TECSYS Inc.
2nd Quarter
Fiscal 2013 Report

Dear Shareholder:

I am pleased to report that in the second quarter of fiscal 2013, we continued our double-digit growth; leveraging our unique value proposition and taking advantage of opportunities in the vertical markets we serve. The quarter marked the beginnings of the resurgence in the hospital supply network market with the win of a mid-size organization in the U.S. and further penetration of the educational market with our unique self-distribution value proposition. We also signed a substantial number of agreements with existing clients and deployed our solutions at thirteen customers across our business units. As a result, we achieved 18% growth in revenue and drove gross profit up by 13% in this quarter compared to the same quarter of last year.

In reading the financial results of Q2, 2013 outlined below, it is important to note that in September 2011, TECSYS decided to take the non-dilutive measure of allowing employee share option holders to cash settle their share options with the Company. This measure has effectively transformed the accounting of all outstanding share options into a liability. To this end, any change in the price of TECSYS shares from the end of one quarter to the next has an impact on the earnings. At the end of Q2, 2013 the closing price of TECSYS shares increased to $3.32 from $2.20 at the end of Q1, 2013. The impact of this change was an expense of $313K reflected in the results of Q2, 2013. On a go forward basis, we believe that the potential impact of this non-dilutive measure on earnings should be mitigated given the remaining number of options and their expiry date.

Below are the key financial highlights of the quarter:

- Revenue increased 18% to $10.7M in Q2, 2013 compared to $9.1M in Q2, 2012.
- Profit from operations for the second quarter, 2013 increased to $428K compared to $170K in Q2, 2012.
- EBITDA for Q2, 2013 increased to $613K compared to $517K in Q2 of last fiscal year. Prior to the revaluation of the fair value of the share options liability, EBITDA for Q2, 2013 was $926K compared to $555K in Q2, 2012.
- Net profit for the second quarter, 2013 was $122K or $0.01 per share compared to $133K or $0.01 per share for the second quarter of last fiscal year. Prior to revaluation of the fair value of the share options liability, net profit for the second quarter, 2013 was $435K or $0.04 per share compared to 171K or $0.01 per share for Q2 of last year.
- At the end of Q2, 2013 annualized recurring revenue in Canadian currency increased to $15.5M, or 36% of the last twelve months' trailing revenue, from $14.4M at the end of Q2 of last fiscal year.
- Backlog at the end of Q2, 2013 increased to $25.5M compared to $21.5M at the end of Q2, 2012.
- Cash flow from operations prior to changes in non-cash working capital amounted to $934K in Q2, 2013 compared to $694K in Q2, 2012.

Furthermore, cash, cash equivalents and other short-term investments amounted to $8.1M at the end of Q2, 2013, compared to $4.9M at the end of Q2, 2012. The substantial increase in cash and cash equivalents is attributable to the financing transaction concluded and announced on November 1st, 2012. As mentioned in previous quarters, over the last eighteen months or so, we have experienced a significant increase in demand for our software and services resulting in growth of our backlog and a ramp up in our human resources and associated capital infrastructure. We have concluded a financing agreement of up to $10 million with the National Bank of Canada to support this growth and to take advantage of the current opportunities in the supply chain management market. As of October 31st, 2012, $5.0M of the $10M agreement was received in the form of a term loan.

We are pleased with where we are today and with our performance to date. Q2 was a very good quarter, following an exceptional quarter in Q1, 2013. We are excited about the opportunities ahead; the supply chain management market continues to be healthy and we are pleased with our current backlog, business development opportunities and sales pipeline.

Thank you for your continued support.

Sincerely,

Peter Brereton
President and CEO

TECSYS Inc.
Management's Discussion and Analysis of Financial Condition and Results of Operations dated November 29, 2012

The following discussion and analysis 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 second quarter for fiscal year 2013 ended on October 31, 2012. Additional information about the Company, including copies of the continuous disclosure materials such as the annual information form and the management proxy circular are available through the SEDAR Website at http://www.sedar.com.

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's Management.

The Company's independent auditors, KPMG LLP, have not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditors.

The Company prepares its financial statements in accordance with generally accepted accounting principles in Canada as set out in the Handbook of the Canadian Institute of Chartered Accountants - Part 1 ("CICA Handbook"). In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

These condensed interim consolidated financial statements and the notes thereto have been prepared in accordance with IAS 34 - Interim Financial Reporting. They do not include all of the information required in the full annual financial statements. Certain information and footnote disclosures normally included in annual financial statements were omitted or condensed where such information is not considered material to the understanding of the Company's interim financial information. As such, they should be read in conjunction with the audited annual consolidated financial statements of the Company as at and for the year ended April 30, 2012.

This document and financial statements are expressed in Canadian dollars unless it is otherwise indicated.

The condensed interim consolidated financial statements were authorized for issue by the Board of Directors on November 29, 2012.

Quarterly Selected Financial Data

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

	2013		2012				2011	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Total Revenue	10,748	11,510	10,805	10,595	9,099	9,003	8,490	9,299
Profit and Comprehensive Income	122	1,125	473	305	133	146	491	778
Basic and Diluted Earnings per Common Share	0.01	0.10	0.04	0.03	0.01	0.01	0.04	0.07

Results of Operations

Three months ended October 31, 2012 compared to three months ended October 31, 2011

Revenue

Total revenue for the second quarter ended October 31, 2012 increased to $10.7 million, $1.6 million or 18% higher, compared to $9.1 million for the same period of fiscal 2012. The U.S. dollar averaged CA$0.9859 in the second quarter of fiscal 2013 in comparison to CA$1.0017 in the second quarter of fiscal 2012. Approximately 50% of the Company's revenues were generated in the United States during the second quarter of fiscal 2013, hence the weaker U.S. dollar impacted revenues unfavorably by an estimated $86,000.

Products revenue increased to $3.6 million, $556,000 or 19% higher, in the second quarter of fiscal 2013 in comparison to $3.0 million for the same period last year. Proprietary products revenue accounted for $684,000 of the increase while third-party products decreased by $128,000. The Company signed five new accounts with a total contract value of $3.1 million in the second quarter of fiscal 2013 in comparison with seven new accounts with a total contract value of $2.4 million in the same period last year. Proprietary license revenue was higher due to higher delivered licenses. Overall bookings amounted to $5.1 million in the second quarter of fiscal 2013 in comparison to $4.2 million for the same period of the previous fiscal year.

Services revenue increased to $7.0 million, higher by $1.1 million or 19%, in second quarter of fiscal 2013 compared to $5.9 million for the same period in the previous fiscal year. The increase is attributable primarily to higher implementation consulting and product adaptation services relating to intensified implementation activity due to higher bookings over the last twelve months.

As a percentage of total revenue, products accounted for 33% and services for 65% in the second quarter of fiscal 2013 and fiscal 2012.

Cost of Revenue

Total cost of revenue increased to $6.2 million, higher by $1.1 million or 22%, in the second quarter of fiscal 2013 in comparison to $5.1 million for the same three-month period in fiscal 2012. The increase is primarily attributable to higher services costs.

The cost of services increased to $4.9 million, higher by $1.2 million or 32% in the second quarter of fiscal 2013 in comparison to $3.7 million for the same period last year mainly due to higher employee-related expenses of $991,000 offset by higher tax credits of $175,000 as well as higher travel, consulting, facilities and other overhead costs. The average services headcount in the second quarter of fiscal 2013 increased by forty-seven compared to the same period of fiscal 2012. The Company is investing in integrating new resources within its services staff to address a backlog that has been steadily increasing and positive business signs for supply chain management software and related services. The cost of services includes tax credits of $413,000 for the second quarter of fiscal 2013 compared to $238,000 for the same period in the previous fiscal year, largely due to the increased headcount. The tax credits relate to the e-business tax credit introduced by the Quebec government in March 2008.

Gross Profit

The gross profit increased to $4.5 million, higher by $513,000 million or 13%, for the second quarter of fiscal 2013 in comparison to $4.0 million for the same period last year. This is mainly attributable to higher proprietary license revenues. Total gross profit percentage in the second quarter of fiscal 2013 was 42% compared to 44% in the same period of fiscal 2012 mainly due to lower service margins offsetting higher margins on proprietary products.

