tecsys™

Strength in Numbers

Annual Report

2021

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, 2021. 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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Tecsys at a Glance

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.

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.

A Record of Success

“Supply chain at Spectrum Health has transformed from a tactical expense center to a strategic business enabler and having leading tools has been a major part of that transformation. We look forward to further efficiency as Spectrum Health, Tecsys and Workday collaborate to solve challenges facing modern healthcare supply chains.”

Sarai Vanderwood
Director, Distribution & Inventory at Spectrum Health

“We have journeyed together with Tecsys for nearly two decades, and in them we find a true partner in pursuit of supply chain excellence. We coordinate a deeply complex network of high-volume manufacturers, artisanal vendors, multinational retailers, standalone stores and direct-to-consumer channels, and Tecsys has given us the tools to orchestrate these moving parts on a global scale.”

Rolf Hagen Jr.
President and CEO at Rolf C. Hagen Inc.

“Tecsys has helped us move our warehouse administrative tasks from 90% manual to 90% system-driven, which has equipped us with real-time visibility and auditing capabilities, affording us a high degree of confidence in our data. We are able to render that data into better customer service, satisfying complex process and technology needs for a new breed of 3PL client.”

Ron McIntyre
Vice President, Technology & Innovation at Fuel Transport

Strength in Numbers

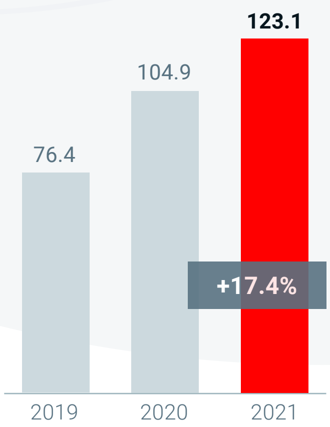
We close Fiscal 2021 with nine back-to-back quarters of record revenue. Our 2021 results demonstrate consistent and resilient growth built on strong financials coupled with a strong internal growth, a strong market position and a strong competitive momentum.

$000's Except for EPS & ROE	2021	2020
Revenue	123,101	104,855
Profit from Operations	10,681	4,708
Profit	7,188	2,346
Adjusted EBITDA	16,220	10,271
Earnings per Share	0.50	0.18
SaaS ARR Bookings[1]	9,548	8,758
Cash from Operations	19,113	10,006
Annual Recurring Revenue	52,485	48,140

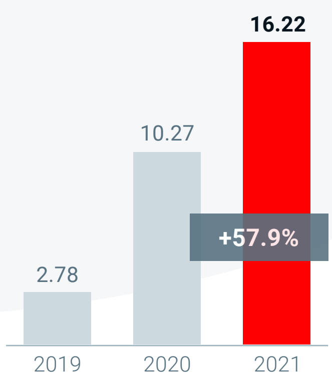
Strength in **Shareholder Value**

As of April 30, 2021 in $ millions

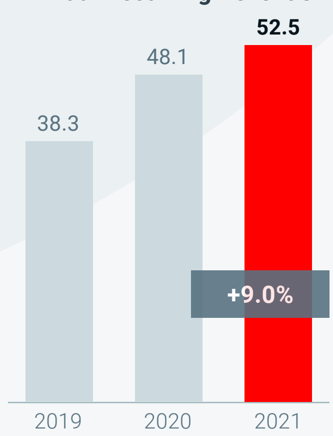
Total Revenue



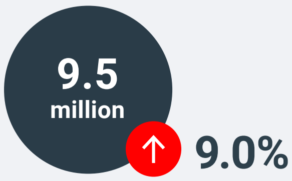
Adjusted EBITDA



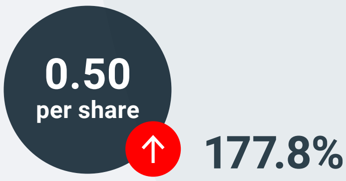
Annual Recurring Revenue



SaaS ARR Bookings



Earnings per Share



[1] Refer to section in the Management's Discussion and Analysis titled "Key Performance Indicators"

Strength in **Market Position**

38 Years

Nearly **four decades** of complex supply network experience.

100+ Countries

Tecsys software is being used in **over 100 countries** around the world.

1000+ Customers

Global network of customer sites primarily located in Canada, USA and Europe.

Top 3

Tecsys customers ranked **top three** in "Masters Category" of Gartner's Healthcare Supply Chain Top 25 for 2020.[2]

Top 5

Top five Distributed Order Management in IDC's MarketScape research report.

1 of 13 Vendors

Named as a **Representative Vendor** in 2021 Gartner Market Guide for Retail Store Inventory Management Applications.[3]

Strength in **Organizational Capacity**

Headcount

27.4% ↑

655 Total Employees

R&D Investment

24.7% ↑

Partner-influenced Pipeline

19% of total ↑

2 Gartner "Healthcare Supply Chain Top 25 for 2020" By Stephen Meyer, Eric O'Daffer, Andrew Knight 12 November 2020
3 Gartner, "Market Guide for Retail Store Inventory Management Applications," by Sandeep Unni, 3 May 2021

Message from the President

Reaching Greater Heights

Fellow Shareholders,

This year has highlighted how tightly connected we are on a global scale, and how vital those connections are to daily life. Through it, a big spotlight was placed on supply chains, many of which failed the stress test imposed on them by the pandemic. Indeed, it has never been more challenging to straddle the complexities of this digitally accelerated supply chain convergence. As Tecsys continues to build its international presence, it is not lost on us that our role in forging critical supply chain connections has significant impact on how our customers serve their customers in this increasingly interconnected ecosystem. We believe this continues to be an opportunity to capitalize on markets ripe for supply chain transformation ensuring a successful future for our customers.

Fiscal Year 2021

123 million ↑ 17%

Total Revenue

In spite of all the burdens and restrictions that framed much of our business activity, Fiscal 2021 was a very successful year. We have posted our ninth consecutive quarter of record revenue, increased profitability, strengthened our international footprint, and deepened our partnership network. We sustained momentum in total revenue, up 17% year-over-year to $123 million, and posted an adjusted EBITDA margin of 13%; the combined 30% revenue growth plus adjusted EBITDA margin positions us positively against internal targets.

We continue to pursue opportunities in healthcare, retail and complex distribution. All three sectors have endured significant upheaval during this period, with supply chain being a specific area of challenge.

This positive growth trend is strengthened by the continued momentum we experienced in our organizational shift to Software-as-a-Service (SaaS). Our SaaS revenue grew by 113% with this shift to SaaS accelerating at a healthy clip and now representing 82% of all new software bookings. This accelerating transition not only improves the quality and consistency of our revenue streams, but it has made it easier for both new and existing clients to buy our software solutions.

We have much to celebrate as we continue to add marquee companies to our customer base and deepen our engagements with existing customers. We signed major international accounts, implemented many projects despite continued restricted travel, and strengthened our international presence significantly. Our software is now active in over 100 countries worldwide, a notable milestone underscored by the borderless nature of our SaaS offering. Service to new and existing European organizations, North American businesses expanding intercontinentally, and some of Australia's largest retailers are testament to the ongoing expansion of our global footprint, even in a tempered global market.

Against the backdrop of COVID-19, a general slowdown in new accounts was expected. While our continued performance was hedged by greater investment from existing customers, a balanced revenue mix began to take shape in the fourth quarter, with quarter-over-quarter SaaS bookings growth of 252%. This positive in-year trend in new bookings looks like an early sign of recovering markets, providing an optimistic indication that our new account sales pipeline will regain pre-pandemic momentum.

Our success in Fiscal 2021 was influenced and amplified by a growing lineup of partners. With a shared vision and relentless drive to support our customers, we are very pleased with our channel success as a vehicle for global influence, efficient scalability and rapid brand propagation. In Fiscal 2020, partner-influenced wins represented 22% of total new customers; that jumped up to 46% in Fiscal 2021.

Underpinning Tecsys' Fiscal 2021 performance is the solidarity and dedication of over 600 world-class employees. I owe a huge debt of gratitude to the untiring work ethic and collaboration of our globally distributed team that persisted through a challenging work setting to post the best fiscal year in the Company's nearly 40-year history.

And We're Only Getting Started

We enter Fiscal 2022 with the strongest balance sheet, backlog and sales pipeline ever. We believe that the market conditions are favourable, and our position in it is strengthening. The world is changing, and we are changing with it. We must continue to think and act in new ways in order to elevate our customers to new heights in their pursuits.

We continue to pursue opportunities in healthcare, retail and complex distribution. All three sectors have endured significant upheaval during this period, with supply chain being a specific area of challenge. This puts Tecsys in an enviable position to capitalize on the supply chain modernization that is now underway.

We continue to dominate in the healthcare supply chain space. Our leadership position is underscored by the unique end-to-end supply chain execution software we provide to that market. Our solution equips hospitals and health systems to centralize supply chain control, helping to reduce costs, improve inventory availability and support better clinical outcomes. The stress fractures in the healthcare supply chain were intensified by the pandemic, and the freshly exposed weak links of largely outdated supply chain systems installed in this sector provided additional opportunities for us to partner with new and existing customers to address immediate and long-term challenges. Under the most pressing of conditions, we have demonstrated ease of deployment and platform flexibility; these are key value-adds as the healthcare industry looks to shore up these weak points in the months and years to come.

Retailers pursuing digital transformation at different paces have widened the gap between retailers able to satisfy customers through e-commerce channels and those still struggling to adjust to post-pandemic digital adoption rates. We expect this market to come to life as the retail industry as a whole continues to re-emerge from the pandemic. We believe that retailers will invest heavily to bridge this digital gap, and that as the retail industry shifts from survival mode to revival mode, our investment in R&D, as well as sales and marketing, will position us favourably moving forward.

Final Words

As we head into a new year, we look forward to maintaining the strong momentum that has defined us through Fiscal 2021. We expect an accelerating demand for the technology systems that address current shortcomings in legacy supply chain operations and feel poised to gain market share as this demand turns to investment. We believe that businesses will be able to tackle new digital commerce challenges and mount a vigorous return to business as usual with Tecsys as their supply chain technology partner. We are in an excellent position to be able to exploit major short-term and permanent market opportunities in healthcare and the digital economy, to capitalize on M&A opportunities should they arise, and to continue aggressively building market presence domestically and in key international markets.

We extend a sincere thanks to our customers and shareholders around the world, both new and existing, who have confidence in Tecsys to deliver key functionality in the critical business of supply chain; we are incredibly happy to deliver solid returns on your investments.

I am privileged to lead an extraordinarily talented team of individuals located around the world. Together, we are elevating Tecsys, its customers, its partners, and its shareholders to new heights; we are fiercely committed to being synonymous with the future of supply chain and digital commerce, and it is because of our team that I am confident that we have all the right pieces in place to continue our track record of success into Fiscal 2022.

Peter Brereton
President and CEO

Message from the Executive Chairman

Record Growth at the Nexus of Opportunity and Culture

Fellow Shareholders,

For nearly 40 years, I have had the pleasure of watching a company I founded become a global leader in multiple large markets. Getting here has taken decades of development, dedication, and drive by a deep bench of tremendous leaders. I am privileged to be able to say that in the face of unprecedented market shifts, we hold a solid market position and strong balance sheet underscored by robust technology and a conscientious team that understands the importance of customer delight. As we continue our growth as a SaaS-oriented organization, the values that got us here today will help us sustain this positive momentum.

If this year has taught me anything, it is the fundamental importance of trust. In the words of my friend and fellow Montrealer, Jonathan Wener, chairman of Canderel, “Problems are solutions in work clothes. Be imaginative in your thinking and above all execute and deliver with trust, competence and integrity.” Indeed, as we matured our virtual teams, expanded our global footprint, and supported multiple customers in multiple industries, we were often reminded how a culture of trust between teams and partners can achieve extraordinary things in the face of the most extraordinary hurdles. Even as we grappled with global economic decline and intermittent lockdowns, we rallied, and we posted record-setting results leaning hard on that culture of trust. I am incredibly proud of everyone involved in this achievement.

“Problems are solutions in work clothes. Be imaginative in your thinking and above all execute and deliver with trust, competence and integrity.”

Jonathan Wener
Chairman, Canderel

We should acknowledge that our success in Fiscal 2021 is shrouded by tough times. Even as our pipeline grows and our financials instill confidence, businesses around the world are struggling to recover from more than a year of turbulence. I believe that this upheaval will prove to be a pivotal turning point for supply chain management in the years to come. In this downturn and subsequent recovery, supply chain is likely to play a central role in many businesses' revival and future resiliency. As organizations invest in their future, Tecsys has the technology, expertise and testimony to play a key role.

Our Market Position

As the pandemic continued to throttle business as usual, Tecsys was well-positioned to help organizations pivot to new market conditions. Indeed, across our three primary industry verticals, the conditions propelled by the pandemic exposed supply chain weaknesses that Tecsys addresses through its software and solutions.

- ***As in-person retail shopping slowed down, Tecsys empowered retailers to respond by providing them the technology to fulfill online orders through in-store and curbside pickup or home delivery.***
- ***As the healthcare industry struggled with logistical bottlenecks and blind spots in their distribution networks, Tecsys was able to provide critical inventory visibility and support emergency warehouse operations.***
- ***As third-party logistics companies faced volatile volumes and demanding SLAs, Tecsys provided the supporting software to flex up operations and meet customer expectations.***

The momentum we have experienced is only overshadowed by the potential we have as these three industry verticals shift from present-focused tactical to future-focused strategic. Our early indications of capitalizing on this opportunity are evident in our Fiscal 2021 performance, as well as in the strength of our pipeline heading into Fiscal 2022; our strong market position coupled with these market dynamics give us every reason to be confident in our ongoing performance.

Our Team

Beyond the numbers, we have much to celebrate. We have continued to add impressive talent to every department in the Company, and the enthusiasm for customer success is proving contagious. Even as our teams were forced apart, their common purpose brought them together. Our employees have been trusted stewards of the Tecsys brand and product, and in them we find what makes Tecsys a force to be reckoned with.

Alas, there is no light without darkness. Stephen Silverthorne was a perfect example of the exceptional people who call Tecsys their second home. But this year, like many of our customers and extended Tecsys family, we share in the grief of losing a loved one. Before his passing in August 2020, Stephen spent 20 years building and refining Tecsys' software, and leading a team who shared his commitment and vision. His dedication to the company and knowledge of the industry is one of the reasons for Tecsys' ongoing success. We must always recall that our teams are both capable and fragile, and the people behind our technology remain the heartbeat of our organization.

Our Board Renewal

As Tecsys continues to gain market share and build its global footprint, it is vital that our Board remains a strong vehicle for diversified and value-driven strategic guidance. This sharp acumen helps Tecsys strengthen our leadership position and capitalize on market opportunities as they arise while pursuing our long-term vision. To meet the changing guidance and governance needs of an expanding technology company, the Board welcomed two new members in September 2020.

> **This has been a year like no other, but through it we are reminded of the incredible tenacity of the Tecsys team, the depth of the business value we provide to our customers, and the capacity to deliver on our brand promise with sincerity and consistency.**

Rani Hublou, whose experience in guiding high-growth SaaS organizations with a marketing and branding lens, provides important insight into scaling our successful rebrand and expanding on our international market awareness. Kathleen Miller, who brings with her a wealth of financial knowledge and key market exposure, affords the Board new perspectives and opportunities in healthcare supply chain and digital commerce. Rani and Kathleen have been outstanding additions to the Board, and we are fortunate to have gained their contributions this year.

In parallel, we have had the experience and guidance of three departing Board members, each of whom has contributed a wealth of expertise to our growth as an organization. Thank you to John Ensign whose five years of service on the Board have provided key insights and perspective. And a profound thank you to David Wayland and Frank Bergandi for each contributing over 20 years on the Board. These decades of service have provided invaluable direction and enduring strategy that will continue to carry us forward.

This Board renewal is both a reflection of our growth and our strategic renewal. As we take advantage of favourable market conditions and a more mature software portfolio than ever before, we look forward to the Board's continued involvement.

Our Global Community

Tecsys has a proud legacy of giving back to the community, and that commitment has not wavered. Tecsys donates one third of one percent of revenues to charitable causes around the world. This year, we concentrated much of our philanthropic efforts on providing emergency relief and easing the plight of at-risk youth globally due to COVID. Our growth as an organization means that our charitable contribution has grown as well, and I am proud of Tecsys' ongoing support of our global community.

Final Words

This has been a year like no other, but through it we are reminded of the incredible tenacity of the Tecsys team, the depth of the business value we provide to our customers, and the capacity to deliver on our brand promise with sincerity and consistency. Our core values are strong and present across the Company, and on behalf of the Board, I congratulate Tecsys' management, employees, shareholders and customers for another successful year and exciting outlook.

I am confident that we will continue to be recognized as an attractive investment for customers and shareholders alike because of the strength of our solution, the resolve of our team, and a market that continues to demand more robust supply chain capabilities to meet escalating customer demands.

To our shareholders who have entrusted us to serve our customers and our markets with vigor and integrity, thank you for your trust.

