TECSYS®

2018
ANNUAL REPORT

Transforming Supply Chains for Value Creation

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, 2018. 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

In the complex realms of high-volume distribution and healthcare, TECSYS is singularly focused.

Our goal is—and always has been—to be the dominant Supply Chain Management software technology and solutions provider for distribution-centric operations. Reaching that goal means sharing our ground-breaking, comprehensive solutions with as many world-class companies and facilities as possible, strengthening and streamlining the logistics environment as a whole while propelling our customers forward.

Since 1983, we have helped hundreds of leading organizations solve their unique warehousing and distribution challenges—and we have done so in a way that has landed us squarely in the "Visionaries" quadrant of Gartner's Magic Quadrant for Warehouse Management Systems[1] for the last seven consecutive reports.

In addition, the top three healthcare providers and distributors in Gartner's Healthcare Supply Chain Top 25 for 2017[2] were TECSYS customers. This recognition from the industry continues to drive us, confirming that we are meeting and surpassing customer expectations.

And we've only just begun.

Developing or enhancing supply chain infrastructure to support business objectives requires more than know-how. It also requires vision, innovation, customer care, and execution that deliver high value as we continue to focus on our Customers for Life strategy. At TECSYS, we are assuredly moving toward our own goals—by helping our customers meet theirs along the way.

[1] Gartner "Magic Quadrant for Warehouse Management Systems" by C. Dwight Klappich & Simon Tunstall, 02 May 2018.
[2] Gartner, the Healthcare Supply Chain Top 25 for 2017, Eric O'Daffer et al., 15 November 2017.

As of April 30, 2018, except where indicated

$70.7 million

Revenue

0.30 cents/share

Earnings

Dominant

Health systems market share

$26.2 million

Recurring revenue*

$45.1 million

Backlog*

$48.1 million

Bookings*

For the seventh consecutive time, **TECSYS was positioned in the "Visionaries"** quadrant of Gartner's Magic Quadrant for WMS[1] (see page 18)

TECSYS Customers Ranked Top Three in Gartner's Healthcare Supply Chain Top 25 for 2017[2] (see page 16)

*Refer to section at end of Management Discussion and Analysis titled "Key Performance Indicators"

Message from the President

Fellow Shareholders,

In fiscal 2018, we were pleased to continue the positive growth trend we've been experiencing over the past several years. This growth has been driven by a focus on providing innovative solutions that enable our customers to track and capture data accurately, operate more efficiently, and ultimately create better outcomes for their own stakeholders, including employees, caregivers, customers, and patients. That focus is the reason we continue to be the supplier of choice 35 years after our inception in 1983. In 2018 we also saw benefits from our strategy of deploying our technology into two verticals, each with its own growth drivers and adoption trends. This diversification has enabled us to mitigate risk in our business.

Complex Distribution

This division had a very strong first half of fiscal 2018. It performed well above our expectations with growth from increasing penetration into our base accounts combined with selling solutions to new customers. Our customer success underscores the leadership position we have achieved in the complex distribution segment.

One example of this is our position as the key supplier of logistics solutions to liquor boards in Canada. The assets handled in this business are both valuable and regulated, so maintaining an efficient, accurate view of their movement and location is vital. A high degree of tracking and traceability in distribution systems is required, and our software enables that with minimum additional overhead. Our solution's ability to adapt to meet this and other mission-critical industry requirements has opened doors to new customers.

This success has had an impact on the type and size of opportunities we are finding. With our experience, our advanced offering, and the reputation we have built in the market, we are more frequently being called on to bid on contracts with distributors that operate 10, 12, or more sites. In previous years, contracts of this size were reserved for larger players. Now, we are being called to the table—and we are winning the contracts.

$000's Except for EPS & ROE	2018	2017
Revenue	70,718	68,447
EBITDA[1]	6,490	10,364
Profit from Operations	4,254	7,951
Profit	3,949	5,998
EPS	0.30	0.49
Bookings	48,100	42,628
Backlog	45,091	46,115
ROE %	10.7	20.6
Cash from Operations	3,694	9,809
Recurring Revenue	26,179	26,886

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

We thank our customers for allowing us to partner with them to achieve excellence in their organizations.

Another strong trend driving growth in our complex distribution business is the "Amazoning" of the supply chain. E-commerce and e-fulfillment have become increasingly important as all enterprises strive to create truly real-time production, distribution, and replenishment systems. TECSYS' sophisticated solutions can make this happen. Over the past year we worked with international distributors to put our solution in locations in Canada, the U.S., and Europe to enhance e-fulfillment capabilities for several organizations.

Healthcare

Uncertainty around healthcare legislation in the U.S. impacted momentum in our healthcare division during the first half of fiscal 2018, resulting in no new contracts from hospital networks. However, throughout this period we continued to be engaged with hospitals and verify the proof of concept for some of our newer solutions. Our prospect pipeline remained incredibly strong and began to convert into new customers in the second half of the year with the signing of three hospital networks. In fact, we signed a $6 million contract with one of these networks, representing the largest healthcare contract in our company's history. Although this network is not our largest hospital customer, the unique way they engaged us speaks to the leadership position we have established in the industry. Many hospitals begin by putting our solution in one hospital or service centre, and then building out from there. In this case, the customer did their research, visited point-of-use implementations at other hospitals, and worked with us to install our solutions at all of their network locations simultaneously.

The increased engagement of healthcare companies was evident at our recent user conference in June 2018, where attendance from hospital network customers increased by 50 percent compared to the previous event. These organizations have realized the need for cost savings and efficiencies does not change despite ongoing cost pressure from payers and the need to maintain margins in the face of increased operating costs. They know TECSYS has a proven solution. At the conference, users reported savings from implementing our solutions, with benefits such as rapid payback and reduction of inventory by 30 percent while increasing available space by 25 percent.

Innovation continues to be important, and we are making strong progress with our pharmacy point-of-use solution. The first implementation is underway, and we expect it to go live this fall. This solution has the potential to deliver significant benefits to reduce costs and increase compliance, both of which are becoming increasingly important as governments mandate the tracking and tracing of drugs.

Financial Results

In fiscal 2018, revenue increased by 3.3 percent to $70.7 million compared to $68.4 million in the previous fiscal year. The percentage of recurring revenue was 37.0 percent compared to 39.3 percent in fiscal 2017, partly due to the stronger Canadian dollar. Our gross profit margin remained relatively flat year over year at 49.3 percent, compared to 50.0 percent in fiscal 2017. EBITDA in fiscal 2018 was $6.5 million, compared to $10.4 million achieved in the previous fiscal year. In fiscal 2017, TECSYS recognized an incremental amount of $4.6 million of federal non-refundable SRED tax credits due to the increased probability that these tax credits will be realized in the future to reduce cash taxes. On an adjusted basis EBITDA is higher in fiscal 2018 by 13 percent. Currency headwinds impacted all of these numbers, shaving $1.3 million off revenue and $900,000 off EBITDA compared to the prior year.

Total contract bookings grew by 12.8 percent to $48.1 million, compared to $42.6 million in fiscal 2017, indicating the strong momentum we have achieved. On a quarterly basis these were up 33 percent to $14.7 million in the fourth quarter of fiscal 2018, compared to $11.1 million in the same quarter in fiscal 2017. In addition, our book-to-bill ratio for the year, a measure comparing orders coming in to those being delivered, was a very positive 108 percent.

Outlook to Fiscal 2019

We fully expect to capitalize on the positive trends we have seen in the second half of fiscal 2018 and will execute on the solid project flow we have in the pipeline. This will be possible with a continued focus on developing and implementing solutions that have a material impact on our customers' operations and maintaining the operating efficiencies we put in place over the past few years.

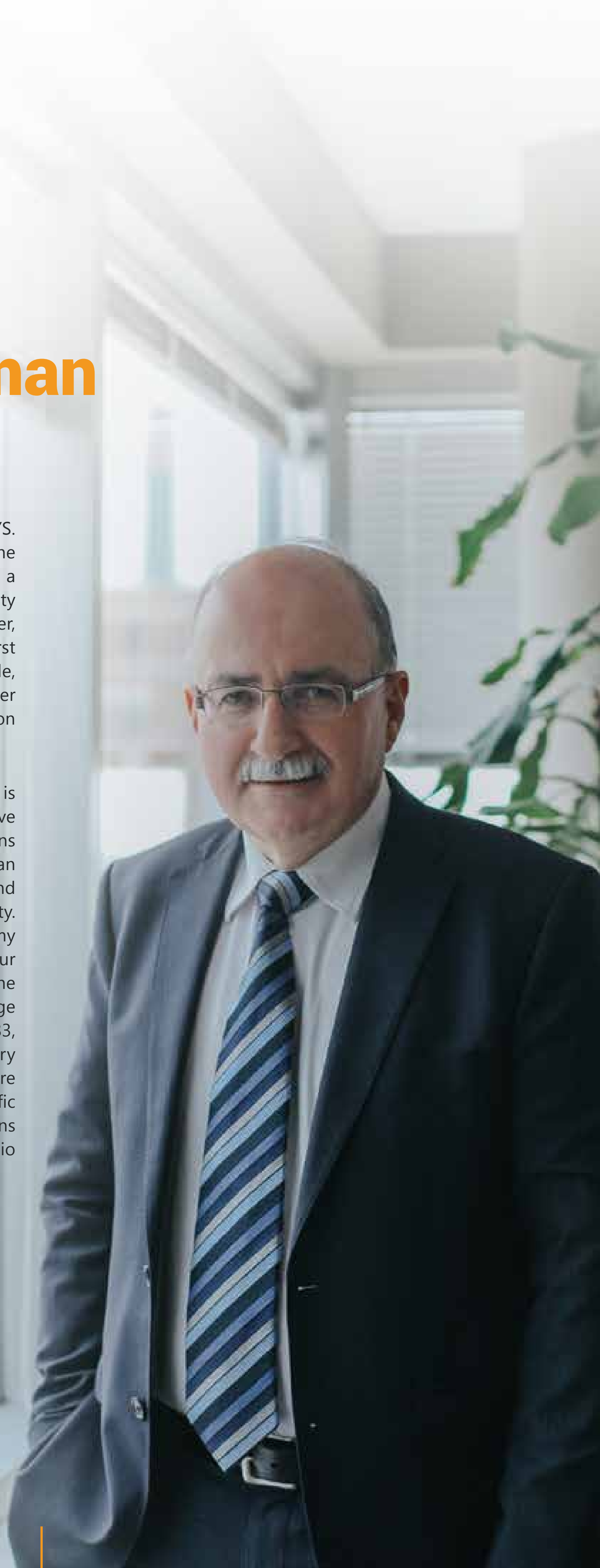
Our success is predicated on our employees and their continued commitment to excellence, as has been the case over the past 35 years. We also thank our customers for allowing us to partner with them to achieve excellence in their organizations.

Finally, we would like to thank our Board of Directors for their continued guidance and support as well as our loyal shareholders and stakeholders.

Sincerely,

Peter Brereton, President and CEO

Message from the Chairman



Fellow Shareholders,

This year, 2018, marks the 35th year of the formation of TECSYS. I founded the company in 1983, back at the beginning of the digitization of the supply chain, when I saw the need for a software solution that met the needs of smaller, third-party logistics operators, particularly as they were servicing larger, time-sensitive enterprises that required traceability. Our first team assembled in the basement of my house to write code, and that led to the launch of our EliteSeries software. After many iterations, this solution continues to solve distribution challenges for hundreds of organizations.

Members of that original team are still with TECSYS, as is one of our first customers, Dainty Foods. Today, we have about 365 employees and partner with global corporations and large healthcare networks. There are very few Canadian technology companies that can claim 35 years of history and success. I believe there are two key reasons for our longevity. One is that from the early days spent working from my house to today, we have been customer-centric in our innovation. We listen to our customers and learn about the challenges they face. In doing this we gain deep knowledge of their business requirements and their industries. In 1983, delivering an easy-to-implement solution to track inventory was all that was required. Today's supply chains require that we provide sophisticated solutions targeted to specific customers. For example, one of our recent innovations provides images and instructions to operators through radio frequency handheld units.

35 YEARS

Our people are a key reason why we remain successful after 35 years.

This TECSYS-patented technology empowers our customers to become significantly more efficient and accurate when it comes to executing tasks, while at the same time driving increased responsiveness to their customers. We can now track an operator's progress in real time and send a visual indication of whether they are meeting, exceeding, or falling behind their defined work progress targets.

We continue to look for ways to improve our customers' operations. One current initiative is researching how drones can be deployed in various areas of supply chain execution. This continuous innovation is why the research organization Gartner recognized TECSYS as a "Visionary" in their study of warehouse management systems. In their words: "to be a Visionary, a vendor must have a coherent, compelling, and innovative strategy that seeks to deliver a robust and vibrant offering to the market."

Our people are also a key reason why we remain successful after 35 years. It's unusual in the technology industry for people to spend their careers with one company, but that is what happens here at TECSYS. We have one of the lowest turnover rates in the software industry, which allows us to bring together seasoned professionals with recent graduates on multi-disciplinary teams. In this way, we can bring together specific industry and institutional knowledge with the desire and ability to innovate.

I'm proud of this heritage of excellence and innovation created from a very modest company that has blossomed into a recognized industry leader.

In addition, prudent financial management has always been part of our make-up, with careful control of operating expenses a key part of our approach. By keeping expenses in line, more of our revenue goes to the bottom line and results in increased earnings. As a result of the consistent positive earnings, the Board in recent years has authorized increases in the dividends paid to shareholders—by 27 percent in fiscal 2018 and by 50 percent in fiscal 2017. We are pleased with the share price appreciation we have been able to deliver to shareholders with a total return of 25 percent compounded annual growth rate over the past 10 years.

Finally, I am pleased to report that TECSYS continues to put approximately ½ of 1 percent of revenue back into an initiative that helps our communities and supports youth development.

On behalf of the Board, I would like to congratulate our leadership and our employees for their success in fiscal 2018 and for continuing to build on the foundation we established in 1983; I look forward to seeing it develop even further into the future. To our shareholders, I would also like to thank you for your continued support.

Regards,

Dave Brereton, Executive Chairman of the Board

Transforming Supply Chains for Value Creation

Today's supply chains, enterprise systems, billions of smart devices, cloud services, and databases are connected in a real-time global network. Simply by using smartphones, millions of consumers place and track orders and find information at the touch of a screen. As a result, demands are rising exponentially—along with the need for fast, flexible, and customer-oriented service from every supply chain on the planet.

It is important to note that today's marketplace is more sophisticated than ever. The landscape is complex, volatile, and uncertain. Industries are pressured to provide high levels of customer service while lowering costs. Competition is fierce, and the ability for shoppers to buy directly from producers continues to pose a significant threat to distributors.

Competing in today's complex distribution environment means understanding the bigger picture—how well an organization can adapt its internal infrastructure and processes to external challenges. Consider the impact of business disruptors such as new technologies, the "Amazon effect" with its expectations for ultra-fast fulfillment and delivery cycles, and the competition generated by organizations that stay true to their core competencies. Agile companies are moving onto the road of best performers while quickly leaving behind their less-nimble competitors.