The overall products gross profit increased by $603,000 to $2.5 million in the second quarter of fiscal 2013 representing 69% of products revenue in comparison to $1.8 million representing 62% of product revenue for the same period last year. This increase in gross profit percentage is mainly due to higher revenue of proprietary products and offset partially by lower margins and gross profit percentage on third-party products.

Services gross profit during the first quarter of fiscal 2013 decreased to $2.1 million, lower by $90,000 in comparison to the same period of fiscal 2012. Services gross profit was 30% of services revenue in the second quarter of fiscal 2013 in comparison to 37% for the comparable period last year. The increase in services revenue was offset by even higher services expenses. This phenomenon was discussed earlier in the cost of revenue. The Company anticipates improvement in the services gross profit percentage as the integration of the new employees is achieved.

Operating Expenses

Total operating expenses for the second quarter of fiscal 2013 increased to $4.1 million, higher by $255,000 or 7%, compared to $3.9 million the same three-month period last year.

The most notable differences between the second quarter of fiscal 2013 in comparison with the same period in fiscal 2012 are as follows.

- Sales and marketing expenses amounted to $1.7 million, $122,000 higher than the comparable quarter last year. Expenses were higher primarily due to higher salaries and benefits of $91,000. The increase to the salaries and benefits is attributable to the addition of three headcount.

- General and administrative expenses decreased to $1.0 million, $70,000 lower than the comparable quarter last year primarily as a result of lower professional fees of $78,000.

- Net R&D expenses increased to $1.4 million, $203,000 higher than the comparable quarter last year. Gross R&D expenses increased by $358,000 comprising primarily of higher employee costs of $380,000 and offset slightly by lower consulting. The average headcount during the second quarter of fiscal 2013 was fourteen higher than comparable period of a year earlier. The Company also recorded $316,000 of R&D and e-business tax credits in the second quarter of fiscal 2013 compared to $201,000 for the same period of the last fiscal year. The difference is made up of higher e-business tax credits of $40,000 related to the higher number of R&D resources and $75,000 of federal non-refundable tax credits. In addition, the Company capitalized deferred development costs of $305,000 in the second quarter of fiscal 2013 compared to $244,000 for the same period of the last fiscal year while amortizing deferred development costs of $195,000 in the second quarter of fiscal 2013 in comparison to $174,000 for the same quarter a year earlier.

Profit from Operations

The Company recorded profit from operations of $428,000 representing 4% of revenue in the second quarter of fiscal 2013 in comparison to $170,000 representing 2% of revenue for the comparable quarter of the previous year primarily as a result of the higher gross profit being offset partially by the increase in operating expenses.

Net finance income and costs

In the second quarter of fiscal 2013, the Company recorded net finance costs of $300,000 in comparison to $58,000 for the comparable quarter last year. Finance costs in the second quarter of fiscal 2013 include $313,000 of cost related to the revaluation of the fair value of the share options liability in comparison to $38,000 of cost for the same period last year. During the second quarter of fiscal 2012, the Company passed a resolution allowing share option holders the privilege to cash-settle their share options at their option, no longer subject to the Company's approval. As such, the Company reclassified the fair value of the share options from contributed surplus to accounts payable and accrued liabilities. The Company revalues the share option liability at each reporting date and any change in the liability is reflected as finance income or finance costs in the consolidated statement of comprehensive income, as appropriate. Please see note 6 to the consolidated financial statements for a more elaborate discussion on share options. Additionally, finance income includes net foreign exchange gains of $10,000 in the second quarter of fiscal 2013 in comparison to net foreign exchange losses of $26,000 for the same period last year and net interest income of $3,000 versus $6,000, respectively.

During the second quarter of fiscal 2012, the Company recognized its 30% share of the net gain on its investment in TECSYS Latin America (TLA) of $21,000. The Company sold its full equity position in TLA in April 2012.

Income taxes

In the second quarter of fiscal 2013, the Company recorded an income tax expense comprising $29,000 of current income taxes offset by $23,000 of deferred income taxes. No tax expense was recorded in the second quarter of fiscal 2012.

Net Profit

The Company recorded net profit of $122,000 or $0.01 per share in the second quarter of fiscal 2013 compared to $133,000 or $0.01 per share for the same period last year.

Results of Operations

Six months ended October 31, 2012 compared to six months ended October 31, 2011

Revenue

Total revenue for the first half ended October 31, 2012 increased to $22.3 million, $4.2 million or 23% higher, compared to $18.1 million for the same period of fiscal 2012. The U.S. dollar averaged CA$1.0016 in the first half of fiscal 2013 in comparison to CA$0.9842 in the first half of fiscal 2012. Approximately 57% of the Company's revenues were generated in the United States during the first half of fiscal 2013, hence the stronger U.S. dollar impacted revenues favorably by an estimated $281,000.

Products revenue increased to $8.0 million, $2.2 million or 37% higher, in the first half of fiscal 2013 in comparison to $5.8 million for the same period last year. Proprietary products revenue accounted for $2.6 million of the increase while third-party products decreased by $420,000. The Company signed nine new accounts with a total contract value of $3.5 million in the first half of fiscal 2013 in comparison with eight new accounts with a total contract value of $2.5 million in the same period last year. The increase in proprietary products revenue is largely attributable to a very significant sale of a proprietary license to an existing customer in the first quarter of fiscal 2013. Overall bookings amounted to $10.1 million in the first half of fiscal 2013 in comparison to $7.1 million for the same period of the previous fiscal year, an increase of 42%.

Services revenue increased to $13.7 million, higher by $1.8 million or 15%, in first half of fiscal 2013 compared to $11.8 million for the same period in the previous fiscal year. The increase is attributable primarily to higher implementation consulting and product adaptation services relating to intensified implementation activity, however other service operations including support and hosting were also higher.

As a percentage of total revenue, products accounted for 36% and services for 61% in the first half of fiscal 2013 compared to 32% and 65% for the same period of fiscal 2012, respectively.

Cost of Revenue

Total cost of revenue increased to $12.3 million, higher by $2.2 million or 21%, in the first half of fiscal 2013 in comparison to $10.1 million for the same six-month period in fiscal 2012. The increase is primarily attributable to higher services costs.

The cost of services increased to $9.7 million, higher by $2.2 million or 29% in the first half of fiscal 2013 in comparison to $7.5 million for the same period last year mainly due to higher employee-related expenses of $1.9 million offset by higher tax credits of $268,000 as well as higher consulting, travel, facilities and other overhead costs. The average services headcount in the first half of fiscal 2013 increased by forty compared to the same period of fiscal 2012. The cost of services includes tax credits of $726,000 for the first half of fiscal 2013 compared to $458,000 for the same period in the previous fiscal year, largely due to the increased headcount. The tax credits relate to the e-business tax credit introduced by the Quebec government in March 2008.

Gross Profit

The gross profit increased to $10.0 million, higher by $2.0 million or 25%, for the first half of fiscal 2013 in comparison to $8.0 million for the same period last year. Total gross profit percentage in the first half of fiscal 2013 was 45% compared to 44% in the same period of fiscal 2012 mainly due to higher gross profit realization on proprietary products.

The overall products gross profit increased by $2.3 million to $6.0 million in the first half of fiscal 2013 representing 75% of products revenue in comparison to $3.7 million representing 63% of product revenue for the same period last year. This increase in gross profit percentage is mainly due to higher revenue of proprietary products and offset partially by lower margins and gross profit percentage on third-party products.

Services gross profit during the first half of fiscal 2013 decreased to $4.0 million, lower by $352,000 or 8% in comparison to the same period of fiscal 2012. Services gross profit was 29% of services revenue in the first half of fiscal 2013 in comparison to 36% for the comparable period last year. The increase in services revenue was offset by even higher services expenses. This phenomenon was discussed above and is attributable to the Company's significant recruitment of new services personnel within the last year to address the business growth and backlog. The Company anticipates improvement in the services gross profit percentage as the integration of the new employees is achieved.

Operating Expenses

Total operating expenses for the first half of fiscal 2013 increased to $8.5 million, higher by $864,000 or 11%, compared to $7.6 million the same six-month period last year.

The most notable differences between the first half of fiscal 2013 in comparison with the same period in fiscal 2012 are as follows.