Dave Brereton
Executive Chairman of the Board

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 June 29, 2021 comments on our operations, financial performance and financial condition as at and for the years ended April 30, 2021 and April 30, 2020 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. Fiscal 2021 refers to the twelve-month period ended April 30, 2021 and Fiscal 2020 refers to the twelve-month period ended April 30, 2020.

The Company prepares its consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS"). The consolidated financial statements 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 otherwise indicated. The consolidated financial statements were authorized for issue by the Board of Directors on June 29, 2021. Additional information about the Company can be obtained from SEDAR at www.sedar.com.

Overview

Tecsys is a global provider of SaaS supply chain solutions that equip the borderless enterprise for growth. Spanning multiple complex, regulated and high-volume distribution industries, Tecsys delivers dynamic and powerful solutions for warehouse management, distribution and transportation management, supply management at point of use, retail order management, as well as financial management and analytics solutions.

Customers running on Tecsys' 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 operate sustainable and scalable logistics so they may focus on the future of their products, services and people, not on their operational challenges.

Customers around the world trust their supply chains to Tecsys in the healthcare, service parts, third-party logistics, retail and general wholesale high- volume distribution industries. Tecsys is the market leader in North America for supply chain solutions for health systems and hospitals. Largely stimulated by the 2018 acquisition of OrderDynamics Corporation ("OrderDynamics"), Tecsys serves a number of major customers in the retail industry located in Canada, the U.S., Europe and Australia, and continues to expand its retail footprint across these markets.

The Company's global footprint also continues to grow. Tecsys' 2019 acquisition of Danish warehouse management and mobile data solutions company PCSYS A/S, now Tecsys A/S, continues to serve as a key European extension. The Tecsys A/S product line has been brought under the Tecsys brand and Tecsys A/S continues to add customers in the manufacturing, retail and logistics industries, primarily in Europe. This alignment extends brand awareness to the European market and provides a common corporate identity to leverage existing software solutions across global geographies. In parallel, Tecsys A/S products are being positioned for North American markets, and opportunities for solution cross-pollination continue to emerge.

Tecsys is also well positioned to enable organizations pursuing sustainability initiatives. With greater adoption of digital purchasing comes a higher number of smaller shipments, which carry a substantial environmental impact. As supply chain organizations structure themselves for a shifting balance between in-store showrooming and digital shopping and shipping, the need to control the increasing costs of moving one line item from point A to point B becomes economically and environmentally significant. Tecsys has been recognized by Supply & Demand Chain Executive with a 2020 Green Supply Chain Award for its enablement of operational efficiency and capacity to address sustainability targets[1].

[1] https://digital.acbusinessmedia.com/SDC/MISC/sdc1220_green-awards.pdf

Tecsys has noted exponential growth in the e-commerce sector with mounting pressure for distribution organizations to fulfil higher order volumes under changing customer demands. As COVID-19 accelerated consumer adoption of digital commerce, order fulfillment complexity for retail and direct-to-consumer companies have been driving investment in order management systems (OMS). Tecsys' OMS 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' management believes that demand for OMS systems will continue to increase as a result of a shift in consumer shopping behavior following COVID-19. The restrictions on conventional in-store retail shopping in early 2020 has accelerated consumer demand for alternative fulfillment options such as curbside pickup, click-and-collect and ship-from-store. Tecsys' OMS is well-positioned to equip retailers for this expanded consumer demand.

Tecsys' partnership strategy continued to develop and mature during fiscal 2021. 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., Loftware Inc, Interfaceware Inc, Sales-I Inc and Payroc WorldAccess, Inc extend its offering. Value added reseller and service partners such as Sequoia Group Inc., Avalon Corporate Solutions Corp, OSF Global Services Inc and RiseNow LLC have become active in the Corporation's customer base, extending its reach as intended.

Industry Verticals

Tecsys' management believes that its enterprise supply chain 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 Company 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 Company 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 Company 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)[2], there are over 6,090 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%[3] 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. Further, supply chain disruptions and gaps in supply visibility highlighted by COVID-19 has created greater market awareness of supply chain technology that enables a higher degree of operational responsiveness and agility.

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.

Another vertical that carries opportunity is the converging retail market. Accelerated by a shift in consumer behavior following COVID-19 restrictions, there is greater demand[4] for e-commerce and order pickup buying options. Currently, many retailers operate siloed online and in-store order management processes, while others are not equipped for e-commerce options entirely. The bifurcation of physical and digital commerce has exposed disconnected retail customer experiences. In order to cope with the growing complexity of order management requirements in a retail environment offering multiple fulfillment options, retailers rely on OMS systems such as that offered by Tecsys. Technologies enabling optimization of complex order fulfillment routes, shipping costs, returns and inventory management equip retailers with a flexible platform for dynamic and scalable omnichannel retail.

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2 https://www.aha.org/statistics/fast-facts-us-hospitals
3 https://rctom.hbs.org/submission/healthcare-where-supply-chain-digitalization-is-life-or-death/
4 https://www.firstinsight.com/press-releases/coronavirus-impacting-shopping-decisions-spending-and-product-availability

The Supply Chain Management 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 resiliency. It demands collaboration with customers, suppliers and partners as a borderless enterprise. From unified commerce 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 of error in operations.

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

Agile companies are quickly outperforming and overtaking their less nimble competitors. A study by The Boston Consulting Group[5] 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[6] 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%.

In a 2020 publication[7], PricewaterhouseCoopers surveyed over 1600 executives from companies across seven industries to investigate the role of digital supply chains in turbulent times. The survey reveals that investments into digital supply chain excellence result in:

- 2x increased revenues and 2x decreased costs as compared to digital novices.
- 84% report >90% on-time in-full delivery performance (compared to 12% of digital novices).
- 53% more inventory turns than digital novices.
- Benefits beyond numbers like risk management, increased asset utilization and improved sustainability.

The publication explains: "For many companies market environments are becoming ever-more challenging. To cope with constant change, companies will need to make sure that their organization is able to continuously evolve and improve. They'll need a culture of continuous innovation and cross-functional collaboration to get there - always keeping the end-to-end value chain in mind. Generally, that means beginning with the needs of the end customer, but also taking into account everything from factories, to warehouses, to backend technologies."

Material Handling Industry ("MHI") is the largest material handling, logistics and supply chain association in the U.S. and publisher of the 2021 MHI Annual Industry Report , produced in conjunction with Deloitte Consulting LLP. The reportexplores the supply chain vulnerabilities exposed by COVID-19, and the role of digital technologies as a mechanism to be better positioned for supply chain resiliency in an uncertain future. The report expounds on the evolving demand for digital commerce: "The pandemic transformed how people shop, and as stores closed, millions of consumers moved to online shopping (many for the first time)."

The report also highlights the role that technology will play in post-pandemic supply chain organizations: "Companies that embrace digital technologies and innovations can (1) respond more quickly and effectively to the immediate challenges

5 https://on.bcg.com/2wkJDHC
6 McKinsey & Company; Digital transformation: raising supply chain performance to new levels
7 https://www.pwc.com/gx/en/industrial-manufacturing/digital-supply-chain/supply-chain-2025.pdf

posed by disruption, (2) recover faster than their peers, and (3) create sustainable competitive advantages that enable them to thrive in the post-disruption world."

In the report's survey of over 1,000 supply chain and manufacturing leaders, 22% indicate that digital is already the predominant supply chain model, and 83% expect it to become the predominant model in the next 5 years.

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

During Fiscal 2020, Tecsys enhanced its shift from perpetual license to SaaS bookings. It also announced important functional advancements to its end-to-end retail supply chain platform and omnichannel order fulfillment solution with highlighted new and robust data-driven business intelligence (BI) analytics, an optimized user interface for order management orchestration and an enhanced mobile in-store application for store associates.

On May 6, 2020, Gartner, Inc. released the 2020 Magic Quadrant[8] 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 15 WMS suppliers that were included in the 2020 Magic Quadrant for Warehouse Management Systems, one of which is Tecsys.

On April 28, 2020, Tecsys completed an offering of 1,333,333 common shares of the Company including 173,913 common shares issued as a result of the exercise in full by the underwriters of their over-allotment option (the "Offered Shares") at a price of $17.25 per share, for aggregate gross proceeds of $22,999,994 (the "2020 Offering"). The 2020 Offering was completed on a bought deal basis and was underwritten by a syndicate of underwriters co-led by Stifel Nicolaus Canada Inc. and Cormark Securities Inc. which included Laurentian Bank Securities Inc. and Echelon Wealth Partners Inc.

On September 10, 2020, two nominees to Tecsys' board were elected by shareholders at Tecsys' annual and special shareholders meeting - SaaS technology marketing executive Rani Hublou and financial strategist Kathleen Miller. These nominees expanded the existing Board.

On February 12, 2021, Tecsys announced the appointment of Martin Schryburt to the position of vice president, Research and Development. Bringing over 25 years' experience in software development, Mr. Schryburt is a global R&D business leader brought in to guide overall product strategy and spearhead product development from architecture to delivery.

Description of Business Model

The Company has five principal sources of revenue:

- software as a service (SaaS) subscriptions which represent the right to access our software platform in a hosted and managed environment for a period of time;
- maintenance and support services, including hosting services sold with perpetual licenses and hardware maintenance services;
- professional services, including implementation consulting and training services provided to customers;
- software licenses;
- hardware.

Starting in 2019, the Company shifted its business model and began selling its solutions primarily on a SaaS subscription basis. As such, Tecsys expects SaaS revenue to continue to grow over time. Revenue from maintenance and support services relate in a large part to our prior business model of selling perpetual licenses with attached maintenance and support fees. The Company expects maintenance and support services revenue to generally decline over time as new customers acquire SaaS subscriptions and existing customers eventually migrate to SaaS.

In the three and twelve months ended April 30, 2021, Tecsys generated $32.4 million and $123.1 million in total revenue, respectively. The revenue mix for the three months ended April 30, 2021 was: SaaS 15%; maintenance and support 27%; professional services 39%; license 4%; and hardware 16%. The revenue mix for the twelve months ended April 30, 2021 was: SaaS 15%; maintenance and support 28%; professional services 39%; license 4%; and hardware 14%.

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

SaaS and maintenance and support services revenue are reported together under Cloud, maintenance and subscription revenue. This revenue is generally recurring in nature. Annual Recurring Revenue ("ARR") 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. At the end of fiscal 2021, Tecsys' ARR[9] amounted to $52.5 million, up 9% from the end of prior fiscal year (up 18% on a constant currency basis using year end 2021 currency rates).

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.

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 2021, the Company employed 655 employees, up 27% in comparison to 514 at the end of fiscal 2020. The average number of employees was 582 in fiscal 2021 in comparison to 481 for fiscal 2020.

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. Acknowledging the business shift to SaaS and in order to provide greater clarity around expected timing of future revenue, in fiscal 2020 the Company began reporting bookings on a disaggregated basis. This includes SaaS ARR bookings (the average annual value of committed SaaS recurring revenue at the time of contract signing), professional services bookings and perpetual license bookings. The Company believes that these metrics are primary indicators of business performance. The Company no longer reports combined total contract value bookings.

[9] Refer to section at end of MD&A titled "Key Performance Indicators"

Backlog

Backlog in general refers to the value of contracted revenue that is not yet recognized. With the Company's shift to SaaS, our backlog reporting has focused on (a) the natural backlog that is created by Annual Recurring Revenue (annual recurring revenue assuming the customer will renew the contractual commitment on a periodic basis as those commitments come up for renewal) and (b) Professional Services Backlog. The Company also focuses on contracted SaaS backlog as a key performance indicator. The Company enters into SaaS subscription agreements that are typically multi-year performance obligations with original contract terms of three to five years. Contracted SaaS backlog represents revenue that we expect to recognize in the future related to firm performance obligations that are unsatisfied (or partially unsatisfied) at the reporting date.

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.

Selected Annual Information

In thousands of Canadian dollars, except per share data

	2021	2020	2019
Total revenue	123,101	104,855	76,449
Net profit/(loss)	7,188	2,346	(741)
Comprehensive income (loss)	6,998	2,969	(835)
Adjusted EBITDA[10]	16,220	10,271	2,776
Basic earnings (loss) per common share	0.50	0.18	(0.06)
Diluted earnings (loss) per common share	0.49	0.18	(0.06)
Common share dividends	0.25	0.23	0.21
Total assets	129,309	124,433	85,445
Cash and cash equivalents and short-term investments	45,852	37,528	14,913
Long-term debt (including the current portion)	9,616	10,831	11,849

In fiscal 2021, total revenue increased by $18.2 million, or 17%, lead by growth in SaaS and professional services. Higher margin contribution combined with operating cost leverage resulted in increased net profit and Adjusted EBITDA. The growth rate in fiscal 2021 is organic, as fiscal 2020 included a full year of results from prior acquisitions.

In fiscal 2020, total revenue increased by $28.4 million. The acquisitions of OrderDynamics and Tecsys A/S contributed $18.8 million while the organic business contributed $9.6 million. The Company recorded $1.0 million of stock-based compensation expense and $0.4 million of restructuring costs related to acquisition and integration (primarily severance), which had a negative impact on profit and no impact on Adjusted EBITDA as these items are excluded from Adjusted EBITDA. The implementation of International Financial Reporting Standard No. 16 - Leases had an insignificant impact on profit and positively impacted adjusted EBITDA by $1.3 million. The Company recorded a $0.2 million cost for the fair value of contingent consideration to be paid for Tecsys A/S. This change in the fair value of the contingent consideration resulted from a strong financial performance of Tecsys A/S that increased contingent consideration to be paid to the sellers ("Earnout"). The Earnout period ended on September 30, 2019 and is the only Earnout period associated with the acquisition. This had a negative impact on Profit and no impact on Adjusted EBITDA.

Compared to the twelve-month period ended April 30, 2019 ("fiscal 2019"), Profit and Adjusted EBITDA in fiscal 2020 was positively impacted by $0.8 million and $2.3 million, respectively, from Tecsys A/S contribution (acquisition closed in February 2019). Profit and Adjusted EBITDA in fiscal 2020 was also positively impacted by $0.4 million and $1.3 million, respectively, of yearly sequential improvement from OrderDynamics (acquisition closed in November 2018).

Non-IFRS Performance Measures

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

[10] Refer to section at end of MD&A titled "Non-IFRS Performance Measures"

EBITDA and Adjusted EBITDA

The terms and definitions of the non-GAAP measure used in this MD&A and a reconciliation of the non-GAAP measure to the most directly comparable GAAP measure are provided below. These non-GAAP measures do not have any standardized meanings prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Accordingly, they should not be considered in isolation.

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, fair value adjustment on contingent consideration, stock-based compensation and restructuring costs. The Company believes that these measures are 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 2021, fiscal 2020 and fiscal 2019 derived from IFRS measures in the Company's Consolidated financial statements, is as follows (in thousands of Canadian dollars):

		2021		**2020**		**2019**
Net profit (loss)	$	7,188	$	2,346	$	(741)
Adjustments for:						
Depreciation of property and equipment and right-of-use assets		2,180		2,004		879
Amortization of deferred development costs		269		536		949
Amortization of other intangible assets		1,663		1,530		995
Interest expense		787		1,080		196
Interest income		(174)		(74)		(197)
Income taxes		3,169		1,234		(1,018)
EBITDA	$	15,082	$	8,656	$	1,063
Adjustments for:						
Acquisition related costs		-		-		1,347
Stock based compensation		1,138		1,024		366
Fair value adjustment on contingent consideration earnout – Tecsys A/S		-		171		-
Restructuring costs		-		420		-
Adjusted EBITDA	$	16,220	$	10,271	$	2,776

The Company adopted IFRS 16 – Leases, using the modified retrospective approach, effective for fiscal 2020, beginning on May 1, 2019. Accordingly, comparative figures for fiscal 2019 have not been restated and continue to be reported under IAS 17. As a result, EBITDA and adjusted EBITDA includes adjustments for additional depreciation related to the right-of-use assets of $1.0 million and interest expense on lease liabilities of $0.4 million for each of the years ended April 30, 2021 and 2020.

Results of Operations
Year ended April 30, 2021 compared to year ended April 30, 2020

Revenue

Total revenue for fiscal 2021 increased to $123.1 million, $18.2 million or 17% higher, compared to $104.9 million for fiscal 2020. Approximately 63% of the Company's revenues were generated in U.S. dollars during fiscal 2021 compared to 58% in fiscal 2020. The U.S. dollar averaged CA$1.3086 in fiscal 2021 compared to CA$1.3362 in fiscal 2020. In comparison to fiscal 2020, the Company's partial hedging of U.S revenue more than offset the decline in the value of the U.S. dollar giving rise to a net favorable foreign currency related revenue variance of $0.4 million. Lower travel in fiscal 2021 due to COVID-19 gave rise to an unfavorable reimbursable expense revenue variance of $1.8 million compared to fiscal 2020.

Cloud, maintenance and subscription revenue increased to $52.9 million, up $11.8 million or 29%, in fiscal 2021 in comparison to $41.1 million for fiscal 2020. The increase is primarily driven by SaaS. SaaS Revenue in fiscal 2021 was $19.2 million, up 113% compared to $9.0 million in fiscal 2020.

