

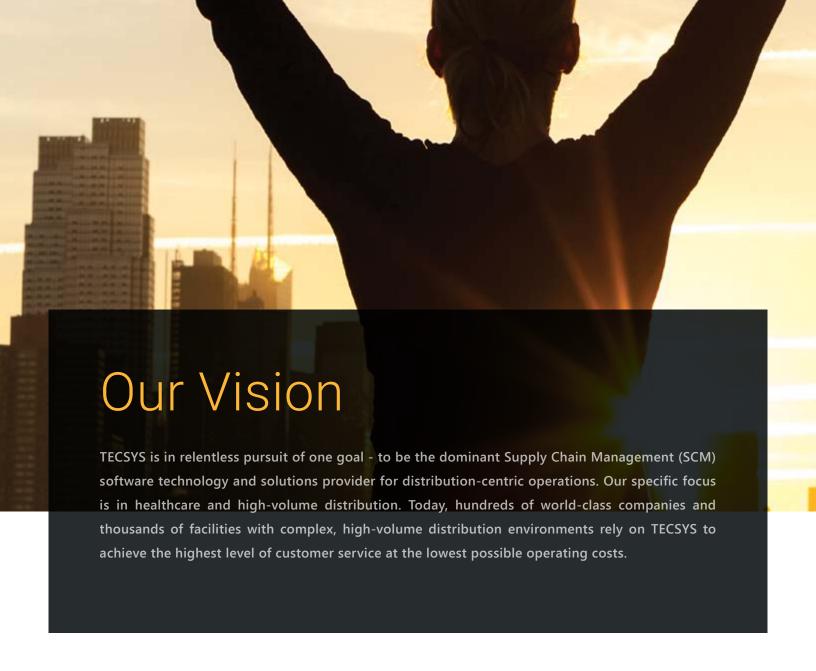
ANNUAL REPORT 2016

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, 2016. 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

Fiscal Year 2016

Revenue, in millions

\$67.5

Earnings, per share

39 cents

Price per share

\$7.59

Recurring revenue, in millions

\$25.0



Bookings, in millions

\$42.2

Backlog, in millions

\$44.6

Gartner WMS Magic Quadrant

Visionary

4 TECSYS customers

in top 5 - Gartner's Top 25 Healthcare Supply Chains

^{*}Fifth consecutive time as "Visionary" Gartner "Magic Quadrant for Warehouse Management Systems" by C. Dwight Klappich, 21 January, 2016. See also page 18 in this report.



Message from the President

Dear fellow shareholders,

Fiscal 2016 was another great year, achieving record results in both revenue and earnings. Driving this growth was continued wins in our healthcare segment, both from new customers and from expanded relationships with existing customers – with healthcare revenue up 38% over fiscal 2015. As well, realigning our sales force and dedicating a team exclusively to our complex distribution segment resulted in some significant wins in that vertical. This top-line growth was supported by strict control of operating expenses from quarter to quarter during the year, while maintaining a productive and efficient R&D department.

Establishing a Leading Position in Healthcare

When we mapped out our strategy to build a leadership position in healthcare, we knew we had the robust technology capable of handling the complex logistics of hospitals and healthcare systems. We also knew that it was imperative that we provide solutions that improved patient care, the prime concern of every front-line healthcare worker. Our current offering not only provides measurable improvements in the supply chain, but it is also software that healthcare professionals like to use, and allows them more time to look after their patients.

The Operating Room (OR) module of our Hospital and Clinic Inventory solution is an example of how we are able to deliver benefits on both fronts. This module's ability to learn over time what a typical surgeon uses for a procedure, enables highly accurate stocking of the surgery cart. This reduces waste and also extra trips to retrieve missing items. As a result, the OR doors open less often, reducing the possibility of post-operative infection. In addition, the OR staff are able to devote more of their time to medical procedures and patient care – improving both job satisfaction and patient outcomes.

The effectiveness and elegance of our solutions have been recognized by the industry and resulted in several key wins in fiscal 2016. Notable were the five contracts awarded from Integrated Distribution Networks or IDNs. Our offering improves the supply chain throughout these large healthcare networks that can include hospitals, outpatient clinics and physician practices. In the third quarter of 2016, we signed one of the largest IDNs in the United States, which includes more than 90 hospitals. Wins like this validate our technology and establish our reputation as the preferred supplier of supply chain management solutions in the healthcare industry.

Refocusing Complex Distribution

Providing solutions for complex distribution networks is our core business, with us effectively providing large-scale customers in the digital imaging, sporting goods and beverage industries with enterprise-wide solutions. To maintain sales momentum in this important segment, we

reorganized our sales force last year so the healthcare and complex distribution sectors were each served by their own dedicated team. Having our professionals narrowly focused on solving challenges in one vertical resulted in four major complex distribution wins, including a large multi-warehouse contract. This mandate puts our solution in three of the client's facilities initially with the potential to expand to all 18 of their global sites.

Efficient and Effective R&D

Our R&D team has been highly effective at extending our core technology to serve a variety of end users in both target verticals. In fiscal 2016, they completed the deployment of our software on a pure Java platform, providing system independence, easier adaptation to clients' systems and enabling a broad offering with extensible applications. While R&D expenses grew 33.4% over last year, the growth primarily stemmed from our increased investment in healthcare made in Q3 and Q4 of the prior year. On a quarterly basis, R&D held steady throughout the year.

One key offering we introduced last year was OneSprint, a complete Warehouse Management System targeted to small and medium enterprises. It is a "plug-and-play" solution that can be launched and customized by the customer without the need for extensive consulting and application support. It is delivered through a cloud-based infrastructure, ensuring high availability, reliability and security. With OneSprint, our R&D team was able to leverage our three decades of warehouse management experience into a package that we believe will support our growth in the coming years.

Strong Financial Results

In fiscal 2016, revenue increased by 18% to \$67.5 million compared to \$57.3 million in the previous fiscal year. Recurring revenue as a percentage of total revenue remained flat at about 37% in both fiscal 2016 and in fiscal 2015. In 2016, total contract bookings were \$42.2 million and backlog at the end of the year was \$44.6 million, compared to \$47.0 million and \$44.9 million respectively in fiscal 2015. Our gross profit increased 26% to \$34.8 million from \$27.6 million in fiscal 2015. Gross

\$000's Except for EPS & ROE	2016	2015
Revenue	67,466	57,284
EBITDA	7,164	4,401
Profit from Operations	4,549	1,947
EPS	0.39	0.13
Backlog	44,558	44,868
ROE %	18.9	7.6
Cash from Operations	3,620	1,394
Recurring Revenue	24,984	21,289



2014-2016 Revenue Growth

margin as a percentage of revenue reached 52% up from 48% in fiscal 2015.

EBITDA also grew significantly in fiscal 2016 and increased to \$7.2 million, 63% over the \$4.4 million achieved in the previous fiscal year. This large increase is a result of our success in the year in increasing our revenue and gross margin, a weaker Canadian dollar as well as controlling operating expenses, thereby allowing a larger portion of our revenue to flow straight to the bottom line.

Looking to Fiscal 2017

Looking ahead to fiscal 2017, we expect continued growth in our healthcare vertical. This includes new customer wins, as well as existing customers increasing the applications in use. There is a long sales cycle to win a new hospital or healthcare customer, but we have been finding that once we are engaged, the addressable market within the customers' facilities expands rapidly.

Complex distribution will also continue to benefit from its refocused sales team that we believe will be a source of new customer wins in fiscal 2017.

Maintaining discipline in operating expenses will remain a priority in fiscal 2017. We have reached scale in a number of areas of our company such that we are able to support a higher volume of business. We will maintain our focus on growing revenue and gross margin while holding operating expenses close to flat. The net result we expect, will be a very rewarding growth in earnings, although currency swings can have a substantial impact on our plans.

The achievements in fiscal 2016 are the result of a multiyear dedication to a vision to maintain excellence and build market leadership. For this vision to succeed it required commitment throughout our organization. I would like to thank our employees for their dedication to making TECSYS the trusted supply chain partner for leading companies and healthcare providers, our board of directors for their support and guidance, and you, our shareholders for your great support.

Sincerely,

Peter Brereton, President and CEO



Message from the Chairman

My fellow shareholders,

Fiscal 2016 was a remarkable year for TECSYS. We experienced significant growth in revenue and EBITDA while continuing to advance our vision to become the industry leader in healthcare supply chain management. We are pleased to report a healthy 18% increase in overall revenue year-over-year and a strong 63% increase in EBITDA. While much of that growth came from the addition of new customers, a significant portion also came from strong organic growth from existing customers increasing their adoption of our unique solutions. It's important to also note that 37% of the revenue is recurring, which provides a solid quarterly base of high gross margin revenue.

Getting to this point required strong collaboration between the Board and Management to define the vision and establish a framework for investment. To make the several years of large strategic investments in people and technology that were required to build our leadership in healthcare, the Board had to share that vision. Today, we are the major player in our industry.

One key to TECSYS' success is its diverse workforce, both in terms of tenure with the company and background.

63%

It is also important to TECSYS that we give back to the community and employees are encouraged to advocate for and participate in charitable activities.

The Board commends Management and the entire team for our success at establishing a key position in the healthcare industry. By forging close partnerships with key customers, we have been able to develop solutions that truly address the needs of the hospital supply chain and frontline healthcare workers. This is in line with our "Customer for Life" philosophy to build long-term customer retention. The innovative nature of our solutions, some of which are protected by patents, have set the de facto industry standards for healthcare supply chain management.

One key to TECSYS' success is its diverse workforce, both in terms of tenure with the company and background. This mix of recent graduates, and seasoned programmers who have been with TECSYS for decades, organized in flat non-hierarchical teams, combines institutional knowledge with the desire and ability to innovate. It is a supportive environment that strives to advance individuals from within. In fact, some senior executives started with the company as coop students. As a result, TECSYS has one of the lowest turnover rates in the software industry, providing us with a distinct advantage in building customized solutions that solve specific industry challenges.

It is also important to TECSYS that we give back to the community and employees are encouraged to advocate for and participate in charitable activities. Recently this has included Pedals for Kids in support of the Montreal Children's Hospital, Operation Santa Claus and Steps for Haiti. We have also continued our investment in Youth for Christ/Youth Unlimited including several programs put in place to assist youth find purpose and affect positive change in their communities. Recently we have helped several youth-based charities by working with them to deploy technology that would measure the impact of their programs. This will allow them to assess and design effective programs and determine the best use of resources.

On behalf of the Board of Directors of TECSYS Inc., I would like to congratulate the management team and all employees on a record year and thank them for their continued commitment and hard work. The Board, working with the management team, will endeavour to keep TECSYS on its current growth trajectory and to continue to enhance value for shareholders.

In closing, I want to thank our shareholders for their continued support in fiscal 2016; we look forward to another successful year.

Sincerely,

Dave Brereton, Executive Chairman of the Board



Four TECSYS
Customers
Ranked in
the Top Five
of Gartner's
Healthcare
Supply Chain
Top 25 for 2015



On November 19, 2015, Gartner, Inc., the world's leading information technology research and advisory company, released its seventh annual Healthcare Supply Chain Top 25 ranking¹. Gartner's seventh annual Healthcare Supply Chain Top 25 ranking recognizes companies across the healthcare value chain that demonstrate leadership in improving patient outcomes and lowering costs. Leaders are showing progress by aligning to patient care, company strategy and future revenue models.

In a recent Gartner press release, analyst Eric O'Daffer, research vice president, stated that, "Alignment to patient outcomes, company strategy and future revenue models in healthcare are the key themes for 2015. We see innovation coming from mature supply chains that have stable organizations and strong talent. These organizations are most ready to successfully lead in consolidation and collaboration initiatives that will advance the healthcare value chain."²

"The Healthcare Supply Chain Top 25 for 2015 reflects the progress leaders have made in laying the foundation for success. Their effort is similar to advancing the ball in many sports. Team success is tied to the ability to advance the ball down the field so that in the future they can score. Similarly, while no company can claim to have solved the puzzle of optimized healthcare in the 21st century, leading companies are building the foundational capabilities and making investments that will pay off in the future. Supply chain leaders are educating their teams, trading partners and company leadership on the value of supply chain to improve service, lower costs, and enable growth and sustainable profits."

Robert Colosino, Vice President of Marketing at TECSYS Inc., stated, "We are delighted to see four of our customers listed in the top five of Gartner's Healthcare Supply Chain Top 25 for 2015. We feel it clearly demonstrates the progress they have made in meeting the stringent supply chain challenges in healthcare, leveraging our technology and expertise to continue to make progress in climbing the leadership ladder in Gartner's top 25 in the last few years. Congratulations to all of them!"

¹ Gartner, The Healthcare Supply Chain Top 25 for 2015, Eric O'Daffer et al., November 2015

² Gartner "The Healthcare Supply Chain Top 25 for 2015" by Eric O'Daffer, Stephen Meyer, Lisa Callinan, Andrew Stevens, 18 November 2015. For more info: http://www.gartner.com/newsroom/id/3170117



In Conversation with **Betty Jo Rocchio**

MS, CRNA, BSN, RN Vice President Perioperative Performance Acceleration Mercy

About Mercy

Mercy, named one of the top five large U.S. health systems in 2016 by Truven, an IBM company, serves millions annually. Mercy includes 45 acute care and specialty (heart, children's, orthopedic and rehab) hospitals, more than 700 physician practices and outpatient facilities, 40,000 co-workers and more than 2,000 Mercy Clinic physicians in Arkansas, Kansas, Missouri and Oklahoma. Mercy also has outreach ministries in Louisiana, Mississippi and Texas.

Editor: Mercy has been described as the ideal supply chain model for health systems, it is ranked by Gartner as one of the top healthcare supply chains in the country, what got you here and how did TECSYS help in this journey?

Betty Jo Rocchio: ROi (Resource Optimization & Innovation), the supply chain division for Mercy, was developed from the ground up. So, it was really built around innovation. We had some great forward-thinking leaders and because of that we collaborate with supply chain on the healthcare side better than anybody else in the nation. We have proven that concept.

While innovation is great, you also need some building blocks to be able to run a complete warehouse and distribution model for your supply chain. We were great partners with TECSYS since the beginning.

Editor: How does the TECSYS platform help?

Betty Jo Rocchio: Simply, supply chain has to be able to keep track of everything in a very systematic model. But the thing about healthcare is that we deploy a lot of different products into a lot of different areas, and what TECSYS brings to the table is very important flexibility with its platform. It allows us to manage and deliver the supplies to our different departments in the way they need them. So delivering supplies and doing par-values for a nursing unit is not the same as the perioperative area, it's not the same as a Cath lab area. You have to have a platform that provides global visibility and understands the unique characteristics of each department to be able to receive and consume supplies appropriately.

Editor: How important is total visibility and connectivity across your supply chain system?

Betty Jo Rocchio: Mercy, named one of the top five large U.S. health systems in 2016 by Truven, an IBM company, serves millions annually. Mercy includes 45 acute care and specialty (heart, children's, orthopedic and rehab) hospitals, more than 700 physician practices and outpatient facilities, 40,000 co-workers and more than 2,000 Mercy Clinic physicians in Arkansas, Kansas, Missouri and Oklahoma. Mercy also has outreach ministries in Louisiana, Mississippi and Texas.

Because of Mercy's size, it is very important for us to have a platform that not only looks across the ministry but looks by department also. We have a number of nursing and procedural areas in each of the 45 hospitals, so visibility becomes very important to the leaders in those areas from the supply chain side and from the healthcare side.