- Sales and marketing expenses amounted to $3.6 million, $562,000 higher than the comparable period last year. Expenses were higher primarily due to higher salaries and benefits of $229,000, commissions and incentives of $110,000, and higher travel expenses of $136,000. The increase to the salaries and benefits is attributable to the addition of three headcount, whereas the increase to commissions and incentives is due to the increased revenue.

- General and administrative expenses increased to $2.1 million, $110,000 higher than the comparable period last year primarily as a result of higher salaries, benefits, and incentives of $212,000, and offset partially by lower professional fees of $72,000 and lower travel costs

- Net R&D expenses increased to $2.7 million, $192,000 higher than the comparable period last year. Gross R&D expenses increased by $691,000 comprising primarily of higher employee costs. The average headcount during the first half of fiscal 2013 was twelve higher than comparable period of a year earlier. The Company also recorded $628,000 of R&D and e-business tax credits in the first half of fiscal 2013 compared to $399,000 for the same period of the last fiscal year. The difference is made up of higher e-business tax credits of $79,000 related to the higher number of R&D resources and $150,000 of federal non-refundable tax credits. In addition, the Company capitalized deferred development costs of $709,000 in the first half of fiscal 2013 compared to $384,000 for the same period of the last fiscal year while amortizing deferred development costs of $410,000 in the first half of fiscal 2013 in comparison to $355,000 for the same period a year earlier.

Profit from Operations

The Company recorded profit from operations of $1.5 million representing 7% of revenue in the first half of fiscal 2013 in comparison to $342,000 representing 2% of revenue for the comparable six-month period of the previous year primarily as a result of the higher gross profit being offset partially by the increase in operating expenses.

Net finance income and costs

In the first half of fiscal 2013, the Company recorded net finance costs of $211,000 in comparison to $70,000 for the comparable period last year. Finance costs in the first half of fiscal 2013 includes $233,000 of cost related to the revaluation of the fair value of the share options liability in comparison to $38,000 for the same period a year earlier. Additionally, finance income includes net foreign exchange gains of $15,000 in the first half of fiscal 2013 in comparison to net foreign exchange losses of $37,000 for the same period last year and net interest income of $7,000 versus $5,000, respectively.

During the first half of fiscal 2012, the Company recognized its 30% share of the net gain on its investment in TECSYS Latin America (TLA) of $7,000. The Company sold its full equity position in TLA in April 2012.

Income taxes

In the first half of fiscal 2013, the Company recorded an income tax expense comprising $301,000 of current income taxes offset by $283,000 of deferred income taxes. No tax expense was recorded in the first half of fiscal 2012.

Net Profit

The Company recorded net profit of $1.2 million or $0.11 per share in the first half of fiscal 2013 compared to $279,000 or $0.02 per share for the same period last year.

Liquidity and Capital Resources

On October 31, 2012, current assets totaled $22.4 million compared to $18.2 million at the end of fiscal 2012. Cash and cash equivalents increased to $8.0 million compared to $5.2 million as at April 30, 2012. This increase is primarily due to the recent completion of the new $5.0 million term loan that the Company has received as part of a new banking agreement, offset in part by the repurchase of common shares through the normal course issuer bid of $462,000, the distribution of dividends of $400,000, and the investment in property and equipment of $683,000, and the Company’s flagship product, EliteSeries of $709,000. Accounts receivable and work in progress totaled $9.3 million on October 31, 2012 compared to $8.9 million as at April 30, 2012. The Company’s DSO (days sales outstanding) stood at 78 days at the end the second quarter of fiscal 2013 compared to 74 days at the end of fiscal 2012 and 76 days at the end of the second quarter of fiscal 2012. The increase in DSO is largely due to a higher amount of work in progress.

Please see note 5 to the consolidated financial statements for a summary discussion on the new banking facilities.

Current liabilities on October 31, 2012 totaled $13.2 million compared to $12.6 million at the end of fiscal 2012. The increase in current liabilities is mainly due to the current portion of the term loan of $1.0 million offset by the reduction in accounts payable. Working capital increased to $9.2 million at the end of October 31, 2012 in comparison to $5.6 million at the end of fiscal year 2012.

Operating activities used funds of $918,000 for the second quarter of fiscal 2013 in comparison to $952,000 for the second quarter of fiscal 2012. Operating activities excluding changes in non-cash working capital items generated $934,000 in the second quarter of fiscal 2013 in comparison to $694,000 for the same period in fiscal 2012. Working capital items used funds of $1.9 million in the second quarter of fiscal 2013 primarily due to increases in accounts receivable, work in progress, and tax credits receivable. Working capital items used funds of $1.6 million in the second quarter of fiscal 2012 primarily due to increases of accounts receivable, tax credits receivable, and a reduction in deferred revenue.

Operating activities used funds of $15,000 for the first half of fiscal 2013 in comparison to $1.1 million for the first half of fiscal 2012. Operating activities excluding changes in non-cash working capital items generated $2.4 million in the first half of fiscal 2013 in comparison to $1.4 million for the same period in fiscal 2012 as a result of the significant increase in net profit. Working capital items used funds of $2.4 million in the first half of fiscal 2013 primarily due to increases of work in progress and tax credits receivable and to the decrease of accounts payable and offset partially by the decrease of accounts receivable. Working capital items used funds of $2.4 million in the first half of fiscal 2012 primarily due to increases of tax credits receivable, accounts receivable, work in progress, and prepaid expenses and the decrease of deferred revenue.

The Company believes that funds on hand at October 31, 2012 combined with cash flow from operations and its accessibility to new banking facilities will be sufficient to meet its needs for working capital, R&D, capital expenditures and debt repayment for at least the next twelve months.

Financing activities generated funds of $4.3 million for the second quarter of fiscal 2013 and used $286,000 for the same three-month period in fiscal 2012. During October 2012, the Company completed the renegotiation and renewal of its banking agreement with a Canadian chartered bank including new credit facilities for an operating line of credit up to $5.0 million and a term loan of $5.0 million. The components of the banking facilities are discussed in note 5 to the consolidated financial statements. The Company received the term loan of $5.0 million in October whereas the Company has not made use of the operating line of credit. During the second quarter of fiscal 2013, the Company declared and distributed a dividend of $0.035 per share or $400,000 in aggregate in comparison to $0.03 per share or $349,000 in aggregate during the same period of the previous year. No dividends were distributed during the first quarter of either year. Additionally, during the second quarter of fiscal 2013, the Company purchased 95,500 of its outstanding common shares for cancellation at an average price of $2.35 per share under a Normal Course Issuer Bid (NCIB). The total cost related to the purchasing of these shares including other related costs, was $231,000. During the second quarter of fiscal 2012, the Company purchased 22,100 of its outstanding common shares for cancellation at an average price of $1.95 per share. The total cost related to the purchasing of these shares, including related costs, was $48,000. Additionally, during the second quarter of fiscal 2013, 60,494 share options were exercised by employees at an average price of $1.61 and cash-settled for a total disbursement of $81,000 in comparison to 83,096 share options that were exercised by employees at an average price of $1.46 and cash-settled for a total disbursement of $58,000 for the same period in fiscal 2012. The weighted average trading price of the Company's shares during the period of five trading days preceding the date of exercise for the exercised share options during the second quarter of fiscal 2013 was $2.95 and $2.16 for those of the same period of fiscal 2012. During the second quarter of fiscal 2013, 9,600 share options were exercised at an average price of $1.78 to purchase common shares generating cash for $17,000, whereas during the second quarter of fiscal 2012, 114,400 share options were exercised at an average price of $1.66 to purchase common shares generating cash for $190,000. During the second quarter of the current fiscal year the Company repaid $3,000 of an outstanding loan in comparison to $17,000 for the same period a year earlier. The Company paid interest of $4,000 during the second quarter of fiscal 2013 and fiscal 2012.