In fiscal 2021, SaaS subscription bookings[11] (measured on an ARR basis) were $9.5 million, up 9% compared to $8.8 million in 2020. At April 30, 2021, SaaS backlog[12] was $65.7 million, up 26% from $52.0 million at April 30, 2020. Total ARR at April 30, 2021 was $52.5 million, up 9% compared to $48.1 million at April 30, 2020. A significant amount of SaaS backlog and ARR is denominated in currencies other than Canadian Dollars. As a result, movements in exchange rates will have an impact on SaaS backlog and ARR reported in Canadian Dollars. During fiscal 2021, exchange movements (primarily the weakening U.S. Dollar) had a $4.7 million negative impact on SaaS backlog and a $3.9 million negative impact on ARR.

Professional services revenue increased to $47.4 million, up $6.8 million or 17%, in fiscal 2021 in comparison to $40.6 million for fiscal 2020. Professional Services bookings in fiscal 2021 were $44.8 million, down 12% compared to $50.7 million in fiscal 2020. Fiscal 2021 bookings were negatively impacted by the timing of signature on a large professional services order associated with a fourth quarter SaaS deal. The SaaS order was signed in the fourth quarter of fiscal 2021, but the professional services order was signed in the first quarter of fiscal 2022. Fiscal 2020 bookings were positively impacted by a large multi-year professional services order associated with a fourth quarter SaaS deal.

Proprietary products revenue, defined as internally developed products including proprietary software and hardware technology products, amounted to $5.2 million in fiscal 2021, down $0.2 million or 3% compared to fiscal 2020. Perpetual license bookings in fiscal 2021 were $4.3 million compared to $4.7 million in fiscal 2020. Management expects that license bookings will be generally lower in the future as the shift to SaaS continues.

Third party products revenue increased to $17.5 million, $1.6 million or 10% higher in fiscal 2021 in comparison to $15.9 million for the same period last year.

Cost of Revenue

Total cost of revenue increased to $62.5 million, up $7.9 million or 15%, in fiscal 2021, in comparison to $54.5 million for fiscal 2020. The increase is primarily attributable to higher services costs of $8.1 million and higher product costs of $1.6 million, partially offset by lower reimbursable expenses of $1.8 million.

The cost of products increased to $14.4 million in fiscal 2021, up $1.6 million compared to fiscal 2020 and driven by higher third-party product costs associated with higher revenue.

The cost of services increased to $48.0 million, up $8.1 million or 20%, in fiscal 2021 in comparison to $39.8 million for the same period last year. Cost of services increased primarily as a result of direct costs associated with higher revenue, including higher employee and SaaS infrastructure costs. The cost of services includes tax credits of $2.5 million for fiscal 2021 compared to $1.6 million for fiscal 2020.

Gross Profit

Gross profit increased to $60.6 million, up $10.3 million or 20%, in fiscal 2021 in comparison to $50.3 million for the same period last year. This is mainly attributable to higher services margin of $10.5 million, partially offset by lower product margin of $0.2 million. Total gross margin was 49% in fiscal 2021 compared to 48% in fiscal 2020.

Services gross profit during fiscal 2021 increased by $10.5 million to $52.3 million in comparison to $41.8 million for the same period last year. Services gross margin was 52% in fiscal 2021 compared to 51% in fiscal 2020.

The products margin in fiscal 2021 decreased by $0.2 million to $8.3 million compared to $8.5 million in the same period last year. Product margin was down from 40% in fiscal 2020 to 37% in fiscal 2021 due to a higher mix of third-party products revenue.

[11] Refer to section at end of MD&A titled "Key Performance Indicators"

Operating Expenses

Total operating expenses for fiscal 2021 increased to $49.9 million, higher by $4.3 million or 10%, compared to $45.6 million for the same period last year. The weaker U.S. dollar impacted costs of sales and operating expenses favorably by approximately $0.6 million in fiscal 2021 compared to fiscal 2020. The most notable differences between fiscal 2021 in comparison to fiscal 2020 are as follows:

- Sales and marketing expenses amounted to $21.0 million, $0.9 million higher than the previous fiscal year. The increase is attributed to higher personnel costs of $2.4 million, partially offset by $1.5 million of lower travel costs due to the COVID-19 pandemic.

- General and administrative expenses were $10.4 million, $0.6 million higher than the previous fiscal year. The Company incurred $0.7 million of higher personnel costs and professional fees partially offset by $0.2 million of lower travel costs due to COVID-19.

- Net R&D expenses amounted to $18.6 million in fiscal 2021, up $3.3 million from the previous fiscal year. The increase was primarily the result of $3.5 million of higher personnel costs, consulting fees and infrastructure costs, partially offset by $0.3 million of lower travel costs. The Company recorded $2.2 million of R&D tax credits and e-business tax credits in fiscal 2021 in comparison to $2.0 million for the previous fiscal year. The Company amortized deferred development costs and other intangible assets of $0.3 million in fiscal 2021 in comparison to $0.6 million in fiscal 2020. Additionally, the Company deferred $0.3 million of development costs in fiscal 2021 in comparison to $0.6 million in fiscal 2020.

- Restructuring costs were $nil, compared to $0.4 million in fiscal 2020. These prior year costs were related to acquisition and integration costs, primarily for severance.

Profit from Operations

The Company recorded profit from operations of $10.7 million in fiscal 2021, an increase of 127% in comparison to a profit from operations of $4.7 million in fiscal 2020. Contributing to the increase in profit is higher professional services and cloud, maintenance and subscription margin, lower restructuring costs and lower travel costs due to the COVID-19 pandemic partially offset by higher personnel costs.

Net Finance Costs

In fiscal 2021, the Company recorded $0.3 million of net finance costs in comparison to $1.1 million in net finance costs for the prior fiscal year. Net finance costs in fiscal 2021 consisted of interest expense on long-term debt and lease obligations partially offset by foreign exchange gains and interest income.

Income Taxes

In fiscal 2021, the Company recorded income tax expense of $3.2 million comprised of current income tax expense of $2.3 million and deferred income tax expense of $0.9 million. In fiscal 2020, the Company recorded an income tax expense of $1.2 million comprised of current income tax expense of $2.1 million and deferred income tax benefit of $0.8 million. The increase in current income tax expense as compared to fiscal 2020 is due to the increase in profitability as compared to the prior fiscal year, offset by the use of tax attributes in fiscal 2021 to decrease taxable income. The increase in deferred income tax expense in fiscal 2021 is mainly due to the use of tax attributes to decrease taxable income. In fiscal 2020 the Company recorded a deferred income tax benefit due to the recognition of previously unrecognized deferred tax assets.

As at April 30, 2021, the Company had recognized deferred tax assets of $6.0 million and has an unrecognized net deferred tax asset of $4.8 million covering various jurisdictions and approximately $4.9 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 16 of the consolidated financial statements for further details.

Net Profit

The Company realized a profit of $7.2 million fiscal 2021 compared to a profit of $2.3 million in fiscal 2020. Basic and fully diluted earnings per share in fiscal 2021 were $0.50 and $0.49 per share, respectively, compared to $0.18 per share (basic and fully diluted) for fiscal 2020.

Results of Operations for the Fourth Quarter
Quarter ended April 30, 2021 compared to quarter ended April 30, 2020

Revenue

Total revenue for the fourth quarter ended April 30, 2021 increased to $32.4 million, $4.6 million or 17% higher, compared to $27.7 million for the same period of fiscal 2020. Approximately 65% (2020 – 64%) of the Company's revenues were generated in U.S. dollars during the fourth quarter of fiscal 2021. The U.S. dollar averaged CA$1.2588 in the fourth quarter of fiscal 2021 in comparison to CA$1.3765 in the fourth quarter of fiscal 2020. The weaker U.S dollar, partially offset by the Company's hedging of U.S revenue, gave rise to a net unfavorable foreign currency related revenue variance of $1.3 million in the fourth quarter of fiscal 2021 compared to the same quarter last year. Lower travel in the fourth quarter of fiscal 2021 due to COVID-19 gave rise to an unfavorable reimbursable expense revenue variance of $0.3 million compared to the same period of fiscal 2020.

Cloud, maintenance and subscription revenue increased to $13.8 million, up $3.2 million or 30%, in the fourth quarter of fiscal 2021 in comparison to $10.6 million for the same period last year. The increase is primarily driven by SaaS. The increase in SaaS revenue was driven by new SaaS revenue from bookings in recent quarters. SaaS revenue in the fourth quarter of fiscal 2021 was $5.5 million, up 107% or over $2.8 million compared to the fourth quarter of fiscal 2020 and up $0.8 million sequentially compared to the third quarter of fiscal 2021.

In the fourth quarter of fiscal 2021, SaaS subscription bookings (measured on an ARR basis) were $3.5 million, down 14% compared to $4.1 million in the fourth quarter of fiscal 2020. At April 30, 2021, SaaS backlog was $65.7 million, up 26% from $52.0 million at April 30, 2020 and up $8.1 million or 14% sequentially compared to January 31, 2021. Total Annual Recurring Revenue (ARR) at April 30, 2021 is $52.5 million, up 9% compared to $48.1 million at April 30, 2020 and up $1.7 million from $50.8 million at January 31, 2021. As noted previously, a significant amount of SaaS backlog and ARR is denominated in currencies other than Canadian Dollars. As a result, movements in exchange rates will have an impact on SaaS backlog and ARR reported in Canadian Dollars. During the fourth quarter of fiscal 2021, exchange movements (primarily the weakening U.S. Dollar) had a $1.3 million negative impact on SaaS backlog and a $1.5 million negative impact on ARR.

Professional services revenue increased to $12.1 million, up $1.3 million or 12%, in the fourth quarter of fiscal 2021 in comparison to $10.8 million for the same period last year. Professional Services bookings in the fourth quarter of fiscal 2021 were $8.7 million, down 58% compared to $20.7 million in the fourth quarter of fiscal 2020. Professional Services bookings are in part linked to SaaS subscription bookings and license bookings and are subject to timing. See also comments above under Results of Operations for the year ended April 30, 2021 compared to year ended April 30, 2020

Proprietary products revenue, defined as internally developed products including proprietary software and hardware technology products, amounted to $1.3 million in the fourth quarter of fiscal 2021, down $0.4 million or 21% compared to the same period last year. Perpetual license bookings in the fourth quarter of fiscal 2021 were $0.8 million compared to $1.4 million in the fourth quarter of fiscal 2020.

Third party products revenue increased to $5.0 million, $0.8 million or 19% higher in comparison to $4.2 million for the same period last year.

Cost of Revenue

Total cost of revenue increased to $16.7 million, up $1.8 million or 12%, in the fourth quarter of fiscal 2021, in comparison to $14.9 million for the same period in fiscal 2020. The increase is primarily attributable to higher services costs of $1.5 million and higher product costs of $0.6 million, partially offset by lower reimbursable expenses of $0.3 million.

The cost of products increased to $4.1 million in the fourth quarter of fiscal 2021, up $0.6 million in comparison to the same period in fiscal 2020. The increase was driven by increased costs related to the sale of third-party products, primarily hardware.

The cost of services increased to $12.5 million, up $1.5 million or 14%, in the fourth quarter of fiscal 2021 in comparison to $11.0 million for the same period last year. Cost of services increased primarily as a result of direct costs associated with higher revenue, including higher employee and SaaS infrastructure costs. The cost of services includes tax credits of $0.6 million for the fourth quarter of fiscal 2021 compared to $0.4 million for the fourth quarter of fiscal 2020.

Gross Profit

Gross profit increased to $15.7 million, up $2.8 million or 22%, in the fourth quarter of fiscal 2021 in comparison to $12.9 million for the same period last year. This is mainly attributable to higher service margin of $3.0 million and lower product margin of $0.1 million. Total gross margin was 49% for the fourth quarter of fiscal 2021 compared to 46% in the same period of fiscal 2020.

Services gross profit during the fourth quarter of fiscal 2021 increased by $3.0 million to $13.4 million in comparison to $10.5 million for the same period last year. Services gross margin was 52% in the fourth quarter of fiscal 2021 in comparison to 49% for the same period last year.

Products gross profit decreased by $0.1 million in the fourth quarter of fiscal 2021 compared to the same period last year. Product gross margin was 36% in the fourth quarter of fiscal 2021 compared to 41% for the same period last year. The decline is primarily due to a lower mix of license and a higher mix of third-party hardware in the fourth quarter of fiscal 2021.

Operating Expenses

Total operating expenses for the fourth quarter of fiscal 2021 increased to $13.1 million, higher by $0.8 million or 6%, compared to $12.3 million for the same period last year.

The weaker U.S dollar gave rise to a favorable impact of $0.6 million in the fourth quarter of fiscal 2021 compared to the same period last year.

The most notable differences between the fourth quarter of fiscal 2021 in comparison with the same period in fiscal 2020 are as follows:

- Sales and marketing expenses amounted to $5.6 million, $0.3 million higher than the comparable quarter last year. The increase is mainly attributed to higher personnel costs and commission costs, partially offset by lower travel costs due to the COVID-19 pandemic and lower marketing program costs. Management expects sales and marketing expense to continue to increase in the near term.

- General and administrative expenses were $2.4 million, $0.2 million lower compared to the same quarter last year. Allowance for expected credit losses declined by $0.2 million compared to the same quarter last year.

- Net R&D expenses amounted to $5.0 million in the fourth quarter of fiscal 2021, up $0.7 million from the same quarter last year. The increase was primarily the result of higher personnel costs and consulting costs, partially offset by lower travel costs. The Company recorded $0.6 million of R&D tax credits and e-business tax credits in the fourth quarter of fiscal 2021 in comparison to $0.5 million for the same period in fiscal 2020. The Company amortized deferred development costs and other intangible assets of $0.1 million in both the fourth quarter of fiscal 2021 and fiscal 2020. Additionally, the Company deferred $0.1 million of development costs in the fourth quarter of fiscal 2021 and in fiscal 2020. Management expects R&D expenses to continue to increase in the near term.

Profit from Operations

The Company recorded profit from operations of $2.6 million in the fourth quarter of fiscal 2021, an increase of $2.0 million or 343% compared to the same period in fiscal 2020. Contributing to the increase in profit is higher professional services and cloud, maintenance and subscription gross profit and lower travel costs due to the COVID-19 pandemic, partially offset by lower products margin, higher R&D costs and higher sales and marketing costs.

Net Finance Costs

In the fourth quarter of fiscal 2021, the Company recorded $0.1 million of net finance costs which remained flat in comparison to the same quarter last year. For the fourth quarter of fiscal 2021, net finance costs consisted primarily of interest expense on long-term debt and lease obligations partially offset by interest income.

Income Taxes

In the fourth quarter of fiscal 2021, the Company recorded an income tax expense of $0.5 million in comparison to $0.1 million in the fourth quarter of fiscal 2020. The increase in income tax expense as compared to the same period in fiscal 2020 is due primarily to higher profitability in the fourth quarter of fiscal 2021, as well as lower tax expense in fiscal 2020 due to the recognition of previously unrecognized deferred tax assets.

Net Profit

The Company realized a profit of $2.0 million or $0.14 per share (basic and fully diluted) in the fourth quarter of fiscal 2021 compared to a profit of $0.4 million or $0.03 per share (basic and fully diluted) for the same period in fiscal 2020

Quarterly Selected Financial Data

(Quarterly data are unaudited)

In thousands of Canadian dollars, except per share data

Fiscal year 2021	**Q1**	**Q2**	**Q3**	**Q4**	**Total**
Total revenue	28,091	30,694	31,942	32,374	123,101
Net profit	1,235	2,086	1,847	2,020	7,188
Comprehensive income	2,897	1,486	1,527	1,088	6,998
Adjusted EBITDA	3,509	4,830	3,964	3,917	16,220
Basic earnings per common share	0.09	0.14	0.13	0.14	0.50
Diluted earnings per common share	0.08	0.14	0.12	0.14	0.49

Fiscal year 2020	Q1	Q2	Q3	Q4	Total
Total revenue	24,250	26,008	26,847	27,750	104,855
Net profit (loss)	(267)	1,404	834	375	2,346
Comprehensive income (loss)	(488)	1,439	818	1,200	2,969
Adjusted EBITDA	1,995	3,677	2,648	1,951	10,271
Basic and diluted earnings (loss) per common share	(0.02)	0.11	0.06	0.03	0.18

In the fourth quarter of fiscal 2021, Profit and Adjusted EBITDA were generally in line with the third quarter of fiscal 2021.

In the third quarter of fiscal 2021, Profit and Adjusted EBITDA were negatively impacted by $0.5 million of lower products margin compared to the second quarter of fiscal 2021, primarily due to lower perpetual license revenue. Profit and Adjusted EBITDA were negatively impacted by $0.2 million of higher operating expenses compared to the second quarter of fiscal 2021 mainly due to higher R&D consulting costs and higher personnel costs associated with higher headcount, partially offset by lower bonus costs. Profit was positively impacted by $0.6 million from lower income tax expense recognized in the third quarter of fiscal 2021 compared to the second quarter of fiscal 2021 due to lower pre-tax profit and a lower consolidated effective tax rate in the third quarter of fiscal 2021.

