



Independent Auditors' Report

To the Shareholders of Tecsys Inc.

Opinion

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

- the consolidated statements of financial position as at April 30, 2021 and April 30, 2020;
- the consolidated statements of income and other comprehensive income for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years then ended;
- and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at April 30, 2021 and April 30, 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

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

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

Key Audit Matters

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

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

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

Description of the matter

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

Why the matter is a key audit matter

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

**How the matter was addressed in the audit**

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

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

Other Information

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

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.
- the information, other than the financial statements and the auditors' report thereon, included in a document likely to be entitled "Annual Report 2021".

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

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

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

We have nothing to report in this regard.

The information, other than the financial statements and the auditors' report thereon included in a document likely to be entitled "Annual Report 2021" is expected to be available to us after the date of this auditors' report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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



We also:

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

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.
- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Montréal, Canada
June 29, 2021

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

Tecsys Inc.**Consolidated Statements of Financial Position**

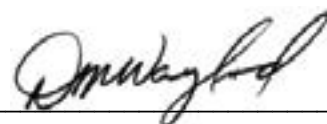
(in thousands of Canadian dollars)

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

Approved by the Board of Directors



Director



Director

See accompanying notes to the consolidated financial statements.

Tecsys Inc.**Consolidated Statements of Income and Comprehensive Income**

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

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

See accompanying notes to the consolidated financial statements.

Tecsys Inc.
Consolidated Statements of Cash Flows

(in thousands of Canadian dollars)

Years ended April 30,	Note	2021	2020
Cash flows from operating activities:			
Net profit		\$ 7,188	\$ 2,346
Adjustments for:			
Depreciation of property and equipment and right-of-use assets	7, 8	2,180	2,005
Amortization of deferred development costs	10	269	536
Amortization of other intangible assets	10	1,663	1,530
Net finance costs	18	324	1,128
Unrealized foreign exchange and other		(1,130)	(245)
Non-refundable tax credits		(1,395)	(1,398)
Stock-based compensation	14	1,138	1,024
Income taxes		2,545	399
Net cash from operating activities excluding changes in non-cash working capital items related to operations		12,782	7,325
Accounts receivable		1,552	(3,434)
Work in progress		652	(27)
Other receivables		289	(315)
Tax credits		(724)	103
Inventory		5	38
Prepaid expenses		(1,120)	(1,089)
Contract acquisition costs		(354)	(1,788)
Accounts payable and accrued liabilities		137	7,285
Deferred revenue		5,894	1,908
Changes in non-cash working capital items related to operations		6,331	2,681
Net cash from operating activities		19,113	10,006
Cash flows from financing activities:			
Repayment of long-term debt	11	(1,215)	(1,018)
Payment of lease obligations	12	(929)	(993)
Issuance of common shares, net of transaction costs of \$1,281	14	-	21,719
Payment of dividends	14	(3,607)	(3,009)
Deferred payment related to business acquisition	13	(2,191)	-
Issuance of common shares on exercise of stock options	14	1,442	12
Interest paid		(638)	(854)
Net cash (used in) from financing activities		(7,138)	15,857
Cash flows from investing activities:			
Purchase of short-term investments	4	(10,000)	(10,000)
Interest received	18	174	74
Acquisitions of property and equipment	7	(962)	(934)
Acquisitions of other intangible assets	10	(569)	(196)
Deferred development costs	10	(254)	(575)
Payments related to prior business acquisitions	13	(2,140)	(1,617)
Net cash used in investing activities		(13,751)	(13,248)
Net (decrease) increase in cash and cash equivalents during the year		(1,776)	12,615
Cash and cash equivalents - beginning of year		27,528	14,913
Cash and cash equivalents - end of year		\$ 25,752	\$ 27,528
Supplemental cash flow information:			
Purchase of property and equipment included in accounts payable and accrued liabilities		\$ 95	\$ 133
Right-of-use assets additions		\$ -	\$ 863
Deferred tax asset recognized in share capital related to transaction fees		\$ -	\$ 449
Transaction costs included in accounts payable and accrued liabilities related to issuance of common shares		\$ -	\$ 426

See accompanying notes to the consolidated financial statements.