Editor: Traditionally, a lot of technology companies in today's world still go in a lab and build a product with little or no market input, and then try to sell it. The approach we took with the perioperative solution was totally different, right?

Betty Jo Rocchio: Yes, completely different. There were other solutions out there for supply chain in the Operating Room (OR) space, but they were totally logistics-led. We watched clinicians using them and they were working around them in order to get the supply chain right. That did not suit us at all! Frankly, when I saw nurses taking care of patients in the OR doing supply chain activities, I knew that was not where Mercy wanted to be. TECSYS is a supply chain company and Mercy is in the business of needing supplies to take care of our patients and meet perioperative demands. Our past experience with TECSYS led us to ask them to work with us to design a perioperative platform that would meet our needs. The TECSYS executives were committed to adapt the platform to make sure that it met the clinical need. TECSYS had the backbone of a great supply chain network and together we wanted to address the clinical workflows and have that drive the way it looks, behaves and feels. Here's the great thing about this product. It's a clinical solution for clinicians and it's a supply chain solution for supply chain. The collaboration and partnership that this tool drives between those two departments is amazing to make sure that each patient has the right supplies, the right amounts, at the right time. The solution is clinically led and operationally driven which creates a synergy that supports the perioperative areas! It's a win-win for sure!

Editor: So how is this OR initiative going to improve clinicians' work and patient life?

Betty Jo Rocchio: This solution streamlines the products (supplies) that arrive to the OR. They arrive on the case cart in the exact amount needed. Through point-of-use scanning, the nurse is able to accurately record supplies consumed in the case, and then the TECSYS product sends the appropriate information to our electronic health record and to our ERP (financial) system. The TECSYS system consumes that information and gets the electronic health record correct on implants, it gets the cost and pricing correct, and it gets the billing information to our financial team. All this information flows from just one scan. The clinician now has more time to spend with the patient. This also allows supply chain to appropriately plan, deliver, and place items back into inventory that we didn't consume. This data can be captured to help us optimize our preference cards and be accurate on items needed on all subsequent cases.

Editor: So how many problems is it solving?

Betty Jo Rocchio: It integrates a number of different functions that can frustrate us in the perioperative area. Like all health systems in the U.S., we work with many different systems during the course of our day in the OR. The TECSYS system is truly a complete solution as it will assist us with inventory management, tissue tracking, product recalls, expired products, implant tray lot and serial capture. Many of these systems, if they exist in our ORs today, are stand-alone systems that do not integrate very well for the front line users. The TECSYS solution has quality, regulator, financial, and medical legal advantages built into this system to help us meet all of our needs in the perioperative area. This is uncharted territory today!

Editor: From dollars and cents what does this mean to Mercy?

Betty Jo Rocchio: Let's talk about this from the Triple AIM perspective. The triple AIM focuses on quality, service, and cost. Quality is centered on accurate documentation, accurate billing and pricing for the patient, standardization of products in the OR to deliver quality outcomes, and reducing implantation of expired or recalled products. On the service side, it allows us to schedule and allocate resources more efficiently at the case level for our patients. We have exactly what we need and have full visibility to the location of the products.

Editor: So if you did not have this solution what would be your situation?

Betty Jo Rocchio: Well what nurses and/or supply chain people have to do is run around a few days before surgery and try to make sure they have what they need. With the TECSYS system it allocates the resource and holds that resource for us so we know we have it, so we are ready for patients much earlier and it will reduce the number of patient delays or patient cancellations. It helps keep the clinicians doing clinical work, not worrying or searching for supplies or doing administrative work in different systems. The rooms stay on time; patients have their surgeries completed on time and move in and out of the perioperative area in a predictable, controlled manner.

Editor: So what has been your experience with this solution so far?

Betty Jo Rocchio: I just had a call this morning with our frontline co-workers from Mercy Washington and Mercy Springfield regarding the TECSYS solution. They could not have been more complimentary of how it streamlines their work and improves quality of life for them in the perioperative areas. In fact, the rest of the hospitals at Mercy are waiting for us to roll it out in their hospital.

Editor: So this system is destined to streamline your cost significantly?

Betty Jo Rocchio: Absolutely! The third part of the Triple AIM is cost. The biggest spend in a perioperative area is supplies. Having a well-designed solution that manages inventory is a must! The solution gives me visibility and optimization of my preference card. This is so vital to understanding and reducing variation in supplies across my 45 hospitals!

At the end of the day, we anticipate anywhere between 8 million and 13 million dollars in savings by implementing this solution across Mercy. The visibility, standardization and data we can get out of the TECSYS system is going to help us move from a manual system to a perpetual system which has significant value.

Editor: So what's your end goal?

Betty Jo Rocchio: My end point: if I was talking to Vice Presidents of Perioperative around the country, what I would say to them is our business is changing, the margins in surgery are starting to be reduced due to our reimbursement structure. We must somehow find a way to increase our quality, produce better service and reduce cost. Our largest costs are around supplies. We have to have a system that manages this and allows our clinicians to deliver high quality, excellent service, while reducing our costs. The TECSYS solution is designed to deliver this!

There are a number of hospitals coming to visit us to see the product live. We have four site visits soon in Mercy and clearly people are starting to recognize the impact of this solution. Clinically Led and Operationally Driven...this will be the hallmark of this well-designed, integrated solution.

We're on board with the TECSYS Perioperative solution. We're very excited about it moving forward.





Continued Leadership in Health Systems

In 2016, TECSYS reinforced its market leadership in the hospital and health systems' market, winning the business of five new healthcare organizations, two of which are highlighted below.

A Gartner Top Healthcare Supply Chain

One of the top organizations in Gartner's Healthcare Supply Chain Top 25, this health system is recognized as one of the most successful healthcare providers in the U.S. A nonprofit, \$10 billion organization, it employs some 65,000 professionals serving more than 1.3 million patients across 22 hospitals and care sites in five states. It focuses on the strategic alignment of supply chain with the cost and quality of patient care by providing the best care to every patient through integrated clinical practice, education and research.

One of the Largest Healthcare Delivery Systems in the U.S.

One of the largest healthcare delivery systems in the U.S., its annual revenue is around \$16 billion and employs more than 95,000 professionals including some 3,900 physicians. It serves people and communities in 20 states from coast to coast with over 90 hospitals, and well over 100 continuing care locations, including home care and senior living facilities.

Its mission is to be an innovative health organization and to become the national leader in improving the health of its communities and people it serves.

FORGING AHEAD

In Conversation with **Donna VanVlerah**SVP Supply & Support Services Parkview Health



About Parkview Health

Parkview Health is a not-for-profit, community-based health system serving Northeast Indiana and Northwest Ohio. With more than 10,000 employees, Parkview Health provides services through nine hospitals and a network of primary care and specialty physicians across the region.



Editor: You have been in supply chain management for more than 30 years including health systems for about six. What do you see as the most important supply chain technology in healthcare?

Donna VanVlerah: Health systems and hospitals are characterized by having many technologies—ERP, CRM, health records, inventory management, materials management and more. For the most, all are working in silos which makes it very difficult to orchestrate and manage the supply chain from source to patient bed side. Today's health systems supply chains must have one platform connecting supply information technologies as one engine. It must be clinical-staff friendly, adapting to changing needs and giving us supply chain managers total visibility, quick execution and compliance for the just-intime delivery of products for quality patient care.

Editor: A number of supply chain leaders stated "the TECSYS platform is just the right one for healthcare", how do you see it?

Donna VanVlerah: TECSYS' platform is the backbone of our health system supply chain technology. It does not only "connect & collaborate" with other systems for total visibility, it also allows us to personalize our supply chain applications to our specific unique needs and makes our organization a lot more efficient and productive. Seeing the visibility from our CSC (Consolidated Services Center) right to the point-of-use nursing stations has been very important to us. This visibility gives us optimal performance at the six-sigma levels which includes less than .5% obsolescence in our supply chain operations and helps provide better patient care.

Editor: How has your CSC improved the experience for your clinical staff while improving your cost to serve?

Donna VanVlerah: The CSC is central to the supply processes for our health system. It is delivering the replenishment stock to our point-of-use locations which is the heart of our clinical operations. We use a "push model", which means we anticipate our customers demand and preposition inventory at the point-of-use level. This eliminates the need for our customers to order ahead, over order or self-manage inventory, which is the last thing you want clinicians to do, this way, our clinicians can focus on patient care.

Since we have implemented the TECSYS platform, clinical staff do not have to order anything. In fact, 74% of our total customer orders are managed in the push model via the TECSYS platform. Upon deployment of TECSYS' OR platform, we anticipate the rate will exceed to 90%. Again, this means we are advancing the "push model" for the ultimate optimization of our inventory management and enhanced patient care.

Editor: Do you see supply chain positively impacting your operations inside the hospitals? If so, how?

Donna VanVlerah: With the deployment of TECSYS' SMS (Supply Management System) at point-of-use we have been able to capture \$14 to \$16 million in revenue per year. We are also able to capture and anticipate demand at each of the nursing stations. Today, we have 96 hours of supply in all point-of-use locations which is key to be compliant with the Joint Commission requirements at all times.

Editor: How has your supply chain organization, using demand planning and forecasting, ensure that you have the right products at the right time?

Donna VanVlerah: I don't understand how other health systems can function without demand planning! The demand planning tool is critical to having the right product at the right place which is what efficient supply chains are all about! Demand planning enables you to have the right size of inventory in your central facility and at each point-of-use location which is critical in healthcare because it touches the lives and well-being of patients every day!

Editor: How do you see TECSYS' partnership with Parkview?

Donna VanVlerah: We have been a TECSYS customer since 2010. I work so closely with the entire TECSYS team, sometimes I feel I work for TECSYS, it is a close partnership!

The only way to meet or overcome today's stringent healthcare challenges at the high six-sigma standard is to innovate! As importantly, it is crucial to work very closely with customers like you guys do!

A Visionary Stance

For the Fifth Consecutive Time, TECSYS was Positioned in the "Visionaries" Quadrant of Gartner's Magic Quadrant for WMS¹

On January 21, 2016, 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 it has held since its first inclusion in 2010.

Gartner's 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 12 WMS suppliers that were included in the 2016 magic quadrant for warehouse management systems, one of which is TECSYS. According to Gartner, "While WMS applications are approaching functional parity, vendor innovation continues to make these solutions more usable, adaptive, smarter and better able to orchestrate end-to-end logistics processes."

Robert Colosino, Vice President of Marketing at TECSYS, commented, "Innovation in our platform is driving increased adoption of our WMS in complex supply chains including CSCs (Consolidated Service Centers) for health systems and other high-volume distribution industries. Leaders in these industries are embracing their transformation with TECSYS as they rethink their supply chains in the modern era and are using technology not just to improve their internal processes, but also as a driver of growth, competitive differentiation and better outcome."

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¹ Gartner "Magic Quadrant for Warehouse Management Systems" by C. Dwight Klappich, 21 January, 2016.



Winning in Complex Distribution

In the first quarter of fiscal 2016, TECSYS announced a strategic initiative to increase its market share of organizations with complex supply chains. It is a focused approach driven by a marketing strategy and a seasoned sales executive team, armed with TECSYS' industry expertise and supply chain platform. During the course of the year, TECSYS started to see the fruits of this strategic program, exemplified by the wins of major customers highlighted below.

Major Service Parts Operation

One of the largest heavy equipment dealers sells, rents and services equipment and engines to customers in a variety of industries in Canada and abroad. It has selected TECSYS WMS technology to standardize on one platform to optimize business processes and heighten service levels to their customers.

One of the company's divisions in Europe will be one of the first international service parts operation to deploy TECSYS' warehouse management system. With 60,000 parts and 25 outlets, it needed to automate and optimize logistics processes and gain inventory visibility to deliver on its commitments to its clients. With TECSYS' technology platform, it is putting one of the highest supply chain standards at the heart of its client services operations.

Global Logistics Service Provider

Established in the early sixties, the Company has evolved into a global industry leader in the delivery of third-party logistics and associated services to its customers such as customs brokerage and supply chain logistics solutions to thousands of clients worldwide. With over one thousand employees, the Company operates globally in some fifty cities worldwide. It has selected TECSYS' complete suite of warehouse-centric distribution applications to help them optimize their logistics processes and heighten service levels to their own customers globally.

Innovation in Supply

All-in-One WMS in the Cloud

Promises to Deliver the Highest Value at the Lowest Total Cost of Ownership (TCO) in the Industry

On April 4, 2016, TECSYS announced OneSprint™, featuring advanced WMS capabilities synchronized to the right size and need of small and large operations, helping them achieve their fulfillment and swift on-boarding objectives.

OneSprint leverages TECSYS' intuitive platform in the cloud and uses its patented visual technology for fast user adoption, enabling distribution organizations to significantly increase operational efficiency and order accuracy. A top-tier WMS caliber, OneSprint offering is a single solution providing bidirectional scalability to support simple or sophisticated operations, helping them achieve the highest value at the lowest TCO in the industry.

Robert Colosino, Vice President of Marketing at TECSYS, stated, "Today's warehouse operations, large or small, are challenged by the constant change in distribution models and volatility of customer demands. The WMS industry has not kept up with these market needs, solutions are rigid, they are either not robust enough or too complicated, plus they do not scale bidirectionally to accommodate customers' needs for today and challenges of tomorrow. Customers are stuck with unfitting WMS systems or a multiple thereof, costing them hard-earned dollars. OneSprint meets these challenges head-on. Its TCO is unprecedented; we have brought together more than three decades of industry expertise, a set of customer tools combined with toptier WMS capabilities, a complete package delivered with the convenience and optimum speed-to-serve of the cloud."

SPRINT

to World-class WMS Fulfillment

OneSprint is a complete WMS package that enables a distribution organization to fast track their fulfillment execution initiatives to meet their customer commitments without delays. The OneSprint All-in-One Package characteristics include:



ROBUST

OneSprint WMS offering is based on TECSYS' advanced WMS product—a visionary in Gartner's WMS Magic Quadrant.



SCALABLE

Allows distribution organizations to deploy the system across a variety of operations in size and complexities.



RIGHT-FIT

From the rich content of TECSYS' advanced WMS capabilities, features are selected to match each individual customer's specific business needs.



ON-CLOUD

Delivers worldclass functionality on a leading cloud infrastructure, enabling a 99.9% uptime, swiftstart onboarding, high availability, reliability and security.



INTELLIGENT

It combines the power of a set of tools, templates and process documentation that can quickly and easily be adapted to customers' distribution operations.



VISUAL

Visual content, a paradigm shift in warehouse management, optimizes execution abilities in all warehouse environments.



SWIFT-START

OneSprint WMS delivers one of the industry's fastest customer onboarding experiences to meet the distribution challenges of small operations that can scale up to larger

Chain Solutions

Next Generation Delivery Management Solution on a Smartphone

On September 27, 2015, TECSYS announced the release of its smartphone Delivery Management (DM) solution; one of the most modern and agile solutions that empowers logistics management to gain control of their entire internal transportation operation and effectively manage delivery volumes, turnaround times, as well as logistics costs and profitability.

"This generation of Delivery Management is a leap into the modern era in technology and represents another key piece in the supply chain execution puzzle for customers; thus extending the spectrum of our supply chain management solutions beyond the four walls, right to the final recipient's destination for a true end-to-end efficient execution," stated Robert Colosino, Vice President of Marketing at TECSYS. "While it is a standalone solution, its full integration with our WMS means that there are no barriers for optimum process flows, resulting in uninterrupted order fulfillment and holistic visibility for logistics management throughout the order cycle."