Financing activities generated funds of $4.1 million for the first half of fiscal 2013 and used $4.3 million for the same six-month period in fiscal 2012. During the first half of the current fiscal year the Company received a term loan of $5.0 million and repaid $6,000 of an outstanding loan in comparison to $17,000 repaid for the same period a year earlier. Additionally, during the first half of fiscal 2012, the Company repaid $3.7 million of bank advances and terminated the credit facility that was partially secured by the asset-backed commercial paper, which was also sold for cash during the period. During the first half of fiscal 2013, the Company declared and distributed a dividend of $0.035 per share or $400,000 in aggregate in comparison to $0.03 per share or $349,000 in aggregate during the same period of the previous year. During the first half of fiscal 2013, the Company purchased 187,300 of its outstanding common shares for cancellation at an average price of $2.41 per share under a Normal Course Issuer Bid (NCIB). The total cost related to the purchasing of these shares including other related costs, was $462,000. During the first half of fiscal 2012, the Company purchased 26,500 of its outstanding common shares for cancellation at an average price of $1.96 per share. The total cost related to the purchasing of these shares, including related costs, was $57,000. Additionally, during the six months ended October 31, 2012, 60,994 share options were exercised at a weighted average exercise price of $1.61 and cash settled for a disbursement of $81,000 in comparison to 359,140 share options exercised by employees at an average price of $1.42 and cash-settled for a total disbursement of $337,000 for the same six month period a year earlier. The weighted average trading price of the Company's shares during the period of five trading days preceding the date of exercise for the exercised share options during the first half of fiscal 2013 was $2.95 and $2.36 for those of the same period of fiscal 2012. During the first half of fiscal 2013, 25,950 share options were exercised at an average price of $1.86 to purchase common shares generating cash for $48,000, whereas during the first half of fiscal 2012, 114,400 share options were exercised at an average price of $1.66 to purchase common shares generating cash for $190,000. The Company paid interest of $7,000 and $11,000 for the first half of fiscal 2013 and fiscal 2012, respectively.

During the second quarter of fiscal 2013, investing activities used funds of $497,000 in comparison to $457,000 for the comparable period last year. The Company used funds of $216,000 and $231,000 for the acquisition of property and equipment, and intangible assets for the second quarter of fiscal 2013 and fiscal 2012 respectively. Additionally, the Company invested in its proprietary software products with the capitalization of $305,000 and $244,000 reflected as deferred development costs in the second quarter of fiscal 2013 and fiscal 2012, respectively. The Company collected monies from TLA on previously advanced loans and the scheduled payment relating to the divesture of the equity interest in TLA of $17,000 and $8,000 during the second quarter of fiscal 2013 and 2012, respectively. Lastly, the Company received interest of $7,000 and $10,000 for the second quarter of fiscal 2013 and fiscal 2012, respectively.

During the first half of fiscal 2013, investing activities used funds of $1.3 million in comparison to generating funds of $3.1 million for the comparable period last year. The Company generated cash with the reduction of short-term investments and restricted cash equivalents and other investments of $40,000 and $325,000 for the first half of fiscal 2013 and fiscal 2012, respectively. Additionally, during the first half of fiscal 2012, the Company sold the asset-backed commercial paper to a third-party for proceeds of $3.6 million. The Company used funds of $683,000 and $441,000 for the acquisition of property and equipment, and intangible assets for the first half of fiscal 2013 and fiscal 2012 respectively. The larger capital expenditures for property and equipment for the current fiscal year relate primarily to the Company's expansion of its Montreal head office. The new property and equipment comprises primarily of leasehold improvements, new furniture, and computer infrastructure. Additionally, the Company invested in its proprietary software products with the capitalization of $709,000 and $384,000 reflected as deferred development costs in the first half of fiscal 2013 and fiscal 2012, respectively. The Company collected monies from TLA on previously advanced loans and the scheduled payment relating to the divesture of the equity interest in TLA of $31,000 and $19,000 during the first half of fiscal 2013 and 2012, respectively. Lastly, the Company received interest of $14,000 and $16,000 for the first half of fiscal 2013 and fiscal 2012, respectively.

Related Party Transactions

The company has a subordinated loan of $79,000 from a person related to certain shareholders, bearing interest at 12.67%. The loan is payable on the earlier of demand or on the death of the lender. During the six-month period ended October 31, 2012, the Company repaid $6,000. The amount outstanding at October 31, 2011 and at April 30, 2012 was $90,000 and $85,000, respectively.

Under the provisions of the current share purchase plan for key management, the Company extended interest-free loans of $169,000 to key management to facilitate their purchase of Company shares during the first half ended October 31, 2012. These loans will be fully repaid before the end of the fiscal year, April 30, 2013. The outstanding loans as at October 31, 2012 amounted to $80,000.

Current and Anticipated Impacts of Current Economic Conditions

The current overall economic uncertainty and volatility may have an adverse impact on the demand for the Company's products and services as industry may adjust quickly to exercise caution on capital spending. The Company is seeing some positive signs, over the last year, of prospects and customers starting to invest in supply chain management software. During the last two quarters of fiscal 2012, the Company booked record-level contracts within the last decade with total contract values of greater than $8.0 million in each quarter and a reasonably favorable trend continued into the first half of fiscal 2013 with bookings of $5.0 million in each quarter, whereas for the previous fourteen quarters since the beginning of fiscal 2009, bookings averaged approximately $4.8 million per quarter. The magnitude of the growth trend will depend on the strength and sustainability of the economic recovery and the demand for supply chain management software.

Given the current backlog of $25.5 million, comprised primarily of services, the Company's management believes that the current services revenue level ranging between $6.8 million and $7.3 million per quarter can be sustained in the short term if no significant new agreements are completed. If the positive business signs continue to manifest themselves, as the Company is anticipating, services revenue should continue to rise. As such, the Company is maintaining its current recruiting strategy focusing primarily on new services resources. The Company anticipates that its services gross profit margin, which has been under pressure in the early part of fiscal 2013 as it continued to integrate new resources, to improve in the latter half as the year progresses.

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 50% 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 during fiscal 2012 and anticipates further investment in new resources in fiscal 2013 to meet the higher demand for its services and to capture pipeline opportunities. The Company's recruitment initiative focuses on resources required to address the services backlog while contributing to revenue generation. Other cost areas under continuous scrutiny are traveling, consulting and communications.

During October 2012, the Company completed the renegotiation and renewal of its banking agreement with a Canadian chartered bank including new credit facilities for an operating line of credit up to $5.0 million and a term loan of $5.0 million that is repayable over the next five years. This banking agreement replaces the previous banking agreement. Please see note 5 to the consolidated financial statements for a more comprehensive disclosure regarding the banking agreement and credit facilities.

In October 2012, the Company received funds of $5.0 million in the form of a floating-rate term loan while the operating line of credit has not been used. The objective of the term loan was to restore the Company's working capital, which was used, in large part, to finance the capital expenditures related to the Company's new expanded offices in Montreal, Quebec and Markham, Ontario since April 2010 as well as the significant investment in the migration of the Company's flagship product, EliteSeries onto a Java platform. Additionally, due to the anticipated expansion of its working capital due to business growth and its investment in the integration and training of new resources, the Company sought to ensure that the growth trends can be nurtured and sustained in the negotiation of the new credit facilities.

The Company believes that funds on hand, including funds from the new term loan, together with anticipated cash flows from operations, and its accessibility to the new 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 purchases of shares for cancellation pursuant to the normal course issuer bid and adjusting its dividend policy.

Outstanding Share Data

On November 29, 2012, the Company has 11,441,921 common shares as there has been no activity since the end of the Company's second quarter.

Similarly, on November 29, 2012, outstanding share options to purchase common shares numbered 237,626 as there has been no activity since the end of the second quarter.

Change in Accounting Policies

New accounting standards adopted in 2013

On October 7, 2010, the IASB issued amendments to IFRS 7, Financial Instruments: Disclosures, which increase the disclosure requirements for transactions involving the transfers of financial assets to help users of financial statements evaluate the risk exposures related to such transfers and the effect of those risks on an entity's financial position. These amendments are effective and have been adopted in the first quarter of 2013 commencing May 1, 2012. The Company has determined that the amendments to IFRS 7 do not have a material impact on the Company's consolidated financial statements.