Tecsys Inc.
Consolidated Statements of Changes in Equity

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

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

See accompanying notes to the consolidated financial statements.

Tecsys Inc.

Notes to the Consolidated Financial Statements

For the years ended April 30, 2021 and 2020

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

1. Description of business:

Tecsys Inc. (the "Company") was incorporated under the Canada Business Corporations Act in 1983. The Company's principal business activity is the development, marketing and sale of enterprise-wide supply chain management software for distribution, warehousing, transportation logistics, point-of-use and order management. The Company sells its software primarily on a subscription basis as Software as a Service and also on a perpetual license basis with recurring support. The Company also provides related consulting, education and support services. The Company is headquartered at 1, Place Alexis Nihon, Montréal, Canada, and derives substantially all of its revenue from customers located in the United States, Canada and Europe. The Company's customers consist primarily of healthcare systems, services parts, third-party logistics, retail and general wholesale high volume distribution industries. The consolidated financial statements comprise the Company and its wholly-owned subsidiaries. The Company is a publicly listed entity and its shares are traded on the Toronto Stock Exchange under the symbol TCS.

2. Basis of preparation:

(a) Statement of compliance:

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

The consolidated financial statements for the year ended April 30, 2021 were authorized for issuance by the Board of Directors on June 29, 2021.

(b) Basis of measurement:

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

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

(c) Functional and presentation currency:

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

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

The preparation of the consolidated financial statements in accordance with IFRS requires management to make estimates, assumptions, and judgments that affect the application of accounting policies and the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities and revenue and expenses. Reported amounts and note disclosures reflect the overall economic conditions that are most likely to occur and the anticipated measures that management intends to take. Actual results may differ from these estimates.

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

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

2. Basis of preparation (continued):**(d) Critical accounting judgements and key sources of estimation uncertainty (continued):****Impairment of assets:**

The Company assesses whether there are any indicators of impairment of assets at each reporting period date. In addition, the Company is required to determine the recoverable amount of a cash-generating unit ("CGU"), defined as the smallest identifiable group of assets that generates cash inflows independent of other assets. Management applies judgement in assessing and identifying each CGU.

Key sources of estimation uncertainty

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

(i) Revenue recognition – Determination of distinct performance obligations and stand-alone selling prices:

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

(ii) Income taxes:

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

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

(iii) Impairment of assets:

Impairment assessments are based on internal estimates of the recoverable amount of a CGU. This determination requires significant estimates in a variety of areas including cash flows projected based on past experience, actual operating results and future projections, as well as the calculation of discount rates. The Company documents and supports all assumptions made to determine the above estimates and updates such assumptions to reflect the best information available to the Company if and when an impairment assessment requires the recoverable amount of a CGU to be determined.

COVID-19:

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

Tecsys Inc.

Notes to the Consolidated Financial Statements

For the years ended April 30, 2021 and 2020

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

2. Basis of preparation (continued):

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

COVID-19 (continued):

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

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

3. Significant accounting policies:

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

(a) Basis of consolidation:

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

(i) Subsidiaries:

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

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

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

(ii) Transactions eliminated on consolidation:

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

Tecsys Inc.

Notes to the Consolidated Financial Statements

For the years ended April 30, 2021 and 2020

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

3. Significant accounting policies (continued):

(b) Foreign currency transactions:

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

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

Foreign currency translation

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

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

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

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

(c) Financial instruments:

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

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

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

3. Significant accounting policies (continued):

(c) Financial instruments (continued)

(i) Financial assets measured at amortized cost:

A financial asset is subsequently measured at amortized cost, using the effective interest method except for short-term receivables where the interest revenue would be immaterial, and net of any impairment loss, if:

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

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

(ii) Financial assets measured at fair value:

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

(iii) Financial liabilities measured at amortized cost:

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

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

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

3. Significant accounting policies (continued):

(c) Financial instruments (continued):

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

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

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

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

When derivative contracts designated as cash flow hedges are terminated, expired, sold or no longer qualify for hedge accounting, hedge accounting is discontinued prospectively. Any amounts recorded in accumulated other comprehensive income (loss) up until the time the contracts do not qualify for hedge accounting remain in accumulated other comprehensive income (loss) until the hedged future cash flows occur if they are still expected to occur.