In the second quarter of fiscal 2021, Profit and Adjusted EBITDA were positively impacted by $2.5 million from higher profit margin mainly due to higher revenue compared to the first quarter of fiscal 2021. Profit and Adjusted EBITDA were negatively impacted by $1.0 million related to higher personnel costs (bonus and commissions). Profit was negatively impacted by $0.5 million due to income tax expense recognized in the second quarter of fiscal 2021 compared to the first quarter of fiscal 2021.

In the first quarter of fiscal 2021, Profit and Adjusted EBITDA were positively impacted by $0.8 million resulting from lower operating expenses compared to the fourth quarter of fiscal 2020, mainly due to lower travel costs associated with COVID-19 and lower personnel costs (mainly bonus and commissions). Profit and Adjusted EBITDA was also positively impacted by $0.6 million resulting from higher profit margin mainly due higher revenue, lower travel costs and lower bonus costs compared to the fourth quarter of fiscal 2020. Profit and Adjusted EBITDA was also positively impacted by $0.1 million due to foreign exchange gains and losses compared to the fourth quarter of fiscal 2020. Profit was negatively impacted by $0.7 million due to income tax expense recognized in the first quarter of fiscal 2021 compared to the fourth quarter of fiscal 2020.

In the fourth quarter of fiscal 2020, Adjusted EBITDA was positively impacted by $0.4 million resulting from the implementation of International Financial Reporting Standard No. 16 – "Leases". See further discussion under New Accounting Standards adopted during the year in the consolidated financial statements for the year ended April 30, 2020.

In the third quarter of fiscal 2020, Adjusted EBITDA was positively impacted by $0.3 million resulting from the implementation of International Financial Reporting Standard No. 16 - "Leases". See further discussion under New Accounting Standards adopted during the year in the consolidated financial statements for the year ended April 30, 2020.

In the second quarter of fiscal 2020, the Company recorded a $0.2 million cost for the fair value of contingent consideration to be paid for Tecsys A/S. This change in the fair value of the contingent consideration resulted from strong financial performance of Tecsys A/S that increased contingent consideration expected to be paid to the sellers (the Earnout). The Earnout period ended on September 30, 2019 and is the only Earnout period associated with the acquisition. The above amount had a negative impact on Profit and no impact on Adjusted EBITDA as this item is excluded from Adjusted EBITDA. Adjusted EBITDA was positively impacted by a quarterly sequential improvement from OrderDynamics, which achieved slightly positive Adjusted EBITDA in the second quarter of fiscal 2020. Adjusted EBITDA was also positively impacted by $0.3 million resulting from the implementation of International Financial Reporting Standard No. 16 - "Leases". See further discussion under New Accounting Standards adopted during the year in the consolidated financial statements for the year ended April 30, 2020.

In the first quarter of fiscal 2020, the Company recorded $0.4 million of restructuring costs related to acquisition integration (primarily severance). This had a negative impact on Profit and no impact on Adjusted EBITDA as this item is excluded from Adjusted EBITDA. Adjusted EBITDA was positively impacted by $0.3 million resulting from the implementation of International Financial Reporting Standard No. 16 - "Leases". See further discussion under New Accounting Standards adopted during the year in the consolidated financial statements for the year ended April 30, 2020.

Liquidity and Capital Resources

On April 30, 2021, current assets totaled $75.8 million compared to $67.0 million at the end of fiscal 2020. This $8.8 million increase was driven by cash and cash equivalents combined with short-term investments which increased to $45.9 million from $37.5 million at the end of fiscal 2020.

Accounts receivable and work in progress totaled $17.0 million on April 30, 2021 compared to $19.3 million as at April 30, 2020. The decrease in accounts receivable and work in progress was impacted by strong cash collections during fiscal 2021 and was also influenced by the foreign exchange impact on U.S. dollar receivables. The closing rate for the U.S dollar decreased 13% from CA$ 1.3877 as at April 30, 2020 to CA$ 1.2292 as at April 30, 2021.

The Company's DSO[12] (days sales outstanding) was 47 days at the end of fiscal 2021 compared to 63 at the end of fiscal 2020.

Current liabilities on April 30, 2021 increased to $44.0 million compared to $42.9 million at the end of fiscal 2020 mainly due to an increase in deferred revenue from SaaS, partially offset by a decrease in other current liabilities associated with the payment of acquisition related holdbacks and acquired tax liabilities. Working capital (current assets less current liabilities) increased to $31.8 million as of April 30, 2021 in comparison to $24.1 million at the end of fiscal 2020. The increase is primarily due to an increase in combined cash and cash equivalents and short-term investments and decrease in other

[12] Refer to section at end of MD&A titled "Key Performance Indicators"

liabilities, partially offset by higher deferred revenue and lower accounts receivable.

The Company believes that funds on hand at April 30, 2021 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.

Cash from Operations

Operating activities generated $19.1 million of cash in fiscal 2021 in comparison to $10.0 million in fiscal 2020. Operating activities excluding changes in non-cash working capital items related to operations generated $12.8 million in fiscal 2021 and $7.3 million in fiscal 2020. The increase is primarily due to higher profitability compared to fiscal 2020.

Non-cash working capital items generated funds of $6.3 million in fiscal 2021 primarily due to a decreases in accounts receivable of $1.6 million, work in progress of $0.7 million, other receivables of $0.3 million and increases in deferred revenue of $5.9 million, partially offset by an increase in tax credits of $0.7 million, and increases in prepaid expenses and contract acquisition costs of $1.5 million.

Non-cash working capital items generated funds of $2.7 million in fiscal 2020 primarily due to increases in accounts receivable of $3.4 million, other receivables of $0.3 million and prepaid expenses and contract acquisition costs of $2.9 million, offset by increases in accounts payable and accrued liabilities of $7.3 million and deferred revenue of $1.9 million.

Financing Activities

Cash flows used in financing activities amounted to $7.1 million for fiscal 2021 in comparison to $15.9 million of cash flows generated from financing activities for fiscal 2020.

During fiscal 2021, financing activities related primarily to payments related to acquired tax liability, dividends, interest, lease obligations and long-term debt partially offset by proceeds from issuance of common shares from the exercise of stock options. During fiscal 2020, financing activities related primarily to proceeds from issuance of common shares, partially offset by payments related to dividends, interests, lease obligations and long-term debt.

In fiscal 2021, the Company paid $2.2 million to the Canada Revenue Agency relating to the acquired tax liability, which was part of the total consideration to acquire OrderDynamics. Refer to note 4 of the April 30, 2020 Annual Consolidated Financial Statements regarding the acquisition of OrderDynamics.

During fiscal 2021, the Company repaid $1.2 million of the long-term debt compared to $1.0 million for fiscal 2020.

During fiscal 2021, the Company declared quarterly dividends of $0.06 per share for the first two quarters and $0.065 per share for each of the following quarters for an aggregate of $3.6 million. During fiscal 2020, the Company declared quarterly dividends of $0.055 per share for the first two quarters and $0.06 per share for each of the following quarters for an aggregate of $3.0 million.

On April 28, 2020 (during fiscal 2020), the Company completed an offering of 1,333,333 common shares of the Company at the offering price of $17.25 per common share for aggregate gross proceeds of $23.0 million (the "Offering"). The Offering included a treasury offering of 1,159,420 shares by the Company and 173,913 common shares purchased by the underwriters pursuant to the exercise of their over-allotment option on April 28, 2020. The Offering was completed on a bought deal basis and was underwritten by a syndicate of 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 $1.7 million ($1.3 million net of taxes) have been recognized as a reduction of the proceeds, resulting in net total proceeds of $21.7 million.

Investing Activities

During fiscal 2021, investing activities used funds of $13.8 million in comparison to $13.2 million for fiscal 2020.

On May 1, 2020, the Company invested $10.0 million of the Offering proceeds in a guaranteed investment certificate ("GIC"). The GIC has a 31-day withdrawal notice requirement and the interest is automatically reinvested monthly. On April 28, 2020 (during fiscal 2020), the Company invested $10.0 million of the Offering proceeds in a GIC. The GIC is renewable at maturity.

During the third quarter of fiscal 2021, the Company paid $1.5 million of indemnification security (''Indemnification Holdback"), which was part of the total consideration to acquire OrderDynamics. At April 30, 2021, there is $0.5 million of remaining Indemnification Holdback. During the fourth quarter of fiscal 2021, the Company paid $0.7 million for the second and last instalment of Tecsys A/S Indemnification Holdback. During fiscal 2020, the Company paid $1.1 million related to the contingent payable earnout of Tecsys A/S. In fiscal 2020, the Company also paid $0.6 million for the first instalment on Tecsys A/S Indemnification Holdback.

The Company used funds of $1.5 million and $1.1 million for the acquisition of property and equipment and intangible assets in fiscal 2021 and fiscal 2020, respectively.

Additionally, the Company invested in its proprietary products with the capitalization of $0.3 million and $0.6 million reflected as deferred development costs in fiscal 2021 and fiscal 2020, respectively.

Commitments and Contractual Obligations

The Company has a lease agreement for its head office in Montreal, Quebec which expires on November 30, 2025 and has an option to extend for five additional years until November 30, 2030. 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 and has two options to extend for 5 additional years per option. The Company has a lease agreement for its office in Laval, Quebec. The lease term of ten years ends on February 28, 2026 and has an option to extend the lease for 5 years until February 28, 2031. The Company also has a lease agreement for its office in Denmark that terminates on December 31, 2026. These are the principal leases of the Company.

As at April 30, 2021, the principal commitments consist of operating leases, long-term debt and other obligations. The following table summarizes significant contractual obligations as at April 30, 2021.

The lease obligations represent the minimum lease payments for leases of office space and equipment recognized on the consolidated balance sheet as lease liabilities under IFRS 16.

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	9,616	1,216	8,400	-	-
Lease obligations	10,949	1,077	3,352	3,242	3,278
Other obligations	5,010	2,157	2,853	-	-
Accounts payable and accrued liabilities and other liabilities	19,917	19,917	-	-	-
Total Contractual Obligations	45,492	24,367	14,605	3,242	3,278

Other obligations include operating leases with terms of less than 12 months and other service contracts.

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 condition and other such factors as the Board of Directors, in its sole discretion, deems relevant.

During fiscal 2021, the Company declared a dividend of $0.06 per share on two occasions that were paid on August 7, 2020 and October 9, 2020 to shareholders of a record at the close of business on July 24, 2020 and September 25, 2020, respectively and declared a dividend of $0.065 per share on two other separate occasions that were paid on January 8, 2021 and April 8, 2021 to shareholders of record at the close of business on December 17, 2020 and March 18, 2021, respectively, for an aggregate of $3.6 million.

During fiscal 2020, the Company declared a dividend of $0.055 per share on two occasions that were paid on August 2, 2019 and October 4, 2019 to shareholders of a record at the close of business on July 19, 2019 and September 20, 2019, respectively and declared a dividend of $0.06 per share on two other separate occasions that were paid on January 10, 2020 and April 9, 2020 to shareholders of record at the close of business on December 19, 2019 and March 19, 2020, respectively, for an aggregate of $3.0 million.

Related Party Transactions

Under the provisions of the executive share purchase plan for key management and other management employees, the Company provided interest-free loans to key management and other management employees of $0.5 million ($0.7 million for the same period of fiscal 2020) to facilitate their purchase of the Company's common shares during fiscal 2021. As at April 30, 2021, loans outstanding amounted to $0.4 million (April 30, 2020 - $0.5 million).

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 June 29, 2021, the Company's Board of Directors declared a quarterly dividend of $0.065 per share to be paid on August 6, 2021 to shareholders of record on July 16, 2021.

Off-Balance Sheet Agreements

The Company was not involved in any off-balance sheet arrangements as at April 30, 2021 with the exception of variable payments related to operating leases and operating leases with terms of twelve months or less.

Current and Anticipated Impacts of Current Economic Conditions

Current overall economic conditions together with market uncertainty and volatility may have an adverse impact on the demand for the Company's products and services as industry may adjust quickly to exercise caution on capital spending. This uncertainty may impact the Company's revenue.

Based on ARR of $52.5 million and Professional Services backlog of $33.6 million as of April 30, 2021, the Company's management believes that quarterly services revenue (Cloud, Maintenance and Subscription revenue plus Professional Services revenue) ranging between $25.0 million and $26.0 million per quarter can be sustained in the short term.

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 SaaS and subscription-based licensing, hosting services, modular sales and implementations and enhanced payment terms to promote revenue growth. Management sees continued market appetite for SaaS. To the extent Tecsys' bookings continue to shift from perpetual license 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 currently derives approximately 65% 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 economic reality to the extent possible.

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.

COVID-19

On March 11, 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization, and has caused significant financial market and social dislocation. The Company continues to operate during the current pandemic. The Company is well-equipped to uphold comprehensive support and services for its end-to-end supply chain execution software through its multi-tiered customer care and support teams. Employees continue to work remotely and support Tecsys' customers and partners. Work that was historically done both on site and remotely through telephone and video conferencing, including progressing sales cycles and project implementations, is now supported remotely by its employees. To date, Tecsys' ability to continue to progress sales cycles, sign new orders and execute project implementations has not been affected materially by the pivot to remote work. That said, the second wave of COVID-19 appeared to have an impact on the timing of new customer deals. Tecsys' end market customer exposure is diverse encompassing a wide range of industries including healthcare, complex distribution and, to a lesser extent, retail. While Tecsys anticipates that some client projects may be postponed or delayed during the pandemic, other client projects are starting up. Based on current activity and considering the Company's significant project backlog, Tecsys believes that this pandemic is not having a material adverse impact on its operating results. Moreover, Tecsys is not currently experiencing or anticipating any material credit losses as a result of the pandemic. Finally, Tecsys does not currently foresee any material adverse impact on the carrying amounts of its intangible assets, including customer relationships and technology, or on the carrying amount of goodwill, as a result of the pandemic.

The Company will continue to monitor developments of the pandemic and continuously assess the pandemic's potential further impact on Tecsys' operations and business. The situation is dynamic, and the ultimate duration and magnitude of the impact of the pandemic on the economy and the financial effect on Tecsys' operations and business are not known at this time. In developing estimates for the year ended April 30, 2021, management determined that COVID-19 has minimal impact on key assumptions. However, because of the uncertainty that exists, it is not possible to reliably estimate the impact that these developments will have on the Company's financial results, condition and cash flow.

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, short-term investments 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 assets and liabilities measured at their fair value. As such, the fair value of all outstanding foreign exchange contracts representing a $1.7 million gain was recorded in other accounts receivable at April 30, 2021 (April 30, 2020 - $0.3 million net gain was recorded as $0.7 million in accounts payable and accrued liabilities and $1.0 million in other accounts receivable).

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.

The Company's hedging strategy is practiced on two fronts. Firstly, the Company enters into forward exchange contracts to hedge some portion of its highly probable future revenue denominated in U.S. dollars over the coming year 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 analyzing 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, short-term investments and other receivables. The Company's cash and cash equivalents are maintained at major financial institutions. The Company manages its credit risk on investments by dealing only with major Canadian banks and investing only in instruments that management believes have high credit ratings. Given these high credit ratings, the Company does not expect any counterparties to these investments to fail to meet their obligations.

As at April 30, 2021 two customers individually accounted for greater than 10% of total accounts receivable and work in progress (April 30, 2020 – no customers were individually greater than 10%). 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. As discussed in the COVID-19 section of the MD&A, the Company is not currently experiencing or anticipating any material credit losses as a result of the COVID-19 pandemic.

Refer to note 21 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 June 29, 2021, the Company has 14,505,095 common shares outstanding. The Company issued 88,552 shares on the exercise of stock options in fiscal 2021.

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.

Critical accounting judgements and key sources of estimation uncertainty

The preparation of the consolidated financial statements in accordance with IFRS requires management to make estimates, assumptions, and judgments that affect the application of accounting policies and the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities and recognized amounts of revenue and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

The following are the critical judgements, apart from those involving estimations, that management has made in the process of applying the Company's accounting policies and that the Company believes could have the most significant impact on reported amounts.

Impairment of assets:

The Company assesses whether there are any indicators of impairment of assets at each reporting period date. In addition, the Company is required 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. Management applies judgement in assessing and identifying each CGU.

Key sources of estimation uncertainty

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– Determination of distinct performance obligations and stand-alone selling prices:

Revenue recognition, particularly in bundled arrangements which may include licenses, professional services, maintenance services and subscription services, requires judgment in identifying performance obligations and allocating revenue to each performance obligation 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 each distinct performance obligation impacts the amount and timing of revenue recognition.

(ii) 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.

(iii) Impairment of assets:

Impairment assessments are based on internal estimates of the recoverable amount of a CGU. This determination requires significant estimates in a variety of areas including cash flows projected based on past experience, actual operating results and future projections, as well as the calculation of discount rates. The Company documents and supports all assumptions made to determine 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.