A recent report from the National Association of Wholesaler-Distributors (NAW) and IBM stated: **"Over the next few years, distributors' profitability and sustainability will largely be determined by how successfully they adjust to changes and navigate disruptive business environments."**

http://www.smartbrief.com/original/2016/12/facing-forces-change-2017

These disruptive business forces and the increasing reliance on digital technologies require industry leaders to rethink their supply chains. Decision-makers must take the first step to transform their supply chain now or risk being left behind.

CEO Priorities Are Shifting to Embrace Digital Business

In the fourth quarter of 2017, a **"Gartner 2018 CEO and Senior Business Executive Survey of 460 CEO and senior business executives examined their business issues, as well as some areas of technology agenda impact. In total, 460 business leaders in organizations with more than $50 million in annual revenue were qualified and surveyed… The survey found that as simple, implemental growth becomes harder to achieve, CEOs are concentrating on changing and upgrading the structure of their companies, including a deeper understanding of digital business." Digital business became one of the top three priorities moving forward."**

Gartner Press Release, Gartner Survey Reveals That CEO Priorities Are Shifting to Embrace Digital Business, May 2018,
https://www.gartner.com/newsroom/id/3873663

"'Forty-seven percent of CEOs said they are being challenged by the board of directors to make progress in digital business, and this enterprise-wide focus on digital is also being felt by CIOs across industries,' said Jan-Martin Lowendahl, research vice president at Gartner during his session at the Gartner Symposium/ ITxpo 2018 in Dubai."

Gartner, Smarter with Gartner, Is Digital a Priority for Your Industry?, March 2018,
https://www.gartner.com/smarterwithgartner/is-digital-a-priority-for-your-industry/

In the broadest sense, digital transformation promises to bring exponential improvements in speed, scalability, agility, transparency, and personalization to the supply chain. In the connected, digitally transformed world of supply chains, decision-makers expect to sense demand and supply instantaneously and accurately, and at the same time envision efficient responses to supply and demand in servicing their customers.

No doubt, transformation to the digital era is poised to change supply chain management and execution more fundamentally than at any other point in history. In the context of the challenges facing supply chains, both now and into the future, it becomes clear that the old ways of working will not be good enough. Even today's concept of best-in-class performance will not suffice for the challenges predicted. Supply chains must be both dynamic and agile to meet the needs of customers and modern decision-makers. They must also be able to respond more quickly than ever while maintaining accuracy and integrity.

2017 research from the Center for Global Enterprise (CGE) predicts that digitizing the supply chain has the potential to:

LOWER PROCUREMENT COSTS

20%

REDUCE SUPPLY CHAIN PROCESS COSTS BY UP TO

50%

INCREASE REVENUE

10%

With stakes this high, it's no wonder transformation to digital tops executives' priority lists for survival and value creation.

The Road to Supply Chain Value Creation

ONE PLATFORM, NO BORDERS

From omni-channel to the Internet of Things, change is reshaping supply chains in the digital era. Yesterday's best practices simply don't match to today's customer demands. They expect 100% fulfillment, faster service, and greater value. And they want to stay at the forefront of technology trends.

To execute day in and day out, regardless of business fluctuations or changes in technology, a distributor's supply chain platform must be able to adapt and scale with the demands. It has to expand and enable collaboration with customers, suppliers, and partners as a borderless enterprise. This is no longer optional. An organization's supply chain must behave as one engine, constantly adapting to its internal and external challenges, regardless of the number of technologies involved.

According to Gartner: **"Many enterprises have ambitions to become digital businesses. Therefore, CIOs need to evolve their current IT landscape into a digital business technology platform to support the new experiences, offerings and business models."** (October 2, 2017)
Gartner, A Digital Business Technology Platform Is Fundamental to Scaling Digital Business, October 2017,
https://www.gartner.com/document/3810972

With new and agile intelligent technology, companies will have far broader supply chain capabilities, allowing them to efficiently weather internal and external disruptions. At the same time, they will have the data and flexibility necessary to support changes to business models and customer demands. The supply chain will be better equipped to deal with risks and disruptions affecting organizations and their partners. Ultimately, executives will have greater insight into the impact of their decisions and how they can steer their supply chain to drive sustainable value for their business.

TECSYS' Supply Chain Platform brings order to the chaos. It enables businesses to move from a mismatched collection of disparate technologies to a cohesive, end-to-end network that supports a sustainable competitive advantage, and helps them improve processes and service levels. It also allows them to adapt their supply chain when required to address disruptive business forces while managing the challenges of fluctuating demand and less-than-24-hour delivery times. This innovative platform gives organizations a solid foundation that allows them to embrace other new and innovative technologies when they become relevant for real-world adoption.

Join the Transformation

Industry leaders must take the first step to transform their supply chains now or risk being left behind. They must respond to their customers' evolving needs with a platform that turns supply chain complexity into fluid operations. To win, they must identify and bolster their competitive advantage with an intuitive solution that delivers robust execution across the supply chain.

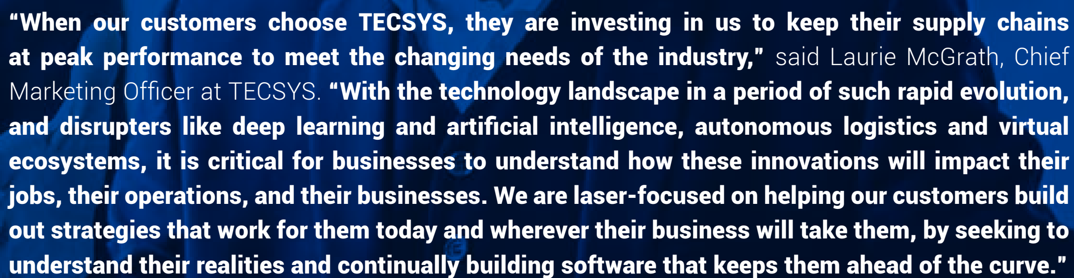
TECSYS Highlights Innovations Shaping the Future of Supply Chains

SmartVision 2018, TECSYS' User Conference, took place in Orlando, FL, from June 3 to 6, 2018. It is the largest educational and networking event for TECSYS users, covering a wide range of subjects that address the changing ecosystem of a technology-fueled supply chain, offering attendees applied sessions to stay on top of the latest trends while building specific TECSYS software skills.

This event brought together a diverse group of thought leaders, business executives, and supply chain professionals focused on futureproofing their supply chain operations through collaborative R&D roundtables, educational breakout sessions, and visionary speaker perspectives.

SmartVision 2018 underscored the impact of recent innovations on the future of supply chains and how TECSYS is committed to building the technology that will support those future requirements. Attendees were engaged in learning about supply chain best practices as they relate to the moving targets of traceability, operational efficiencies, and regulatory compliance. The agenda bridged strategic thought leadership with practical takeaways to help attendees learn:

- **How to maximize supply chain efficiency through technology**
- **New strategies, tactics, and procedures to leverage in meeting customer demands**
- **Insider tips and tricks from TECSYS product experts**
- **The TECSYS product vision and release schedule**



"When our customers choose TECSYS, they are investing in us to keep their supply chains at peak performance to meet the changing needs of the industry," said Laurie McGrath, Chief Marketing Officer at TECSYS. **"With the technology landscape in a period of such rapid evolution, and disrupters like deep learning and artificial intelligence, autonomous logistics and virtual ecosystems, it is critical for businesses to understand how these innovations will impact their jobs, their operations, and their businesses. We are laser-focused on helping our customers build out strategies that work for them today and wherever their business will take them, by seeking to understand their realities and continually building software that keeps them ahead of the curve."**

At the event, TECSYS recognized three customers for their outstanding contribution to enhancing the dialog around innovation in supply chain.

- TECSYS recognized Werner Electric Supply with its **Supply Chain Excellence Award** for their demonstrated commitment to grow and redefine the supply chain benchmarks in their industry.
- TECSYS recognized a Fortune 100 healthcare organization with its **Supply Chain Excellence Award** for showing how to drive dramatic growth with its supply chain.
- TECSYS recognized Mercy with its **Supply Chain Excellence Top Honor Award**, for demonstrating exceptional leadership as they created and implemented a distinctive approach to a system-wide supply chain paradigm shift.

TECSYS Customers Ranked Top Three

in Gartner's Healthcare Supply Chain Top 25 for 2017

The Healthcare Supply Chain Top 25 recognizes organizations that show leadership in using supply chain to improve human life at sustainable costs. Supply chain leaders in healthcare can identify improvement opportunities from the traits of these providers, manufacturers, distributors and retailers.

On November 16, 2017, Gartner issued a press release that stated: "Many questions regarding the future of healthcare are unresolved and likely will remain that way for at least the near term," said Mr. Meyer. "Despite this uncertainty, Gartner expects leading supply chains to move forward decisively and seek out willing partners, leverage digital technology, and obsess over their customers to find new ways to make their supply chains an essential part of the future of healthcare."

A Passion to Connect the End-to-End Supply Chain

Supply chain's role in healthcare is evolving from simply pursuing lower supply chain costs and improved service on an individual company basis. Now, collaboration and visibility are key. Partners across the healthcare value chain work together to lower procedure costs while improving outcomes. Providers work to understand and connect all the patient costs from preadmission to post-discharge care (see "Hierarchy of Healthcare Supply Chain Metrics for Integrated Delivery Networks Version 2.0"). Leading manufacturers build supply chain teams tasked with working directly with their customers. And distributors/wholesalers that have long provided the supply chain link between the suppliers and IDNs leverage their position to improve visibility and information flow.

About the Healthcare Supply Chain Top 25 Methodologies

Consistent with Gartner's Top 25 research methodologies, the Healthcare Supply Chain Top 25 ranking is derived from two main analyses: quantitative measures and opinion. Quantitative measures provide a view into how companies have performed in the past, and establish proxy connections between financial health, performance and supply chain excellence. The opinion component offers an eye to value chain leadership and demonstrated supply chain performance — crucial characteristics of Gartner's Top 25 ranking. These two components are combined into a total composite score.

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https://www.gartner.com/newsroom/id/3829764

Transforming Supply Chains in Health Systems

In fiscal 2018, TECSYS increased its market leadership in the hospital and health systems market, winning the business of these noteworthy organizations.

One of the Busiest Emergency Departments in the U.S.

This health system, located in the southern part of the U.S., has grown to provide its customers with world-class healthcare in the most cost-effective settings, close to their homes.

11	2,800	20,000
HOSPITALS	LICENSED BEDS	EMPLOYEES

A Global Leader in Personalized Health

This health system leverages precision medicine to predict, prevent, and treat disease, enabling individuals to live longer, healthier lives. The organization serves more than two million people each year throughout its region in the eastern part of the U.S.

6	1,700	16,000
HOSPITALS	LICENSED BEDS	EMPLOYEES

TECSYS Continues to be a Visionary

in Gartner's Magic Quadrant[1] for Warehouse Management Systems

On May 2, 2018, Gartner Inc., the world's leading information technology research and advisory company, released the latest Magic Quadrant for Warehouse Management Systems (WMS), in which TECSYS was positioned in the "Visionaries" quadrant, a position that it has held since its first inclusion in 2010.

Gartner Magic Quadrant research methodology provides a graphical competitive positioning of four types of technology providers in fast-growing markets: Leaders, Visionaries, Niche Players and Challengers. Gartner has evaluated global WMS vendors based on their completeness of vision and ability to execute and has recognized 13 WMS suppliers that were included in the 2018 Magic Quadrant for Warehouse Management Systems, one of which is TECSYS.

> According to the report: **"While a very mature market, WMS offerings continue to differ in areas like usability, adaptability, intelligence, life cycle costs and ability to support end-to-end logistics process orchestration. Supply chain and IT leaders can use this research[1] to understand the current state of the WMS market."**

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[1]Gartner "Magic Quadrant for Warehouse Management Systems" by C. Dwight Klappich & Simon Tunstall, 02 May, 2018.

Transforming Supply Chains in Complex Distribution

In fiscal 2018, TECSYS won the business of a number of customers in complex distribution. Below are some of the highlights:

Leading Provider of Flooring Products & Accessories

This Canadian distributor is a leading provider of products and accessories for the installation and finishing of floors. They serve retailers of major renovation and construction projects as well as building contractors. The company distinguishes itself from the competitors by the speed of its execution and service excellence.

8,000
PRODUCTS

42
DISTRIBUTION FACILITIES

30+
YEARS IN BUSINESS

A Leading 3PL/4PL Services Provider

This third-party logistics provider has been building a strong network by pairing its domestic services with a global infrastructure. The company provides comprehensive, one-stop logistic solutions that incorporate air freight, sea freight, customs brokerage, ground transportation, and a full range of 3PL/4PL services across a number of industries.

50,000
PRODUCTS

10
DISTRIBUTION FACILITIES

45+
YEARS IN BUSINESS

One of the Largest Liquor Purchasers in the World

As the sole buyer and reseller of liquor in its region, this distribution organization is one of the largest liquor purchasers in the world. It operates over 190 retail stores and supports some 1,600 retail outlets, serving more than 36 million retail customers every year.

35,000
PRODUCTS

190+
OUTLETS

1900s
ESTABLISHED IN

I'm proud of this heritage of excellence and innovation created from a very modest company that has blossomed into a recognized industry leader.

Dave Brereton
Executive Chairman of the Board, TECSYS

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

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

This Management Discussion and Analysis (MD&A) dated July 5, 2018 comments on our operations, financial performance and financial condition as at and for the years ended April 30, 2018 and April 30, 2017 and should be read in conjunction with the Consolidated Financial Statements of TECSYS Inc. (the "Company") and Notes thereto, which are included in this document. The Company's fiscal year ended on April 30, 2018. Fiscal 2018 refers to the twelve-month period ended April 30, 2018.

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

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

The consolidated financial statements were authorized for issue by the Board of Directors on July 5, 2018.

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

Overview

TECSYS provides transformative supply chain solutions that equip its customers to succeed in a rapidly-changing omnichannel world. TECSYS' solutions are built on a true enterprise supply chain platform, and include warehouse management, distribution management, transportation management, supply management at point-of-use 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, they can adapt and scale to various business needs or size, and they can expand and collaborate with customers, suppliers and partners as one borderless enterprise. From demand planning to demand fulfillment, TECSYS puts power into the hands of both front line workers and back office planners, and unshackles business leaders so they can see and manage their supply chains like never before.

TECSYS is the market leader in supply chain solutions for health systems and hospitals. Over 600 mid-size and Fortune 1000 customers trust their supply chains to TECSYS in the healthcare, service parts, third-party logistics, and general wholesale high-volume distribution industries.

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. SCE includes Warehouse Management Systems (WMS), Transportation Management Systems (TMS), and supply chain inventory visibility — to provide a single solution to manage the inbound and outbound logistics processes of a distribution operation.

The broader SCE market is also seeing a number of new entrants touting cloud-based solutions targeted at the lower-end and that are typically less sophisticated environments within the market. Existing providers are also expanding their WMS capabilities beyond the historical core offerings. Businesses deploying SCE solutions are looking to achieve far greater visibility into product movements, cost containment and compliance.

It is important to note that today's distribution marketplace is more sophisticated and agile than ever. The landscape is complex, volatile, and uncertain. Industries are pressured to better serve customers at lower cost. Competition is fierce, and disintermediation continues to pose a significant threat.

