(6,750)	-	-	-	(8,300)	-	-
	(4,826)	(304)	143	506	-	(79)	(4)	(39)

The following exchange rates applied during the years ended April 30, 2019 and 2018.

	2019		2018	
	Average rate	Reporting date rate	Average rate	Reporting date rate
CA$ per US$	1.3176	1.3391	1.2774	1.2839
CA$ per £	1.7189	1.7457	1.7100	1.7682
CA$ per €	1.5142	1.5018	1.5110	1.5563
CA$ per DKK	0.2029	0.2011	-	-

CA$ per DKK was not applicable during year ended April 30, 2018, as the Company did not hold any exposure in that fiscal year.

Based on the Company's foreign currency exposures noted above, varying the above foreign currency reporting date exchange rates to reflect a 5% appreciation would have had the following impact on profit, assuming all other variables remained constant.

	2019			2018		
	US$	£	€	US$	£	€
(Decrease) increase in profit	(20)	12	38	(5)	-	(3)

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

All variations in CA$ per DKK have no impact on the Company's profit since all amounts denominated in DKK are from a foreign operation. Exchanges differences on translating the foreign operation has no impact on profit.

(in Canadian dollars, tabular amounts in thousands, except as otherwise noted)

Credit risk

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

Financial instruments which potentially subject the Company to credit risk consist principally of cash and cash equivalents, accounts receivable, and other accounts receivable. The Company's cash and cash equivalents are maintained at major financial institutions.

At April 30, 2019, there is one customer comprising 9% (April 30, 2018 - 12%) of total trade accounts receivable and work in progress. Since the end of fiscal 2019, this amount has been substantially collected. Generally, there is no particular concentration of credit risk related to the accounts receivable due to the distribution of customers and procedures for the management of commercial risks. The Company performs ongoing credit reviews of all its customers and establishes an allowance for expected credit losses when accounts are determined to be uncollectible. Customers do not provide collateral in exchange for credit.

The Company has an arrangement, which automatically renewed in fiscal 2019 under the same terms and conditions, with a federal crown corporation and another insurer ("the insurers") wherein the insurers assume the risk of credit loss in the case of bankruptcy for up to 90% of accounts receivable for certain qualifying foreign and domestic customers. The insurance is subject to a deductible of US$50,000 for each deductible period, in respect of trade accounts receivable generated during that period, and subject to a maximum of US$2,000,000 (April 30, 2018 - US$1,500,000) for export losses and US$700,000 (April 30, 2018 - US$700,000) for domestic losses, in any policy period. The insurance policy period runs from February 1 to January 31 of each year.

On April 30, 2019, accounts receivable included foreign accounts totaling US$954,000 and £18,000 and domestic accounts for $1,033,000 (US$772,000) that were pre-approved for coverage, subject to the above-noted maximums, under this arrangement.

On April 30, 2018, accounts receivable included foreign accounts totaling US$1,762,000 and domestic accounts for $379,000 (US$295,000) that were pre-approved for coverage, subject to the above-noted maximums, under this arrangement.

The Company maintains an allowance for expected credit losses at an amount estimated to be sufficient to provide adequate protection against losses resulting from collecting less than full payment on its receivables. Individual overdue accounts are reviewed, and allowance adjustments are recorded when determined necessary to state receivables at the realizable value. If the financial condition of customers deteriorates resulting in their diminished ability or willingness to make payment, additional provisions for doubtful accounts are recorded. The Company's maximum credit risk exposure corresponds to the carrying amounts of the trade accounts receivable.

	2019	2018
Not past due	$ 9,003	$ 7,016
Past due 1-180 days	6,138	6,025
Past due over 180 days	890	1,720
	16,031	14,761
Allowance for expected credit losses	(1,045)	(822)
	$ 14,986	$ 13,939

Allowance for expected credit losses	2019	2018
Balance at beginning	$ 822	$ 1,501
Impairment losses recognized	(591)	(1,092)
Additional provisions	814	413
Balance at April 30	$ 1,045	$ 822

(in Canadian dollars, tabular amounts in thousands, except as otherwise noted)

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure and financial leverage, as outlined in the capital disclosures discussion in note 22 below. It also manages liquidity risk by continuously monitoring actual and projected cash flows. The Board of Directors reviews and approves the Company's operating and capital budgets, as well as any material transactions out of the ordinary course of business.