However, if the amount in accumulated other comprehensive income (loss) is a loss and the Company expects that all or a portion of that loss will not be recovered in future periods, then it shall immediately reclassify the amount that is not expected to be recovered into profit. Additionally, if the hedged future cash flows are no longer expected to occur, then the amount in accumulated other comprehensive income (loss) shall be immediately reclassified to profit. Amounts recognized in accumulated other comprehensive income (loss) are recognized in profit in the period in which the underlying hedged transaction is completed. Gains or losses arising subsequent to the derivative contracts not qualifying for hedge accounting are recognized in the period incurred.

(vi) Fair value of financial instruments:

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

(vii) Impairment of financial assets:

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

- i. 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- ii. Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Company has elected to measure loss allowances for trade accounts receivable at an amount equal to lifetime ECLs.

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

3. Significant accounting policies (continued):

(c) Financial instruments (continued):

(vii) Impairment of financial assets (continued):

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

The Company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as recovering inventory or the Company's credit insurance (if any).

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

i. Measurement of ECLs

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

ii. Credit-impaired financial assets

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

Examples of events that could occur are:

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

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

iii. Presentation of impairment

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

iv. Write-off

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

Tecsys Inc.

Notes to the Consolidated Financial Statements

For the years ended April 30, 2021 and 2020

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

3. Significant accounting policies (continued):

(d) Cash and cash equivalents:

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

(e) Short-term investments:

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

(f) Inventory:

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

(g) Property and equipment:

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

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

Subsequent costs

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

Depreciation

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

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

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

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

(h) Intangible assets:

(i) Goodwill:

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

Tecsys Inc.

Notes to the Consolidated Financial Statements

For the years ended April 30, 2021 and 2020

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

3. Significant accounting policies (continued):

(h) Intangible assets (continued):

(ii) Research and development costs:

Costs related to research are expensed as incurred.

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

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

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

(iii) Other intangible assets:

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

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

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

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

(i) Impairment of non-financial assets:

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

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

3. Significant accounting policies (continued):**(i) Impairment of non-financial assets (continued):**

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

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

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

(j) Government assistance:

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

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

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

(k) Provisions:

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. This includes provisions for onerous contracts, litigation and contingencies.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as a finance cost.

(l) Leases:

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

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

3. Significant accounting policies (continued):**(l) Leases (continued):**

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

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

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

(m) Income taxes:

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

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

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

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

(n) Revenue recognition:

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

3. Significant accounting policies (continued):

(n) Revenue recognition (continued):

Revenues generated by the Company include the following:

(i) SaaS:

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

(ii) License fees and hardware products:

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

(iii) Maintenance and support agreements:

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

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

(iv) Professional services:

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

(v) Reimbursable expenses:

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

(vi) Bundled arrangements:

Some of the Company's sales involve bundled arrangements that include products (software and/or hardware), SaaS, maintenance and various professional services. The Company evaluates each deliverable in an arrangement to determine whether such deliverable would represent a distinct performance obligation. Revenue is recognized for each performance obligation when the applicable revenue recognition criteria, as described above, are met. In bundled arrangements, the Company separately accounts for each product or service when the promised product or service is capable of being distinct and is distinct within the context of the contract.

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

3. Significant accounting policies (continued):**(n) Revenue recognition (continued):****(vii) Contract costs:**

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

(viii) Work in progress and deferred revenue:

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

(o) Employee benefits:

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

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

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

(p) Share-based payment arrangements:

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

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

(q) Finance income and finance costs:

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

Tecsys Inc.

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3. Significant accounting policies (continued):

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

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

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

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

(r) Earnings per share:

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

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

(s) Share capital:

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

(t) Segment reporting:

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

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

New standards and interpretations not yet adopted:

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

Tecsys Inc.

Notes to the Consolidated Financial Statements
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3. Significant accounting policies (continued):

New standards and interpretations not yet adopted (continued):

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

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

IAS 37, Provisions, Contingent Liabilities and Contingent Assets:

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

IAS 1, Presentation of Financial Statements:

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

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

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

Tecsys Inc.