New standards and interpretations not yet adopted:

A number of new standards, interpretations and amendments to existing standards were issued by the IASB that are not yet effective for the period ended April 30, 2021 and have not been applied in preparing these consolidated financial statements.

The following standards or amendments are currently being assessed by the Company:

Standard	Issue date	Effective date for the Company	Impact
IAS 37, Provisions, Contingent Liabilities and Contingent Assets	May 2020	May 1, 2022	In assessment
IAS 1, Presentation of Financial Statements	January 2020, July 2020 and February 2021	May 1, 2023	In assessment
IAS 8, Definition of Accounting Estimates	February 2021	May 1, 2023	In assessment

IAS 37, Provisions, Contingent Liabilities and Contingent Assets:

In May 2020, the IASB issued *Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)* amending the standard regarding costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous. The changes in *Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)* clarify that the "cost of fulfilling" a contract comprises both the incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts. The amendments to IAS 37 are effective for annual reporting periods beginning on or after January 1, 2022. Earlier application is permitted. The Company is currently assessing the impact of the amendments.

IAS 1, Presentation of Financial Statements:

In January 2020, the IASB issued *Classification of Liabilities as Current or Non-current (Amendments to IAS 1)* which provides a general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments in *Classification of Liabilities as Current or Non-current (Amendments to IAS 1)* affect only the presentation of liabilities in the statement of financial position, not the amount or timing of recognition of any asset, liability income or expenses, or the information that entities disclose about those items. In July 2020, the IASB published *Classification of Liabilities as Current or Non-current – Deferral of Effective Date (Amendment to IAS 1)* deferring the effective date of the January 2020 amendments to IAS 1 by one year.

In February 2021 the IASB issued *Disclosure Initiative – Accounting Policies (Amendments to IAS 1 and IFRS Practice Statements 2 Making Materiality Judgements)* which provides guidance on accounting policy disclosure. The amendments in the *Disclosure Initiative – Accounting Policies (Amendments to IAS 1 and IFRS Practice Statements 2 Making Materiality Judgements)* require companies to disclose their material accounting policies rather than their significant accounting policies. In addition, the amendments clarify that accounting policies related to immaterial transactions or events or conditions do not need to be disclosed, and also that not all accounting policies that relate to material transactions, or events or conditions are themselves material to a company's financial statements.

Both amendments to IAS 1 are effective for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted. The Company is currently assessing the impact of the amendments.

IAS 8, Definition of Accounting Estimates:

In February 2021, the IASB issued *Definition of Accounting Estimates (Amendments to IAS 8)* clarifies the relationship between accounting policies and accounting estimates, by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy. The amendments to IAS 8 are effective for annual reporting periods beginning on or after January 1, 2023. Earlier adoption is permitted. The Company is currently assessing the impact of the amendments.

Risks and Uncertainties

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

The Company recognized net profits from fiscal 2008 to fiscal 2018, incurred a net loss in fiscal 2019 and then recognized profit in fiscal 2020 and fiscal 2021. The Company continuously adjusts its operating model for long term profitability. However, there can be no assurance that the Company will achieve or sustain profitability in the future. As of April 30, 2021, the Company had retained earnings of $12.4 million. The Company's 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 Company 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 Company has achieved or may achieve may not be indicative of future operating results. In addition, the Company 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 Company's business, results of operations and financial condition would be materially adversely affected.

The Company's operations could be adversely affected by events outside of its control, such as natural disasters, wars or health epidemics.

The Company may be impacted by business interruptions resulting from pandemics and public health emergencies, including those related to COVID-19 pandemic, geopolitical actions, including war and terrorism or natural disasters including earthquakes, typhoons, floods and fires. COVID-19 has had disruptive effects on the global economy and such impact and increased uncertainty has increased volatility in worldwide financial markets. Although the full extent of the impact of the outbreak is uncertain, increased or prolonged economic disruption as a result of the pandemic may have an adverse impact on the Company's results of operations or financial condition. A prolonged disruption may in the future impact the Company's ability to sign new orders and execute project implementations. This may have a material adverse impact on the Company's ability to maintain operating cash flow and collect trade receivables. It may also have a materially adverse impact on the recoverability of the Company's long-term non-financial assets, including intangible assets and goodwill.

If the Company 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 Company 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 Company 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 Company offers certain of its solutions as Software as a Service ("SaaS") which will negatively impact revenue and earnings in the transition period. The Company 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 Company's software within a cloud-based environment that it provides and manages over a specified period of time. The Company 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. SaaS revenue is recognized ratably over the term of the SaaS arrangement whereas on-premise license revenue is generally recognized upon purchase. Because of this difference in revenue recognition timing, an increase in the mix of SaaS sales is expected to result in declining on-premise perpetual license sales, and this would have a negative short-term impact on revenue and profit.

Fluctuations in quarterly results may fail to meet the expectations of investors or security analyst which could cause the Company's share price to decline.

The Company's quarterly operating results have in the past, and will in the future, fluctuate significantly, depending on factors such as the demand for the Company'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 Company and its competitors, the ability of the Company 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 Company'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 Company'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 Company'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 could be significant variations in the Company's quarterly operating results.

Lengthy sales and implementation cycle could have an adverse effect on the amount, timing and predictability of the Company's revenue.

The sale and implementation of the Company's products generally involves a significant commitment of resources by prospective customers. As a result, the Company's sales process is often subject to delays associated with lengthy approval processes attendant to significant expenditures. For these and other reasons, the sales cycle associated with the signing of new sales agreements for the Company's products varies substantially from customer to customer and typically lasts between six and twelve months. During this time, the Company 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 Company.

If the Company encounters defects, delays or interruptions in its SaaS, the demand for these services could diminish, and the Company could incur significant liability. The Company currently utilizes data center hosting facilities and cloud computer 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 Company's customers. This could result in unanticipated downtime for the Company's customers, and in turn, its reputation and business could be adversely affected. In addition, if the Company'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 Company's SaaS solutions occur, customers could elect to cancel their service, delay or withhold payment to the Company, not purchase from the Company 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 Company 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 Company'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 Company 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 Company 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 Company 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 Company'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 Company 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 Company'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 Company 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 Company will be successful in these efforts.

The markets in which the Company 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 Company 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 Company'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 Company's products or achieve greater market acceptance due to pricing, sales channels or other factors.

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

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

The Company 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 Company may not be able to retain or recruit needed personnel. If the Company 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 Company'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 Company's strategy includes pursuing acquisitions and its potential inability to successfully integrate newly-acquired companies or business may adversely affect its financial results.

The Company 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 Company's business, results of operations and financial condition.

Risk of software defects could adversely affect the Company's business.

Software products as complex as those offered by the Company frequently contain errors or defects, especially when first introduced or when new versions or enhancements are released. Despite product testing, the Company 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 Company regularly introduces new releases and periodically introduces new versions of its software. There can be no assurance that, despite testing by the Company 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 Company 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 Company'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 Company's rights. This could materially and adversely affect the Company's business, operating results and financial condition.

Risk of third-party claims for infringement

The Company 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 Company or its licensees with respect to current or future products. The Company expects that software developers will increasingly be subject to such claims as the number of products and competitors in the Company's industry segment grows and as functionality of products in different industry segments overlaps.

Reliance on third-party software

The Company 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 Company 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 Company'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 Company'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 Company may realize from its products and services and may directly impact results of operations. From time to time, the Company may take steps to manage such risk by engaging in exchange rate hedging activities; however, there can be no assurance that the Company will be successful in such hedging activities. The Company also has an operating subsidiary in Denmark. Significant fluctuations between the Danish krone and the Canadian dollar may have an impact on the Company's operating results.

The Company 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 Company 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 Company 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 and its Chief Financial Officer 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, 2021.

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, 2021. 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.

For the period beginning on February 1, 2021 and ending on April 30, 2021 there have been no changes in the Company's internal controls over financial reporting that could have materially affected or is reasonably likely to materially affect the Company's internal controls over financial reporting.

Forward-Looking Information

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

Such forward-looking information that is not historical fact, including statements based on management's belief and assumptions, cannot be considered as guarantees of future performance. They are subject to a number of risks and uncertainties, including but not limited to future economic conditions, the markets that the Company serves, the actions of competitors, major new technological trends, and other factors, many of which are beyond the Company's control, that could cause actual results to differ materially from those that are disclosed in or implied by such forward-looking information. The Company undertakes no obligation to update publicly any forward-looking information whether as a result of new information, future events or otherwise other than as required by applicable legislation. 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 rates; (xviii) technology and regulatory changes; (xix) internal information technology infrastructure and applications, (xx) cyber security and (xxi) expected impact of COVID-19 on the Company's future operations and performance.

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, 2021 and 2020. The auditors have free and full access to internal records, to management and to the Audit Committee.

Peter Brereton
President and CEO
June 29, 2021

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, 2021 and April 30, 2020;
- the consolidated statements of income and other 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, 2021 and April 30, 2020, 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended April 30, 2021. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matter described below to be the key audit matter to be communicated in our auditors' report.

Revenue Recognition - Determination of distinct performance obligations and stand-alone selling prices

Description of the matter

We draw attention to the Notes 2(d) (i) and 3(n) to the financial statements. The Entity enters into bundled arrangements with customers that may include license, professional services, maintenance services and subscription services. Judgment is required by the Entity to identify the various distinct performance obligations and to allocate the contractual transaction price to each distinct performance obligation based on the stand-alone selling prices.

Why the matter is a key audit matter

We identified the determination of distinct performance obligations and the allocation of the contractual transaction price based on the stand-alone selling prices as a key audit matter. Significant auditor judgment was required to evaluate the Entity's significant judgments of whether the license, professional services, maintenance services and subscription services are distinct and what the stand-alone selling price was. There was significant auditor effort, involving more senior professionals, required to address this matter.

How the matter was addressed in the audit

For a selection of contracts with customers, the primary procedures we performed to address this key audit matter included the following:

- We assessed the Entity's determination of each distinct performance obligation in each bundle arrangement by examining the contract source documents; and
- We evaluated the methodology used to determine the stand-alone selling price of certain elements of the bundled services by comparing it to historical pricing patterns in comparable customer contracts.

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 "Annual Report 2021".

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 the 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 "Annual Report 2021" is expected to be 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, 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.

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.

- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG LLP*

The engagement partner on the audit resulting in this auditors' report is Aaron Fima.

Montréal, Canada
June 29, 2021

*CPA auditor, CA, public accountancy permit No. A125211

Tecsys Inc.

Consolidated Statements of Financial Position

(in thousands of Canadian dollars)

	Note	April 30, 2021	April 30, 2020
Assets			
Current assets			
Cash and cash equivalents		$ 25,752	$ 27,528
Short-term investments	4	20,100	10,000
Accounts receivable		16,840	18,434
Work in progress		182	837
Other receivables	20, 21	2,034	1,633
Tax credits	5	5,359	4,162
Inventory	6	628	634
Prepaid expenses	9	4,897	3,778
Total current assets		75,792	67,006
Non-current assets			
Other long-term receivables		303	350
Tax credits	5	3,904	4,624
Property and equipment	7	2,682	2,823
Right-of-use assets	8	7,245	8,234
Contract acquisition costs	9	2,678	2,324
Deferred development costs	10	1,088	1,103
Other intangible assets	10	12,194	13,401
Goodwill	10	17,417	17,540
Deferred tax assets	16	6,006	7,028
Total non-current assets		53,517	57,427
Total assets		$ 129,309	$ 124,433
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	13	$ 19,417	$ 19,933
Deferred revenue		22,044	16,163
Current portion of long-term debt	11	1,216	1,231
Other current liabilities	13	500	4,670
Lease obligations	12	848	922
Total current liabilities		44,025	42,919
Non-current liabilities			
Long-term debt	11	8,400	9,600
Deferred tax liabilities	16	1,499	1,638
Lease obligations	12	8,295	9,157
Total non-current liabilities		18,194	20,395
Total liabilities		62,219	63,314
Contingencies and other commitments	19		
Equity			
Share capital	14	42,700	40,901
Contributed surplus		11,745	10,964
Retained earnings		12,419	8,838
Accumulated other comprehensive income	21	226	416
Total equity attributable to the owners of the Company		67,090	61,119
Total liabilities and equity		$ 129,309	$ 124,433

Approved by the Board of Directors

_________________________ Director   _________________________ Director

See accompanying notes to the consolidated financial statements.

Tecsys Inc.

Consolidated Statements of Income and Comprehensive Income

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

Years ended April 30,	Note	2021	2020
Revenue:			
Proprietary products		$ 5,229	$ 5,384
Third-party products		17,463	15,885
Cloud, maintenance and subscription	15	52,879	41,058
Professional services		47,375	40,616
Reimbursable expenses		155	1,912
Total revenue		123,101	104,855
Cost of revenue:			
Products		14,355	12,780
Services		47,961	39,845
Reimbursable expenses		155	1,912
Total cost of revenue		62,471	54,537
Gross profit		60,630	50,318
Operating expenses:			
Sales and marketing		20,985	20,134
General and administration		10,396	9,821
Research and development, net of tax credits	5	18,568	15,235
Restructuring costs	24	-	420
Total operating expenses		49,949	45,610
Profit from operations		10,681	4,708
Net finance costs	18	324	1,128
Profit before income taxes		10,357	3,580
Income tax expense	16	3,169	1,234
Net profit, attributable to the owners of the Company		$ 7,188	$ 2,346
Other comprehensive income (loss):			
Effective portion of changes in fair value on designated revenue hedges	21	(77)	696
Exchange differences on translation of foreign operations	21	(113)	(73)
Comprehensive income, attributable to the owners of the Company		$ 6,998	$ 2,969
Basic earnings per common share	14	$ 0.50	$ 0.18
Diluted earnings per common share	14	$ 0.49	$ 0.18

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	2021	2020
Cash flows from operating activities:			
Net profit		$ 7,188	$ 2,346
Adjustments for:			
Depreciation of property and equipment and right-of-use assets	7, 8	2,180	2,005
Amortization of deferred development costs	10	269	536
Amortization of other intangible assets	10	1,663	1,530
Net finance costs	18	324	1,128
Unrealized foreign exchange and other		(1,130)	(245)
Non-refundable tax credits		(1,395)	(1,398)
Stock-based compensation	14	1,138	1,024
Income taxes		2,545	399
Net cash from operating activities excluding changes in non-cash working capital items related to operations		12,782	7,325
Accounts receivable		1,552	(3,434)
Work in progress		652	(27)
Other receivables		289	(315)
Tax credits		(724)	103
Inventory		5	38
Prepaid expenses		(1,120)	(1,089)
Contract acquisition costs		(354)	(1,788)
Accounts payable and accrued liabilities		137	7,285
Deferred revenue		5,894	1,908
Changes in non-cash working capital items related to operations		6,331	2,681
Net cash from operating activities		19,113	10,006
Cash flows from financing activities:			
Repayment of long-term debt	11	(1,215)	(1,018)
Payment of lease obligations	12	(929)	(993)
Issuance of common shares, net of transaction costs of $1,281	14	-	21,719
Payment of dividends	14	(3,607)	(3,009)
Deferred payment related to business acquisition	13	(2,191)	-
Issuance of common shares on exercise of stock options	14	1,442	12
Interest paid		(638)	(854)
Net cash (used in) from financing activities		(7,138)	15,857
Cash flows from investing activities:			
Purchase of short-term investments	4	(10,000)	(10,000)
Interest received	18	174	74
Acquisitions of property and equipment	7	(962)	(934)
Acquisitions of other intangible assets	10	(569)	(196)
Deferred development costs	10	(254)	(575)
Payments related to prior business acquisitions	13	(2,140)	(1,617)
Net cash used in investing activities		(13,751)	(13,248)
Net (decrease) increase in cash and cash equivalents during the year		(1,776)	12,615
Cash and cash equivalents - beginning of year		27,528	14,913
Cash and cash equivalents - end of year		$ 25,752	$ 27,528
Supplemental cash flow information:			
Purchase of property and equipment included in accounts payable and accrued liabilities		$ 95	$ 133
Right-of-use assets additions		$ -	$ 863
Deferred tax asset recognized in share capital related to transaction fees		$ -	$ 449
Transaction costs included in accounts payable and accrued liabilities related to issuance of common shares		$ -	$ 426

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			Accumulated other comprehensive income (loss)		
	Note	Number	Amount	Contributed surplus		Retained earnings	Total
Balance, May 1, 2020		14,416,543	$ 40,901	$ 10,964	$ 416	$ 8,838	$ 61,119
Net profit		-	-	-	-	7,188	7,188
Other comprehensive income:							
Effective portion of changes in fair value on designated revenue hedges	21	-	-	-	(77)	-	(77)
Exchange difference on translation of foreign operations	21	-	-	-	(113)	-	(113)
Total comprehensive income		-	-	-	(190)	7,188	6,998
Stock-based compensation	14	-	-	1,138	-	-	1,138
Dividends to equity owners	14	-	-	-	-	(3,607)	(3,607)
Share options exercised	14	88,552	1,799	(357)	-	-	1,442
Total transactions with owners of the Company		88,552	1,799	781	-	(3,607)	(1,027)
Balance, April 30, 2021		14,505,095	$ 42,700	$ 11,745	$ 226	$ 12,419	$ 67,090
Balance, May 1, 2019		13,082,376	$ 19,144	$ 9,943	$ (207)	$ 9,501	$ 38,381
Net profit		-	-	-	-	2,346	2,346
Other comprehensive income:							
Effective portion of changes in fair value on designated revenue hedges		-	-	-	696	-	696
Exchange difference on translation of foreign operations		-	-	-	(73)	-	(73)
Total comprehensive income		-	-	-	623	2,346	2,969
Dividends to equity owners		-	-	-	-	(3,009)	(3,009)
Stock-based compensation		-	-	1,024	-	-	1,024
Share options exercised		834	15	(3)	-	-	12
Common shares issued under bought deal financing, net of share issue costs of $1,707 and deferred taxes of $449		1,333,333	21,742	-	-	-	21,742
Total transactions with owners of the Company		1,334,167	21,757	1,021	-	(3,009)	19,769
Balance, April 30, 2020		14,416,543	$ 40,901	$ 10,964	$ 416	$ 8,838	$ 61,119

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 sells its software primarily on a subscription basis as Software as a Service and also on a perpetual license basis with recurring support. 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, 2021 were authorized for issuance by the Board of Directors on June 29, 2021.