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 Interpretations Committee ("IFRIC") that are mandatory but not yet effective for the period ended October 31, 2012, and have not been applied in preparing these condensed interim consolidated financial statements. None are expected to have an impact on the consolidated financial statements of the Company except for:

International Financial Reporting Standards	Effective for annual periods starting on or after
IFRS 9, *Financial Instruments*	January 1, 2015
IFRS 10, *Consolidated Financial Statements*	January 1, 2013
IFRS 12, *Disclosure of Interests in Other Entities*	January 1, 2013
IFRS 13, *Fair Value Measurement*	January 1, 2013

IFRS 9, *Financial Instruments* ("IFRS 9"), will ultimately replace IAS 39, *Financial Instruments: Recognition and Measurement* ("IAS 39"). The replacement of IAS 39 is a three-phase project with the objective of improving and simplifying the reporting for financial instruments. The issuance of IFRS 9 in November 2009 was the first phase of the project, which provides guidance on the classification and measurement of financial assets and financial liabilities. The Company intends to adopt IFRS 9 in its consolidated financial statements for the annual period beginning May 1, 2015.

IFRS 10, *Consolidated Financial Statements* ("IFRS 10"), establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 replaces the consolidation requirements in SIC-12, *Consolidation - Special Purpose Entities* and IAS 27, *Consolidated and Separate Financial Statements*. The Company intends to adopt IFRS 10 in its consolidated financial statements for the annual period beginning May 1, 2013.

IFRS 12, *Disclosure of Interests in Other Entities* ("IFRS 12"), is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. The Company intends to adopt IFRS 12 in its consolidated financial statements for the annual period beginning May 1, 2013.

IFRS 13, *Fair Value Measurement* ("IFRS 13"), provides new guidance on fair value measurement and disclosure requirements. The Company intends to adopt IFRS 13 in its consolidated financial statements for the annual period beginning May 1, 2013.

The Company is in the process of determining the extent of the impact of these standards on the Company's consolidated financial statements.

Critical Accounting Policies

The Company's critical accounting policies are those that it believes are the most important in determining its financial condition and results. A summary of the Company's significant accounting policies, including the critical accounting policies discussed below, is set out in the notes to these financial statements and the financial statements for the year ended April 30, 2012.

Use of estimates, assumptions and judgments

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

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

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

(i) Revenue recognition:

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

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

(ii) Government assistance:

Management uses judgment in estimating amounts receivable for various tax credits and in assessing the eligibility of research and development expenses.

(iii) Income taxes:

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

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

(iv) Impairment of assets:

Impairment assessments may require the Company to determine the recoverable amount of a cash generating unit ("CGU"), defined as the smallest identifiable group of assets that generates cash inflows independent of other assets. This determination requires significant estimates in a variety of areas including: the determination of fair value, 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) Fair value of derivative instruments:

The fair value of a derivative instrument is estimated using inputs, including forward prices, foreign exchange rates, interest rates and volatilities. These inputs are subject to change on a regular basis based on the interplay of various market forces.

Consequently, the fair value of each of the Company's derivative instruments is subject to assumptions and estimation uncertainties and can vary significantly in each reporting period.

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 their annual support agreement in order to maintain their 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 licenses 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.

(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.

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 October 31, 2012.

Internal Control over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of the Company's financial reporting and its compliance with IFRS in its consolidated financial statements. The control framework that was designed by the Company's ICFR is in accordance with the framework criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

No changes to internal controls over financial reporting have come to management's attention during the three and six-month periods ending on October 31, 2012 that have materially affected, or are reasonably likely to materially affect, internal controls over financial reporting.

Forward-Looking Information

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

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

Condensed Interim Consolidated Financial Statements of
(Unaudited)

TECSYS INC.

For the three and six-month periods ended October 31, 2012 and 2011

MANAGEMENT'S COMMENTS ON THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND SIX-MONTH PERIODS ENDED OCTOBER 31, 2012 and 2011

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's Management.

The Company's independent auditors, KPMG LLP, have not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditors.

Dated this 29th day of November, 2012.

TECSYS INC.

Condensed Interim Consolidated Financial Statements
(Unaudited)

For the three and six-month periods ended October 31, 2012 and 2011

Financial Statements

TECSYS Inc.
Condensed Interim Consolidated Statements of Financial Position
(Unaudited)

As at October 31, 2012 and April 30, 2012
(in thousands of Canadian dollars)

	Note	October 31, 2012	April 30, 2012
Assets			
Current assets			
Cash and cash equivalents		$ 7,987	$ 5,217
Accounts receivable		7,441	8,207
Work in progress		1,893	645
Other accounts receivable and derivatives		162	190
Tax credits		3,214	2,070
Inventory		685	696
Prepaid expenses		1,048	1,177
Total current assets		22,430	18,202
Non-current assets			
Restricted cash equivalents and other investments		120	160
Non-current receivables		69	99
Tax credits		1,063	1,076
Property and equipment		3,225	2,911
Deferred development costs		2,813	2,514
Other intangible assets		389	362
Goodwill		2,239	2,239
Deferred tax assets		850	587
Total non-current assets		10,768	9,948
Total assets		$ 33,198	$ 28,150
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		$ 5,547	$ 5,844
Loans payable		79	85
Term loan	5	1,000	-
Deferred revenue		6,569	6,665
Total current liabilities		13,195	12,594
Term loan	5	4,000	-
Total non-current liabilities		4,000	-
Total liabilities		17,195	12,594
Equity			
Share capital	6	1,723	1,688
Contributed surplus	6	9,588	10,023
Retained earnings		4,692	3,845
Total equity attributable to the owners of the Company		16,003	15,556
Total liabilities and equity		$ 33,198	$ 28,150

See accompanying notes to the unaudited condensed interim consolidated financial statements.

TECSYS Inc.
Condensed Interim Consolidated Statements of Comprehensive Income
(Unaudited)

Three and six-month periods ended October 31, 2012 and 2011
(in thousands of Canadian dollars, except per share data)

	Note	Three Months Ended October 31, 2012	Three Months Ended October 31, 2011	Six Months Ended October 31, 2012	Six Months Ended October 31, 2011
Revenue:					
Products	8	$ 3,551	$ 2,995	$ 8,038	$ 5,848
Services		6,989	5,889	13,669	11,844
Reimbursable expenses		208	215	551	410
Total revenue		10,748	9,099	22,258	18,102
Cost of revenue:					
Products		1,099	1,146	2,027	2,187
Services	9	4,900	3,710	9,719	7,542
Reimbursable expenses		208	215	551	410
Total cost of revenue		6,207	5,071	12,297	10,139
Gross profit		4,541	4,028	9,961	7,963
Operating expenses:					
Sales and marketing		1,718	1,596	3,636	3,074
General and administration		988	1,058	2,102	1,992
Research and development, net of tax credits		1,407	1,204	2,747	2,555
Total operating expenses		4,113	3,858	8,485	7,621
Profit from operations		428	170	1,476	342
Finance income	11	(63)	10	29	16
Finance costs	11	(237)	(68)	(240)	(86)
Net finance costs		(300)	(58)	(211)	(70)
Share of net profit of equity-accounted associate		-	21	-	7
Profit before income taxes		128	133	1,265	279
Income taxes	7	6	-	18	-
Profit attributable to the owners of the Company and comprehensive income for the period		$ 122	$ 133	$ 1,247	$ 279
Basic and diluted earnings per common share		$ 0.01	$ 0.01	$ 0.11	$ 0.02

See accompanying notes to the unaudited condensed interim consolidated financial statements.