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3. Significant accounting policies (continued):

New standards and interpretations not yet adopted (continued):

IAS 8, Definition of Accounting Estimates:

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

4. Short-term investments:

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

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

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

5. Government assistance (Tax credits):

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

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

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

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

The following table presents the tax credits for the Company:

	SRED Canadian Federal non- refundable tax credits	SRED Provincial non- refundable tax credits	E-business refundable tax credits	E-business non- refundable tax credits	Total
Balance, April 30, 2019	\$ 5,672	\$ 116	\$ 2,529	\$ 436	\$ 8,753
Tax credits received or utilized against income tax expense	(708)	(30)	(2,388)	(374)	(3,500)
Adjustments to prior year's credits	185	(86)	(141)	(149)	(191)
Recognition of tax credit	460	20	2,607	637	3,724
Balance, April 30, 2020	\$ 5,609	\$ 20	\$ 2,607	\$ 550	\$ 8,786

Presented as:

Current

Tax credits	\$ 985	\$ 20	\$ 2,607	\$ 550	\$ 4,162
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Non-current

Tax credits	\$ 4,624	\$ -	\$ -	\$ -	\$ 4,624
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Tax credits received or utilized against income tax expense	(1,250)	(20)	(2,635)	(453)	(4,358)
Adjustments to prior year's credits	(52)	-	28	17	(7)
Recognition of tax credit	552	20	3,412	858	4,842
Balance, April 30, 2021	\$ 4,859	\$ 20	\$ 3,412	\$ 972	\$ 9,263

Presented as:

Current

Tax credits	\$ 955	\$ 20	\$ 3,412	\$ 972	\$ 5,359
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Non-current

Tax credits	\$ 3,904	\$ -	\$ -	\$ -	\$ 3,904
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The amounts recorded as receivable or recoverable are subject to a government tax audit and the final amounts received may differ from those recorded. There are no unfulfilled conditions or contingencies associated with the government assistance received.

Tecsys Inc.

Notes to the Consolidated Financial Statements

For the years ended April 30, 2021 and 2020

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

As at April 30, 2021, the Company has non-refundable research and development tax credits totaling approximately \$4,859 (April 30, 2020 - \$5,609) for Canadian Federal income tax purposes which may be used to reduce taxes payable in future years. These Federal non-refundable tax credits may be claimed no later than fiscal years ending April 30:

	Federal non-refundable tax credits
2022	\$ 51
2023	999
2024	160
2025	204
2026	173
2027	143
2028	165
2029	154
2030	86
2031	94
2032	73
2033	94
2034	129
2035	114
2036	115
2037	166
2038	349
2039	507
2040	583
2041	500
	\$ 4,859

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

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

Tecsys Inc.

Notes to the Consolidated Financial Statements

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6. Inventory:

	2021	2020
Finished goods	\$ 404	\$ 475
Third-party software licenses for resale	224	159
	<u>\$ 628</u>	<u>\$ 634</u>

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

7. Property and equipment:

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

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

Tecsys Inc.

Notes to the Consolidated Financial Statements
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8. Right-of-use assets:

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

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

9. Contract acquisition costs:

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

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

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

Tecsys Inc.

Notes to the Consolidated Financial Statements
For the years ended April 30, 2021 and 2020
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10. Goodwill, deferred development costs, and other intangible assets:

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

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

Tecsys Inc.

Notes to the Consolidated Financial Statements

For the years ended April 30, 2021 and 2020

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

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

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

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

Impairment testing for cash-generating units containing goodwill

For the purposes of impairment testing, goodwill is allocated to the cash-generating units ("CGUs") which represent the lowest level within the Company for which there are separately identifiable cash inflows. The Company has two CGUs, the non-Tecsys A/S CGU and the Tecsys A/S CGU. As at April 30, 2021 goodwill for Non-Tecsys A/S and Tecsys A/S represent \$10,783 and \$6,634 respectively (April 30, 2020 - \$10,783 and \$6,757 respectively).

The Company performs its goodwill impairment assessment on an annual basis or more frequently if there are any indications that impairment may exist. The recoverable amount of the Company's CGU's was based on its value in use which was determined by discounting the future cash flows generated from the continuing use of the units. The carrying amount of the units were determined to be lower than their recoverable amount and no impairment loss was recognized on April 30, 2021 and 2020.