The following are contractual maturities of financial liabilities as of April 30, 2019 and 2018.

2019	Total	Less than 1 year	1-3 years	3-5 years	Beyond
Accounts payable and accrued liabilities	$ 11,633	$ 11,633	$ -	$ -	$ -
Other current liabilities	4,111	4,111	-	-	-
Long-term debt	11,849	1,022	3,627	7,200	-
Other non-current liabilities	2,333	2,333			
	$ 29,926	$ 19,099	$ 3,627	$ 7,200	$ -

2018	Total	Less than 1 year	1-3 years	3-5 years	Beyond
Accounts payable and accrued liabilities	$ 9,087	$ 9,087	$ -	$ -	$ -
Long-term debt	121	47	74	-	-
	$ 9,208	$ 9,134	$ 74	$ -	$ -

Interest rate risk

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

Market price risk

Market price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market price risk comprises three types of risk: currency risk; interest rate risk; and other price risk, comprising those changes caused by factors specific to the financial instrument or its issuer, or factors affecting all similar instruments traded in the market. The Company's exposure to financial instruments with market risk characteristics is insignificant.

22. Capital disclosure

The company defines capital as equity, credit agreements, and bank advances, net of cash. The Company's 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 its operations, working capital, capital expenditures, organic growth, potential future acquisitions, 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 may also 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 own liquidity and cash flow from operations to fund its activities as its policy was to maintain a minimum level of debt. Additionally, and whenever possible, the Company optimized its liquidity requirements by non-dilutive sources, including tax credits, and interest income.

(in Canadian dollars, tabular amounts in thousands, except as otherwise noted)

As part of its business growth strategy, on January 30, 2019, the Company entered into a Credit Agreement and undertook a Revolving Facility of $5,000,000 and a Term Facility of up to $12,000,000. The Revolving Facility remains undrawn as of April 30, 2019 and will be utilized for general corporate purposes. The Company borrowed $12,000,000 under the Term Facility to fund the acquisition of PCSYS A/S (see note 5). Under the context of the acquisition of OrderDynamics and PCSYS A/S (see note 5), the Company redeemed its 3-year guaranteed investment certificate ("GIC"), maturing on October 17, 2020, for $5,000,000 on November 9, 2018 and February 28, 2019, respectively.

In order to maintain or adjust its capital structure, the Company may upon approval from its Board of Directors, issue shares, repurchase shares for cancellation, adjust the amount of dividends to shareholders, pay off existing debt, and extend or amend its banking and credit facilities as deemed appropriate under the specific circumstances. The Company's banking and credit facilities require adherence to financial covenants. The Company is in compliance with these covenants as at April 30, 2019 and at April 30, 2018. Other than its banking agreement covenants, the Company is not subject to externally imposed capital requirements.

23. 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 and Denmark. Property and equipment, goodwill and intangible attributable to Denmark total $14,812. The Company's subsidiaries in the U.S. and the U.K. comprise sales and service operations offering implementation and maintenance services only.

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

	2019	2018
Canada	$ 24,582	$ 20,682
United States	46,815	48,301
Other	5,052	1,735
	$ 76,449	$ 70,718

24. Subsequent event:

On July 3, 2019, the Company's Board of Directors declared a quarterly dividend of $0.055 per share to be paid on August 2, 2019 to shareholders of record on July 19, 2019.

General Information

Common Share Information

Principal Market

The Company's common shares were first listed on the Toronto Stock Exchange (TSX) on July 27, 1998. The stock symbol of the Company's common shares is TCS. The following table sets forth the high and low prices, as well as the trading volume for the common shares for the fiscal periods shown below.