TECSYS Inc.
Condensed Interim Consolidated Statements of Cash Flows
(Unaudited)

Three and six-month periods ended October 31, 2012 and 2011
(in thousands of Canadian dollars)

	Note	Three Months Ended October 31, 2012	Three Months Ended October 31, 2011	Six Months Ended October 31, 2012	Six Months Ended October 31, 2011
Cash flows from (used in) operating activities:					
Profit for the period		$ 122	$ 133	$ 1,247	$ 279
Adjustments for:					
Depreciation of property and equipment		254	186	502	355
Depreciation of other intangible assets		39	26	76	55
Depreciation of deferred development costs		195	174	410	355
Share-based compensation		-	32	-	40
Net finance costs		300	58	211	70
Realized foreign exchange gains and others		80	106	129	212
Share of net profit of equity-accounted associate		-	(21)	-	(7)
Federal non-refundable research and development tax credits		(75)	-	(150)	-
Income taxes		19	-	(19)	-
Operating activities excluding changes in non-cash working capital items related to operations		934	694	2,406	1,359
Accounts receivable		(331)	(395)	766	(591)
Work in progress		(826)	(77)	(1,248)	(175)
Other accounts receivable		45	(68)	(85)	(1)
Tax credits		(664)	(445)	(1,223)	(877)
Inventory		6	(20)	11	15
Prepaid expenses		173	69	129	(149)
Accounts payable and accrued liabilities		144	(43)	(675)	14
Deferred revenue		(399)	(667)	(96)	(645)
Changes in non-cash working capital items related to operations		(1,852)	(1,646)	(2,421)	(2,409)
Net cash used in operating activities		(918)	(952)	(15)	(1,050)
Cash flows from (used in) financing activities:					
Repayment of bank advances		-	-	-	(3,720)
Repayment of loans		(3)	(17)	(6)	(17)
Term loan	5	5,000	-	5,000	-
Issuance of common shares	6	17	190	48	190
Purchase of common shares for cancellation	6	(231)	(48)	(462)	(57)
Purchase of share options for cancellation	6	(81)	(58)	(81)	(337)
Payment of dividends		(400)	(349)	(400)	(349)
Interest paid		(4)	(4)	(7)	(11)
Net cash from (used in) financing activities		4,298	(286)	4,092	(4,301)
Cash flows (used in) from investing activities:					
Short-term and other investments and restricted cash equivalents and other investments		-	-	40	325
Interest received		7	10	14	16
Proceeds from asset-backed commercial paper		-	-	-	3,584
Acquisitions of property and equipment		(198)	(190)	(576)	(336)
Acquisitions of other intangible assets		(18)	(41)	(107)	(105)
Deferred development costs		(305)	(244)	(709)	(384)
Non-current receivables including the current portion from a related party		17	8	31	19
Net cash (used in) from investing activities		(497)	(457)	(1,307)	3,119
Net increase (decrease) in cash and cash equivalents during the period		2,883	(1,695)	2,770	(2,232)
Cash and cash equivalents - beginning of period		5,104	5,867	5,217	6,404
Cash and cash equivalents - end of period		$ 7,987	$ 4,172	$ 7,987	$ 4,172

See accompanying notes to the unaudited condensed interim consolidated financial statements.

TECSYS Inc.
Condensed Interim Consolidated Statements of Changes in Equity
(Unaudited)

Six-month periods ended October 31, 2012 and 2011
(in thousands of Canadian dollars, except number of shares)

	Note	Share capital Number	Share capital Amount	Contributed surplus	Retained earnings	Total
Balance, April 30, 2012		11,603,271	$ 1,688	$ 10,023	$ 3,845	$ 15,556
Profit and comprehensive income for the period		-	-	-	1,247	1,247
Total comprehensive income for the period		-	-	-	1,247	1,247
Repurchase of common shares	6	(187,300)	(27)	(435)	-	(462)
Share options exercised	6	25,950	48	-	-	48
Fair value associated with options exercised		-	14	-	-	14
Dividends to equity owners		-	-	-	(400)	(400)
Total transactions with owners of the Company		(161,350)	35	(435)	(400)	(800)
Balance, October 31, 2012		11,441,921	$ 1,723	$ 9,588	$ 4,692	$ 16,003
Balance, April 30, 2011		11,678,671	$ 1,467	$ 10,993	$ 3,486	$ 15,946
Profit and comprehensive income for the period		-	-	-	279	279
Total comprehensive income for the period		-	-	-	279	279
Repurchase of common shares	6	(26,500)	(3)	(54)	-	(57)
Repurchase of share options	6	-	-	(279)	-	(279)
Stock options exercised	6	114,400	190	-	-	190
Fair value associated with options exercised		-	48	-	-	48
Fair value of share options transferred to liabilities	6	-	-	(319)	-	(319)
Share-based compensation		-	-	40	-	40
Dividends to equity owners		-	-	-	(349)	(349)
Total transactions with owners of the Company		87,900	235	(612)	(349)	(726)
Balance, October 31, 2011		11,766,571	$ 1,702	$ 10,381	$ 3,416	$ 15,499

See accompanying notes to the unaudited condensed interim consolidated financial statements.

1. Description of business:

TECSYS Inc. (the "Company") develops, markets and sells enterprise-wide supply chain management software for distribution, warehousing, and transportation logistics. 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 high-volume distributors of discrete goods operating in such industries as health care, gas and welding distribution, office products, hardware, spare parts for heavy equipment, third-party logistics, industrial products, giftware and home decor, and consumer goods.

2. Basis of preparation:

The Company prepares its financial statements in accordance with generally accepted accounting principles in Canada as set out in the Handbook of the Canadian Institute of Chartered Accountants - Part 1 ("CICA Handbook"). In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

(a) Statement of compliance:

These condensed interim consolidated financial statements and the notes thereto have been prepared in accordance with IAS 34,- *Interim Financial Reporting*. They do not include all of the information required in the full annual financial statements. Certain information and footnote disclosures normally included in annual financial statements were omitted or condensed where such information is not considered material to the understanding of the Company's interim financial information. As such, they should be read in conjunction with the consolidated financial statements of the Company as at and for the year ended April 30, 2012.

The condensed interim consolidated financial statements were authorized for issue by the Board of Directors on November 29, 2012.

(b) Summary of accounting policies:

The preparation of financial data is based on accounting principles and practices consistent with those used in the preparation of the audited annual financial statements as at April 30, 2012.

Other new or amended accounting standards had no impact on the Company's accounting methods.

(c) Basis of measurement:

The condensed interim consolidated financial statements have been prepared on a going concern basis using historical cost except for derivative instruments and the share option liability which are measured at fair value.

(d) Functional and presentation currency:

The condensed interim consolidated financial statements are presented in Canadian dollars, the functional currency of the Company and its entities.

(e) Use of estimates, assumptions and judgments:

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

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

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

(i) Revenue recognition:

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

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

(ii) Government assistance:

Management uses judgment in estimating amounts receivable for various tax credits and in assessing the eligibility of research and development expenses.

(iii) Income taxes:

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

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

(iv) Impairment of assets:

Impairment assessments may require the Company to determine the recoverable amount of a cash generating unit ("CGU"), defined as the smallest identifiable group of assets that generates cash inflows independent of other assets. This determination requires significant estimates in a variety of areas including: the determination of fair value, 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) Fair value of derivative instruments:

The fair value of a derivative instrument is estimated using inputs, including forward prices, foreign exchange rates, interest rates and volatilities. These inputs are subject to change on a regular basis based on the interplay of various market forces.

Consequently, the fair value of each of the Company's derivative instruments is subject to assumptions and estimation uncertainties and can vary significantly in each reporting period.

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

3. New accounting standards adopted in 2013:

On October 7, 2010, the IASB issued amendments to IFRS 7, *Financial Instruments: Disclosures*, which increase the disclosure requirements for transactions involving the transfers of financial assets to help users of financial statements evaluate the risk exposures related to such transfers and the effect of those risks on an entity's financial position. These amendments are effective and have been adopted in the first quarter of 2013 commencing May 1, 2012. The Company has determined that the amendments to IFRS 7 did not have a material impact on the Company's consolidated financial statements.

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 Interpretations Committee ("IFRIC") that are mandatory but not yet effective for the period ended October 31, 2012, and have not been applied in preparing these condensed interim consolidated financial statements. None are expected to have an impact on the consolidated financial statements of the Company except for:

International Financial Reporting Standards	Effective for annual periods starting on or after
IFRS 9, *Financial Instruments*	January 1, 2015
IFRS 10, *Consolidated Financial Statements*	January 1, 2013
IFRS 12, *Disclosure of Interests in Other Entities*	January 1, 2013
IFRS 13, *Fair Value Measurement*	January 1, 2013

IFRS 9, *Financial Instruments* ("IFRS 9"), will ultimately replace IAS 39, *Financial Instruments: Recognition and Measurement* ("IAS 39"). The replacement of IAS 39 is a three-phase project with the objective of improving and simplifying the reporting for financial instruments. The issuance of IFRS 9 in November 2009 was the first phase of the project, which provides guidance on the classification and measurement of financial assets and financial liabilities. The Company intends to adopt IFRS 9 in its consolidated financial statements for the annual period beginning May 1, 2015.

