inscape

2015

Annual report

DELIGHT **USERS** | EMPOWER **TECHNOLOGY** | FOSTER **AGILITY** | DESIGN FOR **SUSTAINABILITY**


We've done our research

contents

financial highlights

Years ended April 30, (in thousands, except per share amounts)

		2015		2014
Statement of Operations Data				
Sales	$	**69,424**	$	66,155
Gross profit	$	**14,808**	$	14,742
Net loss	$	**(13,076)**	$	(7,092)
Basic and diluted earnings per share	$	**(0.91)**	$	(0.49)
Cash Flow Data				
Cash outflow from operations prior to non-cash working capital changes	$	**(3,338)**	$	(2,500)
Balance Sheet Data				
Total cash, cash equivalents and short-term investments	$	**13,024**	$	18,898
Total assets	$	**48,582**	$	58,355
Shareholders’ equity	$	**29,826**	$	43,594

letter to shareholders

Dear Fellow Shareholders,

Fiscal 2015 was a year of new partnerships and innovative approaches. As we maintain our focus on achieving sustainable growth and stabilizing operations, we committed to several significant initiatives that are already in implementation.

Expanded Product Offering

The Company continued to enhance and expand its product offering to provide a full range of products for end users. Significant resources were invested in completing the launch of the award-winning products that were introduced at NeoCon 2014, the largest commercial interiors show in North America.

The Company also introduced several new products at NeoCon 2015, including the Domain desking system, five new seating lines, i3 Technology and Drive ergonomic collections.

All the new products will help our customers communicate, connect and collaborate in their workspaces.

Global Contract Furniture Partners

We continue to partner with leading global contract furniture manufacturers to launch products in the North American market. Our five new seating collections were all sourced from our European partners and expanded the Company's seating collection to six, providing more options to our sales partners and customers.

West Elm Partnership

In November 2014 the Company announced a licensing agreement with West Elm (a division of retailer Williams Sonoma Inc.) to create a new product line that complements Inscape's existing products and meets a market demand for high design products with a residential aesthetic.

The West Elm with Inscape collection was launched at NeoCon 2015 featuring 80 new products, winning a Gold Best of NeoCon Award and two Editor's choice awards.

Committed Distribution

The Company took significant steps to improving distribution. Senior management introduced a new distribution concept to many of the largest dealers in North America in the fourth quarter of Fiscal 2015. As of June 2015, the Company has added three dealer partners with a goal of 20 new partners in fiscal 2016.

Global Fulfillment & Visualization

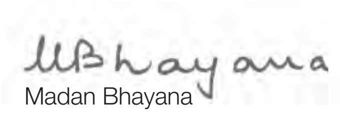
In December 2014, the Company announced the development of F.I.R.E. (Fully Integrated Resource for Enterprise management) which integrates industry leading technology to create a single customer-centric solution unlike any other currently available. F.I.R.E. software is a key differentiator that links visualization, specification, order acknowledgement and shipment of our products. This technology supports the Company's dealers, appeals to the design community and integrates into the Company's MRP system.

Reinvent Industrial System

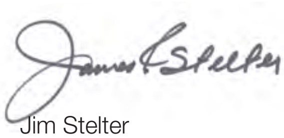
To support the Company's efforts to reinvent the industrial system, the manufacturing and supply chain groups continue to look for new and innovative ways to maintain product quality, reduce costs and identify new suppliers and partners who can meet its needs.

These key strategic initiatives are creating a strong foundation for growth of Inscape. The Company will continue to focus on expanding its network of committed dealers and introducing products that respond to the needs of today's workers and the way they work. Our financial position and our foundation remain strong.

We thank our management, employees and sales partners for their efforts and commitment and we are grateful to our Board of Directors for their ongoing guidance and support.



Madan Bhayana
Chairman of the Board



Jim Stelter
Director and Chief Executive Officer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management's discussion & analysis

The following Management's Discussion and Analysis ("MD&A) of operating results and financial condition of Inscape Corporation and its subsidiaries ("the Company") for the year ended April 30, 2015 should be read in conjunction with the accompanying Consolidated Financial Statements and Notes for the years ended April 30, 2015 and 2014.

The discussion and analysis are as of June 25, 2015 unless otherwise stated.

Additional information relating to the Company, including the Annual Information Form, is available on SEDAR at www.sedar.com or on our website www.inscapesolutions.com.