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

Cash flows were projected based on past experience, actual operating results and the annual business plan prepared at the end of fiscal 2021 for the forthcoming year. Cash flows for an additional four-year period and a terminal value were extrapolated using a constant growth rate of 5%, which does not exceed the long-term average growth rate for the industry.

Tecsys Inc.

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

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

A pre-tax discount rate of 14% for the non-Tecsys A/S CGU and 15% for the Tecsys A/S CGU was applied in determining the recoverable amount of the unit. The values assigned to the key assumptions represent management's assessment of future trends in the software industry and are based on both external and internal sources.

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

11. Banking facilities and long-term debt:

On January 30, 2019, the Company entered into a Credit Agreement. The Credit Agreement includes a Term Facility of up to \$12,000 and a Revolving Facility of \$5,000. The Term Facility was used for the purchase of Tecsys A/S and for general corporate purposes. The Revolving Facility is for general corporate purposes. As at April 30, 2021, the Company had outstanding \$9,600 under the Term Facility (the "Term Loan") (April 30, 2020 - \$10,800). The Revolving Facility was undrawn as of April 30, 2021 and April 30, 2020.

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

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

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

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

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

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

Tecsys Inc.

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12. Lease obligations:

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

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

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

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

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

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

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

Tecsys Inc.

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

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

Presented as:

Current

Accounts payable and accrued liabilities	\$ 19,417	\$ 19,933
Other current liabilities	500	4,670
	\$ 19,917	\$ 24,603

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

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

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

14. Share capital and stock option plan:

(a) Authorized share capital:

Authorized - unlimited as to number and without par value

Common shares

The holders of common shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings of the Company.

All outstanding shares issued are fully paid.

Class A preferred shares

Class A preferred shares are issuable in series, having such attributes as the Board of Directors may determine. Holders of Class A preferred shares do not carry the right to vote. No preferred shares are outstanding as at April 30, 2021 and April 30, 2020.

14. Share capital and stock option plan (continued):**(b) Executive share purchase plan:**

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

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

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

During each fiscal year, a participant is required to make an annual purchase, each participant has the right to borrow from the Company, and the Company has the obligation to loan to each participant, an amount not to exceed the annual purchase for such fiscal year for such participant (a "loan"). The loans bear no interest and are disbursed in one lump sum following receipt by the Company of a proof of purchase of the common shares. If the employment of a participant with the Company terminates for any reason whatsoever, all amounts due under any outstanding loan become immediately due and payable.

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

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

(c) Bought deal shares issuance:

On April 28, 2020, the Company completed an offering of 1,333,333 common shares of the Company at the offering price of \$17.25 per common share for aggregate gross proceeds of \$23,000 (the "Offering"). The Offering included a treasury offering of 1,159,420 shares by the Company and 173,913 common shares purchased by the underwriters pursuant to the exercise of their over-allotment option on April 28, 2020. The Offering was completed on a bought deal basis and was underwritten by a syndicate of underwriters.

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

Transaction costs directly associated with this issuance of treasury shares of approximately \$1,707 (\$1,258 net of deferred taxes) were recognized as a reduction of the proceeds, resulting in net total proceeds of \$21,293. At April 30, 2020, \$426 of transaction costs remained unpaid and were recorded in accounts payable and accrued liabilities. The costs were paid after April 30, 2020.

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14. Share capital and stock option plan (continued):**(d) Dividend policy:**

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

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

(e) Earnings per share:

The calculation of basic earnings per share is based on the profit attributable to common shareholders and the weighted average number of common shares outstanding. The calculation of diluted earnings per share is based on the profit attributable to common shareholders and the weighted average number of common shares outstanding after adjustment for the effects of all dilutive common shares.

Basic and diluted earnings per share are calculated as follows:

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

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

(f) Stock option plan:

The Company has a stock option plan under which stock options may be granted to certain employees and directors. Under the terms of the plan, the Company may grant options up to 10% of its issued and outstanding shares. The stock option plan is administered by the Board of Directors who may determine, in accordance with the terms of the plan, the terms relating to each option, including the extent to which each option is exercisable during the term of the options.