TECSYS' Delivery Management solution is a powerful end-to-end event tracking and delivery management mobile system for a distribution organization; in-house courier and internal deliveries, including all unattended or unscheduled pickups and deliveries. 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.

"From the dock to the final delivery destination and/or pickups, TECSYS' DM combines best practices of world-class couriers with the specific accountability and security requirements needed to manage a distribution organization's entire delivery network," commented Bill Denbigh, Director, Logistics Product Marketing at TECSYS. "This new release of our DM suits any distributor's transportation operation, volume or complexity and requires almost no user training. Its capabilities can be adopted progressively, which allows distributors to build towards world-class transportation performance at their own pace while reaping the substantial financial benefits inherent in today's logistics costs."



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 6, 2016 comments on our operations, financial performance and financial condition as at and for the years ended April 30, 2016 and April 30, 2015 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, 2016. Fiscal 2016 refers to the twelve-month period ended April 30, 2016.

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 6, 2016.

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

Overview

TECSYS is a market-leading Supply Chain Management (SCM) provider of powerful warehouse, distribution and transportation management software solutions to mid-size and Fortune 1000 corporations in the healthcare industry and organizations with complex supply chains. The Company has built its business by focusing on warehousing and distribution operations and by developing robust products and leading supply chain management expertise over more than three decades. The deployment of TECSYS' supply chain management best practice business processes and technology for high-volume distribution organizations enables customers to streamline logistics operations, reduce cost and improve customer service.

Supply Chain Management 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 a 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 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.

According to Gartner¹, one of the world's leading information technology research and advisory company, businesses continued to invest heavily to modernize their supply chain technologies to drive greater decisions, efficiencies and customer engagement. The SCE market segment grew 10.5% in 2014, generating \$3.1 billion, with Gartner's expectations for similar near-term growth that forecasted to reach approximately \$4 billion by 2017. Innovation continues across many SCE markets, including WMS, which is a mature and consolidated market segment. 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. The "Internet of Things" drove more interest in 2014 and it's a trend that Gartner expects to continue for the next five years, driving greater demand for new technologies. TECSYS' management believes that the Company's supply chain platform is well suited to respond to these challenges.

¹ Gartner Report: Market Snapshot: Supply Chain Management Software, Worldwide 2015 - May 4, 2015.

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 a research and development and customer services perspective, 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 5,700 hospitals in the United States, including about 550 health systems comprising of hospitals, nursing homes, clinics, home health agencies and school health centers.

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 year 2016, TECSYS continued this initiative to explore additional opportunities using this strategy.

TECSYS has a partnership strategy in place with several technology and services providers including software partners such as International Business Machines Corporation, Oracle Corporation and Microsoft Corporation, as well as mobile computing technology providers, such as Honeywell International Inc. and Zebra Technologies Corporation.

On August 9, 2015, TECSYS announced that it will be consolidating its healthcare market offering under the new designation of TECSYS Healthcare. Focused exclusively on hospitals, health systems and healthcare operations, TECSYS Healthcare reinforces the Company's commitment to supporting better patient care through continued development of end-to-end solutions designed specifically for the healthcare supply chain.

On September 22, 2015, TECSYS announced strategic initiatives destined to bolster the Company's presence in the European supply chain management software market and strengthen its global customer care infrastructure.

The first initiative was the opening of TECSYS' European headquarters and the appointment of Mr. Mark Hawksley to Vice President Global Services and Strategic Initiatives for Europe. With a number of opportunities now developing in Europe from both existing and new customers, most notably a significant supply management undertaking for a global healthcare company, growth for TECSYS' type of solutions is evident.

To support this growth, TECSYS has opened a UK-based Customer Care Support Center. With the addition of the European support center, TECSYS is able to adopt a customer care workflow model leading to improved responsiveness and heightened customer satisfaction.

On September 27, 2015, TECSYS announced the release of its smartphone Delivery Management (DM) solution; a modern and agile solution that empowers logistics management to gain control of their entire internal transportation operation and effectively manage delivery volumes, turnaround times, as well as logistics costs and profitability.

TECSYS' Delivery Management solution is a powerful end-to-end event tracking and delivery management mobile system for a distribution organization; in-house courier and internal deliveries, including all unattended or unscheduled pickups and deliveries. 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 November 12, 2015, TECSYS Healthcare and Sisters of Mercy Health System ("Mercy") announced a collaborative development partnership focused on improving perioperative inventory management in context of patient-centric clinical performance.

On January 21, 2016, Gartner Inc., one of the world's leading information technology research and advisory company, released the latest Magic Quadrant² for Warehouse Management Systems (WMS), in which TECSYS was positioned in the "Visionaries" quadrant, a position that it has held five consecutive times 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 12 WMS suppliers that were included in the 2016 Magic Quadrant for warehouse management systems, one of which is TECSYS.

On April 4, 2016, TECSYS announced the release of OneSprint. OneSprint is a complete WMS package that enables a distribution organization to fast track their fulfillment execution initiatives to meet their customer commitments without delays. OneSprint leverages TECSYS' intuitive platform in the cloud and delivers WMS capabilities with just the right fit for customers' business. OneSprint is also designed to help customers meet today's volatile fulfillment challenges using best practices and enables them to reach a high level of customer responsiveness in the shortest period of time.

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 2016, recurring revenue³ amounted to \$25.0 million which represents 37% of fiscal 2016 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, and the Company has reasonable assurance that it will occur at regular intervals with a high degree of certainty.

Services revenue includes both the fees associated with implementation assistance and ongoing services. These ongoing services include consulting, training, product adaptations, upgrade implementation assistance, maintenance, customer support, application hosting, and data base administration services. 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.

Products revenue has two components: the Company's proprietary products and third-party products. Proprietary products' revenue was 20% of revenue in fiscal 2016 and 22% in fiscal 2015. Third-party products' revenue represented 14% of total revenue in fiscal 2016 and 15% in fiscal 2015.

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, 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.

At the end of fiscal 2016, the Company employed 363 employees in comparison to 346 at the end of fiscal 2015. The average number of employees was 356 in fiscal 2016 in comparison to 341 for fiscal 2015.

² Gartner "Magic Quadrant for Warehouse Management Systems" by C. Dwight Klappich, 21 January, 2016.

³ Refer to section at end of MD&A titled "Non-IFRS Performance Measures"

The U.S. dollar strengthened by approximately 14.4% against the Canadian dollar during fiscal 2016 in comparison to fiscal 2015. The U.S. dollar to Canadian dollar exchange rates for fiscal 2016 averaged CA\$1.3158 in comparison to CA\$1.1503 for fiscal 2015. Consequently, with approximately 66% of the Company's revenue generated in U.S. dollars in fiscal 2016, the stronger U.S. dollar, which was partially offset by the Company's designated hedging of highly probable U.S. revenue, affected revenue favorably by an estimated \$5.8 million. The stronger U.S. dollar impacted cost of sales and operating expenses unfavorably by approximately \$1.7 million. Profit from operations was affected favorably by approximately \$4.1 million in comparison to fiscal 2015.

In 2015, the U.S. dollar strengthened by approximately 8.5% against the Canadian dollar in comparison to fiscal 2014. With approximately 64% of the Company's revenue generated in U.S. dollars in fiscal 2015, the stronger U.S. dollar, which was partially offset by the Company's designated hedging of highly probable U.S. revenue, affected revenue favorably by an estimated \$1.9 million. The stronger U.S. dollar impacted cost of sales and operating expenses unfavorably by approximately \$800,000. Profit from operations was affected favorably by approximately \$1.1 million in comparison to fiscal 2014.

Selected Annual Information

In thousands of Canadian dollars, except per share data

	2016	2015	2014
Total Revenue	67,466	57,284	46,558
Profit	4,804	1,515	1,795
Comprehensive Income	5,316	1,610	-
Basic and Diluted Earnings per Common Share	0.39	0.13	0.16
Common Share Dividends	0.10	0.09	0.075
Total Assets	52,690	47,377	34,145
Long-term Debt (including the current portion)	3,344	4,789	3,500

Business Combination

On May 31, 2014, the Company acquired 100% of the issued and outstanding shares of Logi-D Holding Inc. ("Logi-D"). The results of its operations have been included in the accompanying consolidated financial statements commencing June 1, 2014. Logi-D contributed \$5.7 million in revenue and a loss of \$68,000 in the eleven month period ended April 30, 2015. The loss excludes \$160,000 of acquisition costs and \$232,000 of amortization of the acquisition-related identified intangible assets. Please refer to note 5 of the consolidated financial statements for further information.

Results of Operations Year ended April 30, 2016 compared to year ended April 30, 2015

Revenue

Total revenue increased to \$67.5 million, \$10.2 million or 18% higher, compared to \$57.3 million for fiscal 2015.

Proprietary products, defined as internally developed products including proprietary software and hardware technology products, increased to \$13.6 million, \$1.1 million or 9% higher in comparison to \$12.5 million for fiscal 2015. The increase is primarily due to significant deliveries of proprietary hardware technology in the fourth quarter of fiscal 2016 offset by a decrease in proprietary license revenue.

Third-party products revenue increased to \$9.4 million, \$0.8 million or 10% higher in comparison to \$8.6 million for fiscal 2015. The increase in third-party products revenue is largely attributable to an increase in storage products revenue of \$1.5 million offset by a decrease in other hardware revenue of \$661,000.

Overall total contract value bookings⁴ amounted to \$42.2 million during fiscal 2016 in comparison to \$47.0 million for the previous fiscal year, a decrease of 10%. The Company signed fourteen new accounts with a total contract value of \$8.9 million during fiscal 2016 in comparison to eighteen new accounts with a total contract value of \$15.3 million during fiscal 2015. The decrease of \$6.4 million in new account total contract value bookings in fiscal 2016 was the result of the average deal size being significantly higher for the six new IDNs signed in fiscal 2015 as compared to the six new IDNs and hospitals signed in fiscal 2016.

Services revenue increased to \$42.5 million during fiscal 2016, \$8.1 million or 24% higher, compared to \$34.3 million for the previous fiscal year. All services revenue streams are performing better than last year. The increase in services revenue is primarily attributable to a higher backlog⁵ at the beginning of the current fiscal year and the favorable impact of the stronger U.S. dollar.

As a percentage of total revenue, proprietary products accounted for 20%, third-party products for 14%, and services for 63% in fiscal 2016 compared to 22%, 15% and 60% for fiscal 2015, respectively.

Cost of Revenue

Total cost of revenue increased to \$32.6 million in fiscal 2016, \$2.9 million or 10% higher, in comparison to \$29.7 million for fiscal 2015. The increase is attributable to higher products costs of \$1.8 million, higher services costs of \$1.1 million and higher reimbursable expenses of \$107,000.

The cost of services increased to \$22.5 million in fiscal 2016, \$1.1 million or 5% higher, in comparison to \$21.4 million for fiscal 2015. The increase is primarily attributable to higher employee salaries and benefits, incentives, travelling, and hosting infrastructure expenses offset by an increase in tax credits. The tax credits relate to the Quebec e-business tax credits introduced by the Quebec government in March 2008. On June 4, 2014, the Quebec government announced a reduction in the rate of this tax credit from 30% to 24% of salaries paid to eligible employees, effective June 5, 2014, while maintaining the maximum annual tax credit at \$20,000 per eligible employee. However, on March 26, 2015, the Quebec government announced the introduction of a 6% non-refundable e-business tax credit allowing for an additional maximum annual tax credit of \$5,000 per eligible employee which caused the additional increase in tax credits in fiscal 2016 as compared to fiscal 2015. The cost of services includes tax credits of \$1.6 million for fiscal 2016 compared to \$1.4 million for fiscal 2015.

The cost of products increased by \$1.8 million or 27% to \$8.2 million in fiscal 2016 in comparison to \$6.4 million for fiscal 2015. The increase is mainly attributable to costs related to an increase in storage products revenue, proprietary hardware technology products revenue and higher internal production and coordination costs related to the delivery of proprietary hardware technology and third-party equipment offset by a decrease in costs related to other hardware products.

Gross Profit

The gross profit increased to \$34.8 million in fiscal 2016, \$7.3 million higher, in comparison to \$27.6 million for the previous year. This is mainly attributable to higher services margin of \$7.1 million and higher products margin of \$177,000. Total gross profit percentage in fiscal 2016 was 52% compared to 48% in fiscal 2015.

^{4,5} Refer to section at end of MD&A titled "Non-IFRS Performance Measures"

Services gross profit during fiscal 2016 increased to \$20.0 million, \$7.1 million higher, in comparison to \$12.9 million in fiscal 2015. Services gross profit was 47% of services revenue in fiscal 2016 in comparison to 38% for fiscal 2015. The increase is primarily due to the increased revenue resulting from a higher backlog as well as the favorable impact on revenue from the stronger U.S. dollar.

The products margin increased to \$14.8 million, \$177,000 higher during fiscal 2016 in comparison to \$14.7 million in fiscal 2015. The increase in margin is attributable to an increase in proprietary hardware technology products revenue and an increase in storage products revenue offset by a decrease in proprietary license revenue and a decrease in other hardware products revenue and higher internal production and coordination costs related to the delivery of proprietary hardware technology and third-party equipment.

Operating Expenses

Total operating expenses increased to \$30.3 million for fiscal 2016, \$4.7 million or 18% higher, compared to \$25.6 million for fiscal 2015. The most notable differences between fiscal 2016 in comparison with fiscal 2015 are as follows.

- Sales and marketing expenses amounted to \$15.0 million, \$2.2 million higher than the comparable previous fiscal year. The increase is primarily due to higher employee related expenses, commissions, travel and marketing programs compared to the same period last year. The average sales and marketing headcount increased by seven in comparison to the same period last year. Since the latter half of fiscal 2015, the Company has reorganized its sales organization structure and has added capacity to focus attention amongst key verticals and to dedicate sales resources to either new or base accounts to promote revenue growth.
- General and administrative expenses increased to \$6.0 million, \$87,000 higher than the comparable previous fiscal year. The increase is primarily attributable to higher legal expenses and donations offset by lower consulting fees and employee related expenses. In addition, the Company incurred \$160,000 in acquisition expenses related to the Logi-D acquisition in fiscal 2015 which did not reoccur in fiscal 2016.
- Net R&D expenses increased to \$9.3 million, \$2.3 million higher than the comparable previous fiscal year. Gross R&D expenses increased by \$1.4 million comprising primarily of higher employee related costs, consulting, translation costs, and facilities expenses. The average R&D headcount increased by five in comparison to the same period last year. The Company also recorded \$1.4 million of refundable and non-refundable tax credits in fiscal 2016 compared to \$1.6 million for fiscal 2015. In addition, the Company capitalized deferred development costs of \$887,000 in fiscal 2016 compared to \$1.6 million for fiscal 2015 while amortizing deferred development costs of \$1.4 million in fiscal 2016 in comparison to \$1.3 million for fiscal 2015.

Profit from Operations

The Company recorded profit from operations of \$4.5 million representing 7% of revenue in fiscal 2016 in comparison to \$1.9 million for 2015 representing 3% of revenue, primarily as a result of higher services margin somewhat offset by higher operating expenses.

Net Finance Costs

In fiscal 2016, the Company recorded net finance costs of \$146,000 in comparison to \$119,000 for fiscal 2015. The increase in net finance costs is primarily due to a higher foreign exchange loss offset by higher interest income as compared to fiscal 2015. Please see note 19 to the consolidated financial statements for an overview of the components comprising net finance costs.