(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;
- Identifiable assets acquired and liabilities assumed in connection with a business combination which are initially measured at fair value at the acquisition date;
- Share based compensation arrangements which are measured in accordance with IFRS 2, Share Based Payment; and
- Lease liabilities which are measured at the present value of minimum lease liabilities in accordance with IFRS 16, Leases.

(c) Functional and presentation currency:

The consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Company, and amounts are rounded to the nearest thousand ($000) except when otherwise indicated.

(d) Critical accounting judgements and key sources of estimation uncertainty:

The preparation of the consolidated financial statements in accordance with IFRS requires management to make estimates, assumptions, and judgments that affect the application of accounting policies and the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities and revenue and expenses. 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 may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements, apart from those involving estimations, that management has made in the process of applying the Company's accounting policies and that the Company believes could have the most significant impact on reported amounts.

2. Basis of preparation (continued):

(d) Critical accounting judgements and key sources of estimation uncertainty (continued):

Impairment of assets:

The Company assesses whether there are any indicators of impairment of assets at each reporting period date. In addition, the Company is required 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. Management applies judgement in assessing and identifying each CGU.

Key sources of estimation uncertainty

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 – Determination of distinct performance obligations and stand-alone selling prices:

Revenue recognition, particularly in bundled arrangements which may include licenses, professional services, maintenance services and subscription services, requires judgment in identifying performance obligations and allocating revenue to each performance obligation 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 each distinct performance obligation impacts the amount and timing of revenue recognition.

(ii) 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.

(iii) Impairment of assets:

Impairment assessments are based on internal estimates of the recoverable amount of a CGU. This determination requires significant estimates in a variety of areas including cash flows projected based on past experience, actual operating results and future projections, as well as the calculation of discount rates. The Company documents and supports all assumptions made to determine 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.

COVID-19:

On March 11, 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization, which is causing significant financial market and social dislocation. The Company continues to operate during the current pandemic. The Company is well-equipped to uphold comprehensive support and services for its end- to-end supply chain execution software through its multi-tiered customer care and support teams. Employees continue to work remotely and support Tecsys' customers and partners. Work that was historically done both on site and remotely through telephone and video conferencing, including progressing sales cycles and execute project implementations, is now supported remotely by its employees. To date, Tecsys' ability to continue to process sales cycles and execute project implementations has not been affected materially by the pivot to remote work.

2. Basis of preparation (continued):

(d) Critical accounting judgements and key sources of estimation uncertainty (continued):

COVID-19 (continued):

That said, continuing travel restrictions during fiscal 2021 and subsequent waves of COVID-19 appeared to have an impact on the timing of new customer deals. Tecsys' end market customer exposure is diverse encompassing a wide range of industries including healthcare, complex distribution and, to a lesser extent, retail. While Tecsys anticipates that some client projects may be postponed or delayed during the pandemic, other client projects are starting up and continue to advance. Based on current activity and considering the Company's significant project backlog, Tecsys believes that this pandemic is not having any material adverse impact on its operating results. Moreover, Tecsys is not currently experiencing or anticipating any material credit losses as a result of the pandemic. Finally, Tecsys does not currently foresee any material adverse impact on the carrying amounts of its intangible assets, including customer relationships and technology, or on the carrying amount of goodwill, as a result of the pandemic.

The Company will continue to monitor developments of the pandemic and continuously assess the pandemic's potential further impact on Tecsys' operations and business. The situation is dynamic, and the ultimate duration and magnitude of the impact of the pandemic on the economy and the financial effect on Tecsys' operations and business are not known at this time. In developing estimates for the year ended April 30, 2021, management determined that COVID-19 has minimal impact on key assumptions. However, because of the uncertainty that exists, it is not possible to reliably estimate the impact that these developments will have on the Company's financial results, conditions and cash flows.

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) 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
Tecsys Denmark Holding ApS	Denmark
Tecsys A/S	Denmark

(ii) Transactions eliminated on consolidation:

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

3. Significant accounting policies (continued):

(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 (loss).

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 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) 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.

3. Significant accounting policies (continued):

(c) Financial instruments (continued)

(i) Financial assets measured at amortized cost:

A financial asset is subsequently measured at amortized cost, using the effective interest method except for short-term receivables where the interest revenue would be immaterial, 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, short-term investments, 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. The Company measures derivative financial instruments at fair value.

(iii) Financial liabilities measured at amortized cost:

A financial liability is subsequently measured at amortized cost, using the effective interest method. The Company currently classifies accounts payable and accrued liabilities (excluding derivative financial instruments designated as effective hedging instruments 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 is 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 is 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.

3. Significant accounting policies (continued):

(c) Financial instruments (continued):

(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 (loss). The amounts in accumulated other comprehensive income (loss) 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 (loss) up until the time the contracts do not qualify for hedge accounting remain in accumulated other comprehensive income (loss) until the hedged future cash flows occur if they are still expected to occur.

However, if the amount in accumulated other comprehensive income (loss) 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 (loss) shall be immediately reclassified to profit. Amounts recognized in accumulated other comprehensive income (loss) 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:

i. 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and

ii. 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:

3. Significant accounting policies (continued):

(c) Financial instruments (continued):

(vii) Impairment of financial assets (continued):

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).

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.

3. Significant accounting policies (continued):

(d) 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) Short-term investments:

Short-term investments consist of a simple interest guaranteed income certificate held with a Schedule 1 Canadian bank. Investments are measured at amortized cost. The carrying amount of investments approximates fair market value due to the short-term maturity of these instruments.

(f) 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.

(g) 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.

(h) Intangible assets:

(i) Goodwill:

Goodwill arising on an acquisition of a business is carried at cost as established at the date of the acquisition of the business less accumulated impairment loss, if any.

3. Significant accounting policies (continued):

(h) Intangible assets (continued):

(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.

(i) 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.

3. Significant accounting policies (continued):

(i) Impairment of non-financial assets (continued):

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.

(j) 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.

(k) 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. This includes provisions for onerous contracts, litigation and contingencies.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding 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.

(l) Leases:

At the inception of the contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date.

3. Significant accounting policies (continued):

(l) Leases (continued):

The right- of-use is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of- use asset or the end of the lease term. The lease term includes periods covered by an option to extend if the Company is reasonably certain to exercise that option. Lease terms range from 5 to 21 years for offices and 3 to 6 years for data centers, equipment and vehicles.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the lessee's incremental borrowing rate. Lease payments used for the calculations comprise mainly fixed payments and variable lease payments that depend on an index or a rate, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease. The lease liability is subsequently measured at amortized cost using the effective interest method and is remeasured to reflect changes in the lease payments.

The Company has elected to apply the practical expedient not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low value assets. The lease payments associated with these leases are recognized as an expense on a straight-line basis over the lease term.

(m) 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 (loss).

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.

(n) Revenue recognition:

The Company's revenue consists of fees from software as a service ("SaaS"), sale of proprietary software licenses, third-party software, customer support services, and Cloud subscriptions, fees from implementation services such as training, installation, consulting as well as fees from sale of hardware.

3. Significant accounting policies (continued):

(n) Revenue recognition (continued):

Revenues generated by the Company include the following:

(i) SaaS:

The Company generates revenue from proprietary software under a Software as a Service (SaaS) model. Under SaaS agreements, our customers have the right to access a cloud-based environment that we provide and manage, the right to receive support and to use the software, however the customer does not have the right to take possession of the software. SaaS revenue is typically recognized over the term of the related contracts. Certain SaaS contracts have variable fees that are recognized based on transaction volumes.

(ii) 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 delivery or when the Company has completed its contractual obligations.

(iii) Maintenance and 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. Maintenance service revenue related to hardware products that is serviced by a third-party is recognized upon delivery of the product when the estimated cost of providing support during the arrangement is deemed insignificant.

(iv) Professional services:

Professional services include consulting and training services provided to customers. Revenues from such services are recognized as the services are performed.

(v) Reimbursable expenses:

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

(vi) Bundled arrangements:

Some of the Company's sales involve bundled arrangements that include products (software and/or hardware), SaaS, 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.

3. Significant accounting policies (continued):

(n) Revenue recognition (continued):

(vii) 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.

(viii) Work in progress and deferred revenue:

The Company recognizes amounts as revenue in excess of billings as work in progress. The Company has deferred revenue for amounts billed in accordance with customer contracts for which the service associated with these revenues have not yet been rendered. Revenues on these services are recorded once the service or contract terms have been met and the services have been delivered.

(o) 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. Obligations for contributions to defined contribution plans are recognized as an employee benefit expense when earned by the employee.

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.

(p) Share-based payment arrangements:

The Company measures stock options granted to employees and directors that vest in specified installments over the service period based on the fair value of each tranche on the grant date by using the Black-Scholes option-pricing model. Each tranche of an award is considered a separate award with its own vesting period. Based on the Company's estimate of equity instruments that will eventually vest, a compensation expense is recognized over the vesting period applicable to the tranche with a corresponding increase to contributed surplus. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 14.

At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment in contributed surplus. When the stock options are exercised, share capital is credited by the sum of the consideration paid and the related portion previously recorded in contributed surplus.

(q) 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.

3. Significant accounting policies (continued):

(q) Finance income and finance costs (continued):

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.

(r) 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.

(s) 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.

(t) 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 standards and interpretations not yet adopted:

A number of new standards, interpretations and amendments to existing standards were issued by the IASB that are not yet effective for the period ended April 30, 2021 and have not been applied in preparing these consolidated financial statements.

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

3. Significant accounting policies (continued):

New standards and interpretations not yet adopted (continued):

The following standards or amendments are currently being assessed by the Company:

Standard	Issue date	Effective date for the Company	Impact
IAS 37, Provisions, Contingent Liabilities and Contingent Assets	May 2020	May 1, 2022	In assessment
IAS 1, Presentation of Financial Statements	January 2020, July 2020 and February 2021	May 1, 2023	In assessment
IAS 8, Definition of Accounting Estimates	February 2021	May 1, 2023	In assessment

IAS 37, Provisions, Contingent Liabilities and Contingent Assets:

In May 2020, the IASB issued *Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)* amending the standard regarding costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous. The changes in *Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)* clarify that the "cost of fulfilling" a contract comprises both the incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts. The amendments to IAS 37 are effective for annual reporting periods beginning on or after January 1, 2022. Earlier application is permitted. The Company is currently assessing the impact of the amendments.

IAS 1, Presentation of Financial Statements:

In January 2020, the IASB issued *Classification of Liabilities as Current or Non-current (Amendments to IAS 1)* which provides a general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments in *Classification of Liabilities as Current or Non-current (Amendments to IAS 1)* affect only the presentation of liabilities in the statement of financial position, not the amount or timing of recognition of any asset, liability income or expenses, or the information that entities disclose about those items. In July 2020, the IASB published *Classification of Liabilities as Current or Non-current – Deferral of Effective Date (Amendment to IAS 1)* deferring the effective date of the January 2020 amendments to IAS 1 by one year.

In February 2021 the IASB issued *Disclosure Initiative – Accounting Policies (Amendments to IAS 1 and IFRS Practice Statements 2 Making Materiality Judgements)* which provides guidance on accounting policy disclosure. The amendments in the *Disclosure Initiative – Accounting Policies (Amendments to IAS 1 and IFRS Practice Statements 2 Making Materiality Judgements)* require companies to disclose their material accounting policies rather than their significant accounting policies. In addition, the amendments clarify that accounting policies related to immaterial transactions or events or conditions do not need to be disclosed, and also that not all accounting policies that relate to material transactions, or events or conditions are themselves material to a company's financial statements.

Both amendments to IAS 1 are effective for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted. The Company is currently assessing the impact of the amendments.

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

3. Significant accounting policies (continued):

New standards and interpretations not yet adopted (continued):

IAS 8, Definition of Accounting Estimates:

In February 2021, the IASB issued *Definition of Accounting Estimates (Amendments to IAS 8)* clarifies the relationship between accounting policies and accounting estimates, by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy. The amendments to IAS 8 are effective for annual reporting periods beginning on or after January 1, 2023. Earlier adoption is permitted. The Company is currently assessing the impact of the amendments.

4. Short-term investments:

	2021	2020
Beginning balance	$ 10,000	$10,000
Additions	10,000	-
Interest on short-term investments	100	-
Ending Balance	$20,100	$10,000

On April 28, 2020, the Company invested $10,000 in a 30-day simple-interest GIC. The GIC is renewable at maturity.

On May 1, 2020, the Company invested $10,000 in GIC. The GIC has a 31-day withdrawal notice requirement and the interest is automatically reinvested monthly.

5. Government assistance (Tax credits):

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 also eligible to receive a Provincial 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 and maximum annual non-refundable tax credit of $5 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.

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

5. Government assistance (Tax credits) (continued):

The following table presents the tax credits for the Company:

	SRED Canadian Federal non-refundable tax credits	SRED Provincial non-refundable tax credits	E-business refundable tax credits	E-business non-refundable tax credits	Total
Balance, April 30, 2019	$ 5,672	$ 116	$ 2,529	$ 436	$ 8,753
Tax credits received or utilized against income tax expense	(708)	(30)	(2,388)	(374)	(3,500)
Adjustments to prior year's credits	185	(86)	(141)	(149)	(191)
Recognition of tax credit	460	20	2,607	637	3,724
Balance, April 30, 2020	$ 5,609	$ 20	$ 2,607	$ 550	$ 8,786
Presented as:					
Current					
Tax credits	$ 985	$ 20	$ 2,607	$ 550	$ 4,162
Non-current					
Tax credits	$ 4,624	$ -	$ -	$ -	$ 4,624
Tax credits received or utilized against income tax expense	(1,250)	(20)	(2,635)	(453)	(4,358)
Adjustments to prior year's credits	(52)	-	28	17	(7)
Recognition of tax credit	552	20	3,412	858	4,842
Balance, April 30, 2021	$ 4,859	$ 20	$ 3,412	$ 972	$ 9,263
Presented as:					
Current					
Tax credits	$ 955	$ 20	$ 3,412	$ 972	$ 5,359
Non-current					
Tax credits	$ 3,904	$ -	$ -	$ -	$ 3,904

The amounts recorded as receivable or recoverable 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.

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

5. Government assistance (Tax credits) (continued):

As at April 30, 2021, the Company has non-refundable research and development tax credits totaling approximately $4,859 (April 30, 2020 - $5,609) for Canadian Federal 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
2022	$ 51
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	507
2040	583
2041	500
	$ 4,859

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

	2021	2020
Federal non-refundable research and development tax credits	$ 552	$ 460
Provincial refundable research and development tax credits	20	20
E-business refundable tax credits for research and development employees	1,418	1,095
E-business non-refundable tax credits for research and development employees	361	367
Adjustments to prior year's credits	(52)	99
Total research and development tax credits	2,299	2,041
E-business refundable tax credits for other employees	1,994	1,361
E-business non-refundable tax credits for other employees	497	421
Adjustments to prior year's credits	45	(290)
Tax credits recognized in the year	$ 4,835	$ 3,533

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

6. Inventory:

	2021	2020
Finished goods	$ 404	$ 475
Third-party software licenses for resale	224	159
	$ 628	$ 634

During fiscal 2021, finished goods and third-party software licenses for resale recognized as cost of revenue amounted to $13,943 (2020 - $12,347).