Competing in today's complex distribution environment means understanding the bigger picture—how well an organization can adapt its internal infrastructure and processes to external challenges. Consider the impact of major brick and mortar and online retailers, strong competition from those who stick to their core competencies and disruptions by new and innovative technologies. Such disruptions and the increasingly digital environment is pressuring distribution industry leaders to rethink their strategy and take the first step to transform their supply chain or risk being left behind.

Agile companies are moving forward onto the road of best performers while quickly leaving behind their less nimble competitors. A study by The Boston Consulting Group[1] 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.

TECSYS' management believes that the Company's 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 within healthcare and complex supply chains 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 by its customers.

TECSYS has been providing distribution and warehouse management solutions to the healthcare industry since 1995. These include major distributors, a number of health systems or IDNs (Integrated Delivery Networks), as well as third-party logistics providers (3PLs) in Canada and the United States. According to the American Hospital Association (AHA), there are over 5,500 hospitals in the United States, including about 550 health systems comprised of hospitals, nursing homes, clinics, home health agencies and school health centers.

According to Gartner, Inc., one of the world's leading information technology research and advisory companies, "Even though core WMS is approaching parity across offerings, some industries and businesses require very specialized solutions. Their fundamental needs reach well beyond the basic receive, store, count, pick, pack and ship capabilities of most WMSs. This is called extreme verticalization. For example, a company supporting project-based logistics needs a solution that drives logistics operations based on specific projects and not traditional orders and inventory. Similarly, a healthcare independent network needs to integrate warehouse operations with the hospital to streamline supply logistics to support patient care.

Some vendors demonstrate leadership in demanding industries and offer unique solutions, as well as add-on capabilities, specifically built for these industries. Furthermore, users benefit from vendors with dedicated domain expertise that helps them understand how the WMS fits the needs of their industry."[2]

As part of its vertical market strategy, the Company has been on the lookout for other vertical market opportunities in the high-volume complex distribution area where it can profitably provide unique value and be able, over time, to capture market share and eventually dominate that industry. In fiscal 2018, TECSYS continued this initiative to explore additional opportunities using this strategy.

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

On July 24, 2017, TECSYS announced its partnership with Ryder System, Inc., a FORTUNE 500® commercial fleet management, dedicated transportation, and supply chain solutions company, to address the growing challenges of end–to-end supply chains in the health systems market. Ryder and TECSYS will work collaboratively to address these challenges by fusing TECSYS' best-in-class technology with Ryder's industry-leading supply chain solutions.

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

[2] Gartner "Magic Quadrant for Warehouse Management Systems" by C. Dwight Klappich & Simon Tunstall, February 13, 2017

On November 15, 2017, Gartner, Inc. released its ninth annual Healthcare Supply Chain Top 25 ranking[3]. The top three in Gartner's Healthcare Supply Chain Top 25 for 2017 are TECSYS customers. Gartner's annual Healthcare Supply Chain Top 25 ranking recognizes companies across the healthcare value chain that demonstrate leadership in improving human life at sustainable costs.

On January 18, 2017, TECSYS announced that marketing veteran Laurie McGrath has joined the company as its new Chief Marketing Officer. McGrath brings over 20 years of executive marketing, branding, and communication experience to the role as well as deep knowledge of the supply chain, technology, and healthcare sectors. She will lead global corporate and product marketing initiatives across all aspects of brand execution, including market positioning, product definition and strategy, public relations, social media, corporate communications, and demand generation.

On March 21, 2018, TECSYS announced that Brian Cosgrove, the Company's Chief Financial Officer, had resigned to pursue other career opportunities. Mr. Cosgrove informed TECSYS that he has accepted a position as Chief Financial Officer of a private-equity backed company. TECSYS has initiated a search for Mr. Cosgrove's successor. In the mean time, the Company has appointed Mr. Berty Ho-Wo-Cheong, Vice President, Mergers and Acquisitions and former CFO, to serve as TECSYS's interim CFO until Mr. Cosgrove's successor is in place.

On April 9, 2018, TECSYS announced Delivery Management Solution for the last mile that empowers regional distribution organizations and 3PLs to thrive in customer service in the digital era and achieve a significant competitive advantage. It enables logistics management to create, pickup and deliver shipments directly from a smartphone and offers their customers real-time, online traceability of shipments similar to the functionality offered by major international parcel shipping organizations.

On May 2, 2018, Gartner, Inc. released the latest Magic Quadrant[4] for Warehouse Management Systems, in which TECSYS was positioned in the "Visionaries" quadrant, a position that it has held since its first inclusion in 2010. Gartner Magic Quadrant research methodology provides a graphical competitive positioning of four types of technology providers in fast-growing markets: Leaders, Visionaries, Niche Players and Challengers. Gartner has evaluated global WMS vendors based on their completeness of vision and ability to execute and has recognized 13 WMS suppliers that were included in the 2018 Magic Quadrant for Warehouse Management Systems, one of which is TECSYS.

TECSYS generates revenue from proprietary products (which includes licensing fees for proprietary software and proprietary hardware technology), third-party products (which includes hardware and software products), and the provision of related information technology services. At the end of fiscal 2018, recurring revenue[5] amounted to $26.2 million which represents 37% of fiscal 2018 revenue. Recurring revenue is defined as the contractually committed purchase of services, generally comprising proprietary and third-party maintenance and hosting services, over the next twelve months. The quantification assumes that the customer will renew the contractual 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.

Services revenue has two components, Cloud, maintenance and subscription and professional services. Professional services includes both the fees associated with implementation assistance and ongoing services. These ongoing services include consulting, training, product adaptations, 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. Cloud, maintenance and subscription includes maintenance, customer support, application hosting, data base administration services and third party products maintenance.

Products revenue has two components: the Company's proprietary products and third-party products. Proprietary products' revenue was 10% of revenue in both fiscal 2018 and 2017. Third-party products' revenue represented 10% of total revenue in both fiscal 2018 and fiscal 2017.

[3] Gartner, "The Healthcare Supply Chain Top 25 for 2017", Eric O'Daffer et al., November 2017

[4] Gartner "Magic Quadrant for Warehouse Management Systems" by C. Dwight Klappich & Simon Tunstall, May 2, 2018

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

Cost of revenue comprises the cost of products purchased for re-sale and the cost of services, made up mainly of salaries, incentives, benefits and travel expenses of all personnel providing 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. 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.

Sales and marketing, as well as general and administration expenses include all human resources 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, and equipment rentals and maintenance.

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. Also included in R&D are research and development tax credits as well as e-business tax credits.

At the end of fiscal 2018, the Company employed 364 employees in comparison to 372 at the end of fiscal 2017. The average number of employees was 372 in fiscal 2018 in comparison to 367 for fiscal 2017.

The U.S. dollar weakened by 3% against the Canadian dollar during fiscal 2018 in comparison to fiscal 2017. The U.S. dollar to Canadian dollar exchange rates for fiscal 2018 averaged CA $1.2774 in comparison to CA$1.3176 for fiscal 2017. Approximately 68% of the Company's revenue were generated in the United States in fiscal 2018. In comparison to fiscal 2017, revenue had an estimated unfavorable impact of $1.3 million due to the unfavorable U.S dollar exchange rate being lower in comparison to fiscal 2017 and partially offset by the favorable variance generated by the Company's designated hedging of highly probable U.S. revenue. The weaker U.S. dollar impacted cost of sales and operating expenses favorably by approximately $417,000.

The U.S. dollar stayed relatively flat against the Canadian dollar during fiscal 2017 in comparison to fiscal 2016. The U.S. dollar to Canadian dollar exchange rates for fiscal 2017 averaged CA $1.3176 in comparison to CA $1.3158 for fiscal 2016. Approximately 71% of the Company's revenue were generated in the United States in fiscal 2017. In comparison to fiscal 2016, revenue had an estimated favorable variance of $850,000 due to the favorable variance generated by the Company's designated hedging of highly probable U.S. revenue. The relatively flat U.S. dollar did not have any significant impact on cost of sales and operating expenses in fiscal 2017 as compared to fiscal 2016.

Selected Annual Information

In thousands of Canadian dollars, except per share data

	2018	2017	2016
Total Revenue	**70,718**	**68,447**	**67,466**
Profit	**3,949**	**5,998**	**4,804**
Comprehensive Income	**4,115**	**5,112**	**5,316**
Basic and Diluted Earnings per Common Share	**0.30**	**0.49**	**0.39**
Common Share Dividends	**0.19**	**0.15**	**0.10**
Total Assets	**63,417**	**52,537**	**52,690**
Long-term Debt (including the current portion)	**121**	**190**	**3,344**

Results of Operations
Year ended April 30, 2018 compared to year ended April 30, 2017

Revenue

Total revenue increased to $70.7 million, $2.3 million or 3% higher, compared to $68.4 million for fiscal 2017.

Proprietary products, defined as internally developed products including proprietary software and hardware technology products, decreased to $6.9 million, $0.3 million or 4% lower in comparison to $7.2 million for fiscal 2017. The slight decrease is primarily due to deliveries of proprietary hardware technology.

Third-party products revenue were stable at $ 6.8 million in comparison to fiscal 2017.

Overall total contract value bookings[6] amounted to $48.1 million during fiscal 2018 in comparison to $42.6 million for the previous fiscal year, an increase of 13%. The Company signed twelve new accounts with a total contract value of $15.2 million during fiscal 2018 in comparison to twelve new accounts with a total contract value of $11.1 million during fiscal 2017. The increase of $4.1 million in new account total contract value bookings in fiscal 2018 was primarily the result of an increase in average contract value from new IDN's and hospitals.

Cloud, maintenance and subscription revenue was $27.0 million during fiscal 2018, $0.7 million or 3% higher, compared to $26.3 million for the previous fiscal year. This increase is primarily attributable to proprietary maintenance contracts in comparison with the same period of the previous fiscal year.

Professional services revenue increased to $27.8 million during fiscal 2018, $2.2 million or 9% higher, compared to $25.6 million for the previous fiscal year. There was an increase in customization services revenue and implementation services revenue in comparison to the prior fiscal year.

As a percentage of total revenue, products accounted for 19%, and services for 78% in fiscal 2018 compared to 20% and 76% for fiscal 2017, respectively.

Cost of Revenue

Total cost of revenue increased to $35.8 million in fiscal 2018, $1.6 million or 5% higher, in comparison to $34.3 million for fiscal 2017. The increase is mainly attributable to higher services costs of $1.6 million and higher products costs of $338,000 partially offset by lower reimbursable expenses of $328,000.

The cost of services increased to $27.5 million in fiscal 2018, $1.6 million or 6% higher, in comparison to $25.9 million for fiscal 2017. The increase is primarily attributable to higher employee remuneration and hosting expenses partially offset by lower consulting fees and recruiting fees. In fiscal 2018, the average services headcount increased by eight in comparison to fiscal 2017. This planned increase in headcount is to ensure that the Company increases its capacity to deliver services related to its backlog and anticipated increase in pipeline conversion. The cost of services includes tax credits of $2.1 million for fiscal 2018 compared to $ 2.0 million for fiscal 2017.

The cost of products increased by $338,000 or 6% to $6.2 million in fiscal 2018 in comparison to $5.8 million for fiscal 2017. There was an increase in radio-frequency equipment revenue partially offset by decrease in third party software products and labels revenue.

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

Gross Profit

The gross profit increased to $34.9 million in fiscal 2018, $679,000 higher, in comparison to $34.2 million for the previous fiscal year. This is mainly attributable to a higher services margin of $1.3 million partially offset by a lower products margin of $614,000. Total gross profit percentage in fiscal 2018 was 49% compared to 50% in fiscal 2017.

Services gross profit during fiscal 2018 increased to $27.3 million, $1.3 million higher, in comparison to $26.0 million in fiscal 2017. Services gross profit was 50% of services revenue in fiscal 2018 and fiscal 2017. The increase in gross profit is primarily due to the increased professional services revenue and maintenance revenue.

The products margin decreased to $7.6 million, $0.6 million lower during fiscal 2018 in comparison to $8.2 million in fiscal 2017. The decrease in margin is mainly attributable to the revenue mix and margin on radio frequency equipment, third party software licenses and labels.

Operating Expenses

Total operating expenses increased to $30.6 million for fiscal 2018, $4.4 million or 17% higher, compared to $26.2 million for fiscal 2017. The most notable differences between fiscal 2018 in comparison with fiscal 2017 are as follows.

- Sales and marketing expenses amounted to $14.5 million, $635,000 lower than the comparable previous fiscal year. Expenses were lower primarily due to lower salaries and benefits as well as lower travel and expenses costs compared to the previous fiscal year.
- General and administrative expenses amounted to $6.3 million, $465,000 higher than the comparable previous fiscal year. The increase in costs is primarily attributable to higher salaries and benefits and recruiting costs partially offset by lower legal expenses.
- Net R&D expenses increased to $9.8 million in fiscal 2018 from $5.3 million in fiscal 2017, $4.5 million higher than the previous fiscal year, mainly attributable to the recognition of a significant amount of tax credits recorded in fiscal 2017. The Company recorded $ 1.6 million of refundable and non-refundable tax credits in fiscal 2018 compared to $6.1 million for fiscal 2017. The decrease in tax credits is due to the recognition of Canadian federal non-refundable research and development tax credits of $4.9 million in fiscal 2017 compared to $223,000 in fiscal 2018. The amount of non-refundable research and development tax credits recognized in 2017 represent primarily tax credits earned in prior years for which the criteria for recognition was met in fiscal 2017 due to the increased probability that the tax credits will be realised in the future. These non-refundable tax credits will be used in the future to reduce federal imcome taxes payable. The Company amortized deferred development costs and other intangible assets of $1.3 million in fiscal 2018 in comparison to $1.5 million for fiscal 2017.

Profit from Operations

The Company recorded profit from operations of $4.3 million representing 6% of revenue in fiscal 2018 in comparison to $8.0 million fiscal 2017 representing 12% of revenue, primarily as a result of higher net operating expenses mainly arising from the recognition of the R&D non-refundable tax credits in 2017 of $4.9 million partially offset by higher services margin.

Net Finance Costs

In fiscal 2018, the Company recorded net finance income of $151,000 in comparison to finance costs of $189,000 for fiscal 2017. The increase in net finance income is primarily attributable to a lower exchange loss and lower interest expenses on the Company's long-term debt and higher interest income on the long term investment in comparison to the last fiscal year.

Income Taxes

In fiscal 2018, the Company recorded an income tax expense of $456,000 comprised of current income tax expense of $1.5 million and deferred income tax recovery of $1.1 million. In fiscal 2017, the Company recorded an income tax expense of $1.8 million comprised of current income tax expense of $1.7 million and deferred income tax expense of $29,000. The decrease in current income tax expense as compared to fiscal 2017 is due to the decrease in profitability as compared to the prior fiscal year. The decrease in the deferred income tax expense in fiscal 2018 is mainly due to the recognition of deferred tax assets in fiscal 2018 for which the criteria for recognition was met during the year.

As at April 30, 2018, the Company had recognized net deferred tax assets of $3.5 million and has an unrecognized net deferred tax asset of $4.5 million covering various jurisdictions and approximately $5.6 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 income taxes given its availability of Canadian federal non-refundable tax credits and deferred tax assets. Refer to note 15 of the consolidated financial statements for further detail.