Income Taxes

In fiscal 2016, the Company recorded an income tax recovery of \$401,000 comprising of current income tax expense of \$975,000 offset by deferred income taxes recovery of \$1.4 million. In fiscal 2015, the Company recorded an income tax expense of \$313,000 comprising a current income tax expense of \$427,000 offset by deferred income taxes recovery of \$114,000. The increase in current income tax expense as compared to fiscal 2015 is due to the increase in profitability as compared to the prior fiscal year. The increase in the deferred income tax recovery is mainly due to the recognition of deferred tax assets arising from the expected increase in operating profits in future years.

As at April 30, 2016, the Company had recognized net deferred tax assets of \$2.2 million and has an unrecognized net deferred tax asset of \$6.3 million covering various jurisdictions and approximately \$6.6 million of unrecognized 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 \$4.8 million or \$0.39 per common share in fiscal 2016 compared to \$1.5 million or \$0.13 per common share for fiscal 2015.

Results of Operations for the Fourth Quarter Quarter ended April 30, 2016 compared to quarter ended April 30, 2015

Revenue

Total revenue for the fourth quarter ended April 30, 2016 increased to \$21.1 million, \$5.4 million or 34% higher, compared to \$15.8 million for the same period of fiscal 2015. The U.S. dollar averaged CA\$1.3272 in the fourth quarter of fiscal 2016 in comparison to CA\$1.2483 in the fourth quarter of fiscal 2015. Approximately 56% of the Company's revenues were generated in the United States during the fourth quarter of fiscal 2016, hence as a result of the stronger U.S. dollar and the favorable impact of the Company's designated hedging of highly probable U.S. revenue, the net impact to revenue was favorable by an estimated \$1.1 million. The stronger U.S. dollar impacted cost of sales and operating expenses unfavorably by approximately \$200,000.

Proprietary products increased to \$5.9 million, \$2.1 million or 53% higher, in the fourth quarter of fiscal 2016 in comparison to \$3.9 million for the same period last year. The increase is primarily due to significant deliveries of proprietary hardware technology in the fourth quarter of fiscal 2016 offset by a decrease in proprietary license revenue.

Overall total contract value bookings amounted to \$13.1 million in the fourth quarter of fiscal 2016 in comparison to \$16.0 million for the same period of the previous fiscal year. During the fourth quarter of fiscal 2016, the Company signed five new accounts with a total contract value of \$2.7 million compared to five new accounts with a total contract value of \$7.3 million in the fourth quarter of fiscal 2015. During the fourth quarter of fiscal 2015, one large health system contract accounted for \$3.8 million.

Third party products revenue increased to \$3.1 million, \$819,000 or 36% higher, in the fourth quarter of fiscal 2016 in comparison to \$2.3 million for the same period last year. The increase in third-party products revenue is largely attributable to an increase in storage products revenue of \$1.4 million offset by a decrease in other hardware revenue of \$728,000.

Services revenue increased to \$11.5 million, higher by \$2.4 million or 26%, in fourth quarter of fiscal 2016 compared to \$9.1 million for the same period in the previous fiscal year. All services revenue streams are performing better than last year with the most notable being professional services. The increase in services revenue is primarily attributable to a higher backlog and the favorable impact of the stronger U.S. dollar.

As a percentage of total revenue, proprietary products accounted for 28%, third-party products for 15%, and services for 54% in the fourth quarter of fiscal 2016 compared to 25%, 14% and 58% for the same period in fiscal 2015, respectively.

Cost of Revenue

Total cost of revenue increased to \$9.4 million, higher by \$1.5 million or 19%, in the fourth quarter of fiscal 2016 in comparison to \$8.0 million for the same period in fiscal 2015. The increase is mainly attributable to higher products costs of \$1.4 million and higher reimbursable expenses of \$106,000.

The cost of services remained relatively flat at \$5.6 million, lower by \$10,000 in the fourth quarter of fiscal 2016 in comparison to the same period last year. The slight decrease is mainly attributable to the non-refundable e-business tax credit mentioned earlier mainly offset by higher employee remuneration, incentives, travel and hosting infrastructure expenses. The average services headcount in the fourth quarter of fiscal 2016 increased by seven in comparison to the fourth quarter of fiscal 2015.

The cost of services includes tax credits of \$705,000 for the fourth quarter of fiscal 2016 compared to \$392,000 for the same period in the previous fiscal year. The non-refundable e-business tax credits were all recorded in the fourth quarter of fiscal 2016 when it was highly probable that the tax credits would be used to offset income taxes otherwise payable.

The cost of products increased by \$1.4 million or 77% to \$3.2 million in comparison to \$1.8 million for the same period last year. The increase is mainly attributable to costs related to an increase in storage products revenue, proprietary hardware technology products revenue and higher internal production and coordination costs related to the delivery of proprietary hardware technology and third-party equipment offset by a decrease in costs related to other hardware products.

Gross Profit

Gross profit increased to \$11.7 million, higher by \$3.9 million, in the fourth quarter of fiscal 2016 in comparison to \$7.8 million for the same period last year. This is mainly attributable to higher services margin of \$2.4 million and higher products margin of \$1.5 million. Total gross profit percentage in the fourth quarter of fiscal 2016 was 55% compared to 49% in the same period of fiscal 2015.

Services gross profit during the fourth quarter of fiscal 2016 increased by \$2.4 million to \$5.8 million in comparison to \$3.4 million in the same period of fiscal 2015. Services gross profit was 51% of services revenue in the fourth quarter of fiscal 2016 in comparison to 38% for the comparable period last year. The increase in services gross profit is primarily due to the increased revenue resulting from a higher backlog as well as the favorable impact on revenue from the stronger U.S. dollar and the realization of the Quebec e-business non-refundable tax credits.

The products margin increased to \$5.8 million, \$1.5 million higher than the same period last year. The increase in products margin is attributable to an increase in proprietary hardware technology products revenue and an increase in storage products revenue offset by a decrease in proprietary license revenue and a decrease in other hardware products revenue and higher internal production and coordination costs related to the delivery of proprietary hardware technology and third-party equipment.

Operating Expenses

Total operating expenses for the fourth quarter of fiscal 2016 increased to \$8.5 million, higher by \$1.0 million or 13%, compared to \$7.5 million for the same three-month period last year. The most notable differences between the fourth quarter of fiscal 2016 in comparison with the same period in fiscal 2015 are as follows.

- Sales and marketing expenses amounted to \$4.3 million, \$305,000 higher than the comparable quarter last year. The increase is primarily due to higher employee related expenses, commissions and marketing programs offset by a decrease in travel costs. The sales and marketing headcount increased by three in comparison to the same period last year. Since the latter half of fiscal 2015, the Company has reorganized its sales organization structure and has added capacity to focus attention amongst key verticals and to dedicate sales resources to either new or base accounts to promote revenue growth.
- General and administrative expenses increased to \$1.8 million, \$228,000 higher than the comparable quarter last year. The increase is mainly attributable to higher incentives, consulting fees and donations.
- Net R&D expenses increased to \$2.4 million, \$438,000 higher than the comparable quarter last year. Gross R&D expenses decreased by \$1,000 comprising primarily of lower consulting fees and travel costs partially offset by higher employee related costs. The Company also recorded \$493,000 of R&D refundable and non-refundable tax credits and refundable and non-refundable e-business tax credits in the fourth quarter of fiscal 2016 in comparison to \$561,000 for the same period in fiscal 2015. In addition, the Company capitalized deferred development costs of \$68,000 in the fourth quarter of fiscal 2016 compared to \$404,000 for the same period of the last fiscal year while amortizing deferred development costs of \$364,000 in the fourth quarter of fiscal 2016 in comparison to \$329,000 for the same quarter a year earlier.

Profit from Operations

The Company recorded profit from operations of \$3.2 million representing 15% of revenue in the fourth quarter of fiscal 2016 in comparison to \$311,000 representing 2% of revenue for the same period in fiscal 2015 primarily as a result of higher proprietary hardware technology products margin and higher services margin partially offset by higher operating expenses and lower proprietary license revenue.

Net Finance Costs

In the fourth quarter of fiscal 2016, the Company recorded net finance costs of \$123,000 in comparison to \$13,000 for the same period of fiscal 2015. The increase in net finance costs is largely attributable to a higher foreign exchange loss slightly offset by higher interest income as compared to fiscal 2015.

Income Taxes

Please refer to the discussion of income taxes in the preceding section focusing on the results of operations for the year ended April 30, 2016 compared to the year ended April 30, 2015.

Profit

The Company realized profit of \$3.8 million or \$0.31 per share in the fourth quarter of fiscal 2016 compared to \$295,000 or \$0.02 per share for the same period in fiscal 2015.

Quarterly Selected Financial Data

(Quarterly data are unaudited)

In thousands of Canadian dollars, except per share data

Fiscal Year 2016	Q1	Q2	Q3	Q4	Total
Total Revenue	14,931	15,762	15,629	21,144	67,466
Profit	69	367	543	3,825	4,804
Comprehensive Income (Loss)	(514)	723	296	4,811	5,316
Basic and Diluted Earnings per Common Share	0.01	0.03	0.04	0.31	0.39
Fiscal Year 2015	Q1	Q2	Q3	Q4	Total
Total Revenue	13,012	13,548	14,958	15,766	57,284
Profit	343	410	467	295	1,515
Comprehensive Income	275	291	7	1,037	1,610
Basic and Diluted Earnings per Common Share	0.03	0.04	0.04	0.02	0.13

In the fourth quarter of fiscal 2016, the Company had significant deliveries of proprietary products which amounted to \$5.9 million compared to an average of \$2.6 million in the first three quarters of fiscal 2016. In addition, the Company recognized deferred tax assets of \$1.4 million arising from the expected increase in operating profits in future years. Comprehensive income was significantly higher compared to profit whereas for the previous three quarters in fiscal 2016, the opposite was true. This is attributable to the decline in the closing rate of the U.S. dollar from the end of the third quarter, which gave rise to fair value gains on designated revenue hedges attributable to fiscal 2017 due to the foreign exchange rates in revenue hedging contracts being higher than the year end closing rate.

In the fourth quarter of fiscal 2015, comprehensive income was significantly higher compared to profit whereas for the previous three quarters in fiscal 2015, the opposite was true. This is attributable to the decline in the closing rate of the U.S. dollar from the end of the third quarter, which gave rise to the recovery of fair value losses on designated revenue hedges attributable to fiscal 2016 due to the foreign exchange rates in revenue hedging contracts being higher than the year end closing rate.

Liquidity and Capital Resources

On April 30, 2016, current assets totaled \$37.1 million compared to \$32.3 million at the end of fiscal 2015, mainly due to an increase in accounts receivable. Cash and cash equivalents decreased to \$9.7 million compared to \$10.8 million as at April 30, 2015 primarily due to cash used for the repayment of long-term debt, the payment of dividends, the investment in property and equipment, as well as the investment in the Company's flagship product, EliteSeries and offset partially from cash generated from operating activities.

The Company's banking agreement with a Canadian chartered bank includes credit facilities for an operating line of credit up to \$5.0 million and term loans of \$7.0 million. Refer to note 11 of the consolidated financial statements for a detailed description of the banking facilities. A term loan of \$5.0 million was received at the end of the second quarter of fiscal 2013 and the Company has since repaid \$3.5 million as scheduled. A second term loan of \$2.0 million was received in the fourth quarter of fiscal 2015 and the Company has since repaid \$400,000 as scheduled. The operating line of credit has no outstanding balance as at April 30, 2016 or 2015.

The banking agreement requires the Company to maintain a working capital ratio equal or greater than 1.1:1.0, a shareholder's equity equal or greater than \$5.0 million, a ratio of interest-bearing debt to EBITDA⁶ of less than or equal to 3.0:1.0, and a debt service coverage ratio greater than or equal to 1.2:1.0. At April 30, 2016 and April 30, 2015, the Company was in compliance with the required financial covenants in effect at the time.

Accounts receivable and work in progress totaled \$18.8 million on April 30, 2016 compared to \$13.3 million as at April 30, 2015. The Company's DSO⁷ (days sales outstanding) stood at 80 days at the end of fiscal 2016 compared to 76 days at the end of fiscal 2015.

Current liabilities on April 30, 2016 increased to \$23.1 million compared to \$20.4 million at the end of fiscal 2015 mainly due to the increase in accounts payable and accrued liabilities and deferred revenue arising mainly from increased activity during the year. Working capital increased to \$14.0 million at the end of April 30, 2016 in comparison to \$12.0 million at the end of fiscal year 2015.

The Company believes that funds on hand at April 30, 2016 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, debt repayment, and dividends for at least the next twelve months.

Cash from Operations

Operating activities generated \$3.6 million in fiscal 2016 in comparison to \$1.4 million in fiscal 2015. Operating activities excluding changes in non-cash working capital items related to operations generated \$5.6 million in fiscal 2016 and \$3.9 million in fiscal 2015. The increase is primarily due to higher profitability offset by higher unrealized foreign exchange gains, an increase in non-refundable tax credits and the non-cash income tax recovery arising from the recognition of deferred tax assets.

Non-cash working capital items used funds of \$2.0 million in fiscal 2016 primarily due to increases in accounts receivable and prepaid expenses offset by increases in accounts payable and accrued liabilities and deferred revenue and decreases in tax credits receivable and inventory.

Non-cash working capital items used funds of \$2.5 million in fiscal 2015, largely attributable to increases in accounts receivable and tax credits receivable offset by increases in accounts payable and accrued liabilities and deferred revenue. The increase in tax credits receivable was attributable to the delay of the reimbursement of the Company's e-business and scientific research and experimental development tax credits relating to fiscal 2014.

Financing Activities

Financing activities used funds of \$2.8 million for fiscal 2016 in comparison to generating funds of \$5.7 million for fiscal 2015.

In April 2015, the Company completed an offering of common shares of the Company at the offering price of \$8.90 per common share. The offering was completed on a bought deal basis and was underwritten by a syndicate of underwriters led by PI Financial Corp. on its own behalf and on behalf of three other underwriters. With the underwriters exercising an over-allotment option in full, 775,280 common shares were issued with aggregate gross proceeds of \$6.9 million. Transaction

costs directly associated with this issuance of shares of \$804,000 resulted in net total proceeds of \$6.1 million (note 14 of the consolidated financial statements).

As noted earlier, during the second quarter of fiscal 2013, the Company completed the renewal of its banking agreement and received a term loan of \$5.0 million with the principal repayable evenly on a monthly basis over five years. The Company has since repaid \$3.5 million in total, and \$1.0 million over each of fiscal 2016 and 2015.

In April 2015, the Company renewed its banking agreement and undertook a new five-year term loan of \$2.0 million with the principal repayable in equal monthly installments (note 11 of the consolidated financial statements). The Company has since repaid \$400,000 in fiscal 2016.

Shortly after the acquisition of Logi-D, during the first quarter of fiscal 2015, the Company repaid \$140,000 of outstanding bank loans held by Logi-D and an additional \$64,000 of the acquired long-term debt during fiscal 2015. Additionally, during fiscal 2015, Logi-D secured long-term debt of \$50,000 on an interest-free basis.

During fiscal 2016, the Company declared four quarterly dividends of \$0.025 per share each for a total dividend disbursement of \$0.10 per share or \$1.2 million in aggregate. During fiscal 2015, the Company declared four quarterly dividends of \$0.0225 per share each for a total dividend disbursement of \$0.09 per share or \$1.0 million in aggregate.

The Company paid interest of \$136,000 and \$126,000 for fiscal 2016 and fiscal 2015, respectively.

Investing Activities

During fiscal 2016, investing activities used funds of \$1.9 million in comparison to \$5.2 million for fiscal 2015.