7. Property and equipment:

	Computer equipment	Furniture and fixtures	Leasehold Improve-ments	Total
Cost				
Balance at April 30, 2019	$ 9,471	$ 1,762	$ 2,504	$ 13,737
Additions	981	84	2	1,067
Balance at April 30, 2020	$ 10,452	$ 1,846	$ 2,506	$ 14,804
Additions	890	167	-	1,057
Disposals	(816)	(31)	-	(847)
Balance at April 30, 2021	$ 10,526	$ 1,982	$ 2,506	$ 15,014
Accumulated Depreciation				
Balance at April 30, 2019	$ 8,494	$ 1,158	$ 1,371	$ 11,023
Depreciation	620	150	188	958
Balance at April 30, 2020	$ 9,114	$ 1,308	$ 1,559	$ 11,981
Depreciation	853	147	198	1,198
Disposals	(816)	(31)	-	(847)
Balance at April 30, 2021	$ 9,151	$ 1,424	$ 1,757	$ 12,332
Carrying Amounts				
At April 30, 2020	$ 1,338	$ 538	$ 947	$ 2,823
At April 30, 2021	$ 1,375	$ 558	$ 749	$ 2,682

There were no proceeds associated with property and equipment dispositions during fiscal year 2021 (2020 – nil).

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

8. Right-of-use assets:

The following table presents the right-of-use assets for the Company:

	Offices	Data centers	Vehicles and equipment	Total
Balance, May 1, 2019	$ 7,845	$ 389	$ 184	$ 8,418
Additions	721	-	142	863
Depreciation	(750)	(224)	(73)	(1,047)
Balance, April 30, 2020	$ 7,816	$ 165	$ 253	$ 8,234
Depreciation	(752)	(135)	(95)	(982)
Effect of foreign currency exchange differences	(6)	-	(1)	(7)
Balance, April 30, 2021	$ 7,058	$ 30	$ 157	$ 7,245

9. Contract acquisition costs:

The following table presents the contract acquisition costs for the Company:

	2021	2020
Balance, beginning of the year	$ 3,087	$ 833
Additions	2,441	2,723
Amortization	(1,326)	(469)
Balance, end of the year	$ 4,202	$ 3,087
Presented as:		
Current portion	$ 1,524	$ 763
Non-current		
Contract acquisition costs	$ 2,678	$ 2,324

The current portion of contract acquisition costs is included in Prepaid expenses in the Consolidated Statements of Financial Position. Amortization of contract acquisition costs is recorded in sales and marketing expense.

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

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

			Other intangible assets				
	Goodwill	Deferred development costs	Software	Technology	Customer assets	Other	Total of other intangible assets
Cost							
Balance at April 30, 2019	$ 17,456	$11,219	$ 4,568	$ 8,691	$ 10,548	$ 245	$24,052
Additions	-	575	196	-	-	-	196
Additions from business aquisition	54	-	-	-	-	-	-
Effect of foreign currency exchange differences	30	-	-	5	33	-	38
Balance at April 30, 2020	$ 17,540	$11,794	$ 4,764	$ 8,696	$ 10,581	$ 245	$24,286
Additions	-	254	569	-	-	-	569
Effect of foreign currency exchange differences	(123)	-	-	(23)	(114)	-	(137)
Balance at April 30, 2021	$ 17,417	$12,048	$ 5,333	$ 8,673	$ 10,467	$ 245	$24,718
Accumulated amortization							
Balance at April 30, 2019	$ -	$10,155	$ 4,014	$ 2,687	$ 2,417	$ 228	$ 9,346
Amortization for the year	-	536	211	637	671	11	1,530
Effect of foreign currency exchange differences	-	-	-	2	7	-	9
Balance at April 30, 2020	$ -	$10,691	$ 4,225	$ 3,326	$ 3,095	$ 239	$10,885
Amortization for the year	-	269	282	628	747	6	1,663
Effect of foreign currency exchange differences	-	-	-	(5)	(19)	-	(24)
Balance at April 30, 2021	$ -	$10,960	$ 4,507	$ 3,949	$ 3,823	$ 245	$12,524
Carrying amounts							
At April 30, 2020	$ 17,540	$ 1,103	$ 539	$ 5,370	$ 7,486	$ 6	$13,401
At April 30, 2021	$ 17,417	$ 1,088	$ 826	$ 4,724	$ 6,644	$ -	$12,194

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

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

10. Goodwill, deferred development costs, and other intangible assets (continued):

The following table reflects the amortization expense recognized for the various intangible assets within the various functions for the years ended April 30, 2021 and 2020:

	2021					
	Deferred development costs	Software	Technology	Customer assets	Other intangible assets	Total
Cost of revenue: Products	$ -	$ -	$ -	$ 87	$ -	$ 87
Cost of revenue: Services	-	119	628	-	-	747
Sales and marketing	-	29	-	660	-	689
General and administration	-	110	-	-	6	116
Research and development	269	24	-	-	-	293
	$ 269	$ 282	$ 628	$ 747	$ 6	$ 1,932

	2020					
	Deferred development costs	Software	Technology	Customer assets	Other intangible assets	Total
Cost of revenue: Products	$ -	$ -	$ -	$ 87	$ -	$ 87
Cost of revenue: Services	-	84	624	-	-	708
Sales and marketing	-	14	-	584	-	598
General and administration	-	113	-	-	11	124
Research and development	536	-	13	-	-	549
	$ 536	$ 211	$ 637	$ 671	$ 11	$ 2,066

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. The Company has two CGUs, the non-Tecsys A/S CGU and the Tecsys A/S CGU. As at April 30, 2021 goodwill for Non-Tecsys A/S and Tecsys A/S represent $10,783 and $6,634 respectively (April 30, 2020 - $10,783 and $6,757 respectively).

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, 2021 and 2020.

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 prepared at the end of fiscal 2021 for the forthcoming year. Cash flows for an additional four-year period and a terminal value were extrapolated using a constant growth rate of 5%, which does not exceed the long-term average growth rate for the industry.

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

10. Goodwill, deferred development costs, and other intangible assets (continued):

Impairment testing for cash-generating units containing goodwill (continued)

A pre-tax discount rate of 14% for the non-Tecsys A/S CGU and 15% for the Tecsys A/S CGU was applied in determining the recoverable amount of the unit. 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.

11. 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 and a Revolving Facility of $5,000. The Term Facility was used for the purchase of Tecsys A/S and for general corporate purposes. The Revolving Facility is for general corporate purposes. As at April 30, 2021, the Company had outstanding $9,600 under the Term Facility (the ''Term Loan") (April 30, 2020 - $10,800). The Revolving Facility was undrawn as of April 30, 2021 and April 30, 2020.

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 current Credit Agreement requires the Company to maintain a Fixed Charge Coverage Ratio of not less than 1.20 : 1.0 and a Net Debt to Bank EBITDA ratio not greater than 3.00 : 1.0 until April 29, 2021 and then decreasing to not greater than 2.50 : 1.0 thereafter.

At April 30, 2021, the Company was in compliance with all its financial covenants.

The remaining term loan is payable in quarterly installments of $300 until January 2024, with the balance payable on that same date.

	April 30, 2021	April 30, 2020
Term Loan, secured by a hypothec on movable properties	$ 9,600	$ 10,800
Government funded debt, with no interest or security, payable over various installments	16	31
	$ 9,616	$ 10,831
Current portion	(1,216)	(1,231)
Long-term debt	$ 8,400	$ 9,600

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

12. Lease obligations:

The Company's leases are for office space, data centers, vehicles and equipment. Most of these leases do not contain renewal options. The range of renewal options for those that have such options are between 5 to 10 years. The Company has included renewal options in the measurement of lease obligations when it is reasonably certain to exercise the renewal option.

The following table presents lease obligations for the Company as at April 30:

		2021		2020
Current	$	848	$	922
Non-current		8,295		9,157
Total lease obligations	$	9,143	$	10,079

The following table presents the contractual undiscounted cash flows for lease obligations as at April 30, 2021:

Less than one year	$	1,077
One to five years		5,655
More than five years		4,217
Total undiscounted lease obligations	$	10,949

Interest expense on lease obligations for fiscal year 2021 was $359 (2020 - $372). Total cash outflow was $1,288 for fiscal year 2021 (2020 - $1,370), including $929 of principal payments on lease obligations (2020 - $993). The expense relating to variable lease payments not included in the measurement of lease obligations was $985 (2020 – $1,100). This consists of variable lease payments for operating costs, property taxes and insurance.

Expenses relating to short-term leases not included in the measurement of lease obligations for fiscal year ended April 30, 2021 was $248 (2020 - $824). Expenses relating to leases of low value assets was $182 (2020 - $229). Additions on lease obligations during fiscal year 2021 were $nil (2020 - $867).

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

13. Accounts payable, accrued liabilities and other current liabilities:

	2021	2020
Trade payables	$ 4,367	$ 3,238
Accrued liabilities and other payables	4,499	5,618
Salaries and benefits due to related parties	2,005	2,123
Employee salaries and benefits payable	8,546	8,282
Fair value of derivatives in a loss position	-	672
Other current liabilities	500	4,670
	$ 19,917	$ 24,603
Presented as:		
Current		
Accounts payable and accrued liabilities	$ 19,417	$ 19,933
Other current liabilities	500	4,670
	$ 19,917	$ 24,603

As at April 30, 2021, other current liabilities are comprised of $500 indemnification holdback security associated with the acquisition of OrderDynamics. As at April 30, 2020, other current liabilities were comprised of $2,059 deferred payment related to business acquisition and $1,963 indemnification holdback security associated with the acquisition of OrderDynamics and $648 indemnification holdback security associated with the acquisition of Tecsys A/S.

In fiscal 2021, the Company paid $2,191 for the deferred payment related to business acquisition (including interest of $132) and $2,140 of indemnification holdbacks security (including interest of $17).

In fiscal 2020, the Company paid the earnout contingent consideration payable related to the acquisition of Tecsys A/S and the first instalment of Tecsys A/S indemnification holdback security.

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, 2021 and April 30, 2020.

14. Share capital and stock option plan (continued):

(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. If the employment of a participant with the Company terminates for any reason whatsoever, all amounts due under any outstanding loan 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 April 28, 2020, the Company completed an offering of 1,333,333 common shares of the Company at the offering price of $17.25 per common share for aggregate gross proceeds of $23,000 (the "Offering"). The Offering included a treasury offering of 1,159,420 shares by the Company and 173,913 common shares purchased by the underwriters pursuant to the exercise of their over-allotment option on April 28, 2020. The Offering was completed on a bought deal basis and was underwritten by a syndicate of 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 $1,707 ($1,258 net of deferred taxes) were recognized as a reduction of the proceeds, resulting in net total proceeds of $21,293. At April 30, 2020, $426 of transaction costs remained unpaid and were recorded in accounts payable and accrued liabilities. The costs were paid after April 30, 2020.

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

14. Share capital and stock option plan (continued):

(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 2021, the Company declared quarterly dividends of $0.06 for the first two quarters and $0.065 for each of the following quarters for an aggregate of $3,607. During fiscal 2020, the Company declared quarterly dividends of $0.055 for the first two quarters and $0.06 for each of the following quarters for an aggregate of $3,009.

(e) Earnings per share:

The calculation of basic earnings per share is based on the profit attributable to common shareholders and the weighted average number of common shares outstanding. 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.

Basic and diluted earnings per share are calculated as follows:

		2021		2020
Net Profit, attributable to common shareholders	$	7,188	$	2,346
Weighted average number of common shares outstanding (basic)		14,436,184		13,093,630
Dilutive impact of stock options		345,143		6,191
Weighted average number of common shares outstanding (diluted)		14,781,327		13,099,821
Basic earnings per common share	$	0.50	$	0.18
Diluted earnings per common share	$	0.49	$	0.18

As at April 30, 2021, 2,000 options were excluded from the calculation of weighted average number of diluted common shares as their effect would have been anti-dilutive (449,542 options as at April 30, 2020).

(f) Stock option plan:

The Company has a stock option plan under which stock options may be granted to certain 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 thousands of Canadian dollars, except per share data)

14. Share capital and stock option plan (continued):

(f) Stock option plan (continued):

The movement in outstanding stock options for fiscal year 2021 is as follows:

	Number of options	Weighted average exercise price
Outstanding at April 30, 2020	646,587	$ 15.16
Granted	169,574	27.53
Exercised	(88,552)	16.28
Forfeited	(18,523)	14.92
Outstanding at April 30, 2021	709,086	$ 18.02

The following table outlines the outstanding stock options of the Company as at April 30, 2021:

	Fair value per option	Remaining contractual life in years	Number of options currently exercisable	Exercise price	Outstanding options
Granted on September 6, 2018	$ 4.42	2.35	57,938	$ 17.23	128,700
Granted on July 3, 2019	3.28	3.17	165,608	14.29	404,247
Granted on February 28, 2020	4.78	3.83	1,875	18.95	7,500
Granted on July 8, 2020	6.95	4.19	30,023	26.75	160,125
Granted on December 2, 2020	10.74	4.59	407	36.77	6,514
Granted on February 24, 2021	18.79	4.82	-	60.62	2,000

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 July 8, 2020, December 2, 2020 and February 24, 2021 were determined using the Black-Scholes option pricing model with the following assumptions:

	July 8, 2020	December 2, 2020	February 24, 2021
Exercise share price	$ 26.75	$ 36.77	$ 60.62
Expected option life (years)	5	5	5
Weighted average expected stock price volatility	32.06%	35.09%	36.01%
Weighted average dividend yield	0.86%	0.64%	0.41%
Weighted average risk-free interest rate	0.37%	0.44%	0.63%

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

14. Share capital and stock option plan (continued):

(f) Stock option plan (continued):

For the fiscal year ended April 30, 2021, the Company recognized stock-based compensation expense of $1,138 ($1,024 for the fiscal year ended April 30, 2020). The contributed surplus accounts are 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. Cloud, maintenance and subscription revenue:

The following table presents the cloud, maintenance and subscription revenue of the Company:

		2021		2020
SaaS	$	19,164	$	9,000
Cloud, maintenance and other		33,715		32,058
Total - Cloud, maintenance and subscription	$	52,879	$	41,058

The Company enters into SaaS subscription agreements and has historically entered into hosting agreements (classified under Cloud, maintenance and other below) that are typically multi-year performance obligations with original contract terms of three to five years. The Company enters into maintenance contracts that typically have an original term of one year and are subject to annual renewal. These maintenance contracts are excluded from the table below. The following table presents revenue expected to be recognized in the future related to SaaS and hosting performance obligations that are part of a contract with an original duration of greater than one year and that are unsatisfied (or partially satisfied) at April 30, 2021:

		2022		2023		2024 and thereafter		Total
SaaS	$	21,432	$	18,390	$	25,903	$	65,725
Cloud and other		1,440		471		253		2,164
Total	$	22,872	$	18,861	$	26,156	$	67,889

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

16. Income taxes:

(a) Income taxes comprise the following components:

		2021		2020
Current income taxes				
Current year	$	2,326	$	1,831
Adjustments of previous year's tax expense		(40)		233
Current income taxes expense	$	2,286	$	2,064
Deferred income taxes				
Origination and reversal of temporary differences	$	526	$	(603)
Net change in unrecognized deductible temporary difference		305		97
Adjustments of previous year's tax expense		52		(324)
Deferred income tax expense (benefit)	$	883	$	(830)
Income tax expense	$	3,169	$	1,234

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

		2021		2020
Combined basic federal and provincial statutory income tax rate		26.50%		26.50%
Profit before income taxes	$	10,357	$	3,580
Expected combined income tax expense		2,745		949
Increase (reduction) in income taxes resulting from:				
Utilization of unrecognized benefits		(480)		(668)
Net changes in unrecognized benefits		785		546
Permanent differences and other		119		407
Income tax expense		3,169		1,234

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

16. Income taxes (continued):

(c) Recognized deferred tax assets and liabilities:

Changes in deferred tax assets and liabilities for the years ended April 30, 2021 and April 30, 2020 are as follows:

	Balance as at April 30, 2020	Recognized in statement of comprehensive income	Recognized in retained earnings	Recognized in share capital	Balance as at April 30, 2021
Research and development expenses	$ 5,225	$ (624)	$ -	$ -	$ 4,601
Net operating losses	1,670	(202)	-	-	1,468
Property and equipment	3,082	261	-	-	3,343
Non-deductible reserves and accruals	193	(40)	-	-	153
Right-of-use assets and lease liability	488	14	-	-	502
Charitable donations	219	(80)	-	-	139
Share issue costs	467	(144)	-	-	323
Other	91	(74)	-	-	17
Contract acquisition costs	(704)	(357)	-	-	(1,061)
E-business tax credits	(266)	(114)	-	-	(380)
Federal tax credits	(1,670)	65	-	-	(1,605)
Deferred development costs	(310)	22	-	-	(288)
Intangibles	(3,095)	390	-	-	(2,705)
Net deferred tax recognized	$ 5,390	$ (883)	$ -	$ -	$ 4,507

	Balance as at April 30, 2019	Recognized in statement of comprehensive income	Recognized in retained earnings	Recognized in share capital	Balance as at April 30, 2020
Research and development expenses	$ 4,080	$ 1,145	$ -	$ -	$ 5,225
Net operating losses	159	1,511	-	-	1,670
Property and equipment	2,805	277	-	-	3,082
Non-deductible reserves and accruals	236	(43)	-	-	193
Right-of-use assets and lease liability	-	84	404	-	488
Charitable donations	155	64	-	-	219
Share issue costs	162	(144)	-	449	467
Other	154	(63)	-	-	91
Contract acquisition costs	-	(704)	-	-	(704)
E-business tax credits	(294)	28	-	-	(266)
Federal tax credits	(1,573)	(97)	-	-	(1,670)
Deferred development costs	(282)	(28)	-	-	(310)
Intangibles	(1,895)	(1,200)	-	-	(3,095)
Net deferred tax recognized	$ 3,707	$ 830	$ 404	$ 449	$ 5,390

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

16. Income taxes (continued):

(c) Recognized deferred tax assets and liabilities (continued):

As at April 30, 2021 the Company has net deferred tax assets of $6,006 (April 30, 2020 – $7,028) and net deferred tax liabilities of $1,499 (April 30, 2020 – $1,638) presented on the Consolidated Statements of Financial Position.