IFRS 10, *Consolidated Financial Statements* ("IFRS 10"), establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 replaces the consolidation requirements in SIC-12, *Consolidation - Special Purpose Entities* and IAS 27, *Consolidated and Separate Financial Statements*. The Company intends to adopt IFRS 10 in its consolidated financial statements for the annual period beginning May 1, 2013.

IFRS 12, *Disclosure of Interests in Other Entities* ("IFRS 12"), is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. The Company intends to adopt IFRS 12 in its consolidated financial statements for the annual period beginning May 1, 2013.

IFRS 13, *Fair Value Measurement* ("IFRS 13"), provides new guidance on fair value measurement and disclosure requirements. The Company intends to adopt IFRS 13 in its consolidated financial statements for the annual period beginning May 1, 2013.

The Company is in the process of determining the extent of the impact of these standards on the Company's consolidated financial statements.

5. Banking Facilities:

During October 2012, the Company completed the renegotiation and renewal of its banking agreement with a Canadian chartered bank (the "Bank") including new credit facilities for an operating line of credit up to $5,000,000 and a term loan of $5,000,000. This banking agreement replaces the previous banking agreement. The components of the banking facilities are as follows.

Facility A

The banking facility permits the issuance of letters of guarantee of up to a maximum amount of $1,500,000, as was the case in the previous agreement. On October 31, 2012, $120,000 (April 30, 2012 – $160,000) of this facility was used to obtain a letter of guarantee in favour of one of the Company's landlords and must be renewed annually through the first five years as per the term of the lease which commenced in April 2010.

Facility B

The facility also provides a global net risk line for treasury derivative products up to an aggregate maximum of $1,250,000 (April 30, 2012 – $1,500,000). 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 1 year and for a maximum amount of $1,000,000 and for derivative transactions regarding interest rate swaps for a maximum amount of $250,000. The amount of risk of each transaction shall be determined by the Bank in accordance with the applicable level of risk per the schedule in effect at the Bank. For example, a level of risk of 10% for a chosen currency transaction would equate to a maximum amount of currency that may be sold or purchased under the facility of $10,000,000.

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 facility B and C is a first-ranking movable hypothec of $2,375,000 on all of the Company's corporeal and incorporeal, present and future movable property (April 30, 2012 – $1,675,000) 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 new 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 shall bear interest at the Canadian prime rate of the Bank per annum and advances in U.S. dollars shall 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 has not made use of this credit facility as at October 31, 2012.

Facility E

In October 2012, the Company received a term loan of $5,000,000 in the form of a floating-rate term loan, which is granted for a term of one to five years. The objective of the term loan was to restore the Company's working capital, which was used, in large part, to finance the capital expenditures related to the Company's new expanded offices in Montreal, Quebec and Markham, Ontario since April 2010 as well as the significant investment in the migration of the Company's flagship product, EliteSeries onto a Java platform. This term loan shall bear interest at the Bank's Canadian prime rate plus an additional margin varying between 0.75% to 2.00%. The additional margin interest rate shall be 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 is 3.75% per annum. The principal of this loan shall be repaid in equal and consecutive monthly installments over a period of five years, however 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.

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 October 31, 2012 and April 30, 2012, the Company was in compliance with the required financial covenants in effect at that time.

6. Share capital:

(a) 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 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 October 31, 2012 and April 30, 2012.

On July 19, 2012, 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 on the open market at prevailing market prices, through the facilities of the TSX, the greater of 25% of the average daily trading volume of the common shares on the TSX for the six complete months prior to the date of acceptance by the TSX of the Notice (the "ADTV") or 1,000 common shares on any trading day. The ADTV over the last six completed months was 1,643 shares. Once a week, the Company may make a block purchase from a person who is not an insider exceeding the daily repurchase limit of (i) common shares having a price of at least $200,000 (ii) at least 5,000 common shares for at least $50,000 or (iii) at least 20 board lots of the common shares which total at least 150% of the ADTV. The maximum number of common shares, which may be purchased under the bid, is 575,858 or 5% of the 11,517,171 issued and outstanding common shares on July 3, 2012. The Company may purchase common shares under the bid, if it considers it advisable, at any time, and from time to time during the period of July 23, 2012 to July 22, 2013. The common shares are purchased for cancellation.

During the six-month period ended October 31, 2012, the Company purchased 187,300 (October 31, 2011 – 26,500) of its outstanding common shares for cancellation at an average price of $2.41 per share (October 31, 2011 – $1.96). The total cost related to purchasing these shares, including other related costs, was $462,000 (October 31, 2011 – $57,000). The excess of the purchase price over the net book value of these shares of $435,000 (October 31, 2011 – $54,000) was charged to contributed surplus.

Additionally, during this period, 25,950 share options (October 31, 2011 – 114,400) were exercised at an average exercise price of $1.86 (October 31, 2011 – $1.66) to purchase common shares generating cash and increasing share capital by $48,000 (October 31, 2011 – $190,000).

(b) Share-based payments:

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 outstanding options will continue to be governed by the share option plan.

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

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

	Number of options	Weighted average exercise price
Balance, April 30, 2011	819,016	$ 1.54
Exercised	(487,540)	1.48
Cancelled	(876)	1.73
Forfeited	(3,030)	1.43
Balance, April 30, 2012	327,570	$ 1.64
Exercised	(86,944)	1.69
Forfeited	(3,000)	1.54
Balance, October 31, 2012	237,626	$ 1.62
Exercisable, October 31, 2012	237,626	$ 1.62

During the six months ended October 31, 2012, 60,994 share options (October 31, 2011 – 359,140) were exercised at a weighted average exercise price of $1.61 (October 31, 2011 – $1.42) and cash settled for a total cash disbursement of $81,000 (October 31, 2011 – $337,000 of which $279,000 was charged to contributed surplus in Q1 and $58,000 was charged to the liability for the fair value of share options in Q2).

As mentioned earlier, during the six months ended October 31, 2012, 25,950 (October 31, 2011 – 114,400) share options were exercised at a weighted average exercise price of $1.86 (October 31, 2011 – $1.66) to purchase common shares generating cash and increasing share capital for $48,000 (October 31, 2011 – $190,000).

The weighted average share price at the date of exercise for all share options exercised in the six-month period ended October 31, 2012 was $2.78 (October 31, 2011 – $2.29).

The Company's decision to grant the share option holder the privilege to cash settle their share options effectively transformed the share options into compound financial instruments. As such, on September 8, 2011, the Company reclassified $319,000 from contributed surplus to accounts payable and accrued liabilities, representing the fair value of 540,941 outstanding share options at that time. The fair value of the outstanding share options was determined based on the Company's closing share price on September 8, 2011 which was $2.20.

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

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

On October 31, 2012, the Company reassessed the fair value of 237,626 (April 30, 2012 – 327,570) outstanding share options at $404,000 (April 30, 2012 – $267,000). The fair value was determined based on the Company's closing share price on October 31, 2012, which was $3.32 (April 30, 2012 – $2.45). For the six-month period ended October 31, 2012, the Company has recorded a loss of $233,000 representing the increase in the fair value of the share options since April 30, 2012.

The following table summarizes information about share options outstanding as at October 31, 2012:

			Options outstanding
Exercise price	Number outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price
$ 1.22 - 1.32	3,000	1.02	$ 1.27
1.40 - 1.50	123,376	0.32	1.50
1.59 - 1.59	27,500	0.68	1.59
1.70 - 1.80	75,850	2.00	1.80
1.89 - 1.90	1,000	3.20	1.90
2.01 - 2.06	6,900	2.43	2.02
	237,626	0.98	$ 1.62

As at April 30, 2012, there were 327,570 share options outstanding and exercisable at a weighted average exercise price of $1.64.