Non GAAP Measures

In this MD&A, reference is made to EBITDA, which is not a measure of financial performance under International Financial Reporting Standards ("IFRS"). Inscape calculates EBITDA as earnings before interest, taxes, depreciation and amortization with the exclusion of impairment loss, unrealized derivative and foreign exchange gain/loss. Management believes EBITDA is a useful measure that facilitates period-to-period operating comparisons and we believe some investors and analysts use it as well. This measure, as calculated by Inscape, does not have any standardized meaning prescribed by IFRS and is not necessarily comparable to similar measure presented by other issuers.

Reference is also made to adjusted income or loss with the exclusion of hedge contract fair value adjustments, unrealized exchange gain/loss, non-operational expenses and expenses higher than historical levels. Management believes adjusted income/loss is useful measure that facilitates period-to-period operating comparisons. The adjusted income or loss is a non-GAAP measure, which does not have any standardized meaning prescribed by GAAP and is therefore unlikely to be comparable to similar measures presented by other issuers.

Forward-looking Statements

This report includes certain forward-looking statements that are based on the Company's best information and judgments as at the date of this report. Readers are cautioned not to place undue reliance on forward-looking statements found mainly in the Outlook section but also elsewhere throughout this document. These forward-looking statements are based on our plans, intentions or expectations which are based on, among other things, assumptions about the rate of economic growth in North America, continuing recovery of the contract furniture business and currency fluctuations.

These forward-looking statements include known and unknown risks, uncertainties, assumptions and other factors which may cause actual results or achievements to be materially different from those expressed or implied. The forward-looking statements are subject to risks and uncertainties that may cause the actual results to differ materially from those anticipated in the discussion (see "Risks and Uncertainties" for more information).

While management believes that the expectations expressed by such forward-looking statements are reasonable, we cannot assure that they will be correct. In evaluating forward-looking information and statements, readers should carefully consider the various factors which could cause actual results or events to differ materially from those indicated in the forward-looking information and statements. Readers are cautioned that the foregoing list of important factors is not exhaustive. Furthermore, the Company will update its disclosure upon publication of each fiscal quarter's financial results and otherwise disclaims any obligations to update publicly or otherwise revise any such factors or any of the forward-looking information or statements contained herein to reflect subsequent information, events or developments, changes in risk factors or otherwise.

Company Profile and Core Business

Inscape Corporation is a limited company incorporated in Ontario, Canada, with Class B common shares listed on the Toronto Stock Exchange (TMX). The Company's registered office and headquarters is at 67 Toll Road, Holland Landing, Ontario, Canada.

For over 125 years, Inscape has applied innovative design and engineering principles to the development of their products and delivered customized workplace solutions for clients. Inscape's pursuit of design excellence includes a commitment to design for sustainability. The Company's system, storage and wall products provide flexibility to create applications at a lower cost of ownership.

The Company reports in two business segments: the Office Furniture segment includes storage, benching and systems with manufacturing operations based in Holland Landing, Canada. The Inscape Walls segment has a manufacturing facility located in upstate New York. The combined manufacturing footprint of these two facilities is approximately 438,000 square feet. Inscape serves its clients through a network of dealers and representatives supported by showrooms across North America.

Vision and Strategy

Inscape promotes its brand as smart workspaces. Smart workspaces are built on four guiding principles: delight users, empower technology, foster agility, and design for sustainability.

Delight Users means including thoughtful details that keep people happy and productive in their work environment. Empower Technology refers to the ability of Inscape's products to provide users with convenient, flexible access to power and data. Foster Agility in the workspace means letting users customize and change their space as their needs change over time. Design for Sustainability highlights that good choices matter from product concept through design, manufacturing and application and beyond, extending product life through component reuse.

Management's focus in fiscal 2015 was to stabilize operations and develop a strategic focus that will achieve sustainable revenue and earnings growth. Four key initiatives were developed and are the foundation of the Company's objectives. These include: (1) Enhance and expand the Company's products to provide a full range of products for end users; (2) Generate a dedicated distribution network; (3) Create a customer interface platform that leverages leading edge technology and will simplify MRP process and allow us to meet customer needs more quickly; (4) Reinvent the industrial system.

During the fourth quarter of Fiscal 2014, the Company developed eight new products. These were launched at the NeoCon trade show in June 2014 and received five Best of NeoCon Awards (4 Gold and 1 Silver).

The Company established relationships with global contract furniture manufacturers to increase the Company's product offerings in laminate storage products, task and lounge seating, and storefront wall systems.

In November 2014 the Company announced a licensing agreement with West Elm (a division of retailer of Williams Sonoma Inc.) to create a new product line that will complement Inscape's existing products and meet a market demand for high design products at significantly better value than is currently seen in the market.