Profit

The Company realized profit of $3.9 million or $0.30 per common share in fiscal 2018 compared to $6.0 million or $0.49 per common share for fiscal 2017.

Results of Operations for the Fourth Quarter
Quarter ended April 30, 2018 compared to quarter ended April 30, 2017

Revenue

Total revenue for the fourth quarter ended April 30, 2018 increased to $18.9 million, $461,000 or 2% higher, compared to $18.4 million for the same period of fiscal 2017. Approximately 67% of the Company's revenues were generated in the United States during the fourth quarter of fiscal 2018. The favorable impact of the Company's designated hedging of highly probable U.S. revenue offset by the stronger U.S. dollar gave rise to an unfavorable variance in comparison to the previous fiscal year by an estimated $618,000. The slightly weaker U.S. dollar impacted on cost of sales and operating expenses favorably by approximately $167,000.

Proprietary products revenue increased to $3.1 million, $434,000 or 16% higher, in the fourth quarter of fiscal 2018 in comparison to $2.6 million for the same period last year. The increase is primarily due to an increase in proprietary software license revenue compare to the same period last year.

Overall total contract value bookings amounted to $14.7 million in the fourth quarter of fiscal 2018 in comparison to $ 11.1 million for the same period of the previous fiscal year. During the fourth quarter of fiscal 2018, the Company signed six new accounts with a total contract value of $8.3 million compared to four new accounts with a total contract value of $4.7 million in the fourth quarter of fiscal 2017. During the fourth quarter of fiscal 2018, the Company signed two health systems which had an average deal size that was three times the average deal size of the three health systems contracts signed in the fourth quarter of fiscal 2017.

Third party products revenue decreased to $1.9 million, $235,000 or 11% lower, in the fourth quarter of fiscal 2018 in comparison to $ 2.2 million for the same period last year explained by a decrease in third-party software licence revenue and labels.

Cloud, maintenance and subscription revenue amounted $6.9 million in the fourth quarter of fiscal 2018 and 2017.

Professional services revenue increased to $6.5 million during fiscal 2018, $389,000 or 6% higher, compared to $6.1 million for the previous fiscal year. There was an increase in customization services revenue and implementation services revenue in comparison to the same period of the prior fiscal year

As a percentage of total revenue, proprietary products accounted for 16%, third-party products for 10%, and services for 71% in the fourth quarter of fiscal 2018 compared to 14%, 12% and 70% for the same period in fiscal 2017, respectively.

Cost of Revenue

Total cost of revenue increased to $9.3 million, higher by $280,000 or 3%, in the fourth quarter of fiscal 2018 in comparison to $9.1 million for the same period in fiscal 2017. The increase is mainly attributable to higher services costs of $465,000.

The cost of services increased to $7.1 million, higher by $465,000 or 7%, in the fourth quarter of fiscal 2018 in comparison to $6.7 million for the same period in fiscal 2017. The increase is mainly attributable to higher employee salaries, benefits, incentives and hosting expenses, partially offset by lower travel expenses. The cost of services includes tax credits of $471,000 for the fourth quarter of fiscal 2018 compared to $437,000 for the same period in the previous fiscal year.

The cost of products stayed flat to $1.7 million in fiscal 2018 in comparison to the same period in previous fiscal year.

Gross Profit

Gross profit increased to $9.6 million, higher by $0.2 million, in the fourth quarter of fiscal 2018 in comparison to $9.4 million for the same period last year. This is mainly attributable to higher products margin of $0.2 million. Total gross profit percentage in the fourth quarter of fiscal 2018 was flat at 51% compared to the same period of fiscal 2017.

Services gross profit during the fourth quarter of fiscal 2018 decreased by $54,000 to $6.2 million in comparison to $6.3 million in the same period of fiscal 2017. Services gross profit was 47% of services revenue in the fourth quarter of fiscal 2018 in comparison to 49% for the comparable period last year. The slight decrease in services gross profit is primarily due to services revenue growth of $411,000 while costs grew by $465,000.

The products margin increased by $235,000 in fiscal 2018 compared to the same period last year, as a result of higher proprietary product revenue of $434,000 partially offset by a lower third-party product revenue of $235,000.

Operating Expenses

Total operating expenses for the fourth quarter of fiscal 2018 increased to $8.0 million, higher by $4.6 million or 139%, compared to $3.3 million for the same period last year. The most notable differences between the fourth quarter of fiscal 2018 in comparison with the same period in fiscal 2017 are as follows.

- Sales and marketing expenses amounted to $3.7 million, $418,000 lower than the comparable quarter last year. The decrease is primarily due to lower salaries and benefits and travel expenses related to lower headcount compared to the same period last year.
- General and administrative expenses increased to $1.6 million, $203,000 higher than the comparable quarter last year. The increase is mainly attributable to higher salaries and benefits partially offset by lower legal expenses.
- Net R&D expenses amounted to $2.6 million in fourth quarter of fiscal 2018 compared to an income amount of $2.1 million for the comparable period in fiscal 2017 or an increase of $4.7 million. The Company recorded $471,000 of R&D refundable and non-refundable tax credits and refundable and non-refundable e-business tax credits in the fourth quarter of fiscal 2018 in comparison to $5.0 million for the same period in fiscal 2017. The decrease in tax credits is due to the significant recognition of Canadian federal non-refundable research and development tax credits of $4.6 million in the fourth quarter of fiscal 2017, representing primarily tax credits earned in prior years for which the criteria for recognition was met in fiscal 2017.

Profit from Operations

The Company recorded profit from operations of $1.7 million representing 9% of revenue in the fourth quarter of fiscal 2018 in comparison to $6.0 million representing 33% of revenue for the same period in fiscal 2017. This decrease was primarily as a result of higher operating expenses of $4.6 million mainly arising from the increased recognition of the R&D refundable and non-refundable tax credits and refundable and non-refundable e-business tax credits of $5.0 million in 2017, partially offset by higher gross margin of $0.2 million.

Net Finance Costs

In the fourth quarter of fiscal 2018, the Company recorded net finance costs of $67,000 in comparison to net finance costs of $7,000 for the same period of fiscal 2017. The increase in net finance costs is largely attributable to a higher foreign exchange loss, partially offset by higher interest income on the Company's long-term investments as compared to the fourth quarter of fiscal 2017.

Income Taxes

In the fourth quarter of fiscal 2018, the Company recorded an income tax expense of $14,000 in comparison to an income tax expense of $ 1.3 million in the fourth quarter of fiscal 2017. The decrease in income tax expense as compared to the same period in fiscal 2017 is due to the decrease in profitability and also due to the recognition of deferred tax assets in fiscal 2018 for which the criteria for recognition was met during the period.

Profit

The Company realized profit of $1.8 million or $0.13 per share in the fourth quarter of fiscal 2018 compared to $4.8 million or $0.39 per share for the same period in fiscal 2017.

Quarterly Selected Financial Data

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

Fiscal Year 2018	Q1	Q2	Q3	Q4	Total
Total Revenue	**16,511**	**18,072**	**17,227**	**18,908**	**70,718**
Profit	**69**	**1,356**	**722**	**1,802**	**3,949**
Comprehensive Income	**864**	**701**	**1,057**	**1,493**	**4,115**
Basic and Diluted Earnings per Common Share	**0.01**	**0.10**	**0.06**	**0.13**	**0.30**

Fiscal Year 2017	Q1	Q2	Q3	Q4	Total
Total Revenue	**16,097**	**16,518**	**17,385**	**18,447**	**68,447**
Profit	**128**	**206**	**888**	**4,776**	**5,998**
Comprehensive (Loss) Income	**(597)**	**70**	**1,261**	**4,378**	**5,112**
Basic and Diluted Earnings per Common Share	**0.01**	**0.02**	**0.07**	**0.39**	**0.49**

In the fourth quarter of fiscal 2018, the Company recorded $133,000 of Canadian federal non-refundable research and development tax credits and $0.9 million of deferred tax recovery.

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

Liquidity and Capital Resources

On April 30, 2018, current assets totaled $35.0 million compared to $34.6 million at the end of fiscal 2017. Cash and cash equivalent stayed flat to $13.5 million compared to fiscal 2017.

Accounts receivable and work in progress totaled $14.6 million on April 30, 2018 compared to $14.8 million as at April 30, 2017. The Company's DSO[7] (days sales outstanding) stood at 69 days both at the end of fiscal 2018 and the end of fiscal 2017.

Current liabilities on April 30, 2018 decreased to $19.9 million compared to $21.4 million at the end of fiscal 2017 mainly due to a slight decrease in accounts payable and accrued liabilities. Working capital increased to $15.0 million at the end of April 30, 2018 in comparison to $13.2 million at the end of fiscal year 2017.

The Company believes that funds on hand at April 30, 2018 combined with cash flow from operations and its accessibility to banking facilities will be sufficient to meet its needs for working capital, R&D, capital expenditures, and dividends for at least the next twelve months.

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

Cash from Operations

Operating activities generated $3.7 million in fiscal 2018 in comparison to $9.8 million in fiscal 2017. Operating activities excluding changes in non-cash working capital items related to operations generated $5.1 million in fiscal 2018 and $5.2 million in fiscal 2017. The slight decrease is primarily due to lower overall profitability offset by lower income tax expense.

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

Non-cash working capital items generated funds of $4.6 million in fiscal 2017 primarily due to decreases in accounts receivable and tax credits receivable and an increase in deferred revenue offset by a decrease in accounts payable and accrued liabilities.

Financing Activities

Cash flows generated from financing activities amounted to $7.9 million for fiscal 2018 in comparison to using funds of $5.1 million for fiscal 2017.

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

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

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

During fiscal 2018, the Company repaid $69,000 of the long-term debt. For fiscal 2017, on April 3, 2017, the Company prepaid its remaining principal balance on its term loans of $1,817,000.

During fiscal 2018, the Company declared quarterly dividends of $0.045 for the first two quarters and $0.05 for each of the following quarters for an aggregate of $2.5 million. During fiscal 2017, the Company declared quarterly dividends of $0.03 for each of the first two quarters and $0.045 for each of the following two quarters for an aggregate of $1.8 million.

The Company paid interest of $4,000 and $81,000 for fiscal 2018 and fiscal 2017, respectively.

Investing Activities

During fiscal 2018, investing activities used funds of $11.6 million in comparison to $1.0 million for fiscal 2017.

In the first quarter of fiscal 2018, $10.0 million of the cash generated by the bought deal discussed above was invested in a long-term redeemable GIC for a period of three years. The Company used funds of $1,639,000 and $808,000 for the acquisition of property and equipment and intangible assets in fiscal 2018 and fiscal 2017, respectively. Additionally, the Company invested in its proprietary software products with the capitalization of $217,000 and $253,000 reflected as deferred development costs in fiscal 2018 and fiscal 2017, respectively. The Company received interest of $259,000 and $103,000 in fiscal 2018 and fiscal 2017, respectively.

Commitments and Contractual Obligations

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

As at April 30, 2018, the principal commitments consist of operating leases (note 20 of the consolidated financial statements), long-term debt and other obligations. The following table summarizes significant contractual obligations as at April 30, 2018.

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	121	47	74	-	-
Operating Leases	15,108	2,562	4,521	3,687	4,338
Other Obligations	9,089	9,089	-	-	-
Total Contractual Obligations	24,318	11,698	4,595	3,687	4,338

Under the terms of a licensing agreement with a third party, the Company is committed to pay royalties calculated at a rate of 1.25% of revenue derived from that portion of the EliteSeries product line that utilizes the embedded third-party software, excluding reimbursable expenses and hardware sales. Revenue derived from the operations of other business units or acquired companies are exempt from these royalties. The agreement automatically renews for consecutive one-year terms. The Company has incurred royalty fees related to this agreement of $101,000 in fiscal 2018 (2017 – $145,000).

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

During fiscal 2017, the Company declared a dividend of $0.03 on two separate occasions that were paid on August 4, 2016 and October 7, 2016 to shareholders of record at the close of business on July 21, 2016 and September 23, 2016 respectively, and declared a dividend of $ 0.045 on two other separate occasions that were paid on January 12, 2017 and April 11, 2017 to shareholders of record at the close of business on December 22, 2016 and March 21, 2017 respectively, for an aggregate of $1.8 million.

Related Party Transactions

Under the provisions of the share purchase plan for key management and other management employees, the Company provided interest-free loans to key management and other management employees of $538,000 and $187,000 to facilitate their purchase of Company shares during fiscal 2018 and fiscal 2017, respectively. The loans granted in fiscal 2017 were fully repaid before the end of the fiscal year. At April 30, 2018, loans outstanding amounted to 305,000..

Contingencies

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

Subsequent Event

On July 5, 2018, the Company's Board of Directors declared a quarterly dividend of $0.05 per share to be paid on August 3, 2018 to shareholders of record on July 20, 2018.

Off-Balance Sheet Agreements

The Company was not involved in any off-balance sheet arrangements as at April 30, 2018 with the exception of operating leases as noted in the "Commitments and Contractual Obligations" above.

Current and Anticipated Impacts of Current Economic Conditions

The current overall economic condition, together with the market uncertainty and volatility that exists today, may have an adverse impact on the demand for the Company's products and services as industry may adjust quickly to exercise caution on capital spending. Furthermore, potential regulatory changes in the United States health care system from which the Company derives a significant amount of its revenue continues to go through a period of uncertainty. This uncertainty may impact the Company's revenue.

Fiscal 2018 was a robust period with bookings amounting to $48.1 million, and this continued the trend from fiscal year 2017 where bookings totaled $42.6 million, with a substantial amount of the bookings being in the healthcare sector. The magnitude of the growth trend will depend on the strength and sustainability of economic growth and the demand for supply chain management software.

Given the current backlog[8] of $45.1 million, comprised primarily of services, the Company's management believes that the services revenue level, which include cloud, maintenance, subscription and professional services ranging between $13.5 million and $14.0 million per quarter can be sustained in the short term if no significant new agreements are completed.

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

The exchange rate of the U.S. dollar in comparison to the Canadian dollar continues to be an important factor affecting revenues and profitability as the Company generally derives approximately 65% to 75% of its business from U.S. customers while the majority of its cost base is in Canadian dollars.

The Company will continue to adjust its business model to ensure that costs are aligned to its revenue expectations and the economic reality. The Company planned to increase its headcount in the future to meet the higher demand for its services and to capture pipeline opportunities. The Company will focus its attention on rendering this investment profitable while addressing the services backlog contributing to revenue generation. Other cost areas under continuous scrutiny are traveling, consulting and communications.

The Company believes that funds on hand together with anticipated cash flows from operations, and its accessibility to the operating line of credit will be sufficient to meet all its needs for a least the next twelve months. The Company can further manage its capital structure by adjusting its dividend policy.

Financial Instruments and Financial Risk Management

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

Derivative instruments are also recorded as either assets or liabilities measured at their fair value. As such, the net fair value of all outstanding foreign exchange contracts representing a $185,000 loss was recorded as a liability in accounts payable and accrued liabilities as at April 30, 2018 (April 30, 2017 - $717,000 loss was recorded as a liability in accounts payable and acrued liabilities).