In fiscal 2015, the Company used funds of \$2.9 million for the acquisition of Logi-D. Please refer to note 5 of the consolidated financial statements for further information. The Company used funds of \$1.1 million and \$809,000 for the acquisition of property and equipment and intangible assets in fiscal 2016 and fiscal 2015, respectively. Additionally, the Company invested in its proprietary software products with the capitalization of \$887,000 and \$1.6 million reflected as deferred development costs in fiscal 2016 and fiscal 2015, respectively. The Company received interest of \$65,000 and \$21,000 in fiscal 2016 and fiscal 2015, respectively. The Company collected \$43,000 in fiscal 2015 from TECSYS Latin America, a former related party. The Company generated funds of \$80,000 during fiscal 2015 by reductions in restricted cash equivalents related to a landlord guarantee.

Commitments and Contractual Obligations

The Company has a lease agreement for its head office in Montreal, Quebec. The lease term of ten and one-half years terminates on October 31, 2020. 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, 2016, the principal commitments consist of operating leases (note 22 of the consolidated financial statements), and the term loans. The following table summarizes significant contractual obligations as at April 30, 2016.

In thousands of Canadian dollars

Contractual Obligations	Total	Less than 1 year	1 – 3 years	4 – 5 years	After 5 years
Term Loans	3,100	1,400	1,300	400	-
Other Long-term Debt	244	55	115	74	-
Operating Leases	10,246	2,095	3,499	2,985	1,667
Other Obligations	10,399	10,399	-	-	-
Expected Interest on Long-term Debt	153	85	61	7	-
Total Contractual Obligations	24,142	14,034	4,975	3,466	1,667

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 \$115,000 in fiscal 2016 (2015 – \$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 2016, the Company declared a dividend of \$0.025 on four separate occasions that were paid on August 6, 2015, October 9, 2015, January 12, 2016, and April 12, 2016 to shareholders of record at the close of business on July 22, 2015, September 25, 2015, December 22, 2015, and March 22, 2016 respectively, for an aggregate of \$1.2 million.

During fiscal 2015, the Company declared a dividend of \$0.0225 on four separate occasions that were paid on August 6, 2014, October 10, 2014, January 6, 2015, and April 9, 2015 to shareholders of record at the close of business on July 22, 2014, September 26, 2014, December 16, 2014, and March 19, 2015 respectively, for an aggregate of \$1.0 million.

Related Party Transactions

Under the provisions of the share purchase plan for key management, the Company provided interest-free loans to key management of \$220,000 and \$216,000 to facilitate their purchase of Company shares during fiscal 2016 and fiscal 2015, respectively. These loans were fully repaid before the end of each fiscal year. No loans were outstanding as at April 30, 2016 and April 30, 2015.

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 6, 2016, the Company's Board of Directors approved an increase of the quarterly dividend policy from \$0.025 per share to \$0.03 per share, an increase of 20%. To this effect, the Company declared a dividend of \$0.03 per share, to be paid on August 4, 2016 to shareholders of record on July 21, 2016.

Off-Balance Sheet Agreements

The Company was not involved in any off-balance sheet arrangements as at April 30, 2016 with the exception of operating leases as noted in the "Commitments and Contractual Obligations" above. Throughout fiscal 2015, the Company also maintained a letter of guarantee issued in the amount of \$40,000 related to lease commitments. This letter of guarantee, in favour of one of the Company's landlords, was renewed annually through the first five years of the lease term which commenced in April 2010. The letter of guarantee expired on April 30, 2015.

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.

Fiscal 2016 was a robust period with bookings amounting to \$42.2 million, and this continued the trend from fiscal year 2015 where bookings totaled \$47.0 million, with a substantial amount of the bookings being in the healthcare sector. During each of the fiscal 2014 and 2013, the Company generated approximately \$24 million in new total contract value bookings. Generally, the Company has observed positive signs over the past several years of prospects and customers ramping up

investment in supply chain management software in comparison to the period up to mid-fiscal 2012. The magnitude of the growth trend will depend on the strength and sustainability of the economic recovery, growth, and the demand for supply chain management software.

Given the current backlog of \$44.6 million, comprised primarily of services, the Company's management believes that the services revenue level ranging between \$10.3 million and \$10.8 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 66% of its business from U.S. customers while the majority of its cost base is in Canadian dollars.

The Company will continue to adjust its business model to ensure that costs are aligned to its revenue expectations and the economic reality. The Company has increased its headcount over the past several years 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 with 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 \$1.0 million gain was recorded as an asset of \$1.0 million in other accounts receivable and a liability of \$18,000 in accounts payable and accrued liabilities as at April 30, 2016 (April 30, 2015 - \$94,000 loss recorded as a liability of \$310,000 in accounts payable and accrued liabilities and an asset of \$216,000 in other accounts receivable).

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

The Company's hedging strategy is practiced on two fronts. Firstly, the Company enters into forward exchange contracts to hedge 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, 2016, there is one customer comprising 23% 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 24 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 6, 2016, the Company has 12,315,326 common shares outstanding as there were no transactions since the end of the fiscal year.

As at April 30, 2016, there are no longer any outstanding share options to purchase common shares.

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:

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

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, 2016, 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) differs in some regards from IFRS 9 (2013) which the Company early adopted effective May 1, 2014. IFRS 9 (2014) includes updated guidance on the classification and measurement of financial assets. The final standard also 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 is effective for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. Early adoption is permitted, however an entity may elect to apply earlier versions of IFRS 9 if the entity's relevant date of initial application is before February 1, 2015. The Company is currently assessing the impact of the adoption of this standard on its consolidated financial statements.

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

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

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

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

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

This standard is effective for annual periods beginning on or after January 1, 2018 with earlier adoption permitted. The Company is currently assessing the impact of the adoption of this standard on its consolidated financial statements.

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.

Risks and Uncertainties

History of Earnings and Losses; Uncertainty of Future Operating Results

The Company realized net earnings over the last nine fiscal years from 2008 through 2016, 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, 2016, the Company had retained earnings of \$8.9 million. The Company's dependence on a market characterized by rapid technological change make the prediction of future results of operations difficult or impossible. There can be no assurance that the Company can generate substantial revenue growth on a quarterly or annual basis, or that any revenue growth that is achieved can be sustained. Revenue growth that the Company has achieved or may achieve may not be indicative of future operating results. In addition, the Company may increase its operating expenses in order to fund higher levels of 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 are 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.

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, 2016.

Internal Control over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of the Company's financial reporting and its compliance with IFRS in its consolidated financial statements.

An evaluation was carried out under the supervision and with the participation of the Company's Chief Executive Officer and the Chief Financial Officer to evaluate the design and operating effectiveness of the Company's internal controls over financial reporting as at April 30, 2016. Based on that evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the internal control over financial reporting, as defined by National Instrument 52-109 was appropriately designed and operating effectively. The evaluations were conducted in accordance with the framework criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013) (COSO), a recognized control model, and the requirements of National Instrument 52-109, Certification of Disclosures in Issuers' Annual and Interim Filings.

Forward-Looking Information

This annual report and management's discussion and analysis contain "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 Measures

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

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 2016 and 2015 derived from IFRS measures in the Company's consolidated financial statements is as follows:

	 2016	•	2015
Profit for the period	\$ 4,804	\$	1,515
Adjustments for:			
Depreciation of property and equipment	794		743
Depreciation of deferred development costs	1,418		1,291
Depreciation of other intangible assets	478		434
Interest expense	136		126
Interest income	(65)		(21)
Income taxes	(401)		313
EBITDA	\$ 7,164	\$	4,401

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, 2016 and 2015. The auditors have free and full access to internal records, to management and to the Audit Committee.

Peter Brereton

President and CEO

July 6, 2016

Berty Ho-Wo-Cheong

Vice President, 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, 2016 and April 30, 2015, 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, 2016 and April 30, 2015, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

July 6, 2016 Montréal, Canada

KPMG LLP

^{*}CPA auditor, CA, public accountancy permit No. A120841

Consolidated Statements of Financial Position

(in thousands of Canadian dollars)

	Note	Apri	l 30, 2016	Apri	l 30, 2015
Assets					
Current assets					
Cash and cash equivalents	6	\$	9,704	\$	10,815
Accounts receivable	· ·	Y	18,239	Y	12,570
Work in progress			513		704
Other accounts receivable			1,393		434
Tax credits	7		4,893		5,369
Inventory	8		744		1,059
Prepaid expenses	· ·		1,622		1,394
Total current assets			37,108		32,345
Non-current assets					
Tax credits	7		1,483		1,538
Property and equipment	9		2,633		2,526
Deferred development costs	10		3,817		4,348
Other intangible assets	10		1,831		2,184
Goodwill	10		3,596		3,596
Deferred tax assets	15		2,222		840
Total non-current assets			15,582		15,032
Total assets		\$	52,690	\$	47,377
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities	12	\$	10,399	\$	8,817
Current portion of long-term debt Deferred revenue	11, 13		1,455 11,205		1,456 10,098
Total current liabilities			23,059		20,371
Non-current liabilities					
Long-term debt	11, 13		1,889		3,333
Other non-current liabilities	12		296		311
Total non-current liabilities			2,185		3,644
Total liabilities			25,244		24,015
Contingencies, guarantees and commitments	21, 22				
Equity					
Share capital	14		8,349		8,349
Contributed surplus	14		9,577		9,577
Retained earnings			8,913		5,341
Accumulated other comprehensive income	24		607		95
Total equity attributable to the owners of the Company			27,446		23,362
Total liabilities and equity		\$	52,690	\$	47,377

See accompanying notes to the consolidated financial statements.

Approved by the Board of Directors

Director

Director

Consolidated Statements of Income and Comprehensive Income

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

Years ended April 30,	Note		2016		2015
Revenue:					
Proprietary products		\$	13,623	\$	12,525
Third-party hardware and software products		Ş	9,421	Ş	8,576
Services	16		42,479		34,347
Reimbursable expenses	10		1,943		1,836
Total revenue			67,466		57,284
Cost of revenue:					
Products			8,198		6,432
Services	17		22,500		21,443
Reimbursable expenses			1,943		1,836
Total cost of revenue			32,641		29,711
Gross profit			34,825		27,573
Operating expenses:					
Sales and marketing			14,952		12,727
General and administration			5,986		5,899
Research and development, net of tax credits			9,338		7,000
Total operating expenses			30,276		25,626
Profit from operations			4,549		1,947
Net finance costs	19		146		119
Profit before income taxes			4,403		1,828
Income tax (recovery) expense	15		(401)		313
Profit attributable to the owners of the Company		\$	4,804	\$	1,515
Other comprehensive income: Effective portion of changes in fair value on designated revenue hedges	24		512		95
Comprehensive income attributable to the owners of the Company		\$	5,316	\$	1,610
Basic and diluted earnings per common share	14	\$	0.39	\$	0.13

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Cash Flows

(in thousands of Canadian dollars)

Years ended April 30,	Note	2016	2015
Cash flows from (used in) operating activities:			
Profit for the year		\$ 4,804	\$ 1,515
Adjustments for:			
Depreciation of property and equipment	9	794	743
Depreciation of deferred development costs	10	1,418	1,291
Depreciation of other intangible assets	10	478	434
Net finance costs	19	146	119
Unrealized foreign exchange and other	_	(690)	74
Non-refundable tax credits	7	(868)	(500)
Income taxes		(508)	184
Operating activities excluding changes in non-cash working capital items related to operations		5,574	3,860
Accounts receivable		(5,669)	(2,374)
Work in progress		191	(84)
Other accounts receivable		(118)	(190)
Tax credits		531	(2,443)
Inventory		315	(298)
Prepaid expenses		(228)	(335)
Accounts payable and accrued liabilities		1,917	2,023
Deferred revenue		1,107	1,235
Changes in non-cash working capital items related to operations		(1,954)	(2,466)
Net cash from operating activities		3,620	1,394
		0,020	
Cash flows (used in) from financing activities:			
Repayment of bank loans		-	(140)
Repayment of long-term debt 11	l, 13	(1,445)	(1,064)
Long-term debt 11	l, 13	-	2,050
Issuance of common shares	14	-	6,096
Purchase of share options for cancellation	14	(6)	(31)
Payment of dividends	14	(1,232)	(1,038)
Interest paid	19	(136)	(126)
Net cash (used in) from financing activities		(2,819)	5,747
Cash flows (used in) from investing activities:			
Restricted cash equivalents		-	80
Interest received	19	65	21
Acquisitions of property and equipment	9	(988)	(435)
Proceeds on disposal of property and equipment		23	-
Acquisitions of other intangible assets	10	(125)	(374)
Deferred development costs	10	(887)	(1,551)
Receivables from TECSYS Latin America Inc.		-	43
Business combination, net of cash and cash equivalents acquired	5	-	(2,949)
Net cash used in investing activities		(1,912)	(5,165)
Net (decrease) increase in cash and cash equivalents during the year		(1,111)	1,976
Cash and cash equivalents - beginning of year		10,815	8,839
Cash and cash equivalents - end of year		\$ 9,704	\$ 10,815
<u> </u>			

Supplementary cash flow information (note 20)

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Changes in Equity

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

	Note	Share Number	capit	al Amount	Con	tributed surplus	compre	nulated other hensive income	Retained earnings	Total
Balance, April 30, 2014		11,524,421	\$	2,153	\$	9,577	\$	-	\$ 4,864	\$ 16,594
Profit for the year Other comprehensive income for the year: Effective portion of changes in fair value on		-		-		-		-	1,515	1,515
designated revenue hedges	24	_		_		_		95	_	95
Total comprehensive income for the year		-		-		-		95	1,515	1,610
Common shares issued related to purchase of Logi D Holding Inc.	5	15,625		100		_		_	_	100
Common shares issued under bought deal financing	14	775,280		6,096		_		_	-	6,096
Dividends to equity owners	14	_		_		_		_	(1,038)	(1,038)
Total transactions with owners of the Company		790,905		6,196		-		-	(1,038)	5,158
Balance, April 30, 2015		12,315,326	\$	8,349	\$	9,577	\$	95	\$ 5,341	\$ 23,362
Profit for the year Other comprehensive income for the year: Effective portion of changes in		-		-		-		-	4,804	4,804
fair value on designated revenue hedges	24	-		-		-		512	-	512
Total comprehensive income for the year		-		-		-		512	4,804	5,316
Dividends to equity owners	14	<u>-</u>		-		-		-	(1,232)	(1,232)
Total transactions with owners of the Company		<u>-</u> _		-		-		-	(1,232)	(1,232)
Balance, April 30, 2016		12,315,326	\$	8,349	\$	9,577	\$	607	\$ 8,913	\$ 27,446

See accompanying notes to the consolidated financial statements.

Notes to the Consolidated Financial Statements For the years ended April 30, 2016 and 2015 (in Canadian dollars, tabular amounts in thousands, except as otherwise noted)

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, 2016 were authorized for issuance by the Board of Directors on July 6, 2016.

(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;
- The share options liability which is measured at fair value;
- 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:

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

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.

Notes to the Consolidated Financial Statements For the years ended April 30, 2016 and 2015 (in Canadian dollars, tabular amounts in thousands, except as otherwise noted)

(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.

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.

Notes to the Consolidated Financial Statements For the years ended April 30, 2016 and 2015

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

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. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

(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;
- 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:

Notes to the Consolidated Financial Statements For the years ended April 30, 2016 and 2015 (in Canadian dollars, tabular amounts in thousands, except as otherwise noted)

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows;
- 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, non-hedge derivative financial instruments, and the fair value liability of share options), and long-term debt as financial liabilities measured at amortized cost.