The Company launched over 80 new products at the Neocon 2015 trade show. These were a combination of West Elm and Inscape products and the Company received a Best of NeoCon Gold award and two Editor's Choice Awards.

To further efforts to strengthen the Company's distribution channels, senior management introduced a new distribution concept to many of the largest dealers in North America that would lead with Inscape's products. Over 40 meetings were held in the fourth quarter of the current fiscal year and the Company signed 3 dealers as of June 2015.

In December 2014 the Company announced the development of F.I.R.E. (Fully Integrated Resource for Enterprise management) which integrates industry leading technology to create a single customer-centric solution unlike any other currently available. F.I.R.E. unites the leading industry partners to create one integrated solution that reimagines the client experience from idea to order, and shipment to satisfaction. Over a two year period, the Company will invest approximately $2.2 million to create this new platform. This technology supports the Company's dealers, appeals to the design community and integrates into the Company's MRP system.

As part of the Company's efforts to reinvent the industrial system, the manufacturing and the supply chain groups continue to look for new innovative ways to maintain product quality, reduce costs and identify new suppliers and partners who can meet its needs. Internally the Company uses techniques such as Continuous Improvements, Kaizens, and Lean Manufacturing techniques to reduce factory overheads and improve efficiencies. The Company's supply chain group identifies local and international sources to meet the exacting end user requirements.

These key strategic initiatives are creating a strong foundation for growth of the Company. In the upcoming year management expects to add up to 20 committed West Elm and Inscape dealers and add new products and accessories such as fabrics, seating, laminate storage and further development of the West Elm and Inscape product lines.

Overview

Fiscal year 2015 compared to fiscal year 2014

Sales increased $3 million (4.9%) compared to 2014 despite the delay of $5.5 million of major wall and furniture contracts to future quarters due to changes in customers' schedules. The sales increases resulted from improved product pricing and the strengthening of the U.S. dollar. The fiscal year ended with a net loss of $13.1 million or 91 cents per share, compared to a net loss of $7.1 million or 49 cents per share in fiscal year 2014. The current year's loss included $3.6 million deferred tax asset write-off and $1.6 million decrease in the fair value of outstanding hedge contracts with the strengthening of the U.S. dollar. The Company booked $1.5 million impairment loss from long-lived non-financial assets in the Walls facility.

The Company incurred additional costs due to: increased variable cost of sales resulting from year over year changing sales product mix; lower overhead absorption in the walls segment due to timing of projects throughout the year; second quarter installation losses of $0.7 million from one contract incurred; start-up costs relating to implementation of the Company's strategies; and higher stock option expense due to gains in the stock price throughout the year.

On a cash basis, the Company's cash and short-

Overview (continued)

term investment position declined $5.8 million by the end of the fiscal year. The two key contributors to this reduction were negative cash from operations ($3.3 million) and investment in fixed assets ($1.8 million). Cash from operations declined significantly because sales in the second half of the year were not high enough to absorb the Company's overhead and previously reported installation losses. With respect to investments in fixed assets, the company continued its efforts to manage these outflows; however $0.4 million upgrades to the New York and Chicago offices and $0.4 million investments in F.I.R.E. were made to support our strategic initiatives.

Fiscal year 2014 compared to fiscal year 2013

Fiscal year 2014 had a net loss of $7.1 million or 49 cents per share, compared to a net loss of $1.3 million or 9 cents per share in fiscal year 2013. The loss of $7.1 million included $2.8 million decrease in the fair value of outstanding hedge contracts. Fiscal year 2014's operating loss before taxes (gross margin net of selling, general and administrative expenses) was $5.8 million, compared with an operating loss of $1.6 million in fiscal year 2013 due to an 11.7% decline in sales.

The sales decline from fiscal 2013 to fiscal 2014 was the key driver of the Company's losses and is attributable to several factors: disruption to distribution channels partially caused by the bankruptcy of a major dealer; stagnation in U.S. Government budget approvals; and delayed key product launches, as well as significant concentration of resources on the launch of new products for fiscal 2015.