Derivatives in the form of forward exchange contracts are used to manage currency risk related to the fluctuation of the U.S. dollar. The Company is exposed to currency risk as a certain portion of the Company's revenue and expenses are realized in U.S. dollars resulting in U.S. dollar-denominated accounts receivable and accounts payable and accrued liabilities. In addition, certain of the Company's cash and cash equivalents are denominated in U.S. dollars.

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

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

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

At April 30, 2018, there is one customer comprising 12% of total trade accounts receivable and work in progress. Generally, there is no particular concentration of credit risk related to the accounts receivable due to the North American distribution of customers and procedures for the management of commercial risks. The Company performs ongoing credit reviews of all its customers and establishes an allowance for doubtful accounts receivable when accounts are determined to be uncollectible. Customers do not provide collateral in exchange for credit.

Refer to note 21 of the consolidated financial statements for additional discussion of the Company's risk management policies, including currency risk, credit risk, liquidity risk, interest rate risk and market price risk.

Outstanding Share Data

As at July 5, 2018, the Company has 13,082,376 common shares outstanding as there were no transactions since the end of the fiscal year.

Critical Accounting Policies

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

Use of estimates, assumptions and judgments

The preparation of the consolidated financial statements requires management to make estimates, assumptions, and judgments that affect the application of accounting policies and the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the reporting periods.

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

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

(i) Revenue recognition:

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

(ii) Government assistance:

Management uses judgment in estimating amounts receivable for various tax credits and in assessing the eligibility of research and development and other expenses which give rise to these credits.

(iii) Income taxes:

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

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

(iv) Impairment of assets:

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

(v) Allowance for doubtful accounts:

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

(vi) Business combinations:

Business combinations are accounted for in accordance with the acquisition method. On the date that control is obtained, the identifiable assets, liabilities and contingent liabilities of the acquired company are measured at their fair value. Depending on the complexity of determining these valuations, the Company uses appropriate valuation techniques which are generally based on a forecast of the total expected future net discounted cash flows. These valuations are linked closely to the assumptions made by management regarding the future performance of the related assets and the discount rate applied as it would be assumed by a market participant.

New Accounting Standards and Interpretations Issued But Not Yet Adopted

A number of new standards, interpretations and amendments to existing standards were issued by the International Accounting Standards Board ("IASB") or International Financial Reporting Standards Interpretations Committee ("IFRS IC") that are mandatory but not yet effective for the year ended April 30, 2018, and have not been applied in preparing these consolidated financial statements. None are expected to have an impact on the consolidated financial statements of the Company except for the following:

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

In July 2014, the IASB issued the complete version of IFRS 9 (2014), Financial Instruments. IFRS 9 (2014), which was later amended on October 12, 2017. IFRS 9 (2017) differs in some regards from IFRS 9 (2013) which the Company early adopted effective May 1, 2014. The intent of the standard is to detail requirements for recognition and measurement, impairment, derecognition and general hedge accounting. The final standard amends the impairment model by introducing a new expected credit loss model for calculating impairment and new general hedge accounting requirements. The final version of IFRS 9 supersedes all previous versions of IFRS 9 and the effective date of the Company is May 1, 2018 and must be applied retrospectively with some exemptions. The full adoption of this standard is not expected to have a material impact on the consolidated financial statements.

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

The Company continues its implementation plan for IFRS 15. The project plan includes developing the necessary accounting policies, estimates and judgments required to adopt IFRS 15, as well as any changes required to business process, systems and internal controls to implement the policies and disclosure required upon adoption of IFRS 15.

In May 2014, the IASB issued IFRS 15 which establishes principles for reporting the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. It provides a single, principle-based five step model, in order to depict the transfer of promised goods or services to customers. This is achieved by applying the following five steps:

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

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

IFRS 15 also includes a cohesive set of disclosure requirements that would result in an entity providing comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. The effective date for the Company, for this new standard, will be May 1, 2018 and the Company will use the cumulative effect transition method, with the net impact of adopting the standard recorded as an adjustment to opening retained earnings on May 1, 2018.

The Company has determined that the two most significant impacts relate to accounting for its: a) license arrangements that require the customer to renew its annual support agreement in order to maintain its right to continue to use the software; b) capitalization of contract acquisition costs. Under current revenue recognition policies, the license revenue mentioned in a) above is deferred and recognized ratably over a twelve-month period. Under IFRS 15, revenue under the same arrangement is recognized ratably over the estimated lifetime of the software. Under the Company's current accounting policies, contract acquisition costs, including incremental commissions paid to employees, are expensed upon commencement of the related contract revenue. Under IFRS 15, the Company will capitalize contract acquisition cost related to contracts having a term of at least 12 months and amortize such contract acquisition costs where revenue is recognized ratably over the term of the contract.

As of April 30, 2018, the impact of these changes is estimated to be less than $1 million that will be recognize as part of opening retained earnings on May 1, 2018. This amount will be recognized over an approximate term of seven years. During the seven year period, this amount will have an annual positive impact of between $NIL and $190,000. The Company continues to assess the financial impact of adopting this standard which will be completed and disclosed in the financial statements for the first quarter of 2019.

IFRS 16, Leases ("IFRS 16"):

In January 2016, the IASB issued IFRS 16, which specifies how an entity will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is twelve months or less or the underlying asset has a low monetary value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17, Leases. IFRS 16 applies to annual reporting periods beginning on or after January 1, 2019, with earlier application permitted only if IFRS 15 has also been applied. The Company is currently assessing the impact of the adoption of this standard on its consolidated financial statements. The Company expects that the initial adoption of IFRS 16 will results in operating lease liabilities (primarily for the rental of premises), being recognized in the consolidated statement of financial position, with a corresponding right-of-use asset being recognized. The Company also expects a decrease of its operating lease cost, offset by a corresponding increase of its financial expense and depreciation and amortization resulting from the changes in the recognition, measurement and presentation requirements.

IFRIC 22, Foreign Currency Transactions and Advance Consideration ("IFRIC 22"):

In December 2016, the IASB issued IFRIC 22. The interpretation clarifies which date should be used for translation when accounting for transactions in a foreign currency that include the receipt or payment of advance consideration. The effective date for the Company, for this new standard, will be May 1, 2018. The adoption of this standard is not expected to have a material impact on the consolidated statements.

Risks and Uncertainties

History of Earnings and Losses; Uncertainty of Future Operating Results

The Company realized net earnings over the last eleven fiscal years from 2008 through 2018, but incurred losses in fiscal 2007 as well as in other prior fiscal years. The Company has continued to adjust its operating model in view of achieving profitability. However, there can be no assurance that the Company will achieve or sustain profitability in the future. As of April 30, 2018, the Company had retained earnings of $14.5 million. The Company's dependence on a market characterized by rapid technological change make the prediction of future results of operations diffcult 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 research and development, 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 revenue, the Company's business, results of operations, and financial condition would be materially adversely affected.

Fluctuations in Quarterly Results

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 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 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 revenue is not realized in the expected quarter, the Company's operating results could be materially adversely affected. Quarterly results in the future may 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 may be significant variations in the Company's quarterly operating results.

Lengthy Sales and Implementation Cycle

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 capital expenditures. For these and other reasons, the sales cycle associated with the licensing of 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 license sales, the implementation period may involve six to twelve months for consulting services, customer training and integration with the customer's other existing systems.

Product Development and Technological Change

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 research and development 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.

Competition

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.

Management of Growth and Dependence on Key Management and Personnel

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

The Company depends upon the experience and expertise of our executive management team. The 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 attract and retain existing and additional highly qualified management, sales, and technical personnel, it may not be able to successfully execute the 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.

Risks Related to Acquisitions

The Company may continue to expand its operations or product line through the acquisition of additional businesses, products or technologies. Acquisitions may involve a number of special risks, including diversion of management's attention, failure to retain key acquired personnel, 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

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; and protective contractual provisions (such as those contained in our license agreements with consultants, vendors, partners and customers) and other measures to maintain intellectual property rights. Any of the Company's intellectual property rights could be challenged, invalidated, circumvented, or copied to cause a competitive disadvantage, lost opportunities and 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.

Currency Risk

A significant part of the Company's revenues is realized in U.S. dollars. Fluctuation in the exchange rate between the Canadian dollar, the U.S. dollar, and other currencies may have a material adverse effect on the margins the Company may realize from its products and services and may directly impact results from 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.

Cyber Security

With the increasing sophistication and persistence of cyber-threats, the Company is well aware of the need to manage the risks of data loss, malware and malicious attacks, whether originating internally or externally. The Company has implemented a continuously-evolving security program to keep pace with these threats. Independent checks reveal that the Company has not experienced material breaches in cyber security. The Company continues to monitor these risks and is in the process of fortifying its defenses against intrusion and refining its security governance plans and procedures.

U.S. Health Care System Reform

A portion of the revenues of the Company are derived from the US. market from which the health systems market constitutes an important portion. Upon taking offce, President Trump signed an executive order directing federal agencies to avoid enforcement of any provision of the Patient Protection and Affordable Care Act (United States) (the "ACA"), commonly referred to as "Obamacare," that imposed fiscal or regulatory burdens on states, individuals and/or a number of types of entities. The House of Representatives recently passed a bill called the American Health Care Act of 2017 (the "AHCA") which is designed to undo the ACA, replace it with a curtailed system of tax credits and dissolve an expansion of the Medicaid program. While U.S. congress failed to pass a repeal of the ACA, legislation change could impact negatively the Company with revenues losses or slowdowns in that sector.

Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that material information is gathered and reported to senior management on a timely basis so that appropriate decisions can be made regarding public disclosure. The Company's Chief Executive Officer (CEO) and its Chief Financial Officer (CFO) are responsible for establishing and maintaining disclosure controls and procedures regarding the communication of information. They are assisted in this responsibility by the Company's Executive Committee, which is composed of members of senior management. Based on the evaluation of the Company's disclosure controls and procedures, the Chief Executive Officer and Chief Financial Officer have concluded that these disclosure controls and procedures were effective as of April 30, 2018.

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 Offcer and the Chief Financial Offcer to evaluate the design and operating effectiveness of the Company's internal controls over financial reporting as at April 30, 2018. Based on that evaluation, the Company's Chief Executive Offcer 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.

Forward-Looking Information

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

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

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

Non-IFRS Performance Measure

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

EBITDA

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

The EBITDA calculation for fiscal 2018 and 2017 is as follows:

		2018		2017
Profit for the period	$	3,949	$	5,998
Adjustments for:				
Depreciation of property and equipment		760		819
Depreciation of deferred development costs		1,118		1,319
Depreciation of other intangible assets		462		486
Interest expense		4		81
Interest income		(259)		(103)
Income taxes		456		1,764
EBITDA	$	6,490	$	10,364

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

Bookings

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

Backlog

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

Days Sales Outstanding (DSO)

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

Additional Information about TECSYS

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

Management's Report

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

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

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

The consolidated financial statements have been audited on behalf of the shareholders by the external auditors, KPMG LLP for the fiscal years ended April 30, 2018 and 2017. The auditors have free and full access to internal records, to management and to the Audit Committee.

Peter Brereton
President and CEO
July 5, 2018

Berty Ho-Wo-Cheong
Interim VP, Finance and Administration and
Chief Financial Officer

Independent Auditors' Report

To the Shareholders of TECSYS Inc.

We have audited the accompanying consolidated financial statements of TECSYS Inc., which comprise the consolidated statements of financial position as at April 30, 2018 and April 30, 2017, the consolidated statements of income and comprehensive income, cash flows and changes in equity for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of TECSYS Inc. as at April 30, 2018 and April 30, 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

July 5, 2018
Montréal, Canada

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

TECSYS Inc.

Consolidated Statements of Financial Position

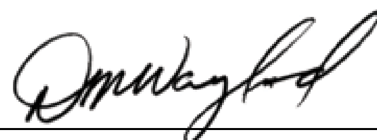
(in thousands of Canadian dollars)

	Note	April 30, 2018	April 30, 2017
Assets			
Current assets			
Cash and cash equivalents	5	$ 13,496	$ 13,476
Accounts receivable		13,939	14,218
Work in progress		617	612
Other receivables		535	370
Tax credits	6	3,391	3,126
Inventory	7	1,145	914
Prepaid expenses		1,829	1,899
Total current assets		34,952	34,615
Non-current assets			
Long-term invesments	8	10,007	-
Other long-term receivables		215	-
Tax credits	6	4,840	5,407
Property and equipment	9	3,091	2,444
Deferred development costs	10	1,850	2,751
Other intangible assets	10	1,342	1,523
Goodwill	10	3,596	3,596
Deferred tax assets	15	3,524	2,201
Total non-current assets		28,465	17,922
Total assets		$ 63,417	$ 52,537
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	12	$ 9,087	$ 9,265
Current portion of long-term debt	11, 13	47	69
Deferred revenue		10,774	12,094
Total current liabilities		19,908	21,428
Non-current liabilities			
Long-term debt	11, 13	74	121
Other non-current liabilities	12	300	277
Total non-current liabilities		374	398
Total liabilities		20,282	21,826
Contingencies and commitments	18, 19		
Equity			
Share capital	14	19,144	8,349
Contributed surplus		9,577	9,577
Retained earnings		14,527	13,064
Accumulated other comprehensive loss	21	(113)	(279)
Total equity attributable to the owners of the Company		43,135	30,711
Total liabilities and equity		$ 63,417	$ 52,537

Approved by the Board of Directors

See accompanying notes to the consolidated financial statements.

Director



Director

TECSYS Inc.

Consolidated Statements of Income and Comprehensive Income

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

Years ended April 30,	Note	2018	2017
			(Note 24)
Revenue:			
Proprietary products		$ 6,895	$ 7,187
Third-party products		6,847	6,831
Cloud, maintenance and subscription		27,000	26,316
Professional services		27,830	25,639
Reimbursable expenses		2,146	2,474
Total revenue		70,718	68,447
Cost of revenue:			
Products		6,187	5,849
Services		27,510	25,928
Reimbursable expenses		2,146	2,474
Total cost of revenue		35,843	34,251
Gross profit		34,875	34,196
Operating expenses:			
Sales and marketing		14,496	15,131
General and administration		6,328	5,863
Research and development, net of tax credits	6	9,797	5,251
Total operating expenses		30,621	26,245
Profit from operations		4,254	7,951
Net finance (income) costs	17	(151)	189
Profit before income taxes		4,405	7,762
Income tax expense	15	456	1,764
Profit attributable to the owners of the Company		$ 3,949	$ 5,998
Other comprehensive income (loss):			
Effective portion of changes in fair value on designated revenue hedges	21	166	(886)
Comprehensive income attributable to the owners of the Company		$ 4,115	$ 5,112
Basic and diluted earnings per common share	14	$ 0.30	$ 0.49

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	2018	2017
Cash flows from operating activities:			
Profit for the year		$ 3,949	$ 5,998
Adjustments for:			
Depreciation of property and equipment	9	760	819
Amortization of deferred development costs	10	1,118	1,319
Amortization of other intangible assets	10	462	486
Net finance (income) costs	17	(151)	189
Unrealized foreign exchange and other		(465)	649
Non-refundable tax credits	6	(925)	(5,551)
Income taxes		361	1,332
Operating activities excluding changes in non-cash working capital items related to operations		5,109	5,241
Accounts receivable		279	4,021
Work in progress		(5)	(99)
Other receivables		(346)	(35)
Tax credits		(156)	2,091
Inventory		(231)	(170)
Prepaid expenses		70	(277)
Accounts payable and accrued liabilities		294	(1,852)
Deferred revenue		(1,320)	889
Changes in non-cash working capital items related to operations		(1,415)	4,568
Net cash from operating activities		3,694	9,809
Cash flows from (used in) financing activities:			
Repayment of long-term debt	13	(69)	(3,154)
Issuance of common shares	14	10,489	-
Payment of dividends	14	(2,486)	(1,847)
Interest paid	17	(4)	(81)
Net cash from (used in) financing activities		7,930	(5,082)
Cash flows (used in) investing activities:			
Long-term investments		(10,007)	-
Interest received	17	259	103
Acquisitions of property and equipment	9	(1,358)	(630)
Acquisitions of other intangible assets	10	(281)	(178)
Deferred development costs	10	(217)	(253)
Proceeds on disposal of property and equipment		-	3
Net cash used in investing activities		(11,604)	(955)
Net increase in cash and cash equivalents during the year		20	3,772
Cash and cash equivalents - beginning of year		13,476	9,704
Cash and cash equivalents - end of year		$ 13,496	$ 13,476
Supplemental cash flow information:			
Purchase of property and equipment included in accounts payable and accrued liabilities		$ 49	$ -
Deferred tax asset recognized in share capital related to transaction fees		306	-

See accompanying notes to the consolidated financial statements.