(iv) 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

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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, or other amount substituted for cost, 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 following methods and periods to calculate depreciation:

Notes to the Consolidated Financial Statements For the years ended April 30, 2016 and 2015

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

Depreciation methods, useful lives and residual values are reviewed at each financial period-end and adjusted 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 following methods and periods to calculate depreciation:

	Method	Period
Technology	Straight-line	5 years
Customer relationships	Straight-line	10 years
Patents	Straight-line	5 years
Software	Straight-line	5 years

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

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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.

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(I) 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.

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 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.

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(v) Multiple-element arrangements:

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

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

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

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

(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 further 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 further 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 Quebec and Canada Pension Plans, the U.S. 401(k) plan, and registered retirement savings 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.

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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, the net change in the fair value of outstanding foreign exchange contracts designated in a hedging relationship after the hedged transaction has occurred, and the employee share options liability are reported as finance income or finance costs, as appropriate.

(o) Share-based payment transactions:

Share-based payment transactions were accounted for using the fair value based method to account for share options granted to employees. Under the fair value based method, compensation cost was measured at fair value at the date of grant and was expensed over the award's vesting period with a corresponding credit to contributed surplus. The share options were accounted for using graded vesting, whereby the fair value of each tranche was recognized over its respective vesting period. Forfeitures were estimated upfront. The amount recognized as an expense was adjusted to reflect the number of awards for which the related service vesting conditions were expected to be met, such that the amount ultimately recognized as an expense was based on the number of awards that met the related service conditions at the vesting date.

Upon the exercise of the options, any consideration received from plan participants was credited to share capital and the share-based compensation originally credited to contributed surplus was reclassified to share capital.

On September 8, 2011, the Company passed a resolution to vest all outstanding unvested share options and to allow share option holders the privilege to cash settle their share options at their option, no longer subject to the Company's approval. The outstanding options continue to be governed by the share option plan.

Share options exercised for purchasing shares rather than cash settlement will result in the reclassification of the fair value of the share options, at the time of exercise, to share capital.

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

(p) 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.

(q) 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.

(r) 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.

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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, 2016, 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) differs in some regards from IFRS 9 (2013) which the Company early adopted effective May 1, 2014. IFRS 9 (2014) includes updated guidance on the classification and measurement of financial assets. The final standard also 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 is effective for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. Early adoption is permitted, however an entity may elect to apply earlier versions of IFRS 9 if the entity's relevant date of initial application is before February 1, 2015. The Company is currently assessing the impact of the adoption of this standard on its consolidated financial statements.

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

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

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

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

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

This standard is effective for annual periods beginning on or after January 1, 2018 with earlier adoption permitted. The Company is currently assessing the impact of the adoption of this standard on its consolidated financial statements.

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

5. Business combination:

Effective May 31, 2014, the Company acquired 100% of the issued and outstanding shares of Logi D Holding Inc. ("Logi-D"), a leading provider of point-of-use technology for supply chain automation servicing hospitals and healthcare organizations as well as the pioneering inventor behind the internationally recognized RFID-enabled two-bin replenishment concept known under the 2BIN-iD brand. This acquisition brings two technology-based companies together with complementary product lines, and extends the Company's footprint in the healthcare supply chain space, a key targeted vertical market for TECSYS. The results of its operations have been included in these consolidated financial statements commencing June 1, 2014.

The total purchase price of CA\$3,050,000, consisted of \$2,950,000 in cash and was subject to adjustment, and \$100,000 in common shares of TECSYS. The acquisition closed on May 31, 2014 and payment for the cash component was funded from existing cash balances.

The potential adjustment to the purchase price was to be based on the shareholders' equity of the audited balance sheet of Logi - D as at May 31, 2014, subject to certain principles agreed to in the share purchase agreement. If the shareholders' equity was less

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than the shareholders' equity in the February 28, 2014 balance sheet, then the purchase price would have been reduced by such deficiency on a dollar for dollar basis. Additionally, if on the ninetieth (90th) day following the closing date, any accounts receivable remained uncollected, then the purchase price would have been reduced by the amount of such uncollected receivables. The Company would have paid any uncollected receivables that were ultimately collected between the ninety-first (91st) day and one year following the closing date back to the former preferred shareholders of Logi-D. On August 29, 2014, TECSYS advised the former shareholders of Logi-D that there would be no purchase price adjustment as defined in the share purchase agreement.

This business combination was accounted for using the acquisition method of accounting in accordance with IFRS 3, *Business Combinations* and resulted in goodwill of \$1,357,000, based on the following allocation of the purchase price to identifiable assets acquired and liabilities assumed based on management's best estimate of their fair values taking into account all relevant information. Acquisition costs of approximately \$160,000 have been expensed and are classified under general and administration expenses.

The goodwill comprises the assembled workforce and the synergy expected from the market penetration within the healthcare sector. As Logi - D's product line addresses a niche in the healthcare market and complements the Company's existing product line, this business acquisition is expected to give rise to new business opportunities from existing customers of both entities as well as new customers resulting in revenue growth. Additionally, the sales growth of the Logi - D product line may be enhanced as a result of the offer coming from a far larger and financially credible entity capable of offering complete supply chain solutions. Lastly, the Company expects certain cost synergies and efficiencies as the services employees will be cross-trained to serve healthcare clients originating from either entity, as well as the cost synergies and efficiencies from the amalgamation of various general and administrative functions.

The following table presents the estimated fair value of the assets purchased and liabilities assumed at the date of acquisition.

Assets Acquired	
Accounts receivable	\$ 1,120
Work in progress	96
Tax credits	210
Inventory	468
Prepaid expenses and other receivables	47
Property and equipment	157
Other intangible assets	41
Identified intangible assets:	
Technology assets	827
Customer assets	868
Deferred tax assets	456
	4,290
Liabilities Assumed	
Bank indebtedness	\$ 140
Accounts payable and accrued liabilities	1,162
Current portion of long-term debt	93
Deferred revenue	537
Long-term debt	210
Deferred tax liability	456
	2,598
Net Assets Acquired	 1,692
Goodwill	 1,357
Purchase Price, net of cash and cash equivalents acquired	\$ 3,049
Issuance of common shares	(100)
Cash paid, net of cash and cash equivalents acquired	\$ 2,949

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Goodwill recorded in connection with the transaction is not deductible for tax purposes.

On May 31, 2014, the acquired receivables comprise accounts receivable, tax credits receivable and other receivables of \$1,120,000, \$210,000, and \$25,000, respectively, representing the gross contractual amount receivable and the fair value of each. There were no allowances for doubtful accounts receivable.

As at May 31, 2014, Logi - D had income tax losses of approximately \$7,032,000 for federal income tax purposes and \$6,979,000 for provincial income tax purposes in Canada and US\$806,000 in the United States, which may be used to reduce future years' taxable income. These losses expire from the year 2031 through 2034.

Additionally, as at May 31, 2014, Logi - D had undeducted scientific research and experimental development expenses of \$226,000 for federal income tax purposes and \$871,000 for provincial income tax purposes without time expiration limitations. The tax benefits resulting from these expenses have not been recognized in these consolidated financial statements.

The results of Logi-D's operations have been included in the Company's results of operations commencing June 1, 2014. Logi-D contributed \$5,674,000 in revenue and a \$68,000 loss for the eleven months ended April 30, 2015. The loss excludes \$160,000 of acquisition costs and \$232,000 of amortization of acquisition-related identified intangible assets.

If Logi-D's operations would have commenced at the start of the Company's fiscal year, May 1, 2014, then on a pro forma basis the Company's revenue for the year ended April 30, 2015 would have been \$57,737,000, \$453,000 higher and profit would have been \$1,539,000, \$24,000 higher. The pro forma profit excludes \$160,000 of acquisition related costs incurred by the Company primarily in the first quarter and \$83,000 of legal and financial expenses incurred by Logi-D in the month of May 2014 related to the sale, both of which normally precede the acquisition.

6. Cash and cash equivalents:

Cash and cash equivalents comprise the following:

	2016	 2015
Bank balances	\$ 2,980	\$ 2,799
Short-term investments with initial maturities of three months or less	6,724	8,016
Cash and cash equivalents	\$ 9,704	\$ 10,815

On April 30, 2016, short-term investments with maturities of three months or less bear interest at rates from 0.8% to 0.95% (April 30, 2015 – 0.45% to 0.95%) and mature on various dates to May 16, 2016.

7. Government assistance:

The Company is eligible to receive scientific research and experimental development ("SRED") tax credits granted by the Canadian federal government ("Federal") and the governments of the provinces of Quebec and Ontario ("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 provinces of Quebec and Ontario.

A refundable tax credit for the development of e-business information technologies was introduced in Quebec in 2008. This tax credit is granted to eligible corporations on salaries paid to eligible employees carrying out eligible activities. The credits are earned at an annual rate of 24% of salaries paid to eligible employees engaged in eligible activities, to a maximum annual tax credit of \$20,000 per eligible employee. On March 26, 2015, the Quebec government announced the introduction of a non-refundable e-business tax credit of 6% of salaries paid to eligible employees allowing for an additional maximum annual 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.

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

	Can Feder refu	RED adian al non- ndable redits	SR Cana Provi refun tax cr	idian incial dable	refur	siness ndable redits	E-bus no refund tax cr	n- dable	To	otal
Balance, April 30, 2014	\$	1,583	\$	175	\$	2,296	\$	-	\$	4,054
Tax credits acquired		-		210		-		-		210
Tax credits earned or received		(300)		(121)		-		-		(421)
Adjustments to prior year's credits		-		47		97		-		144
Recognition of tax credit		500		274		2,146		-		2,920
Balance, April 30, 2015	\$	\$1,783	\$	585	\$	4,539	\$	_	\$	6,907
Tax credits earned or received		(300)		(369)		(2,396)		(568)		(3,633)
Adjustments to prior year's credits		-		(54)		(33)		-		(87)
Recognition of tax credit		300		223		2,098		568		3,189
Balance, April 30, 2016	\$	1,783	\$	385	\$	4,208	\$	-	\$	6,376
Presented as:										
Current										
Tax credits	\$	300	\$	385	\$	4,208	\$	-	\$	4,893
Non-current										
Tax credits	\$	1,483	\$	-	\$	-	\$	_	\$	1,483

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.

At April 30, 2016, the Company has non-refundable research and development tax credits totalling approximately \$6,584,000 (April 30, 2015 – \$6,831,000) 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
2020	\$ 1,104
2021	1,635
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	118
	\$ 6,584

Notes to the Consolidated Financial Statements For the years ended April 30, 2016 and 2015

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

Management believes that it is probable that the Company will claim available non-refundable research and development tax credits in future years to reduce Canadian Federal income taxes otherwise payable of at least \$1,783,000.

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

	2016	2015
Federal non-refundable research and development tax credits:		
Future years	\$ 300	\$ 500
Provincial refundable research and development tax credits	223	274
E-business refundable tax credits for research and development employees	746	761
E-business non-refundable tax credits for research and development employees	196	-
Other and adjustments to prior year's credits	(54)	47
Total research and development tax credits	1,411	1,582
E-business refundable tax credits for other employees	1,352	1,385
E-business non-refundable tax credits for other employees	372	-
Other and adjustments to prior year's credits	(33)	97
Tax credits recognized in the year	\$ 3,102	\$ 3,064

8. Inventory:

	2016	2015
Finished goods	\$ 585	\$ 818
Third-party software licenses for resale	159	241
	\$ 744	\$ 1,059

In fiscal 2016, finished goods and third-party software licenses for resale recognized as cost of revenue amounted to \$5,843,000 (2015 – \$4,831,000).

During fiscal 2016, the Company wrote-down the carrying amount of finished goods and third-party software licenses for resale inventory for obsolescence charging the cost of revenue for products for \$17,000 (2015 – \$8,000).

Notes to the Consolidated Financial Statements For the years ended April 30, 2016 and 2015 (in Canadian dollars, tabular amounts in thousands, except as otherwise noted)

9. Property and equipment:

	and	omputer exhibition	Fu	urniture and		easehold	
	eq	uipment		fixtures	imp	rovements	 Total
Cost							
Balance at April 30, 2014	\$	7,029	\$	1,228	\$	1,614	\$ 9,871
Logi-D acquisition		81		70		6	157
Additions		385		39		61	485
Balance at April 30, 2015	\$	7,495	\$	1,337	\$	1,681	\$ 10,513
Additions		581		154		203	938
Disposals		(181)		(48)		(9)	(238)
Balance at April 30, 2016	\$	7,895	\$	1,443	\$	1,875	\$ 11,213
Accumulated depreciation							
Balance at April 30, 2014	\$	6,164	\$	584	\$	496	\$ 7,244
Depreciation for the year		469		106		168	743
Balance at April 30, 2015	\$	6,633	\$	690	\$	664	\$ 7,987
Depreciation for the year		504		109		181	794
Disposals		(175)		(17)		(9)	(201)
Balance at April 30, 2016	\$	6,962	\$	782	\$	836	\$ 8,580
Carrying amounts							
At April 30, 2015	\$	862	\$	647	\$	1,017	\$ 2,526
At April 30, 2016	\$	933	\$	661	\$	1,039	\$ 2,633

Notes to the Consolidated Financial Statements For the years ended April 30, 2016 and 2015 (in Canadian dollars, tabular amounts in thousands, except as otherwise noted)

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

				_			Oth	ner ir	ntangible ass	ets		
		Goodwill	-	Deferred velopment costs	Software	7	echnology		Customer elationships	Otl	her intangible assets	otal of other angible assets
Cost												
Balance at April 30, 2014	\$	2,239	\$	8,148	\$ 3,487	\$	1,613	\$	1,732	\$	167	\$ 6,999
Logi-D acquisition		1,357		-	19		827		868		22	1,736
Additions		-		1,551	364		-		-		10	374
Balance at April 30, 2015	\$	3,596	\$	9,699	\$ 3,870	\$	2,440	\$	2,600	\$	199	\$ 9,109
Additions		_		887	88		_		-		37	125
Balance at April 30, 2016	\$	3,596	\$	10,586	\$ 3,958	\$	2,440	\$	2,600	\$	236	\$ 9,234
Accumulated deprecia Balance at April 30, 2014	s tion \$	-	\$	4,060	\$ 2,979	\$	1,613	\$	1,732	\$	167	\$ 6,491
Depreciation for the year		-		1,291	192		152		79		11	434
Balance at April 30, 2015	\$	-	\$	5,351	\$ 3,171	\$	1,765	\$	1,811	\$	178	\$ 6,925
Depreciation for the year		-		1,418	213		165		87		13	478
Balance at April 30, 2016	\$	-	\$	6,769	\$ 3,384	\$	1,930	\$	1,898	\$	191	\$ 7,403
Carrying amounts												
At April 30, 2015	\$	3,596	\$	4,348	\$ 699	\$	675	\$	789	\$	21	\$ 2,184
At April 30, 2016	\$	3,596	\$	3,817	\$ 574	\$	510	\$	702	\$	45	\$ 1,831

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

The acquired identified intangible assets in the Logi-D acquisition comprising the technology assets and customer assets are being amortized over five and ten years, respectively, within research and development, net of tax credits and products' cost of revenue, respectively. The other intangible assets comprising patents are being amortized in general and administration over five years.

Certain technology, customer relationships, and other intangible assets preceding the Logi-D acquisition are fully depreciated but are still property of the Company.

Notes to the Consolidated Financial Statements For the years ended April 30, 2016 and 2015

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

The following table reflects the depreciation recognized for the various intangible assets within the various functions for the years ended April 30, 2016 and 2015.