Selected Annual Information

Years ended April 30, (in thousands except for per share amounts)

		2015		2014
Sales	**$**	**69,424**	$	66,155
EBITDA	**$**	**(4,447)**	$	(2,164)
Adjusted loss before taxes	**$**	**(6,369)**	$	(5,870)
Net loss	**$**	**(13,076)**	$	(7,092)
Basic loss per share	**$**	**(0.91)**	$	(0.49)
Total assets	**$**	**48,582**	$	58,355
Total liabilities	**$**	**18,756**	$	14,761
Weighted average number of shares for basic EPS		**14,375,954**		14,373,201
Cash, cash equivalent and short-term investments	**$**	**13,024**	$	18,898

Results of Operations

Sales

(in thousands)		**Fiscal 2015**		Fiscal 2014	Change
Twelve Months Ended April 30,	**$**	**69,424**	$	66,155	4.9%

The annual sales of $69.4 million were 4.9% higher than last year's sales of $66.2 million. The increase in sales of $3 million was due to better realized selling prices and higher U.S. exchange rate. The furniture segment was up by 6.4% and the Walls segment was only 0.6% higher than last year due to the delays of major projects. Scheduling delays in large Walls and various furniture projects resulted in the shifting of about $5.5 million sales from the current fiscal year to future quarters.

Gross Profit

		Fiscal 2015		Fiscal 2014	
(in thousands)			**% of sales**		% of sales
Twelve Months Ended April 30,	**$**	**14,808**	**21.3%**	$14,742	22.3%

Gross profit as a percentage of sales decreased 1 percentage point from last year's 22.3% to the current year's 21.3%. The decrease in gross profit percentage was attributable to higher material costs arising from change in product mix, higher freight charges due to change in geographic distribution of customers' location and an installation cost over-run on a Walls project during the second quarter of the year. The higher variable costs were mitigated by lower overheads and better realized selling prices.

Selling, General & Administrative Expenses (SG&A)

	Fiscal 2015		Fiscal 2014	
(in thousands)		**% of sales**		% of sales
Twelve Months Ended April 30,	**$ 22,344**	**32.2%**	$20,546	31.1%

SG&A for the year was 32.2% of sales versus 31.1% of last year or an increase of $1.8 million, consisting of $1.1 million variable selling expense and $0.7 million fixed overheads. The higher overheads were mainly attributable to startup costs for the West Elm by Inscape business and a non-cash appreciation in the mark-to-market value of share-based compensation.

Net Income (Loss)

	Fiscal 2015		Fiscal 2014	
(in thousands)		**% of sales**		% of sales
Twelve Months Ended April 30,	**$ (13,076)**	**-18.8%**	$ (7,092)	-10.7%

Fiscal year 2015 had a net loss of $13.1 million, compared to a net loss of $7.1 million in fiscal year 2014. Current year's financial results included several unusual items that increase the loss. With the exclusion of these unusual items, current year's adjusted loss before tax would be lowered from $9.5 million to $6.4 million, compared with last year's adjusted loss of $5.9 million.

The following is a reconciliation of income/loss before taxes calculated in accordance with GAAP to the non-GAAP measure:

	Twelve Months Ended	
(in 000's)	**2015**	2014
LOSS BEFORE TAXES	**(9,638)**	(8,210)
NON-OPERATING AND/OR UNUSUAL ITEMS		
Decrease in fair value of derivatives	**1,558**	2,825
Impairment of long-lived assets	**1,486**	344
Stock based compensation	**727**	(483)
Fair value of short-term investments	**131**	43
Unrealized gain on foreign exchange	**(633)**	(389)
Unusual installation expense/loss	**-**	-
	3,269	2,340
ADJUSTED LOSS BEFORE TAXES	**(6,369)**	(5,870)

The $0.5 million increased loss above was a result of installation losses, higher variable costs due to product mix changes, start-up costs and project delays.

Investment Income

The Company earned interest income and dividends from short-term investments of its excess cash in money market instruments and preferred shares. The investments generated investment income of $0.31 million in fiscal year 2015, as compared to the $0.37 million in fiscal year 2014.

Income Tax

Fiscal 2015 had an income tax expense of $3.4 million, compared to an income tax recovery of $1.1 million in the

Income tax (continued)

previous year. During the fourth quarter of fiscal year 2015, the Company booked a valuation allowance relating to deferred tax assets. Due to the losses in the fourth quarter and the effects of accounting losses in the previous three years, management deemed it appropriate to charge a valuation allowance for these assets. This adjustment is a non-cash charge to the results and the Company has 20 years in which the assets can be realized against future income, at which point the valuation allowance can be reversed. Note 6 of the consolidated financial statements provided a reconciliation of the income tax expense for the current and prior fiscal years. Effective consolidated income tax rate is based on:

- income or loss before taxes
- amounts of non-taxable items such as unrealized exchange gain/loss for the U.S. tax jurisdictions
- Statutory tax rates in Canada and the U.S.
- future tax rates to apply when the temporary differences between the carrying amount and tax basis of various assets and liabilities are expected to reverse
- the enacted tax rates expected to apply when future tax benefits of tax loss carry-forwards are realized

Summary of Quarterly Results

Selected unaudited quarterly financial information for the previous eight quarters from July 31, 2013 through April 30, 2015 is provided below:

Selected Quarterly Information
(in thousands, except for per share amounts)
(Unaudited)

	Quarters Ended			
	April 30, 2015	**January 31, 2015**	**October 31, 2014**	**July 31, 2014**
Sales	**$ 12,641**	**$ 16,855**	**$ 20,888**	**$ 19,040**
Gross profit	**$ 1,195**	**$ 3,476**	**$ 5,040**	**$ 5,097**
EBITDA	**$ (4,381)**	**$ (1,487)**	**$ 376**	**$ 1,045**
Net income (loss)	**$ (3,396)**	**$ (9,396)**	**$ (1,063)**	**$ 779**
Basic and diluted earnings per share	**$ (0.24)**	**$ (0.65)**	**$ (0.07)**	**$ 0.05**
Adjusted income (loss) before taxes	**$ (4,889)**	**$ (1,739)**	**$ (6)**	**$ 265**

	Quarters Ended			
	April 30, 2014	January 31, 2014	October 31, 2013	July 31, 2013
Sales	$ 15,171	$ 14,373	$ 19,323	$ 17,288
Gross profit	$ 3,203	$ 2,405	$ 4,922	$ 4,212
EBITDA	$ (954)	$ (1,630)	$ 752	$ (332)
Net loss	$ (1,451)	$ (4,002)	$ (256)	$ (1,383)
Basic and diluted earnings per share	$ (0.10)	$ (0.28)	$ (0.02)	$ (0.10)
Adjusted income (loss) before taxes	$ (2,165)	$ (2,432)	$ (229)	$ (1,044)

Quarterly earnings per share may not add up to year-to-date earnings per share due to rounding.

The Company's sales volume is highly influenced by project activities. Management feels that the industry is changing to more project oriented sales which puts pressure on pricing and makes for more volatile sales trends. The quarterly information shows that in the current and prior fiscal years, sales in the first two quarters were higher than sales in the last two quarters of the year. The trend is consistent with the records over the last five years after adjusting for large project activities.

Fourth Quarter Results

Sales of the fourth quarter of fiscal year 2015 was $12.6 million, a decrease of 16.7% compared with the same quarter of last year. The decrease in sales mainly affected the furniture segment where few major projects originally scheduled for delivery in the quarter was delayed to future quarters. Gross profit as a percentage of sales was 9.5% compared with 21.1% of the same quarter of last year due to the unfavourable overhead absorption associated with low sales volume. SG&A expense of $6.4 million was 50.3% of sales, compared with $5.4 million or 35.7% of sales last year. The increase in SG&A was related to non-cash decrease in mark-to-market value of short-term investments, absorption of benefit costs and start-up costs. The quarter ended with an operating loss of $5.2 million, compared with last year's loss of $2.2 million.

Liquidity and Capital Resources

Cash Flow Summary (in thousands) Twelve Months Ended April 30, (Unaudited)	**2015**	2014
Net cash flow provided by (used in):		
Operating activities before net changes in non-cash working capital	**$(3,338)**	$(2,500)
Net change in non-cash working capital	**(762)**	1,340
Financing activities	**15**	-
Investing activities	**1,146**	(1,158)
Foreign exchange gain on cash and cash equivalents	**102**	154
Net decrease in cash and cash equivalents	**(2,837)**	(2,164)
Cash and cash equivalents, beginning of year	**6,029**	8,193
Cash and cash equivalents, end of year	**$ 3,192**	$ 6,029

On an annual basis, fiscal year 2015 had a cash outflow of $3.3 million from operations before changes in non-cash working capital, compared to a cash outflow of $2.5 million in the previous year. Cash from operations declined due to lower sales in the second half of the year that were not high enough to absorb the Company's overhead and installation losses. Net increase in non-cash working capital of $0.8 million is mainly due to the increase in accounts receivables resulting from government and Walls projects with payment terms greater than the Company's standard collection terms.

Cash inflow of $1.1 million for investing activities consists of $2.9 million net increase from short-term investments and expenditures of $1.8 million on fixed assets. The Company redeemed $2.9 million from short-term investments in order to meet capital spending and working capital requirements but the balance remains healthy at $9.8 million. The Company invested $0.36 million on its New York and Chicago showroom furniture and $0.4 million on the Company's software F.I.R.E. as of April 30, 2015. The remaining capital expenditures included improvements to plant operations, office equipment, and product development costs.