The Company had Canadian Federal non-refundable SRED tax credits totaling approximately $4,859 (note 5) (April 30, 2020 – $5,609) which may be used only to reduce future current federal income taxes otherwise payable. For the year ended April 30, 2021, the Company intends to claim available Federal non-refundable tax credits to reduce Canadian Federal income taxes otherwise payable of $1,250.

(d) Unrecognized net deferred tax assets

As at April 30, 2021 and 2020, unrecognized net deferred tax assets consist of the following:

	2021	2020
Research and development expenses	$ 380	$ 585
Net operating losses of Canadian subsidiaries	3,272	2,755
Net operating losses of UK subsidiary	91	99
Capital losses	854	854
Other	18	17
Unrecognized net deferred tax assets	$ 4,615	$ 4,310

Canadian subsidiaries have unrecognized accumulated research and development expenses of approximately $1,435 (April 30, 2020 – $2,091) for Federal income tax purposes, nil (April 30, 2020 - $925) for Québec provincial income tax purposes, and $1,435 (April 30, 2020 – $1,435) for Ontario income tax purposes which may be carried forward indefinitely and used to reduce taxable income in future years. In addition, Canadian subsidiaries have net operating losses carried forward of approximately $12,253 (April 30, 2020 - $10,419) for Federal income tax purposes, $4,510 (April 30, 2020 - $5,341) for Québec provincial income tax purposes and $7,959 (April 30, 2020 - $5,025) 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 $479 (£ 282) (April 30, 2020 – $518 (£ 300)) 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 (April 30, 2020 – $6,384) 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.

Unrecognized deferred tax liabilities:
As at April 30, 2021, no deferred tax liabilities were recognized for temporary differences arising from investments in subsidiaries because the Company controls the decisions affecting the realization of such liabilities and it is probable that the temporary differences will not reverse in the foreseeable future.

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

17. Personnel expenses:

		2021		2020
Salaries, including bonus and commissions	$	72,619	$	61,806
Other short-term benefits		5,128		4,464
Payments to defined contribution plans		2,709		2,775
	$	80,456	$	69,045

18. Finance income and finance costs:

		2021		2020
Interest expense on bank loans and other	$	428	$	708
Interest accretion expense – lease obligations		359		372
Foreign exchange (gain) loss		(289)		122
Interest income on bank deposits		(174)		(74)
Net finance costs	$	324	$	1,128

19. Contingencies and other commitments:

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.

As at April 30, 2021, with the exception of the leases recognized under IFRS 16 as lease liabilities, the Company had other commitments which includes operating leases with terms of less than 12 months and commitments under service contracts. The minimum payments are as follows:

		Payments due by period			
	Total	Less than 1 year	1 - 3 years	3- 5 years	After 5 years
Other contractual obligations	5,010	2,157	2,853	-	-

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

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, 2021, key management and their spouses control 22.5% (April 30, 2020 - 26.4%) of the issued common shares of the Company. The compensation paid or payable to key management for employee services is as follows:

	2021	2020
Salaries	$ 4,994	$ 5,387
Other short-term benefits	403	209
Payment to defined contribution plans	139	153
	$ 5,536	$ 5,749

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 $500 (2020-$682) to facilitate their purchase of the Company's common shares during fiscal 2021. As of April 30, 2021, loans outstanding amounted to $401 (2020-$528) and are included in other receivables and other long-term receivables in the Consolidated Statements of Financial Position.

21. Financial instruments and risk management:

Classification of financial instruments

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

	2021			2020
	Fair value	Amortized cost	Total	
Financial assets				
Cash and cash equivalents	$ -	$ 25,752	$ 25,752	$ 27,528
Short-term investments	-	20,100	20,100	10,000
Accounts receivable	-	16,840	16,840	18,434
Other receivables and other long-term receivables	-	651	651	940
Foreign exchange derivatives included in other receivables	1,686	-	1,686	1,043
	$ 1,686	$ 63,343	$ 65,029	$ 57,945
Financial liabilities				
Accounts payable and accrued liabilities	$ -	$ 19,417	$ 19,417	$ 19,261
Other current liabilities	-	500	500	4,670
Foreign exchange derivatives included in accounts payable and accrued liabilities	-	-	-	672
Long-term debt	-	9,616	9,616	10,831
	$ -	$ 29,533	$ 29,533	$ 35,434

21. Financial instruments and risk management (continued):

(a) 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 receivables, short-term investments 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, 2021 and 2020.

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, 2021 and 2020.

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, 2021 and April 30, 2020 consisted primarily of contracts to reduce the exposure to fluctuations in the U.S. dollar.

For fiscal 2021 and 2020, the derivatives designated as cash flow hedges were considered to be fully effective and no ineffectiveness has been recognized in net finance costs.

(b) 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 (a) offset the impact of the fluctuation of the U.S. dollar on its U.S. net monetary assets and (b) 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, 2021, the Company held two outstanding foreign exchange contracts with various maturities to June 2021 to sell US$5,300 into Canadian dollars at rates averaging CA$1.2587 to yield CA$6,671. On April 30, 2021, the Company recorded an unrealized exchange gain of $157 included in other receivables representing the change in fair value of these outstanding contracts since inception and their initial measurement.

On April 30, 2020, the Company held four outstanding foreign exchange contracts with various maturities to August 2020 to sell US$4,800 into Canadian dollars at rates averaging CA$1.3994 to yield CA$6,717. On April 30, 2020, the Company recorded an unrealized exchange gain of $37 included in other receivables representing the change in fair value of these outstanding contracts since inception and their initial measurement.

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

21. Financial instruments and risk management (continued):

(b) Risk management (continued)

Currency risk (continued)

Revenue hedge designated derivative instruments

On April 30, 2021, the Company held fifteen outstanding foreign exchange contracts with various maturities to July 2022 to sell US$28,900 at rates averaging CA$1.2818 to yield CA$37,044. Of the outstanding US$28,900 hedge designated foreign exchange contracts, US$24,000 pertain to highly probable future revenue denominated in U.S. dollars expected over the twelve-month period through April 2022 while US$4,900 is related to realized U.S. dollar denominated revenue. On April 30, 2021, the Company had recorded an unrealized exchange gain of $1,529 included in other receivables representing the change in fair value of these outstanding contracts since inception and their initial measurement.

On April 30, 2020, the Company held twenty-one outstanding foreign exchange contracts with various maturities to July 2021 to sell US$29,000 at rates averaging CA$1.4029 to yield CA$40,685. Of the outstanding US$29,000 hedge designated foreign exchange contracts, US$23,800 pertain to highly probable future revenue denominated in U.S. dollars expected over the twelve-month period through April 2021 while US$5,200 is related to realized U.S. dollar denominated revenue. On April 30, 2020, the Company had recorded an unrealized exchange loss of $652 included in accounts payable and accrued liabilities and an unrealized exchange gain of $987 representing the change in fair value of these outstanding contracts since inception and their initial measurement.

	Carrying amount of the hedging instrument							
	Notional 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, 2021 Foreign exchange risk:	US$	28,900	CA$	1,529	CA$	-	CA$	1,529
April 30, 2020 Foreign exchange risk:	US$	29,000	CA$	987	CA$	652	CA$	335

Hedging components of accumulated other comprehensive income

The following table represents the movement in accumulated other comprehensive income since the designation of hedging derivative instruments.

	2021	2020
Accumulated other comprehensive income (loss) on cash flow hedges as at the beginning of the period	$ 569	$ (127)
Net gain on derivatives designated as cash flow hedges	3,122	309
Amounts reclassified from accumulated other comprehensive income to net earnings, and included in:		
Revenue	(2,534)	269
Net finance costs	(665)	118
Accumulated other comprehensive gain from cash flow hedges	$ 492	$ 569
Accumulated other comprehensive loss - translation adjustment from foreign operations at the end of period	(266)	(153)
Total accumulated other comprehensive gain as at the end of period	$ 226	$ 416

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

21. Financial instruments and risk management (continued):

(b) Risk management (continued)

Currency risk (continued)

As at April 30, 2021, $492 of the net gain presented in accumulated other comprehensive gain is expected to be classified to net profit within the next twelve months.

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, 2021 and 2020.

	2021				2020			
	DKK	US$	£	€	DKK	US$	£	€
Cash and cash equivalents	11,138	5,627	150	1,304	14,487	1,244	285	326
Accounts receivable	11,323	11,791	39	50	12,133	11,071	55	43
Other receivables	362	172	-	-	351	217	-	-
Accounts payable and accrued liabilities	(14,253)	(4,341)	(102)	(99)	(14,792)	(3,181)	(92)	-
Derivative financial instruments – notional amount	-	(10,200)	-	-	-	(10,000)	-	-
	8,570	3,049	87	1,255	12,179	(649)	248	369

The following exchange rates applied during the years ended April 30, 2021 and 2020:

	2021		2020	
	Average rate	Reporting date rate	Average rate	Reporting date rate
CA$ per US$	1.3086	1.2292	1.3362	1.3877
CA$ per £	1.7259	1.6979	1.6916	1.7306
CA$ per €	1.5387	1.4770	1.4804	1.5094
CA$ per DKK	0.2067	0.1987	0.1989	0.2024

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.

	2021			2020		
	US$	£	€	US$	£	€
Increase (decrease) in profit	187	7	93	(45)	21	28

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 have no impact on profit.

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

21. Financial instruments and risk management (continued):

(b) Risk management (continued)

Credit risk

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

Financial instruments which potentially subject the Company to credit risk consist principally of cash and cash equivalents, short-term investments, accounts receivable, and other accounts receivable. The Company's cash and cash equivalents are maintained at major financial institutions. The Company manages its credit risk on investments by dealing only with major Canadian banks and investing only in instruments that management believes have high credit ratings. Given these high credit ratings, the Company does not expect any counterparties to these investments to fail to meet their obligations

As at April 30, 2021 two customers individually accounted for greater than 10% of total trade receivables and work in progress (April 30, 2020 – no customers above 10%). 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 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 2021, 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 and maximum of US$2,000 (April 30, 2020 - US$2,000) for export losses and US$770 (April 30, 2020 - US$900) for domestic losses in any policy period. The insurance policy period runs from February 1 to January 31 of each year.

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.

	2021	2020
Not past due	$ 11,427	$ 11,115
Past due 1-180 days	6,591	8,151
Past due over 180 days	112	235
	18,130	19,501
Allowance for expected credit losses	(1,290)	(1,067)
	$ 16,840	$ 18,434

Allowance for expected credit losses	2021	2020
Balance at beginning	$ 1,067	$ 1,045
Impairment losses recognized	(130)	(512)
Additional provisions	353	534
Balance at April 30	$ 1,290	$ 1,067

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

21. Financial instruments and risk management (continued):

(b) Risk management (continued)

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 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, 2021 and 2020:

2021	Total	Less than 1 year	1-3 years	3-5 years	Beyond
Accounts payable and accrued liabilities	$ 19,417	$ 19,417	$ -	$ -	$ -
Other current liabilities	500	500	-	-	-
Long-term debt	9,616	1,216	8,400	-	-
	$ 29,533	$ 21,133	$ 8,400	$ -	$ -

2020	Total	Less than 1 year	1-3 years	3-5 years	Beyond
Accounts payable and accrued liabilities	$ 19,933	$ 19,933	$ -	$ -	$ -
Other current liabilities	4,670	4,670	-	-	-
Long-term debt	10,831	1,231	9,600	-	-
	$ 35,434	$ 25,834	$ 9,600	$ -	$ -

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to cash flow risk due to interest rate fluctuations on its floating-rate interest-bearing long-term debt.

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. Other price risk includes fluctuations in value 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 not significant.

22. Capital disclosure:

The Company defines capital as equity, borrowings under credit agreements, and bank advances, net of cash and short-term investments. 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.

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

22. Capital disclosure (continued):

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. The Revolving Facility remains undrawn as of April 30, 2021 and can be utilized for general corporate purposes.

On April 28, 2020, the Company completed an offering of 1,333,333 common shares of the Company at the offering price of $17.25 per common share for aggregate gross proceeds of $23,000. During April 2020, $10,000 of the cash generated by the bought deal was invested in a 30-day simple-interest GIC. On May 1st, 2020 an additional $10,000 of the net proceeds generated by the bought deal was invested in a GIC (see note 4).

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, 2021 and at April 30, 2020. Other than its banking agreement covenants, the Company is not subject to externally imposed capital requirements.

23. Operating segment:

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 (including right-of-use assets), goodwill and other intangible assets are located in Canada and Denmark. For Denmark, the property and equipment (including right-of-use assets), goodwill and other intangible assets (including deferred development costs) as at April 30, 2021 were $824, $6,635 and $6,823 respectively (2020 – $1,171, $6,758 and $7,540). For Canada, the amounts were $9,103, $10,782 and $6,459 respectively (2020 - $9,886, $10,782 and $6,964). As at April 30, 2021, total assets attributable to Denmark were $19,188 (April 30, 2020 - $21,100). 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:

	2021	2020
Canada	$ 24,752	$ 24,393
United States	78,056	60,399
Europe	19,113	18,858
Other	1,180	1,205
	$ 123,101	$ 104,855

24. Restructuring costs:

For the fiscal year ended April 30, 2021, the Company recognized restructuring costs of $nil ($420 for April 30, 2020). The prior period costs were related to acquisition integration, primarily for severance.

25. Subsequent event:

On June 29, 2021, the Company's Board of Directors declared a quarterly dividend of $0.065 per share to be paid on August 6, 2021 to shareholders of record on July 16, 2021.

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 2021: May 1, 2020 to April 30, 2021

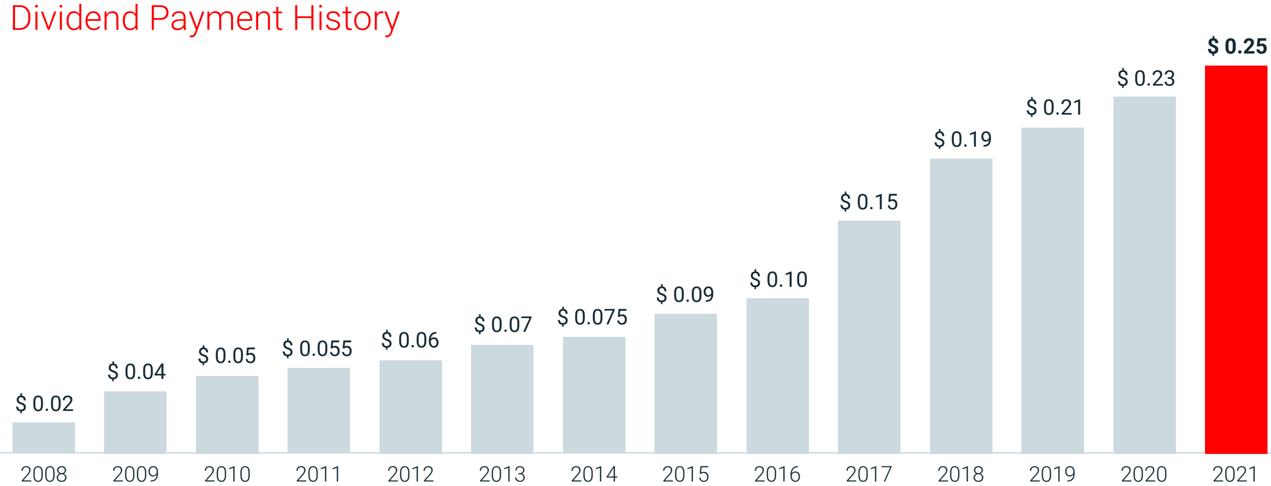
	High	Low	Volume TSX
First Quarter	$ 32.44	$ 20.51	444,570
Second Quarter	$ 42.81	$ 25.75	1,393,553
Third Quarter	$ 62.01	$ 33.02	1,656,379
Fourth Quarter	$ 66.58	$ 41.49	2,071,860

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 June 29, 2021, the Company's Board of Directors declared a quarterly dividend of $0.065 per share to be paid on August 6, 2021 to shareholders of record on July 16, 2021.

Dividend Payment History



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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Catalin Badea
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Catherine Sigmar
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(1) Member of the Audit Committee
(2) Member of the Compensation Committee
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