				20	16			
	develop	erred ment costs	Software	Tech	nology	 ıstomer onships	in	Other tangible assets
Cost of revenue: Products	\$	-	\$ 1	\$	-	\$ 87	\$	-
Cost of revenue: Services		-	137		-	-		-
Sales and marketing		-	27		-	-		-
General and administration		-	16		-	-		13
Research and development	1	,418	32		165	-		
	\$ 1	,418	\$ 213	\$	165	\$ 87	\$	13

				2	015			
	Deferre developme cos	nt	Software	Tec	hnology	ustomer ionships	ir	Other ntangible assets
Cost of revenue: Products	\$	-	\$ -	\$	-	\$ 79	\$	-
Cost of revenue: Services		-	120		-	-		-
Sales and marketing		-	22		-	-		-
General and administration		-	17		-	-		11
Research and development	1,29	1	33		152	_		
	\$ 1,29	1	\$ 192	\$	152	\$ 79	\$	11

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, 2016.

The Company performs its goodwill impairment assessment on an annual basis or more frequently if there are any indications that impairment may have arisen. 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, 2016 and 2015.

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 2016 and 2015. Cash flows for an additional four-year period and a terminal value were extrapolated using a constant growth rate of 5% (April 30, 2015 - 5%), which does not exceed the long-term average growth rate for the industry.

A pre-tax discount rate of 12% (April 30, 2015 – 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.

Notes to the Consolidated Financial Statements For the years ended April 30, 2016 and 2015 (in Canadian dollars, tabular amounts in thousands, except as otherwise noted)

11. Banking facilities:

In January 2016, the Company renewed its banking agreement which includes the following components:

Facility A

The banking facility permits the issuance of letters of guarantee of up to a maximum amount of \$1,500,000. On April 30, 2015, \$40,000 of this facility expired regarding a letter of guarantee in favour of one of the Company's landlords.

Facility B

This facility provides a global net risk line for treasury derivative products up to an aggregate maximum of \$3,000,000 (April 30, 2015 – \$2,250,000). 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 one year and for a maximum amount of \$3,000,000 (April 30, 2015 – \$2,000,000) and as at April 30, 2015, for derivative transactions regarding interest rate swaps for a maximum term of five years and for a maximum amount of \$250,000. 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

The banking agreement 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 \$3,100,000 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.

Facility D

Under the terms of the renewed January 2016 banking agreement, the Company has access to an operating line of credit up to an amount not exceeding \$5,000,000, in Canadian dollars or the equivalent thereof in U.S. dollars, to be used to finance the day-to-day operations of the Company. Floating-rate advances bear interest at the Canadian prime rate of the Bank per annum and advances in U.S. dollars bear interest at the U.S. base rate at the Bank per annum. Floating rate advances are repayable on demand but subject to a reasonable prior written notice by the Bank and the Company may repay, at any time, all or part of its floating rate advances without penalty. The aggregate amount of advances under this facility is limited by the application of various rates ranging from 50% to 90% on the Company's accounts receivable and tax credits receivable. The Company did not have any amounts drawn on this operating line of credit as at April 30, 2015 and 2016.

Facility E

In October 2012, the Company received a floating-rate term loan of \$5,000,000 having an initial term of five years. This term loan bears interest at the Bank's Canadian prime rate plus an additional margin varying between 0.75% to 2.00%. The additional margin interest rate is established and adjusted by the Bank, on the last day of each fiscal quarter on the basis of the ratio of interest bearing debt to EBITDA (earnings before interest, taxes, depreciation, and amortization) in effect on the last day of such quarter and applicable for the next quarter. The current interest rate in effect, including the additional margin, is 3.45% per annum. The effective interest rate was 3.50% and 3.75% for fiscal 2016 and 2015, respectively. The principal of this loan is repaid in equal and consecutive monthly installments over a period of five years. At April 30, 2016, the Company had repaid \$3,500,000 of the term loan. Additionally, as long as the term loan remains on a floating-rate basis the Company may repay all or part of its floating-rate term loan at any time, without penalty, provided that the repayment is made from cash flow from operations or from proceeds of an issue of capital stock. The Company has options to convert its floating-rate term loan to a fixed-rate term loan or to discounted banker's acceptances subject to certain terms and conditions.

Security for facility D and E is a movable hypothec of \$10,000,000 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. The only senior ranking hypothec permitted is the first-ranking hypothec granted to the Bank.

Facility F

In April 2015, the Company received a floating-rate term loan of \$2,000,000 having an initial term of five years.

Similar to the term loan described in facility E, this term loan bears interest at the Bank's Canadian prime rate plus an additional margin varying between 0.75% to 2.00%. The additional margin interest rate is established and adjusted by the Bank, on the last

Notes to the Consolidated Financial Statements For the years ended April 30, 2016 and 2015

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

day of each fiscal quarter on the basis of the ratio of interest bearing debt to EBITDA in effect on the last day of such quarter and applicable for the next quarter. The current interest rate in effect, including the additional margin, is 3.45% per annum. The effective interest rate was 3.50% for fiscal 2016. The principal of this loan is to be repaid in equal and consecutive monthly installments over a period of five years. At April 30, 2016, the Company had repaid \$400,000 of this term loan. Additionally, as long as the term loan remains on a floating-rate basis the Company may repay all or part of its floating-rate term loan at any time, without penalty, provided that the repayment is made from cash flow from operations or from proceeds of an issue of capital stock. The Company has options to convert its floating-rate term loan to a fixed-rate term loan subject to certain terms and conditions.

Security for facility F is a movable hypothec of \$2,000,000 on all of the Company's corporeal and incorporeal, present and future movable property, regardless of its location.

The banking agreement requires the Company to maintain a working capital ratio equal or greater than 1.1: 1.0, a shareholder's equity equal or greater than \$5,000,000, a ratio of interest-bearing debt to EBITDA of less than or equal to 3.0: 1.0, and a debt service coverage ratio greater than or equal to 1.2: 1.0. At April 30, 2016 and April 30, 2015, the Company was in compliance with the required financial covenants in effect at that time.

12. Accounts payable and accrued liabilities:

	2016	2015
Trade payables	\$ 2,812	\$ 2,436
Accrued liabilities and other payables	2,702	2,142
Salaries and benefits due to key management	1,320	960
Employee salaries and benefits payable	3,843	3,273
Fair value of derivatives in a loss position	18	310
Fair value liability for share options (note 14)	-	7
	\$ 10,695	\$ 9,128
Presented as:		
Current		
Accounts payable and accrued liabilities	\$ 10,399	\$ 8,817
Non-current		
Other non-current liabilities	\$ 296	\$ 311

13. Bank loans and long-term debt:

	2016	2015
Bank loans, bearing interest at rates ranging from prime plus 1.5% to 2.0%, secured by a hypothec on movable properties, payable over various installments, maturing in May 2017	\$ 11	\$ 25
Government funded debt, with no interest or security, payable over various installments, maturing in November 2020	233	264
Floating-rate term loan issued in October 2012, bearing interest at prime rate plus 0.75% secured by hypothec on movable property, payable by monthly principal payments of \$83,333, maturing in October 2017 (note 11, Facility E)	1,500	2,500
Floating-rate term loan issued in April 2015, bearing interest at prime rate plus 0.75% secured by hypothec on movable property, payable by monthly principal payments of \$33,333, maturing in April 2020 (note 11, Facility F)	1,600	2,000
	\$ 3,344	\$ 4,789
Current portion	1,455	1,456
Long-term debt	\$ 1,889	\$ 3,333

Notes to the Consolidated Financial Statements For the years ended April 30, 2016 and 2015 (in Canadian dollars, tabular amounts in thousands, except as otherwise noted)

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, 2016 and April 30, 2015.

(b) Bought deal financing:

On April 14, 2015, the Company completed an offering of 674,157 common shares of the Company at the offering price of \$8.90 per common share for aggregate gross proceeds of \$5,999,997. On April 24, 2015, the underwriters exercised an overallotment option in full to purchase an additional 101,123 common shares at the same offering price of \$8.90 for additional gross proceeds of \$899,995. With the over-allotment exercised in full, the aggregate gross proceeds of the offering's 775,280 common shares is \$6,899,992 (the "Offering"). The Offering was completed on a bought deal basis and was underwritten by a syndicate of underwriters led by PI Financial Corp. on its own behalf and on behalf three 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 shares of \$804,126 have been recognized as a reduction of the proceeds, resulting in net total proceeds of \$6,095,866.

(c) Normal course issuer bid:

On July 19, 2013, the Company renewed its Notice of Intention to Make a Normal Course Issuer Bid (the "Notice") with the Toronto Stock Exchange (TSX). The Notice stated the Company's intention to purchase a restricted number of common shares using a pre-determined formula on the open market at prevailing market prices, through the facilities of the TSX. The maximum number of common shares, which may have been purchased under the bid, was 572,471 or 5% of the 11,449,421 issued and outstanding common shares on July 10, 2013. The Company could have purchased common shares under the bid, at any time, and from time to time during the period of July 23, 2013 to July 22, 2014. The common shares would have been purchased for cancellation. During the year ended April 30, 2015, the Company did not purchase any of its outstanding common shares for cancellation. The Company did not renew its Notice of Intention to Make a Normal Course Issuer Bid during fiscal 2015.

(d) 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.

Notes to the Consolidated Financial Statements For the years ended April 30, 2016 and 2015

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

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.

(e) 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 8, 2014, the Company changed the dividend policy from a semi-annual basis to a quarterly basis. During fiscal 2016, the Company declared quarterly dividends of \$0.025 for an aggregate of \$1,232,000. During fiscal 2015, the Company declared quarterly dividends of \$0.0225 for an aggregate of \$1,038,000.

(f) Share-based payments:

Under the share option plan, which is now closed, the maximum number of common shares, which could have been issued, was 10% of the issued and outstanding common shares at any time. The exercise price was the "market price" of the common shares in Canadian dollars at the time of granting. The market price was determined by the weighted average trading price per share traded on the TSX during the period of five trading days preceding the date of grant. The options are non-assignable and expire five years after the date of granting. Options granted under this plan generally vested over a period of four years, with 25% becoming exercisable on the first anniversary of the date of grant and an additional 6.25% becoming exercisable at the end of each three-month period thereafter. The share option holders had the option to cash settle the share options subject to the Company's approval.

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

On September 8, 2011, the Company passed a resolution to vest all outstanding unvested options and to allow share option holders the privilege to cash settle their share options at their option, no longer subject to the Company's approval.

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

	Number of options	Weighte exe	eighted average exercise price		
Balance, April 30, 2014	5,900	\$	1.93		
Exercised – settled for \$31,000 cash	(4,900)		1.93		
Balance, April 30, 2015	1,000	\$	1.90		
Exercised – settled for \$6,000 cash	(1,000)		1.90		
Balance, April 30, 2016		\$			

The weighted average share price during the period of five trading days preceding the date of exercise for all the share options exercised in the year ended April 30, 2016 was \$8.26 (April 30, 2015 – \$8.23).

Notes to the Consolidated Financial Statements For the years ended April 30, 2016 and 2015

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

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

As at April 30, 2016, there are no share options outstanding. On April 30, 2015, the Company reassessed the fair value of the 1,000 outstanding share options at \$7,000. The fair value was determined based on the Company's closing share price on April 30, 2015, which was \$8.81. For the year ended April 30, 2016, the Company recorded \$1,000 as finance income (note 19) representing the decrease in the fair value of the share options. For the year ended April 30, 2015, the Company recorded \$13,000 as finance costs representing the increase in the fair value of the share options. The valuation technique used to determine the fair value is based on the excess of the Company's share price over the exercise price of the share options extrapolated by the number of outstanding share options. The fair value hierarchy related to the share options is categorized as level 2.

(g) 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:

2016		2015
\$ 4,804	\$	1,515
12,315,326	,	11,524,421
-		14,341
-		33,338
12,315,326		11,572,100
\$ 0.39	\$	0.13
\$	\$ 4,804 12,315,326 - 12,315,326	\$ 4,804 \$ 12,315,326 - 12,315,326

Diluted earnings per share:

The calculation of diluted earnings per share is based on the profit attributable to common shareholders and the weighted average number of common shares outstanding after adjustment for the effects of all dilutive common shares. The impact of dilutive share options is not significant and therefore diluted earnings per share equals basic earnings per share for the years ended April 30, 2016 and 2015.

15. Income taxes:

(a) Income taxes comprise the following components:

	2016	2015
Current income taxes		
eferred income taxes igination and reversal of temporary differences et change in unrecognized deductible temporary difference	\$ 975	\$ 427
	\$ 975	\$ 427
Deferred income taxes		
Origination and reversal of temporary differences	\$ 609	\$ 395
Net change in unrecognized deductible temporary difference	(1,985)	(509)
	\$ (1,376)	\$ (114)
Income tax (recovery) expense	\$ (401)	\$ 313

Notes to the Consolidated Financial Statements For the years ended April 30, 2016 and 2015

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

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

	2016	2015
	%	%
Combined basic federal and provincial statutory income tax rate	26.75	26.76
Net impact of unrecognized benefits	(39.45)	(25.65)
Permanent differences and other	3.53	16.03
Average effective tax rate	(9.17)	17.14

(c) Unrecognized net deferred tax assets

At April 30, 2016 and 2015 the unrecognized net deferred tax assets consist of the following:

	2016	2015
Deferred tax assets	 ·	
Research and development expenses (i)	\$ 2,846	\$ 2,890
Net operating losses of Canadian subsidiaries (ii)	1,897	1,404
Net operating losses of UK subsidiary (iii)	134	148
Property and equipment	526	2,893
Capital losses (iv)	854	854
Other	6	59
Unrecognized net deferred tax assets	\$ 6,263	\$ 8,248

On April 30, 2016:

- i) The Company has unrecognized accumulated research and development expenses of approximately \$10,684,000 (April 30, 2015 \$13,540,000) for Federal and Ontario provincial income tax purposes and \$10,281,000 (April 30, 2015 \$3,851,000) for Quebec 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 \$7,086,000 (April 30, 2015 \$5,251,000) for Federal and Ontario provincial income tax purposes and \$7,032,000 (April 30, 2015 \$5,198,000) for Quebec 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 \$670,000 (£ 366,000) (April 30, 2015 \$705,000 (£ 379,000)) 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, 2015 \$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.

Notes to the Consolidated Financial Statements For the years ended April 30, 2016 and 2015

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

(d) Recognized deferred tax assets and liabilities

At April 30, 2016 and 2015 the recognized net deferred tax assets consist of the following:

	 2016	2015
Deferred tax assets		
Research and development expenses	\$ 1,535	\$ 1,115
Net operating losses	359	518
Property and equipment	2,315	1,512
Non-deductible reserves and accruals	123	59
Other	65	6
Deferred tax liabilities		
E-business tax credits	(352)	(338)
Federal tax credits	(477)	(477)
Deferred development costs	(1,021)	(1,161)
Intangibles	(325)	(394)
Net deferred tax assets recognized	\$ 2,222	\$ 840

The Company had Canadian Federal non-refundable SRED tax credits totalling approximately \$6,584,000 (note 7) (April 30, 2015 – \$6,831,000) which may be used only to reduce future current federal income taxes otherwise payable. For the year ended April 30, 2016, the Company intends to claim available Federal non-refundable tax credits to reduce Canadian Federal income taxes otherwise payable of \$300,000.