Credit Facility

The Company has a demand operating credit of $10 million and a demand credit for foreign exchange contracts of US $10 million with its bank. The interest rate on the demand operating credit facility is Prime Rate plus 0.25% for Canadian dollar loans, US Base Rate plus 0.25% for US dollar loans and 1.5% for Canadian dollar Banker's Acceptance. The agreement is secured by the Company's personal property.

The credit facility agreement has the following covenants:
1. The ratio of "total liabilities less postponed debt" to "shareholders' equity less intangible assets" does not exceed 0.5 to 1.0, measured quarterly until the third quarter of fiscal year 2015, after which the ratio was amended to 1.0 to 1.0, measured quarterly.
2. Current ratio, excluding any derivative assets and liabilities, not to be less than 1.5 to 1.0, measured quarterly.

During Q3 fiscal 2015, due to the decrease in the fair value of outstanding U.S. currency hedge contracts, the total liabilities postponed debt to shareholders' equity less intangible assets ratio was at 0.64 to 1.0, which exceeded the required ratio of 0.50 to 1.0. In February, 2015, the Company obtained a waiver from the Bank on this covenant with respect to the Q3 ended January 31, 2015. The Company is in compliance with the amended covenants as at April 30, 2015.

The Company has not drawn on the demand operating and foreign exchange contracts credit.

Contractual Obligations

The following is a summary of the Company's contractual obligations as at June 25, 2015:

		Payments due by period			
(in millions)	Total	1 year or less	2-3 years	4-5 years	After 5 years
Operating leases	$ 5.1	$ 1.2	$ 1.7	$ 1.4	$ 0.8
Foreign exchange contracts	55.7	39.2	16.5	-	-
	$ 60.8	$ 40.4	$ 18.2	$ 1.4	$ 0.8

Operating leases are in respect of various real properties that the Company leases. See "Financial Instruments" discussed below for the Company's obligations for foreign exchange contracts.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements other than the operating leases discussed above.

Share Capital

The Company has 5,345,881 Class A multiple voting shares and 9,034,820 Class B subordinated voting shares outstanding at April 30, 2015. The Class A multiple voting shares carry ten votes each. The Class B subordinated voting shares, which are listed on the Toronto Stock Exchange, carry one vote each.

New Accounting Policy Adopted

IFRIC 21 Levies:

IFRIC 21 was issued by the IASB in May 2013. IFRIC 21 provides guidance on when to recognize a liability for a levy imposed by a government both for levies that are accounted for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and those where the timing and amount of the levy is certain. A levy is an outflow of resources embodying economic benefits that is imposed by governments on entities in accordance with legislation, other than income taxes within the scope of IAS 12 Income Taxes and fines or other penalties imposed for breaches of the legislation. The interpretation identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation. It provides the following guidance on recognition of a liability to pay levies: (i) the liability is recognized progressively if the obligation event occurs over a period of time, and (ii) if an obligation is triggered on reaching a minimum threshold, the liability is recognized when that minimum threshold is reached. The Company adopted this standard on May 1, 2014. The adoption of this standard did not have a significant impact on the Company's financial position or results of operation.

Future Accounting Changes

IFRS 9 Financial Instruments:

In July 2014, the IASB issued IFRS 9 (2014) – Financial Instruments ("IFRS 9"). IFRS 9 replaces IAS 39 – Financial Instruments: Recognition and Measurement ("IAS 39"), in its entirety. IFRS 9 uses a single approach to determine whether a financial asset or liability is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. For financial assets, the approach in IFRS is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets and limited changes to the classification and measurement requirements for financial assets. For financial liabilities measured at fair value, fair value changes due to changes in the Company's credit risk are presented in other comprehensive income ("OCI"), instead of net income (loss), unless this would create an accounting mismatch. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39 and introduces a new expected loss impairment model. IFRS 9 also provides relief from the requirement to restate comparative financial statements for the effect of applying IFRS 9. This amendment completes the IASB's financial instruments project and the standard is effective for reporting periods beginning on or after January 1, 2018 with early adoption permitted. The Company is currently evaluating the impact of the adoption of this standard on its consolidated financial statements.