(c) Earnings per share:

Basic earnings per share:

The calculation of basic earnings per share at October 31, 2012 and 2011 was based on the profit attributable to common shareholders and a weighted average number of common shares outstanding calculated as follows:

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

	Three Months Ended October 31, 2012	Three Months Ended October 31, 2011	Six Months Ended October 31, 2012	Six Months Ended October 31, 2011
Profit attributable to common shareholders	$ 122	$ 133	$ 1,247	$ 279
Issued common shares at the beginning of the period	11,527,821	11,674,271	11,603,271	11,678,671
Effect of share options exercised	4,587	28,599	12,093	14,300
Effect of share buyback through the normal course issuer bid	(56,692)	(19,043)	(111,769)	(13,271)
Weighted average number of common shares outstanding (basic)	11,475,716	11,683,827	11,503,595	11,679,700

Diluted earnings per share:

The calculation of diluted earnings per share at October 31, 2012 and 2011 was based on the profit attributable to common shareholders and a weighted average number of common shares outstanding after adjustment for the effects of all dilutive common shares, calculated as follows:

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

	Three Months Ended October 31, 2012	Three Months Ended October 31, 2011	Six Months Ended October 31, 2012	Six Months Ended October 31, 2011
Profit attributable to common shareholders	$ 122	$ 133	$ 1,247	$ 279
Weighted average number of common shares outstanding (basic)	11,475,716	11,683,827	11,503,595	11,679,700
Effect of share options on issue	109,410	127,589	109,970	172,352
Weighted average number of common shares outstanding (diluted)	11,585,126	11,811,416	11,613,565	11,852,052

The average market value of the Company's shares for purposes of calculating the dilutive effect of share options was based on quoted market prices for the period during which the options were outstanding.

For the three and six-month periods ended October 31, 2012 and 2011, all options that could have an effect on the calculation of diluted earnings per share in the future were included in the above calculations since these options had exercise prices less than the average price of common shares during the period.

7. Income taxes:

Income tax expense is recognized based on Management's best estimate of the weighted average annual income tax rate expected for the full financial year applied to the pre-tax income of the interim period. The Company's consolidated effective tax rate in respect of continuing operations for the three and six-month periods ended October 31, 2012 is expected to be consistent with the effective tax rate for the year ended April 30, 2012.

Income taxes for the three and six-month periods ended October 31, 2012 and 2011 recognized in the consolidated statements of comprehensive income comprised the following components:

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

	Three Months Ended October 31, 2012	Three Months Ended October 31, 2011	Six Months Ended October 31, 2012	Six Months Ended October 31, 2011
Current income taxes	$ 29	$ -	$ 301	$ -
Deferred income taxes	(23)	-	(283)	-
Income taxes	$ 6	$ -	$ 18	$ -

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

8. Revenue:

Product revenue is broken down as follows:

	Three Months Ended October 31, 2012	Three Months Ended October 31, 2011	Six Months Ended October 31, 2012	Six Months Ended October 31, 2011
Software products	$ 2,069	$ 1,385	$ 5,352	$ 2,742
Third-party hardware and software products	1,482	1,610	2,686	3,106
	$ 3,551	$ 2,995	$ 8,038	$ 5,848

9. Cost of revenue:

The following table provides detail of the cost of services presented in cost of revenue:

	Three Months Ended October 31, 2012	Three Months Ended October 31, 2011	Six Months Ended October 31, 2012	Six Months Ended October 31, 2011
Gross expenses	$ 5,313	$ 3,948	$ 10,445	$ 8,000
E-business tax credits	(413)	(238)	(726)	(458)
	$ 4,900	$ 3,710	$ 9,719	$ 7,542

10. Personnel expenses:

	Three Months Ended October 31, 2012	Three Months Ended October 31, 2011	Six Months Ended October 31, 2012	Six Months Ended October 31, 2011
Salaries	$ 6,973	$ 5,585	$ 13,993	$ 11,159
Other short-term benefits	386	290	813	612
Payments to defined contribution plans	232	104	553	281
Share-based payments	-	32	-	40
Termination benefits	(7)	48	67	56
	$ 7,584	$ 6,059	$ 15,426	$ 12,148

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

11. Finance income and finance costs:

	Three Months Ended October 31, 2012	Three Months Ended October 31, 2011	Six Months Ended October 31, 2012	Six Months Ended October 31, 2011
Interest expense on financial liabilities measured at amortized cost	$ (4)	$ (4)	$ (7)	$ (11)
Foreign exchange gain	-	120	-	108
Net decrease in fair value of foreign exchange contracts	-	(146)	-	(145)
Subtotal – net foreign exchange loss	-	(26)	-	(37)
Increase in fair value of share options liability	(233)	(38)	(233)	(38)
Finance costs	(237)	(68)	(240)	(86)
Interest income on loans and receivables	2	-	3	1
Interest income on bank deposits	5	10	11	15
Foreign exchange gain	11	-	20	-
Net decrease in fair value of foreign exchange contracts	(1)	-	(5)	-
Subtotal – net foreign exchange gain	10	-	15	-
(Increase) in fair value of share options liability	(80)	-	-	-
Finance income	(63)	10	29	16
Net finance costs recognized in profit or loss	$ (300)	$ (58)	$ (211)	$ (70)

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

12. Related party transactions:

(a) Transactions with key management personnel:

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

Key management of the Company participates in the share option plan. Key management and their spouses control 52.0% of the issued common shares of the Company and as such are the ultimate controlling party.

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

	Three Months Ended October 31, 2012	Three Months Ended October 31, 2011	Six Months Ended October 31, 2012	Six Months Ended October 31, 2011
Salaries	$ 733	$ 610	$ 1,555	$ 1,193
Other short-term benefits	59	55	114	99
Payments to defined contribution plans	17	-	28	2
Share-based payments	-	21	-	28
	$ 809	$ 686	$ 1,697	$ 1,322

Under the provisions of the share purchase plan for key management, the Company provided interest-free loans of $169,000 to key management to facilitate their purchase of Company shares during the six months ended October 31, 2012. These loans will be fully repaid before the end of the fiscal year, April 30, 2013. The outstanding loans as at October 31, 2012 amounted to $80,000.

(b) Transactions with other related parties:

The loans payable comprises an unsecured subordinated loan from a person related to certain shareholders. The loan bears interest at 12.67% per annum and is payable on demand or upon the death of the lender. The Company repaid $6,000 during the six-month period ended October 31, 2012 (October 31, 2011 – $17,000).

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

	Three Months Ended October 31, 2012	Three Months Ended October 31, 2011	Three Months Ended October 31, 2012	Three Months Ended October 31, 2011
Interest expense on loan from a person related to certain shareholders	$ 2	$ 4	$ 5	$ 7

	October 31, 2012	April 30, 2012
Subordinated loan payable	$ 79	$ 85

These transactions occurred in the normal course of operations.

13. Capital disclosures:

The Company defines capital as equity, loans payable 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 research and development activities, sales and services activities, general and administrative expenses, working capital, capital expenditures, potential future acquisitions, future growth, 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 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.

In recent history, the Company has followed an approach that relies almost exclusively on its existing liquidity and cash flow from operations to fund its activities. When possible, the Company tries to optimize its liquidity needs by non-dilutive sources, including tax credits, and interest income.

In recent years, the Company's policy was to maintain a minimum level of debt. Recent trends in the past year are indicative of a resurgence of the supply chain management market, which has translated to higher bookings for the Company's products and services and a higher backlog greater than $26 million at the start of fiscal 2013 representing an increase of 25% in comparison to a year earlier. The Company has increased its headcount during fiscal 2012 and the first half of fiscal 2013 and anticipates further investment in resources to meet the higher demand for its services and to capture pipeline opportunities. Due to the anticipated expansion of its working capital due to business growth, its investment in the integration and training of new resources, and the expansion of its Montreal head office, the Company completed the negotiation of new credit facilities during the second quarter of the current fiscal year to ensure that the growth trends can be nurtured and sustained.

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

The Company manages its capital structure by adjusting purchased shares for cancellation pursuant to the normal course issuer bids, adjusting the amount of dividends to shareholders, paying off existing debt and extending or amending its banking and credit facilities. The Company's banking and credit facilities require adherence to financial covenants. The Company is in compliance with these covenants as at October 31, 2012 and April 30, 2012.

14. 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:

	Three Months Ended October 31, 2012	Three Months Ended October 31, 2011	Six Months Ended October 31, 2012	Six Months Ended October 31, 2011
Canada	$ 5,112	$ 4,422	$ 9,179	$ 9,195
United States	5,361	4,642	12,747	8,845
Other	275	35	332	62
	$ 10,748	$ 9,099	$ 22,258	$ 18,102

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