TECSYS Inc.

Consolidated Statements of Changes in Equity

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

	Note	Share capital Number	Share capital Amount	Contributed surplus	Accumulated other comprehensive income (loss)	Retained earnings	Total
Balance, April 30, 2016		12,315,326	$ 8,349	$ 9,577	$ 607	$ 8,913	$ 27,446
Profit for the year		-	-	-	-	5,998	5,998
Other comprehensive loss for the year: Effective portion of changes in fair value on designated revenue hedges	21	-	-	-	(886)	-	(886)
Total comprehensive income (loss) for the year		-	-	-	(886)	5,998	5,112
Dividends to equity owners	14(d)	-	-	-	-	(1,847)	(1,847)
Total transactions with owners of the Company		-	-	-	-	(1,847)	(1,847)
Balance, April 30, 2017		12,315,326	$ 8,349	$ 9,577	$ (279)	$ 13,064	$ 30,711
Profit for the year		-	-	-	-	3,949	3,949
Other comprehensive income for the year:							
Effective portion of changes in fair value on designated revenue hedges	21	-	-	-	166	-	166
Total comprehensive income for the year		-	-	-	166	3,949	4,115
Common shares issued under bought deal financing, net of taxes of $306	14(c)	767,050	10,795	-	-	-	10,795
Dividends to equity owners	14(d)	-	-	-	-	(2,486)	(2,486)
Total transactions with owners of the Company		767,050	10,795	-	-	(2,486)	8,309
Balance, April 30, 2018		13,082,376	$ 19,144	$ 9,577	$ (113)	$ 14,527	$ 43,135

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 and point-of-use. The Company also provides related consulting, education and support services. The Company is headquartered at 1, Place Alexis Nihon, Montréal, Canada, and derives substantially all of its revenue from customers located in the United States and Canada. The Company's customers consist primarily of healthcare systems and high-volume distributors of discrete goods. 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, 2018 were authorized for issuance by the Board of Directors on July 5, 2018.

(b) Basis of measurement:

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

- Derivative financial instruments which are measured at fair value; and
- Identifiable assets acquired and liabilities assumed in connection with a business combination which are initially measured at fair value.

(c) Functional and presentation currency:

The consolidated financial statements are presented in Canadian dollars, the functional currency of the Company and its subsidiaries. All financial information has been rounded to the nearest thousand, except where otherwise indicated.

(d) Use of estimates, assumptions and judgments:

The preparation of the consolidated financial statements requires management to make estimates, assumptions, and judgments that affect the application of accounting policies and the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the reporting periods.

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

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

(i) Revenue recognition:

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

(ii) Government assistance:

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

(iii) Income taxes:

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

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

(iv) Impairment of assets:

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

(v) Allowance for doubtful accounts:

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

(vi) Business combinations:

Business combinations are accounted for in accordance with the acquisition method. On the date that control is obtained, the identifiable assets, liabilities and contingent liabilities of the acquired company are measured at their fair value. Depending on the complexity of determining these valuations, the Company uses appropriate valuation techniques which are generally based on a forecast of the total expected future net discounted cash flows. These valuations are linked closely to the assumptions made by management regarding the future performance of the related assets and the discount rate applied as it would be assumed by a market participant.

3. Significant accounting policies:

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

(a) Basis of consolidation:

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

(i) Business combinations:

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

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

(ii) Subsidiaries:

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

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

Subsidiary	Jurisdiction of Incorporation
TECSYS U.S. Inc.	Ohio
TECSYS Europe Limited	England
Logi D Holding Inc.	Canada
Logi D Inc.	Canada
Logi D Corp.	Delaware

(iii) Transactions eliminated on consolidation:

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

(b) Foreign currency translation:

The functional currency of the Company's foreign subsidiaries is the Canadian dollar, the Company's functional currency. As such, transactions in foreign currencies are translated as follows:

- Revenues and expenses that are not hedged are translated at the exchange rate in effect as at the date of the transaction;
- Revenues that are hedged are translated at the exchange rate specified in the underlying derivative instrument hedging the transaction;
- Monetary assets and liabilities are translated into the functional currency at the exchange rate at the reporting date;
- Non-monetary items measured at historical cost are translated using the historical exchange rate at the date of the transaction. Depreciation is translated at the same rate as the asset to which it applies;
- 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; and
- Currency translation gains and losses are reflected in finance income or finance costs in profit or loss for the period.

(c) Inventory:

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

(d) Financial instruments:

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

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

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

(i) Financial assets measured at amortized cost:

A financial asset is subsequently measured at amortized cost, using the effective interest method and net of any impairment loss, if:

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest.

The Company currently classifies its cash and cash equivalents, accounts receivable, and other accounts receivable (excluding the fair value of derivatives) as financial assets measured at amortized cost.

(ii) Financial assets measured at fair value:

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

(iii) Financial liabilities measured at amortized cost:

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

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

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

(v) Derivative financial instruments designated in a hedging relationship measured at fair value:

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

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

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

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

(vi) Fair value of financial instruments:

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

(vii) Impairment of financial assets:

The Company assesses at the end of each reporting date whether there is objective evidence that a financial asset is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against the asset. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(viii) Cash and cash equivalents:

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

(e) Property and equipment:

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

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

Subsequent costs

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

Depreciation

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

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

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

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

(f) Intangible assets:

(i) Goodwill:

Goodwill is measured at cost less accumulated impairment loss.

(ii) Research and development costs:

Costs related to research are expensed as incurred.

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

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

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

(iii) Other intangible assets:

Other intangible assets consist of technology, customer relationships, patents and software 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 years
Customer relationships	10 years
Patents	5 years
Software	5 years

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

(g) Impairment of non-financial assets:

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

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

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

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

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

(h) Government assistance:

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

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

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

(i) Provisions:

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

(j) Leases:

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

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

(k) Income taxes:

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

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

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

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

(l) Revenue recognition:

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

Revenues generated by the Company include the following:

(i) License fees and hardware products:

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

Certain of the Company's license agreements require the customer to renew its annual support agreement in order to maintain its right to continue to use the software. In such cases, the perpetual license is effectively transformed into a renewable annual license. Where an upfront fee is not considered to represent a significant and incremental premium over subsequent year renewal fees, the license fee is recognized ratably over the initial contractual support period, which is generally one year. An upfront license fee representing a significant and incremental premium over subsequent year renewal fees is deferred and recognized as revenue over the period in which support is expected to be provided, which is generally considered to be the estimated useful life of the software license. For long-term contracts where services are considered to be essential to the functionality of the software, fees from licenses and services are aggregated and recognized as revenue as the related services are performed using the percentage-of-completion method. There were no such contracts whereby licenses and services were aggregated and recognized as revenue as the related services were performed using the percentage-of-completion method during the years ended April 30, 2018 and April 30, 2017.

The percentage of completion is generally determined based on the number of hours incurred to date in relation to the total expected hours of services. The cumulative impact of any revision in estimates of the percentage completed is reflected in the period in which the changes become known. Losses on contracts in progress are recognized when known. Work in progress is established for revenue based on the percentage completed in excess of progress billings as of the reporting date. Any excess of progress billings over revenue based on the percentage completed is deferred and included in deferred revenue. Generally, the terms of long-term contracts provide for progress billings based on completion of certain phases of work. Where acceptance criteria are tied to specific milestones, and the delivery performance of any undelivered product or service is uncertain and not substantially within the Company's control, then the percentage of completion up to those milestones is recognized upon acceptance.

(ii) Support agreements:

Support agreements for proprietary software licences generally call for the Company to provide technical support and unspecified software updates to customers. Proprietary licenses support revenues for technical support and unspecified software update rights are recognized ratably over the term of the support agreement.

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

(iii) Consulting and training services:

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

(iv) Reimbursable expenses:

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

(v) Multiple-element arrangements:

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

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

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

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

(m) Employee benefits:

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

(i) Short-term employee benefits:

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

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

(ii) Defined contribution plans:

Post-employment benefits include defined contribution plans under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay additional amounts. Obligations for contributions to defined contribution plans are recognized as an employee benefit expense when earned by the employee. The Company's defined contribution plans comprise the U.S. 401(k) plan and registered retirement savings plans. In addition, the Company contributes to the Québec and Canada Pension Plans.

(iii) Termination benefits:

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

(n) Finance income and finance costs:

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

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

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

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

(o) Earnings per share:

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

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

(p) Share capital:

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

(q) Segment reporting:

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

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

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

A number of new standards, interpretations and amendments to existing standards were issued by the IASB or International Financial Reporting Standards Interpretations Committee ("IFRS IC") that are mandatory but not yet effective for the year ended April 30, 2018, and have not been applied in preparing these consolidated financial statements. None are expected to have an impact on the consolidated financial statements of the Company, except for the following:

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

In July 2014, the IASB issued the complete version of IFRS 9 (2014), *Financial Instruments*, which was later amended on October 12, 2017. IFRS 9 (2017) differs in some regards from IFRS 9 (2013) which the Company early adopted effective May 1, 2014. The intent of the standard is to detail requirements for recognition and measurement, impairment, derecognition and general hedge accounting. The final standard amends the impairment model by introducing a new expected credit loss model for calculating impairment and new general hedge accounting requirements. The final version of IFRS 9 supersedes all previous versions of IFRS 9 and the effective date of the Company is May 1, 2018, and must be applied retrospectively with some exemptions. The full adoption of this standard is not expected to have a material impact on the consolidated financial statements.

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

The Company continues its implementation plan for IFRS 15. The project plan includes developing the necessary accounting policies, estimates and judgments required to adopt IFRS 15, as well as any changes required to business process, systems and internal controls to implement the policies and disclosure required upon adoption of IFRS 15.

In May 2014, the IASB issued IFRS 15 which establishes principles for reporting the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. It provides a single, principle-based five-step model, in order to depict the transfer of promised goods or services to customers. This is achieved by applying the following five steps:

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

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

IFRS 15 also includes a cohesive set of disclosure requirements that would result in an entity providing comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. The effective date for the Company, for this new standard, will be May 1, 2018 and the Company will use the cumulative effet transition method, with the net impact of adopting the standard recorded as an adjustment to opening retained earnings on May 1, 2018.

The Company has determined that the two most significant impacts relate to accounting for its: (a) license arrangements that require the customer to renew its annual support agreement in order to maintain its right to continue to use the software; (b) capitalization of contract acquisition costs. Under current revenue recognition policies, the license revenue mentioned in a) above is deferred and recognized ratably over a twelve-month period. Under IFRS 15, revenue under the same arrangement is recognized ratably over the estimated lifetime of the software. Under the Company's current accounting policies, contract acquisition costs, including incremental commissions paid to employees, are expensed upon commencement of the related contract revenue. Under IFRS 15, the Company will capitalize contract acquisition cost related to contracts having a term of at least 12 months and amortize such contract acquisition costs where revenue is recognized ratably over the term of the contract.

As of April 30, 2018, the impact of these changes is estimated to be less than $1 million that will be recognized as part of opening retained earnings on May 1, 2018. This amount will be recognized over an approximate term of seven years. During the seven year period, this amount will have an annual positive impact of between NIL and $190,000. The Company continues to assess the financial impact of adopting this standard which will be completed and disclosed in the financial statements for the first quarter of 2019.

IFRS 16, *Leases* (“IFRS 16”):

In January 2016, the IASB issued IFRS 16, which specifies how an entity will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is twelve months or less or the underlying asset has a low monetary value. Lessors continue to classify leases as operating or finance, with IFRS 16’s approach to lessor accounting substantially unchanged from its predecessor, IAS 17, *Leases*. IFRS 16 applies to annual reporting periods beginning on or after January 1, 2019, with earlier application permitted only if IFRS 15 has also been applied. The Company is currently assessing the impact of the adoption of this standard on its consolidated financial statements. The Company expects that the initial adoption of IFRS 16 will results in operating lease liabilities (primarily for the rental of premises), being recognized in the consolidated statement of financial position, with a corresponding right-of-use asset being recognized. The Company also expects a decrease of its operating lease cost, offset by a corresponding increase of its financial expense and depreciation and amortization resulting from the changes in the recognition, measurement and presentation requirements.

IFRIC 22, *Foreign Currency Transactions and Advance Consideration* (“IFRIC 22”):

In December 2016, the IASB issued IFRIC 22. The interpretation clarifies which date should be used for translation when accounting for transactions in a foreign currency that include the receipt or payment of advance consideration. The effective date for the Company, for this new standard, will be May 1, 2018. The adoption of this standard is not expected to have a material impact on the consolidated statements.

5. Cash and cash equivalents:

Cash and cash equivalents comprise the following:

		2018		2017
Bank balances	$	13,496	$	3,854
Short-term investments		-		9,622
Cash and cash equivalents	$	13,496	$	13,476

On April 30, 2018, there were no short-term investments (April 30, 2017 – short-term investments bearing interest at a rate 0.91% to 0.95%).