IFRS 15 Revenue from Contracts with Customers:

In May 2014, the IASB released IFRS 15 Revenue from Contracts with Customers, which establishes principles for reporting the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. It provides a single model in order to depict the transfer of promised goods or services to customers. The core principle of IFRS 15 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods and services. IFRS 15 also requires more comprehensive disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and a number of revenue-related interpretations (IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC-31 Revenue - Barter Transactions Involving Advertising Service). IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. The Company is currently evaluating the impact of the adoption of this standard on its consolidated financial statements.

Significant Accounting Policies and Estimates

In the application of the Company's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Critical judgments

The following are the critical estimates and judgments that the management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the financial statements.

Allowance for doubtful accounts is based on management judgment and review of any known exposures, customer creditworthiness, and collection experience.

Reserve for inventory is based on the aging of inventory and management's judgment of product life cycles in identifying obsolete items.

Identification of cash generating units for the purposes of performing impairment test of asset is based on

Significant Accounting Policies and Estimates (continued)

management's judgment of what constitutes the smallest group of assets that can generate cash flows largely independent of other assets.

Determination of valuation allowance on deferred tax assets is based on management's judgment of the ability of the Company to achieve sufficient taxable income to use the deferred tax assets.

Critical estimates

Estimated useful lives and residual values of intangible asset, property, plant and equipment are based on management's experience, the intended usage of the assets and the expected technological advancement that may affect the life cycle and residual values of the assets.

Defined benefit pension obligations are based on the management's best estimates on the long-term investment return on pension fund assets, the discount rate of obligations, mortality and the future rate of salary increase.

Liability for the Company's performance and restricted share units is based on the management's best estimates on the Company's financial performance during the vesting period of the performance and restricted share units.

Cash flow projections of the Company's cash generating units for the purposes of impairment tests of assets are based on the Company's best estimate of the range of business and economic conditions.

The Company computes an income tax provision in each of the jurisdiction in which it operates. Actual amounts of income tax expense are finalized upon filing and acceptance of the tax return by the relevant authorities, which occur subsequent to the issuance of the financial statements. The estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the ability to use the underlying future tax deductions before they expire against future taxable income. The assessment is based upon existing tax laws and estimates of future taxable income. To the extent estimates differ from the final tax returns; net earnings would be affected in a subsequent period.

The Company is subject to taxation in numerous jurisdictions. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company maintains provisions for uncertain tax positions that it believes appropriately reflect its risk with respect to tax matters under active discussion, audit, dispute or appeal with tax authorities, or which are otherwise considered to involve uncertainty. These provisions are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. It is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provision in the period in which such determination is made.

Financial Instruments

The Company's cash and cash equivalents, short-term investments, trade accounts receivable and derivative assets are subject to the risk that the counter-parties may fail to discharge their obligation to pay the Company. The Company's investment policy specifies the types of permissible investments, the minimum credit ratings required and the maximum balances allowed. The purchase of any securities carrying a credit rating below BBB for bonds or R1-Low for commercial paper is strictly prohibited. Management reports to the Board of Directors quarterly the Company's investment portfolios to show their compliance with the investment policy. The counterparty of the Company's derivatives is a major Canadian bank. The Company has credit policies and procedures to manage trade accounts receivable credit risk by assessing new customers' credit history, reviewing of credit limits, monitoring the aging of accounts receivable and establishing an allowance for doubtful accounts based on specific customer information and general historical trends. The Company has historically experienced minimal customer defaults on trade accounts receivable.

The Company's U.S. dollar denominated cash, trade accounts receivable, accounts payable and accrued liabilities are subject to the risk that their fair values will fluctuate because of changes in U.S. dollar exchange rate relative to the Canadian dollar. The Company uses U.S. currency hedge instruments to manage its U.S. dollars exchange risk. The counterparty of the financial instruments is a major Canadian bank. The Company has a policy in place to ensure that all such instruments are used only to manage risk and not for trading purposes. The outstanding hedge instruments are marked to market at the balance sheet date. Unrealized gains and losses on the contracts are recorded as derivative assets and liabilities on the balance sheet and the change in fair value of the instruments is recognized in earnings in the period of change.

As at April 30, 2015, the Company had outstanding U.S. dollar hedge contracts with settlement dates from May 2015 to March 2017. The total nominal amounts under the contracts are U.S. $39,750 to $49,500. Dependent on the spot CAD/USD rate on each settlement date, the Company can sell U.S. dollars at rates ranging from $1.04 CAD/USD to $1.27 CAD/USD. These contracts had a mark-to-market loss of $3,945 (U.S. $3,271), which was recognized on the consolidated statement of financial position as derivative liabilities. Any changes in the net gain or loss from the prior reporting period due to addition of forward contracts, movements in the U.S. currency exchange rate, reclassification of the unrealized gains or losses to realized income or loss are recognized on the consolidated statement of operations as increase or decrease in fair value of derivative assets or liabilities of the period.