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

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

(f) Stock option plan (continued):

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

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

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

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

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

The fair value of options granted on July 8, 2020, December 2, 2020 and February 24, 2021 were determined using the Black-Scholes option pricing model with the following assumptions:

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

Tecsys Inc.

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

(f) Stock option plan (continued):

For the fiscal year ended April 30, 2021, the Company recognized stock-based compensation expense of \$1,138 (\$1,024 for the fiscal year ended April 30, 2020). The contributed surplus accounts are used to record the accumulated compensation expense related to equity-settled share-based compensation transactions. Upon exercise of stock options, the corresponding amounts previously credited to contributed surplus are transferred to share capital.

15. Cloud, maintenance and subscription revenue:

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

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

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

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

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16. Income taxes:

(a) Income taxes comprise the following components:

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

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

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

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16. Income taxes (continued):

(c) Recognized deferred tax assets and liabilities:

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

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

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

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16. Income taxes (continued):

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

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

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

(d) Unrecognized net deferred tax assets

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

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

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

The Company's U.K. subsidiary has unrecognized net operating losses carried forward for income tax purposes of approximately \$479 (£ 282) (April 30, 2020 – \$518 (£ 300)) which may be applied to reduce taxable income in future years.

The Company and its subsidiaries have unrecognized accumulated capital losses of approximately \$6,384 (April 30, 2020 – \$6,384) which may be applied to reduce future taxable capital gains.

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

Unrecognized deferred tax liabilities:

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

Tecsys Inc.

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17. Personnel expenses:

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

18. Finance income and finance costs:

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

19. Contingencies and other commitments:

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

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

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

Tecsyst Inc.

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20. Related party transactions:

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

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

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

Under the provisions of the share purchase plan for key management and other management employees, the Company provided interest-free loans to key management and other management employees of \$500 (2020-\$682) to facilitate their purchase of the Company's common shares during fiscal 2021. As of April 30, 2021, loans outstanding amounted to \$401 (2020-\$528) and are included in other receivables and other long-term receivables in the Consolidated Statements of Financial Position.

21. Financial instruments and risk management:

Classification of financial instruments

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

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

21. Financial instruments and risk management (continued):**(a) Fair value disclosures**

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

The fair value of the long-term debt was determined using level 2 of the fair value hierarchy, by discounting the future cash flows using interest rates which the Company could obtain for loans with similar terms, conditions, and maturity dates. There is no significant difference between the fair value and the carrying value of the long-term debt as at April 30, 2021 and 2020.

The fair value of derivatives consisting of foreign exchange forward contracts is measured using a generally accepted valuation technique which is the discounted value of the difference between the contract's value at maturity based on the rate set out in the contract and the contract's value at maturity based on the rate that the counterparty would use if it were to renegotiate the same contract at the measurement date under the same conditions. The fair value of derivative financial instruments is based on forward rates considering the market price, rate of interest and volatility and takes into account the credit risk of the financial instrument.

The fair value of financial assets, financial liabilities and derivative financial instruments were measured using the Level 2 inputs in the fair value hierarchy as at April 30, 2021 and 2020.

The forward foreign exchange contracts in a hedging relationship designated as cash flow hedges qualified for hedge accounting. The forward foreign exchange contracts outstanding as at April 30, 2021 and April 30, 2020 consisted primarily of contracts to reduce the exposure to fluctuations in the U.S. dollar.

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

(b) Risk management

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

Currency risk

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

Non-hedge designated derivative instruments

On April 30, 2021, the Company held two outstanding foreign exchange contracts with various maturities to June 2021 to sell US\$5,300 into Canadian dollars at rates averaging CA\$1.2587 to yield CA\$6,671. On April 30, 2021, the Company recorded an unrealized exchange gain of \$157 included in other receivables representing the change in fair value of these outstanding contracts since inception and their initial measurement.