6. Government assistance:

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

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

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

	SRED Canadian Federal non-refundable tax credits	SRED Canadian Provincial refundable tax credits	E-business refundable tax credits	E-business non-refundable tax credits	Total
Balance, April 30, 2016	$ 1,783	$ 385	$ 4,208	$ -	$ 6,376
Tax credits received or utilized against income tax expense	(665)	(390)	(4,450)	(638)	(6,143)
Adjustments to prior year's credits	-	5	242	70	317
Recognition of tax credit	4,913	223	2,279	568	7,983
Balance, April 30, 2017	$ 6,031	$ 223	$ 2,279	$ -	$ 8,533
Tax credits received or utilized against income tax expense	(733)	(244)	(2,449)	(650)	(4,076)
Adjustments to prior year's credits	52	21	170	26	269
Recognition of tax credit	223	235	2,423	624	3,505
Balance, April 30, 2018	$ 5,573	$ 235	$ 2,423	$ -	$ 8,231
Presented as:					
Current					
Tax credits	$ 733	$ 235	$ 2,423	$ -	$ 3,391
Non-current					
Tax credits	$ 4,840	$ -	$ -	$ -	$ 4,840

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

As at April 30, 2018, the Company has non-refundable research and development tax credits totalling approximately $5,573,000 (April 30, 2017 - $6,118,000) for Canadian income tax purposes which may be used to reduce taxes payable in future years. These Federal non-refundable tax credits may be claimed no later than fiscal years ending April 30:

	Federal non-refundable tax credits
2021	$ 1,342
2022	1,139
2023	999
2024	160
2025	204
2026	173
2027	143
2028	165
2029	154
2030	86
2031	94
2032	73
2033	94
2034	129
2035	114
2036	115
2037	166
2038	223
	$ 5,573

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

	2018	2017
Federal non-refundable research and development tax credits	$ 223	$ 4,913
Provincial refundable research and development tax credits	235	223
E-business refundable tax credits for research and development employees	775	733
E-business non-refundable tax credits for research and development employees	194	164
Other and adjustments to prior year's credits	205	63
Total research and development tax credits	1,632	6,096
E-business refundable tax credits for other employees	1,648	1,546
E-business non-refundable tax credits for other employees	430	404
Other and adjustments to prior year's credits	64	254
Tax credits recognized in the year	$ 3,774	$ 8,300

During fiscal 2017, the Company recognized $4,913,000 of Federal non-refundable SRED tax credits due to the increased probability that these tax credits will be realized in the future in order to reduce federal taxes payable.

7. Inventory:

	2018	2017
Finished goods	$ 1,003	$ 848
Third-party software licenses for resale	142	66
	$ 1,145	$ 914

During fiscal 2018, finished goods and third-party software licenses for resale recognized as cost of revenue amounted to $4,997,000 (2017 - $4,738,000).

8. Long-term investments:

On October 17, 2017, the company invested $10,007,000 in a 3-year redeemable guaranteed investment certificate ("GIC") that matures on October 17, 2020. The GIC bears interest at a rate of 1.9% and interest payments are made to the Company on an annual basis. If the GIC is reedemed prior to maturity, the Company will receive interest based on interest rates ranging from 1.35% to 1.70%.

9. Property and equipment:

	Computer and exhibition equipment	Furniture and fixtures	Leasehold improvements	Total
Cost				
Balance at April 30, 2016	$ 7,895	$ 1,443	$ 1,875	$ 11,213
Additions	616	11	3	630
Disposals	(15)	-	-	(15)
Balance at April 30, 2017	$ 8,496	$ 1,454	$ 1,878	$ 11,828
Additions	533	262	612	1,407
Balance at April 30, 2018	$ 9,029	$ 1,716	$ 2,490	$ 13,235
Accumulated depreciation				
Balance at April 30, 2016	$ 6,962	$ 782	$ 836	$ 8,580
Depreciation for the year	513	114	192	819
Disposals	(15)	-	-	(15)
Balance at April 30, 2017	$ 7,460	$ 896	$ 1,028	$ 9,384
Depreciation for the year	496	118	146	760
Balance at April 30, 2018	$ 7,956	$ 1,014	$ 1,174	$ 10,144
Carrying amounts				
At April 30, 2017	$ 1,036	$ 558	$ 850	$ 2,444
At April 30, 2018	$ 1,073	$ 702	$ 1,316	$ 3,091

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

			Other intangible assets				
	Goodwill	Deferred development costs	Software	Technology	Customer relationships	Other	Total of other intangible assets
Cost							
Balance at April 30, 2016	$ 3,596	$ 10,586	$ 3,958	$ 2,440	$ 2,600	$ 236	$ 9,234
Additions	-	253	169	-	-	9	178
Balance at April 30, 2017	$ 3,596	$ 10,839	$ 4,127	$ 2,440	$ 2,600	$ 245	$ 9,412
Additions	-	217	281	-	-	-	281
Balance at April 30, 2018	$ 3,596	$ 11,056	$ 4,408	$ 2,440	$ 2,600	$ 245	$ 9,693
Accumulated amortization							
Balance at April 30, 2016	$ -	$ 6,769	$ 3,384	$ 1,930	$ 1,898	$ 191	$ 7,403
Amortization for the year	-	1,319	219	165	87	15	486
Balance at April 30, 2017	$ -	$ 8,088	$ 3,603	$ 2,095	$ 1,985	$ 206	$ 7,889
Amortization for the year	-	1,118	199	165	87	11	462
Balance at April 30, 2018	$ -	$ 9,206	$ 3,802	$ 2,260	$ 2,072	$ 217	$ 8,351
Carrying amounts							
At April 30, 2017	$ 3,596	$ 2,751	$ 524	$ 345	$ 615	$ 39	$ 1,523
At April 30, 2018	$ 3,596	$ 1,850	$ 606	$ 180	$ 528	$ 28	$ 1,342

Amortization for deferred development costs is recognized in research and development, net of tax credits within the consolidated statements of income and comprehensive income.

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

The following table reflects the amortization recognized for the various intangible assets within the various functions for the years ended April 30, 2018 and 2017:

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

	2017				
	Deferred development costs	Software	Technology	Customer relationships	Other intangible assets
Cost of revenue: Products	$ -	$ 1	$ -	$ 87	$ -
Cost of revenue: Services	-	146	-	-	-
Sales and marketing	-	27	-	-	-
General and administration	-	15	-	-	15
Research and development	1,319	30	165	-	-
	$ 1,319	$ 219	$ 165	$ 87	$ 15

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 determined that only one CGU existed at the consolidated level as at April 30, 2018.

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 was based on its value in use which was determined by discounting the future cash flows generated from the continuing use of the unit. The carrying amount of the unit was determined to be lower than its recoverable amount and no impairment loss was recognized on April 30, 2018 and 2017.

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

Cash flows were projected based on past experience, actual operating results, and the annual business plan approved by the Board of Directors prepared for the forthcoming year at the end of both fiscal 2018 and 2017. Cash flows for an additional four-year period and a terminal value were extrapolated using a constant growth rate of 5% (April 30, 2017 - 5%), which does not exceed the long-term average growth rate for the industry.

A pre-tax discount rate of 12% (April 30, 2017 - 12%) was applied in determining the recoverable amount of the unit. The discount rate was estimated based on the Company's past experience, and the consideration of the risk free rate plus the risk associated with further possible variations in the amount or timing of the cash flows, the price for uncertainty inherent in the combination of assets comprising the consolidated entity, and other factors, such as illiquidity, that would normally be considered in valuing the cash flows from the assets and are specific to the consolidated entity.

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

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

11. Banking facilities:

The following is a summary of our banking facilities in place, as of April 30, 2018:

Facility A

The banking facility permits the issuance of letters of guarantee of up to a maximum amount of $1,500,000. As of April 30, 2018, no letters of garantee were issued.

Facility B

This facility provides a global net risk line for treasury derivative products up to an aggregate maximum of $5,400,000 (April 30, 2017 – $5,400,000). As at April 30, 2018, the net risk line may be used to conclude foreign exchange transactions regarding the sale or purchase of foreign currencies for a term not exceeding two years and derivative transactions regarding interest rate swaps for a maximum term of five years. The amount of risk of each transaction is determined by the Bank in accordance with the applicable level of risk per the schedule in effect at the Bank, which determines the maximum amount of currency that may be sold or purchased under the facility.

Facility C

This facility also includes a credit facility up to $100,000 to be used by way of cash advances on credit cards issued by the Bank.

Security for facilities B and C consists of a first-ranking movable hypothec of $6,000,000 on all of the Company's corporeal and incorporeal, present and future movable property and an insurance rider designating the Bank as beneficiary of the proceeds of insurance covering the property given as security up to the full replacement value thereof.

12. Accounts payable and accrued liabilities:

		2018		2017
Trade payables	$	1,364	$	2,219
Accrued liabilities and other payables		2,626		2,091
Salaries and benefits due to key management		740		397
Employee salaries and benefits payable		4,472		4,118
Fair value of derivatives in a loss position		185		717
	$	9,387	$	9,542

Presented as:				
Current				
Accounts payable and accrued liabilities	$	9,087	$	9,265
Non-current				
Other non-current liabilities	$	300	$	277

13. Bank loans and long-term debt:

		2018		2017
Bank loan, bearing interest at prime plus 1.5%, secured by a hypothec on movable properties, payable over various installments	$	-	$	1
Government funded debt, with no interest or security, payable over various installments, maturing in November 2020		121		189
	$	121	$	190
Current portion		47		69
Long-term debt	$	74	$	121

14. Share capital:

(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, 2018 and April 30, 2017.

(b) Executive share purchase plan:

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

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

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

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

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

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

(c) Share bought deal:

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

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

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

(d) Dividend policy:

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

During fiscal 2018, the Company declared quarterly dividends of $0.045 for each of the first two quarters and $0.05 for each of the following quarters for an aggregate of $2,486,000. During fiscal 2017, the Company declared quarterly dividends of $0.03 for each of the first two quarters and $0.045 for each of the following quarters for an aggregate of $1,847,000.

(e) Earnings per share:

Basic 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 calculated as follows:

		2018		2017
Profit attributable to common shareholders	$	3,949	$	5,998
Weighted average number of common shares outstanding (basic)		12,962,590		12,315,326
Basic earnings per share	$	0.30	$	0.49

Diluted earnings per share:

The calculation of diluted earnings per share is based on the profit attributable to common shareholders and the weighted average number of common shares outstanding after adjustment for the effects of all dilutive common shares. There is no impact of dilutive share options and therefore diluted earnings per share equals basic earnings per share for the years ended April 30, 2018 and 2017.

15. Income taxes:

(a) Income taxes comprise the following components:

		2018		2017
Current income taxes				
Current year	$	1,522	$	1,735
	$	1,522	$	1,735
Deferred income taxes				
Origination and reversal of temporary differences	$	(142)	$	888
Net change in unrecognized deductible temporary difference		(924)		(859)
	$	(1,066)	$	29
Income tax expense	$	456	$	1,764

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

	2018	2017
	%	%
Combined basic federal and provincial statutory income tax rate	26.76	26.76
Net impact of previously unrecognized benefits	(20.98)	(11.02)
Permanent differences and other	4.57	6.99
Average effective tax rate	10.35	22.73

(c) Unrecognized net deferred tax assets

As at April 30, 2018 and 2017, the unrecognized net deferred tax assets consist of the following:

		2018		2017
Research and development expenses (i)	$	1,576	$	2,378
Net operating losses of Canadian subsidiaries (ii)		1,926		2,044
Net operating losses of UK subsidiary (iii)		118		123
Capital losses (iv)		854		854
Other		5		5
Unrecognized net deferred tax assets	$	4,479	$	5,404

On April 30, 2018:

i) The Company has unrecognized accumulated research and development expenses of approximately $9,976,000 (April 30, 2017 - $14,968,000) for Federal income tax purposes and $126,000 (April 30, 2017 - $126,000) for Québec provincial income tax purposes which may be carried forward indefinitely and used to reduce taxable income in future years.

ii) Canadian subsidiaries have unrecognized net operating losses carried forward of approximately $7,903,000 (April 30, 2017 - $7,387,000) for Federal income tax purposes and $7,847,000 (April 30, 2017 - $10,716,000) for Québec provincial income tax purposes which may be applied to reduce taxable income in future years.

iii) The Company's U.K. subsidiary has unrecognized net operating losses carried forward for income tax purposes of approximately $591,000 (£ 334,000) (April 30, 2017 – $616,000 (£ 348,000)) which may be applied to reduce taxable income in future years.

iv) The Company and its subsidiaries have unrecognized accumulated capital losses of approximately $6,384,000 (April 30, 2017 – $6,384,000) which may be applied to reduce future taxable capital gains.

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

(d) Recognized deferred tax assets and liabilities

At April 30, 2018 and 2017 the recognized net deferred tax assets consist of the following:

	2018	2017
Deferred tax assets		
Research and development expenses	$ 2,815	$ 1,929
Net operating losses	106	318
Property and equipment	2,630	2,669
Non-deductible reserves and accruals	217	177
Other	320	149
Deferred tax liabilities		
E-business tax credits	(297)	(255)
Federal tax credits	(1,671)	(1,792)
Deferred development costs	(490)	(736)
Intangibles	(106)	(258)
Net deferred tax assets recognized	$ 3,524	$ 2,201

The Company had Canadian Federal non-refundable SRED tax credits totalling approximately $5,573,000 (note 6) (April 30, 2017 – $6,118,000) which may be used only to reduce future current federal income taxes otherwise payable. For the year ended April 30, 2018, the Company intends to claim available Federal non-refundable tax credits to reduce Canadian Federal income taxes otherwise payable of $733,000.

16. Personnel expenses:

	2018	2017
Salaries	$ 41,160	$ 39,401
Other short-term benefits	3,390	3,237
Payments to defined contribution plans	2,059	1,948
	$ 46,609	$ 44,586

17. Finance income and finance costs:

		2018		2017
Interest expense on financial liabilities measured at amortized cost	$	4	$	81
Foreign exchange loss		104		211
Interest income on bank deposits and loans		(259)		(103)
Net finance (income) costs recognized in profit	$	(151)	$	189

18. 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.

19. Commitments:

(a) Operating lease commitments:

The Company has an option to extend the term of its leases for the head office in Montreal, which expires October 31, 2020, and for the office in Markham, which expires July 31, 2022, for two consecutive periods of five years each from the expiration of the term. In April 2017 , the Company signed an amendment and exercised its option to extend the term of its lease for the head office in Montreal for an additional period of five years and one month, which expires November 30, 2025, and to occupy additional space in the same building as of December 1, 2017. The Company has an option to extend the term of its lease for its office in Laval, which expires February 28, 2026, for one consecutive period of five years from the expiration of the term.

During the year ended April 30, 2018, an expense of $3,108,000 was recognized in respect of operating leases (2017 – $2,457,000) and is included within the following expense classifications within the consolidated statements of comprehensive income.

		2018		2017
Cost of revenue: Products	$	124	$	124
Cost of revenue: Services		2,102		1,552
Sales and marketing		264		219
General and administration		184		144
Research and development		434		418
	$	3,108	$	2,457

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

		2018
Less than 1 year	$	2,562
Between 1 and 5 years		8,208
More than 5 years		4,338
	$	15,108

(b) Other commitments:

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

The Company has incurred royalty fees in fiscal 2018 related to this agreement of $101,000 (US $80,000) (2017 - $145,000 (US $110,000)).

20. Related party transactions:

Key management includes the 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, 2018, key management and their spouses control 32.1% (April 30, 2017 - 38.6%) of the issued common shares of the Company.

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

	2018	2017
Salaries	$ 3,377	$ 3,174
Other short-term benefits	192	201
Payments to defined contribution plans	75	82
	$ 3,644	$ 3,457

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 $538,000 (2017 -$187,000) to facilitate their purchase of the Company's common shares during fiscal 2018. As at April 30, 2018, loans outstanding amounted $305,000 (2017-$NIL) .