16. Revenue:

Services revenue is broken down as follows:

	2016	2015
Professional services	\$ 26,020	\$ 20,766
Maintenance	14,531	12,100
Others	1,928	1,481
	\$ 42,479	\$ 34,347

17. Cost of revenue:

	2016	2015
Gross expenses	\$ 24,138	\$ 22,874
E-business tax credits	(1,638)	(1,431)
	\$ 22,500	\$ 21,443

Notes to the Consolidated Financial Statements For the years ended April 30, 2016 and 2015 (in Canadian dollars, tabular amounts in thousands, except as otherwise noted)

18. Personnel expenses:

	2016	 2015
Salaries	\$ 37,648	\$ 34,292
Other short-term benefits	3,078	2,959
Payments to defined contribution plans	1,816	1,597
Termination benefits	325	348
	\$ 42,867	\$ 39,196

19. Finance income and finance costs:

	2016	2015
Interest expense on financial liabilities measured at amortized cost	\$ 136	\$ 126
(Decrease) increase in fair value of share options liability (note 14)	(1)	13
Foreign exchange loss	76	1
Interest income on bank deposits and loans	(65)	(21)
Net finance costs recognized in profit or loss	\$ 146	\$ 119

20. Supplementary cash flow information:

	2016	2015
Non-cash and cash equivalents investing activities included in accounts payable and accrued liabilities as at April 30 are as follows:		
Acquisitions of property and equipment	\$ 283	\$ 333
	\$ 283	\$ 333

21. Contingencies and guarantees:

(a) 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.

(b) Guarantees

The Company maintained a letter of guarantee in connection with the lease for its Montreal head office. The letter of guarantee was renewed annually through the first five years of the lease term which commenced in April 2010 and expired on April 30, 2015.

Notes to the Consolidated Financial Statements For the years ended April 30, 2016 and 2015 (in Canadian dollars, tabular amounts in thousands, except as otherwise noted)

22. 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. 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, 2016, an expense of \$2,452,000 was recognized in respect of operating leases (2015 – \$2,071,000) and is included within the following expense classifications within the consolidated statements of comprehensive income.

		2016		2015
Products	\$	128	Ś	_
Services	Y	1,479	Ψ	1,369
Sales and marketing		234		196
General and administration		175		166
Research and development		436		340
	\$	2,452	\$	2,071

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:

	2016
Less than 1 year	\$ 2,095
Between 1 and 5 years	6,484
More than 5 years	1,667
	\$ 10,246

(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 2016 related to this agreement of \$115,000 (US \$87,000) (2015 - \$145,000 (US \$125,000)).

23. Related party transactions:

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

Key management of the Company participated in the share option plan until it was closed. Key management and their spouses control 41.6% of the issued common shares of the Company.

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

Notes to the Consolidated Financial Statements For the years ended April 30, 2016 and 2015

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

	2016	2015
Salaries	\$ 4,713	\$ 4,352
Other short-term benefits	297	275
Payments to defined contribution plans	107	96
	\$ 5,117	\$ 4,723

Under the provisions of the share purchase plan for key management, the Company provided interest-free loans to key management of \$220,000 (2015 – \$216,000) to facilitate their purchase of the Company's common shares during fiscal 2016. No loans were outstanding as at April 30, 2016 and 2015.

24. Financial instruments and risk management:

Classification of financial instruments

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

				2016				2015
	Fa	ir value	Ar	mortized cost		Total		
Financial accets								
<u>Financial assets</u> Cash and cash equivalents	\$	_	\$	9,704	\$	9,704	\$	10,815
Accounts receivable	*	_	*	18,239	*	18,239	Ψ.	12,570
Other accounts receivable		-		335		335		218
Foreign exchange derivatives included in other accounts receivable		1,058		-		1,058		216
	\$	1,058	\$	28,278	\$	29,336	\$	23,819
Financial liabilities								
Accounts payable and accrued liabilities	\$	-	\$	10,381	\$	10,381	\$	8,500
Fair value liability of share options included in accounts payable and accrued liabilities		_		-		-		7
Foreign exchange derivatives included in accounts payable and accrued liabilities		18		-		18		310
Long-term debt		-		3,344		3,344		4,789
	\$	18	\$	13,725	\$	13,743	\$	13,606

Notes to the Consolidated Financial Statements For the years ended April 30, 2016 and 2015 (in Canadian dollars, tabular amounts in thousands, except as otherwise noted)

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 term loan as at April 30, 2016 and 2015.

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, 2016 and 2015.

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, 2016 and April 30, 2015 consisted primarily of contracts to reduce the exposure to fluctuations in the U.S. dollar.

For fiscal 2016 and 2015, 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, 2016, the Company held eight outstanding foreign exchange contracts with various maturities to October 2016 to sell U\$\$6,150,000 into Canadian dollars at rates averaging CA\$1.2831 to yield CA\$7,891,000. On April 30, 2016, the Company recorded an overall unrealized gain of \$174,000 representing the change in fair value of these outstanding contracts since inception and their initial measurement. The fair value gain of \$180,000 of certain derivatives was recorded in other accounts receivable and a fair value loss of \$6,000 on other derivatives was recorded in accounts payable and accrued liabilities in the consolidated statement of financial position.

Additionally, on April 30, 2016, the Company held two outstanding foreign exchange contracts with various maturities to July 2016 to buy €345,000 in exchange for \$507,000 Canadian dollars at rates averaging CA\$1.4684. On April 30, 2016, the Company recorded an unrealized exchange loss of \$12,000 included in accounts payable and accrued liabilities.

Notes to the Consolidated Financial Statements For the years ended April 30, 2016 and 2015

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

On April 30, 2015, the Company held two outstanding foreign exchange contracts with maturities in July 2015 to sell US\$2,110,000 into Canadian dollars at a rate of CA\$1.2372 to yield CA\$2,610,000. On April 30, 2015, the Company recorded an unrealized exchange gain of \$62,000 included in other accounts receivable representing the change in fair value of these contracts since inception and their initial measurement.

Revenue hedge designated derivative instruments

On April 30, 2016, the Company held eight outstanding foreign exchange contracts with various maturities to December 31, 2016 to sell US\$10,000,000 at rates averaging CA\$1.3428 to yield CA\$13,428,000. 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 2016 while US\$4,000,000 related to realized U.S. dollar denominated revenue. On April 30, 2016, the Company had recorded an overall unrealized gain of \$878,000 included in other accounts receivable representing the change in fair value of these outstanding contracts since inception and their initial measurement.

On April 30, 2015, the Company held ten outstanding foreign exchange contracts with various maturities to December 31, 2015 to sell US\$9,450,000 at rates averaging CA\$1.1922 to yield CA\$11,266,000. Of the outstanding US\$9,450,000 hedge designated foreign exchange contracts, US\$6,100,000 pertained to highly probable future revenue denominated in U.S. dollars expected over the five-month period through September 2015 while US\$3,350,000 related to realized U.S. dollar denominated revenue. On April 30, 2015, the Company had recorded an overall unrealized loss of \$156,000 representing the change in fair value of these outstanding contracts since inception and their initial measurement. The fair value loss of \$310,000 of certain derivatives was recorded in accounts payable and accrued liabilities and a fair value gain of \$154,000 on other derivatives was recorded in other accounts receivable in the consolidated statement of financial position.

		Carr	ying amoui	nt of t	he hedging	instrument		
	Nominal amou of the hedgir instrume	ng	Assets		Liabilities	Line item in the statement of financial position where the hedging instrument is located	fair va for ca	nanges in Ilue used Ilculating hedge ctiveness
Cash-flow hedges:								
April 30, 2016 Foreign exchange risk:	US\$ 10,000	CA\$	878	\$	-	Other accounts receivable	CA\$	878
						Other accounts receivable and accounts payable and accrued		
April 30, 2015 Foreign exchange risk:	US\$ 9,450	CA\$	154	CA\$	310	liabilities	CA\$	(156)

Hedging components of accumulated other comprehensive income

During fiscal 2016, the Company recorded a loss of \$547,000 (2015 - \$1,526,000) representing the change in fair value of the designated hedging contracts since inception and their initial measurement. The following table represents the movement in accumulated other comprehensive income since the designation of hedging derivative instruments.

	2016	2015
Accumulated other comprehensive income as at the beginning of the fiscal year	\$ 95	\$ -
Net loss on derivatives designated as cash flow hedges	(547)	(1,526)
Amounts reclassified from accumulated other comprehensive income to net earnings, and included in:		
Revenue	(931)	(1,088)
Exchange loss in net finance costs	(128)	(533)
Accumulated other comprehensive income	\$ 607	\$ 95

Notes to the Consolidated Financial Statements For the years ended April 30, 2016 and 2015

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

As at April 30, 2016, all of the net income presented in accumulated other comprehensive income are expected to be classified to net earnings 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, 2016 and 2015.

	2016			2015			
_	US\$	£	€	US\$	£	€	
Cash and cash equivalents	1,339	27	68	1,155	-	_	
Accounts receivable	9,416	76	-	7,892	9	-	
Other accounts receivable	265	1	-	100	-	-	
Accounts payable and accrued liabilities	(1,244)	(59)	(434)	(1,500)	-	(246)	
Derivative financial instruments – notional amount	(10,150)	-	345	(5,460)	-	_	
	(374)	45	(21)	2,187	9	(246)	

The following exchange rates applied during the years ended April 30, 2016 and 2015.

	203	16	201	15
	Average rate	Reporting date rate	Average rate	Reporting date rate
CA\$ per US\$	1.3158	1.2548	1.1503	1.2064
CA\$ per £	1.9754	1.8335	1.8326	1.8574
CA\$ per €	1.4583	1.4368	1.4229	1.3527

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.

	2016				2015			
	US\$	£	€	US\$	£	€		
Increase (decrease) in profit	(23)	4	(2)	132	1	(17)		

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, 2016, there is one customer comprising 23% 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.

Notes to the Consolidated Financial Statements For the years ended April 30, 2016 and 2015

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

The Company has an arrangement, which automatically renewed in fiscal 2016 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\$1,300,000 (April 30, 2015 - US\$1,300,000) for export losses and US\$700,000 (April 30, 2015 - 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, 2016, accounts receivable included foreign accounts totalling US\$2,189,000 and £23,000 and domestic accounts for \$1,284,000 (US\$1,023,000) that were pre-approved for coverage, subject to the above-noted maximums, under this arrangement.

On April 30, 2015, accounts receivable included foreign accounts totalling US\$1,497,000 and £9,000 and domestic accounts for \$1,094,000 (US\$907,000) 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.

	2016	2015
Not past due	\$ 12,094	\$ 8,297
Past due 1-180 days	5,625	3,980
Past due over 180 days	1,616	930
	19,335	13,207
Allowance for doubtful accounts	(1,096)	(637)
	\$ 18,239	\$ 12,570

Allowance for doubtful accounts		'	
	2016		2015
Balance at beginning	\$ 637	\$	673
Impairment losses recognized	(337)		(323)
Additional provisions	796		287
Balance at the end	\$ 1,096	\$	637

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 25 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, 2016 and 2015.

	2016					
		Total	Less than 1 year	1-3 years	4-5 years	Beyond
Accounts payable and accrued liabilities	\$	10,399	\$ 10,399	\$ -	\$ -	\$ -
Term loans		3,100	1,400	1,300	400	-
Other long-term debt		244	55	115	74	-
	\$	13,743	\$ 11,854	\$ 1,415	\$ 474	\$ -

Notes to the Consolidated Financial Statements For the years ended April 30, 2016 and 2015

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

	2015					
		Total	Less than 1 year	1-3 years	4-5 years	Beyond
Accounts payable and accrued liabilities	\$	8,817	\$ 8,817	\$ -	\$ -	\$ -
Term loans		4,500	1,400	2,300	800	-
Other long-term debt		289	56	97	94	42
	\$	13,606	\$ 10,273	\$ 2,397	\$ 894	\$ 42

Interest rate risk

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

The Company's interest rate risk is primarily related to the Company's term loans, bearing interest at the Bank's Canadian prime rate plus an additional margin. As at April 30, 2016, the outstanding balance of the term loans amounted to \$3,100,000 (April 30, 2015 – \$4,500,000).

Based on the value of the interest bearing term loan, a 1% change in interest rates would not have a significant impact on profit assuming all other variables remained constant.

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.

25. Capital disclosures:

The Company defines capital as equity, term loans, and bank advances, net of cash. The Company objectives in its management of capital is to safeguard its ability to continue funding its operations as a going concern, ensuring sufficient liquidity to finance 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.

The Company uses credit facilities to ensure that the growth trends could be sustained as positive indications of the resurgence of the supply chain management market translated to higher bookings for the Company's products and services and a corresponding increase in headcount to meet the higher demand for its services and to capture pipeline opportunities. The anticipated expansion of its working capital due to business growth, its investment in the integration and training of new resources, the new expanded offices, as well as the significant investment in the migration of the Company's flagship product, EliteSeries onto a Java platform were the underlying motivation for the new credit facilities comprising a term loan of \$5,000,000 and an operating line of credit of \$5,000,000. In April 2015, the Company renewed its banking agreement and credit facilities and undertook a new term loan of \$2,000,000, after paying \$2,500,000 on the original term loan, to continue to ensure a strong balance sheet to sustain future growth.

In April 2015, the Company also completed an offering of 775,280 common shares through a bought deal financing arrangement generating new net equity capital of \$6,096,000 after underwriter's fees and expenses. The Company expects to continue to use the net proceeds for working capital, general corporate purposes, to fund growth, to provide for possible future acquisitions, and to restore liquidity to strengthen the balance sheet as the acquisition of Logi-D Holding Inc. was funded from existing cash balances.

Notes to the Consolidated Financial Statements For the years ended April 30, 2016 and 2015 (in Canadian dollars, tabular amounts in thousands, except as otherwise noted)

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, 2016 and April 30, 2015. Other than its banking agreement covenants, the Company is not subject to externally imposed capital requirements.

26. Operating segments:

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

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

	2016	2015
Canada	\$ 21,041	\$ 19,229
United States	44,276	36,502
Other	2,149	1,553
	\$ 67,466	\$ 57,284

Non-current assets of the Company are all located in the Canadian entity as at April 30, 2016 and 2015.

27. Subsequent event:

On July 6, 2016, the Company's Board of Directors approved a 20% increase of the quarterly dividend from \$0.025 per share to \$0.03 per share. To this effect, the Company declared a dividend of \$0.03 per share, to be paid on August 4, 2016 to shareholders of record on July 21, 2016.

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 2016: May 1, 2015 to April 30, 2016

	ŀ	High	L	.OW	Volume
First Quarter	\$	9.63	\$	8.68	412,228
Second Quarter	\$	9.45	\$	8.40	565,158
Third Quarter	\$	8.88	\$	7.25	111,724
Fourth Ouarter	\$	7.59	\$	6.35	718,236

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 6, 2016, the Company's Board of Directors approved a 20% increase of the quarterly dividend from \$0.025 per share to \$0.03 per share. To this effect, the Company declared a dividend of \$0.03 per share, to be paid on August 4, 2016 to shareholders of record on July 21, 2016.

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:

Investor Relations

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

Tel: (800) 922-8649 (514) 866-0001 Fax: (514) 866-1805

investor@tecsys.com www.tecsys.com

Below is TECSYS' dividend payment history and increases:

Dividend Period	Aı	mount	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

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 (1) (2)

Managing Director Mosaic Venture Partners Inc.

Steve Sasser (1) (2)

Co-Founder and CEO Merlin Technologies Corporation

David Wayland (1) (2)

Corporate Director MRRM Inc.

Executive Management

David Brereton

Executive Chairman of the Board

Peter Brereton

President and CEO

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Senior Vice President, World Wide Sales

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Patricia Barry

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Chief Technology Officer

Catherine Sigmar

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