Fiscal Year 2019: May 1, 2018 to April 30, 2019

	High	Low	Volume
First Quarter	$ 17.02	$ 14.73	546,908
Second Quarter	$ 17.50	$ 13.99	161,885
Third Quarter	$ 15.00	$ 10.30	152,983
Fourth Quarter	$ 15.05	$ 10.76	591,913

Dividend Policy

The Company maintains a quarterly dividend policy. The declaration and payment of dividends is at the discretion of the Board of Directors, which will consider earnings, capital requirements, financial conditions and other such factors as the Board of Directors, in its sole discretion, deems relevant.

On July 3, 2019, the Company declared a quarterly dividend of $0.055 per share to be paid on August 2, 2019 to shareholders of record at the close of business on July 19, 2019.

Investor Inquiries

In addition to its Annual Report, the Company files an Annual Information Form (AIF), as well as a Management Proxy Circular with the Canadian Securities Commissions which are available on Tecsys' website (www.tecsys.com) and on SEDAR (www.sedar.com). For further information or to obtain additional copies of any of the above-mentioned documents, please contact:

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Below is Tecsys' Dividend Payment History and Increases:

Dividend Period	Amount	Date Paid
Semi-Annual		
Q3, 2008	$ 0.020	31-Mar-08
Q1, 2009	$ 0.020	07-Oct-08
Q3, 2009	$ 0.020	31-Mar-09
Q1, 2010	$ 0.025	07-Oct-09
Q3, 2010	$ 0.025	31-Mar-10
Q1, 2011	$ 0.025	06-Oct-10
Q3, 2011	$ 0.030	31-Mar-11
Q1, 2012	$ 0.030	06-Oct-11
Q3, 2012	$ 0.030	30-Mar-12
Q1, 2013	$ 0.035	05-Oct-12
Q3, 2013	$ 0.035	29-Mar-13
Q1, 2014	$ 0.035	04-Oct-13
Q3, 2014	$ 0.040	28-Mar-14
Quarterly		
Q1, 2015	$ 0.0225	06-Aug-14
Q2, 2015	$ 0.0225	10-Oct-14
Q3, 2015	$ 0.0225	06-Jan-15
Q4, 2015	$ 0.0225	09-Apr-15
Q1, 2016	$ 0.025	06-Aug-15
Q2, 2016	$ 0.025	09-Oct-15
Q3, 2016	$ 0.025	12-Jan-16
Q4, 2016	$ 0.025	12-Apr-16
Q1, 2017	$ 0.030	04-Aug-16
Q2, 2017	$ 0.030	07-Oct-16
Q3, 2017	$ 0.045	12-Jan-17
Q4, 2017	$ 0.045	11-Apr-17
Q1, 2018	$ 0.045	04-Aug-17
Q2, 2018	$ 0.045	06-Oct-17
Q3, 2018	$ 0.050	11-Jan-18
Q4, 2018	$ 0.050	12-Apr-18
Q1, 2019	$ 0.050	03-Aug-18
Q2, 2019	$ 0.050	05-Oct-18
Q3, 2019	$ 0.055	11-Jan-19
Q4, 2019	$ 0.055	11-Apr-19

Directors and Executive Management

Board of Directors

Frank J. Bergandi
Business Consultant

David Brereton
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Tecsys Inc.

Peter Brereton
President and CEO
Tecsys Inc.

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Mosaic Venture Partners Inc.

Steve Sasser (1) (2)
Co-Founder and Managing Principal
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David Booth (1) (3)
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BackOffice Associates LLC

John Ensign (2) (3)
President and Chief Legal Officer
MRI Software LLC

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Bill King
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Vice President, Human Resources

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Catalin Badea
Chief Technology Officer

Catherine Sigmar
Chief Legal Officer and Vice President, Strategic Initiatives

(1) Member of the Audit Committee
(2) Member of the Compensation Committee
(3) Member of the Corporate Governance and Nominating Committee

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