21. Financial instruments and risk management:

Classification of financial instruments

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

	2018			2017
	Fair value	Amortized cost	Total	
Financial assets				
Cash and cash equivalents	$ -	$ 13,496	$ 13,496	$ 13,476
Accounts receivable	-	14,508	14,508	14,218
Other accounts receivable	-	750	750	370
Long-term investments	-	10,007	10,007	-
	$ -	$ 38,761	$ 38,761	$ 28,064
Financial liabilities				
Accounts payable and accrued liabilities	$ -	$ 8,904	$ 8,904	$ 8,548
Foreign exchange derivatives included in accounts payable and accrued liabilities	185	-	185	717
Long-term debt	-	121	121	190
	$ 185	$ 9,025	$ 9,210	$ 9,455

Fair value disclosures

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

The fair value of the long-term debt was determined using level 2 of the fair value hierarchy, by discounting the future cash flows using interest rates which the Company could obtain for loans with similar terms, conditions, and maturity dates. There is no significant difference between the fair value and the carrying value of the long-term debt as at April 30, 2018 and 2017.

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, 2018 and 2017.

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, 2018 and April 30, 2017 consisted primarily of contracts to reduce the exposure to fluctuations in the U.S. dollar.

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

For fiscal 2018 and 2017, the derivatives designated as cash flow hedges were considered to be fully effective and no ineffectiveness has been recognized in net finance costs.

Risk management

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

Currency risk

The Company is exposed to currency risk as a certain portion of the Company's revenues and expenses are incurred in U.S. dollars resulting in U.S. dollar-denominated accounts receivable and accounts payable and accrued liabilities. In addition, certain of the Company's cash and cash equivalents are denominated in U.S. dollars. These balances are therefore subject to gains or losses due to fluctuations in that currency. The Company may enter into foreign exchange contracts in order to offset the impact of the fluctuation of the U.S. dollar regarding the revaluation of its U.S. net monetary assets and to hedge highly probable future revenue denominated in U.S. dollars. The Company uses derivative financial instruments only for risk management purposes, not for generating trading profits. As such, any change in cash flows associated with derivative instruments is expected to be offset by changes in cash flows related to the net monetary position in the foreign currency and the recognition of highly probable future U.S. denominated revenue and related accounts receivable.

Non-hedge designated derivative instruments

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

On April 30, 2017, the Company held nine outstanding foreign exchange contracts with various maturities to July 2017 to sell US$6,450,000 into Canadian dollars at rates averaging CA$1.3253 to yield CA$8,548,000. On April 30, 2017, the Company recorded an unrealized exchange loss of $249,000 included in accounts payable and accrued liabilities representing the change in fair value of these outstanding contracts since inception and their initial measurement.

Additionally, on April 30, 2017, the Company held two outstanding foreign exchange contracts with various maturities to July 2017 to buy €345,000 in exchange for $507,000 Canadian dollars at rates averaging CA$1.4684. On April 30, 2017, the Company recorded an unrealized exchange loss of $12,000 included in accounts payable and accrued liabilities.

Revenue hedge designated derivative instruments

On April 30, 2018, the Company held ten outstanding foreign exchange contracts with various maturities to December 31, 2018 to sell US$10,0000,000 at rates averaging CA$1.2602 to yield CA$12,593,000. Of the outstanding US$10,000,000 hedge designated foreign exchange contracts, US$6,000,000 pertain to highly probable future revenue denominated in U.S. dollars expected over the five-month period through September 2018 while US$4,000,000 is related to realized U.S. dollar denominated revenue. On April 30, 2018, the Company had recorded an unrealized exchange loss of $219,000 included in accounts payable and accrued liabilities and an unrealized exchange gain of $11,000 representing the change in fair value of these outstanding contracts since inception and their initial measurement.

On April 30, 2017, the Company held eight outstanding foreign exchange contracts with various maturities to December 29, 2017 to sell US$10,000,000 at rates averaging CA$1.3151 to yield CA$13,151,000. Of the outstanding US$10,000,000 hedge designated foreign exchange contracts, US$6,000,000 pertain to highly probable future revenue denominated in U.S. dollars expected over the five-month period through September 2017 while US$4,000,000 is related to realized U.S. dollar denominated revenue. On April 30, 2017, the Company had recorded an unrealized exchange loss of $468,000 included in accounts payable and accrued liabilities representing the change in fair value of these outstanding contracts since inception and their initial measurement.

	Carrying amount of the hedging instrument			
	Nominal amount of the hedging instrument	Assets presented in other receivables	Liabilities presented in accounts payable and accrued liabilities	Changes in fair value used for calculating hedge ineffectiveness
Cash-flow hedges:				
April 30, 2018 Foreign exchange risk:	US$ 10,000	CA$ 11	CA$ 219	CA$ (208)
April 30, 2017 Foreign exchange risk:	US$ 10,000	CA$ -	CA$ 468	CA$ (468)

Hedging components of accumulated other comprehensive income

During fiscal 2018, the Company recorded a gain of $748,000 (2017 - loss ($1,288,000)) in other comprehensive income, representing the change in fair value of the designated hedging contracts during the year. The following table represents the movement in accumulated other comprehensive income since the designation of hedging derivative instruments.

	2018	**2017**
Accumulated other comprehensive (loss) income as at the beginning of the fiscal year	$ (279)	$ 607
Net gain (loss) on derivatives designated as cash flow hedges	748	(1,288)
Amounts reclassified from accumulated other comprehensive income to net earnings, and included in:		
Revenue	(376)	108
Net finance costs	(206)	294
Accumulated other comprehensive loss	$ (113)	$ (279)

As at April 30, 2018, all of the net loss presented in accumulated other comprehensive loss is expected to be classified to net profit within the next five 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, 2018 and 2017.

	2018			2017		
	US$	£	€	US$	£	€
Cash and cash equivalents	537	44	3	1,948	35	3
Accounts receivable	9,136	4	10	8,924	237	-
Other accounts receivable	213	1	-	202	1	-
Accounts payable and accrued liabilities	(1,665)	(53)	(52)	(1,275)	(44)	(87)
Derivative financial instruments – notional amount	(8,300)	-	-	(10,450)	-	-
	(79)	(4)	(39)	(651)	229	(84)

The following exchange rates applied during the years ended April 30, 2018 and 2017.

	2018		2017	
	Average rate	Reporting date rate	Average rate	Reporting date rate
CA$ per US$	1.2774	1.2839	1.3176	1.3650
CA$ per £	1.7100	1.7682	1.7031	1.7679
CA$ per €	1.5110	1.5563	1.4389	1.4870

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.

	2018			2017		
	US$	£	€	US$	£	€
(Decrease) increase in profit	(5)	-	(3)	(44)	20	(6)

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

Credit risk

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

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

At April 30, 2018, there is one customer comprising 12% (April 30, 2017 - 13%) of total trade accounts receivable and work in progress. Generally there is no particular concentration of credit risk related to the accounts receivable due to the North American distribution of customers and procedures for the management of commercial risks. The Company performs ongoing credit reviews of all its customers and establishes an allowance for doubtful accounts receivable when accounts are determined to be uncollectible. Customers do not provide collateral in exchange for credit.

The Company has an arrangement, which automatically renewed in fiscal 2018 under the same terms and conditions, with a federal crown corporation and another insurer ("the insurers") wherein the insurers assume the risk of credit loss in the case of bankruptcy for up to 90% of accounts receivable for certain qualifying foreign and domestic customers. The insurance is subject to a deductible of US$50,000 for each deductible period, in respect of trade accounts receivable generated during that period, and subject to a maximum of US$1,500,000 (April 30, 2017 - US$1,300,000) for export losses and US$700,000 (April 30, 2017 - US$700,000) for domestic losses, in any policy period. The insurance policy period runs from February 1 to January 31 of each year.

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

On April 30, 2017, accounts receivable included foreign accounts totalling US$1,661,000 and £23,000 and domestic accounts for $929,000 (US$681,000) that were pre-approved for coverage, subject to the above-noted maximums, under this arrangement.

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

	2018	2017
Not past due	$ 7,016	$ 8,240
Past due 1-180 days	6,025	5,874
Past due over 180 days	1,720	1,605
	14,761	15,719
Allowance for doubtful accounts	(822)	(1,501)
	$ 13,939	$ 14,218

Allowance for doubtful accounts	2018	2017
Balance at beginning	$ 1,501	$ 1,096
Impairment losses recognized	(1,092)	(276)
Additional provisions	413	681
Balance at the end	$ 822	$ 1,501

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 23 below. It also manages liquidity risk by continuously monitoring actual and projected cash flows. The Board of Directors reviews and approves the Company's operating and capital budgets, as well as any material transactions out of the ordinary course of business.

The following are contractual maturities of financial liabilities as of April 30, 2018 and 2017.

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

2017	Total	Less than 1 year	1-3 years	3-5 years	Beyond
Accounts payable and accrued liabilities	$ 9,265	$ 9,265	$ -	$ -	$ -
Term loans	190	69	121	-	-
	$ 9,455	$ 9,334	$ 121	$ -	$ -

Interest rate risk

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

Market price risk

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

22. Capital disclosures:

The Company defines capital as equity, term loans, and bank advances, net of cash. The Company's objectives in its management of capital is to safeguard its ability to continue funding its operations as a going concern, ensuring sufficient liquidity to finance its operations, working capital, capital expenditures, organic growth, potential future acquisitions, and to provide returns to shareholders through its dividend policy. The capital management objectives remain the same as for the previous fiscal year.

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

Historically, the Company followed an approach that relied almost exclusively on its own liquidity and cash flow from operations to fund its activities as its policy was to maintain a minimum level of debt. Additionally and whenever possible, the Company optimized its liquidity requirements by non-dilutive sources, including tax credits, and interest income.

In 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, 2018 and April 30, 2017. Other than its banking agreement covenants, the Company is not subject to externally imposed capital requirements.

23. Operating segments:

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

	2018	2017
Canada	$ 20,682	$ 17,240
United States	48,301	48,395
Other	1,735	2,812
	$ 70,718	$ 68,447

Non-current assets of the Company are all located in Canada as at April 30, 2018 and 2017.

24. Comparative figures:

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

Following is a reconciliation of the reclassified items and amounts from the presentation used in the consolidated statement of income and comprenhensive income for the year ended April 30, 2017 to the current presentation.

	Note	Previous Presentation	Reclassification	Current Presentation
Revenue:				
Proprietary products	(a)	$ 11,914	(4,727)	$ 7,187
Third-party hardware and software products	(b)	8,852	(8,852)	-
Third-party products	(b)	-	6,831	6,831
Services	(c)	45,207	(45,207)	-
Cloud, maintenance and subscription	(a), (b), (c)	-	26,316	26,316
Professional services	(c)	-	25,639	25,639
Reimbursable expenses		2,474	-	2,474
Total revenue		68,447	-	68,447
Cost of revenue:				
Products	(d)	7,128	(1,279)	5,849
Services	(d)	24,649	1,279	25,928
Reimbursable expenses		2,474	-	2,474
Total cost of revenue		34,251	-	34,251
Gross profit		34,196	-	34,196
Operating expenses:				
Sales and marketing		15,131	-	15,131
General and administration		5,863	-	5,863
Research and development, net of tax credits		5,251	-	5,251
Total operating expenses		26,245	-	26,245
Profit from operations		7,951	-	7,951
Net finance costs		189	-	189
Profit before income taxes		7,762	-	7,762
Income tax expense		1,764	-	1,764
Profit attributable to the owners of the Company		$ 5,998	-	$ 5,998
Other comprehensive income:				
Effective portion of changes in fair value on designated revenue hedges		(886)	-	(886)
Comprehensive income attributable to the owners of the Company		$ 5,112	-	$ 5,112
Basic and diluted earnings per common share		$ 0.49	-	$ 0.49

(a) The Company's support agreements for proprietary software licenses generally call for the Company to provide technical support and unspecified software updates to customers and are recognized ratably over the term of the support agreement. The Company previously had been presenting the portion related to the unspecified software updates as part of proprietary products revenue and now has reclassified these amounts to be included within cloud, maintenance and subscription revenue. The reclassification was for a total of $4,727,000.

(b) The Company's previous presentation of third-party hardware and software products revenue included both third-party hardware products as well as third-party software licenses and their related support revenue. The Company has now reclassified the support revenue portion for third-party software licenses within cloud, maintenance and subscription revenue for a total of $2,021,000 and the third-party hardware products and third-party software licenses portion within third-party products revenue for a total of $6,831,000.

(c) The Company's previous presentation of services revenue included professional services, proprietary products maintenance and cloud revenues. The Company has reclassified professional services revenue onto a separate line within the condensed interim consolidated statements of income and comprehensive income for a total of $25,639,000. Cloud revenue and proprietary products maintenance revenue have been reclassified within cloud, maintenance and subscription revenue for a total of $19,568,000.

(d) The Company's previous presentation of products cost included costs on third-party software licenses support. The Company has now reclassified the costs related to this support within services cost for a total of $1,279,000. Services cost includes the costs for both cloud, maintenance and subscription as well as professional services.

25. Subsequent event:

On July 5, 2018, the Company's Board of Directors declared a quarterly dividend of $0.05 per share to be paid on August 3, 2018 to shareholders of record on July 20, 2018.

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 2018: MAY 1, 2017 TO APRIL 30, 2018

	High	Low	Volume
First Quarter	$ 17.20	$ 11.20	1,341,351
Second Quarter	$ 16.51	$ 12.01	884,462
Third Quarter	$ 18.48	$ 15.98	359,175
Fourth Quarter	$ 17.89	$ 15.40	468,009

Dividend Policy

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

On July 5, 2018, the Company's Board of Directors declared a quarterly dividend of $0.05 per share to be paid on August 3, 2018 to shareholders of record on July 20, 2018.

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' web site (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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Fax: (514) 866-1805

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www.tecsys.com

BELOW IS TECSYS' DIVIDEND PAYMENT HISTORY AND INCREASES:

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

Directors and Executive Management

Board of Directors

FRANK J. BERGANDI
Business Consultant

DAVID BRERETON
Executive Chairman of the Board
TECSYS Inc.

PETER BRERETON
President and CEO
TECSYS Inc.

VERNON LOBO [2] [3]
Managing Director
Mosaic Venture Partners Inc.

STEVE SASSER [1] [2]
Co-Founder and Managing Principal
Swordstone Partners

DAVID WAYLAND [1]
Corporate Director

DAVID BOOTH [1] [3]
Chairman, President and CEO
BackOffice Associates LLC

JOHN ENSIGN [2] [3]
President and Chief Legal Officer
MRI Software LLC

Executive Management

DAVID BRERETON
Executive Chairman of the Board

PETER BRERETON
President and CEO

BERTY HO-WO-CHEONG
Interim VP, Finance and Administration
Chief Financial Officer and Secretary

GREG MACNEILL
Senior Vice President, World Wide Sales

VITO CALABRETTA
Senior Vice President, Global Operations

LAURIE MCGRATH
Chief Marketing Officer

YAN CHARBONNEAU
Vice President, Research and Development

PATRICIA BARRY
Vice President, Human Resources

CATALIN BADEA
Chief Technology Officer

CATHERINE SIGMAR
Chief Legal Officer and Vice President, Strategic Initiatives

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

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LOGI D INC.
LOGI D CORP.

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