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

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21. Financial instruments and risk management (continued):

(b) Risk management (continued)

Currency risk (continued)

Revenue hedge designated derivative instruments

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

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

		Carrying amount of the hedging instrument							
				Assets		Liabilities		Changes in fair	
		Notional amount		presented in		presented in		value used for	
		of the hedging		other		payable and		calculating	
		instrument		receivables		accrued		hedge	
						liabilities		ineffectiveness	
Cash-flow hedges:									
April 30, 2021 Foreign exchange risk:	US\$	28,900	CA\$	1,529	CA\$	-	CA\$	1,529	
April 30, 2020 Foreign exchange risk:	US\$	29,000	CA\$	987	CA\$	652	CA\$	335	

Hedging components of accumulated other comprehensive income

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

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

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21. Financial instruments and risk management (continued):

(b) Risk management (continued)

Currency risk (continued)

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

Foreign currency exposure

The following table provides an indication of the Company's significant foreign exchange currency exposures excluding designated hedge derivatives related to highly probable future revenue as at April 30, 2021 and 2020.

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

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

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

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

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

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

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

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21. Financial instruments and risk management (continued):**(b) Risk management (continued)***Credit risk*

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

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

As at April 30, 2021 two customers individually accounted for greater than 10% of total trade receivables and work in progress (April 30, 2020 – no customers above 10%). Generally, there is no particular concentration of credit risk related to the accounts receivable due to the distribution of customers and procedures for the management of commercial risks. The Company performs ongoing credit reviews of its customers and establishes an allowance for expected credit losses when accounts are determined to be uncollectible. Customers do not provide collateral in exchange for credit.

The Company has an arrangement, which automatically renewed in fiscal 2021, with a federal crown corporation and another insurer ("the insurers") wherein the insurers assume the risk of credit loss in the case of bankruptcy for up to 90% of accounts receivable for certain qualifying foreign and domestic customers. The insurance is subject to a deductible and maximum of US\$2,000 (April 30, 2020 - US\$2,000) for export losses and US\$770 (April 30, 2020 - US\$900) for domestic losses in any policy period. The insurance policy period runs from February 1 to January 31 of each year.

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

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

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

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21. Financial instruments and risk management (continued):

(b) Risk management (continued)

Liquidity risk

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

The following are contractual maturities of financial liabilities as of April 30, 2021 and 2020:

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

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

Interest rate risk

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

Market price risk

Market price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market price risk comprises three types of risk: currency risk; interest rate risk; and other price risk. Other price risk includes fluctuations in value caused by factors specific to the financial instrument or its issuer or factors affecting all similar instruments traded in the market. The Company's exposure to financial instruments with market risk characteristics is not significant.

22. Capital disclosure:

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

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22. Capital disclosure (continued):

Its capital management policies may also include promoting shareholder value through the concentration of its shareholdings by means of purchasing its own shares for cancellation through normal course issuer bids when the Company considers it advisable to do so. The Revolving Facility remains undrawn as of April 30, 2021 and can be utilized for general corporate purposes.

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

In order to maintain or adjust its capital structure, the Company may upon approval from its Board of Directors, issue shares, repurchase shares for cancellation, adjust the amount of dividends to shareholders, pay off existing debt, and extend or amend its banking and credit facilities as deemed appropriate under the specific circumstances. The Company's banking and credit facilities require adherence to financial covenants. The Company is in compliance with these covenants as at April 30, 2021 and at April 30, 2020. Other than its banking agreement covenants, the Company is not subject to externally imposed capital requirements.

23. Operating segment:

Management has organized the Company under one reportable segment: the development and marketing of enterprise-wide distribution software and related services. Substantially all of the Company's property and equipment (including right-of-use assets), goodwill and other intangible assets are located in Canada and Denmark. For Denmark, the property and equipment (including right-of-use assets), goodwill and other intangible assets (including deferred development costs) as at April 30, 2021 were \$824, \$6,635 and \$6,823 respectively (2020 – \$1,171, \$6,758 and \$7,540). For Canada, the amounts were \$9,103, \$10,782 and \$6,459 respectively (2020 - \$9,886, \$10,782 and \$6,964). As at April 30, 2021, total assets attributable to Denmark were \$19,188 (April 30, 2020 - \$21,100). The Company's subsidiaries in the U.S. and the U.K. comprise sales and service operations offering implementation and maintenance services only.

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

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

24. Restructuring costs:

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

25. Subsequent event:

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