Risks and Uncertainties

The following risks and uncertainties may adversely affect the Company's business, operating results, cash flows and financial condition. These may not be the Company's only risks and uncertainties. Other unknown or currently insignificant risks and uncertainties not discussed below can have an adverse impact on the Company's business and financial performance.

General economic and market conditions

Demand for office furniture is sensitive to general economic conditions such as the white-collar employment rate, corporate growth and profitability, government spending, office relocations and commercial property development. The Company manages to moderate the impact of this risk by increasing the differentiation of our products to attract new customers, the launching of new products to gain market share and enhancing the coverage of customers and designers.

Competitive environment

Office furniture is a mature and highly competitive industry. Our main competitors include global companies with strong brand name recognition and capability to utilize offshore outsourcing. This competitive environment results in price pressure and limits certain distributors' ability to carry Inscape products along with those of the competitors. The Company competes on product design, functionality, innovation and customer service. Our success will depend on building a distribution network that is aligned with Inscape, targeting committed dealers who lead with Inscape's product lines and automating processes to keep improving our productivity, quality and customer service.

Raw material and commodity costs

Fluctuations in raw material and commodity prices could have a significant impact on the Company's cost of sales and operating results. Since most of the raw materials and commodities used by the Company are not unique to the office furniture industry, their costs are often affected by supply and demand in other industries and countries. As a result, the Company may experience rising raw material and commodity costs that cannot be recovered from customers in a highly competitive environment. The Company manages its manufacturing costs by locking in supply contract prices, improving production yields, reducing spoilage, focusing on quality control and overseas sourcing, where appropriate.

U.S. dollar exchange rate

The U.S. is the main market for the Company. Fluctuations in the U.S./Canadian dollar exchange rate have a significant impact on the operating results, cash flows and financial condition of the Company. One method the Company uses to manage its foreign currency exposure is through the use of U.S. dollar hedge instruments. The hedge instruments provide the Company with an opportunity to lock in the U.S. currency conversion rate at a prevailing hedge rate to facilitate the business planning process with pre-determined exchange rate exposure. However, the instruments do not completely eliminate the effects of exchange rate fluctuations. To minimize the effect of exchange rate fluctuations, the Company endeavors to create natural hedges through increasing U.S. suppliers where appropriate and seeks to increase Canadian dollar sales.

Access to the U.S. markets

The Company depends heavily on unrestricted access to the U.S. markets as a significant portion of the Company's sales is derived from there. The Company's business, operating results, cash flows and financial condition will be seriously affected if access to the U.S. markets is restricted due to political, social, economic or regulatory reasons. Buy America sentiment and regulations may deny the Company's chance in bidding contracts, especially with the government. The Company needs to monitor closely developments in various U.S. statutes, regulations, procurement requirements and border crossing restrictions. Where appropriate, the Company publicizes its extensive investment in the U.S. and contribution to the economy by operating a production plant in New York State, providing employment opportunities in different states and purchasing from U.S. suppliers.

Effectiveness of market representatives

The Company relies on the effectiveness of independent market representatives to market our products to customers. A market representative may choose to terminate its relationship with us or the effectiveness of a market representative may decline. Disruption of the relationship or transition of an underperforming representative could have an adverse impact on our business in the affected market. The Company manages this risk by maintaining strong connection to performing representatives at the regional senior management level. The Company also assesses the effectiveness of the representatives on a regular basis.

Effectiveness of growth strategy implementation

The Company seeks to grow its business and market share by building committed distribution, developing products and applications to meet customer needs, and providing visualization tools to assist designers and clients with solutions for workspaces. Effective implementation of these strategies is essential to the future growth of the Company. The Company's sales and results of operations will be adversely affected if there are delays or difficulties in carrying out the strategies.

Disclosure Controls and Procedures

The Company's management is responsible for establishing and maintaining disclosure controls and procedures to provide reasonable assurance that material information relating to the Company is made known to management, particularly during the period in which annual filings are being prepared. Management has evaluated the effectiveness, as at April 30, 2015, of the Company's disclosure controls and procedures and has concluded that such disclosure controls and procedures are effective.

Internal Control over Financial Reporting

Management is also responsible for establishing and maintaining appropriate internal controls over financial reporting. We have designed such internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP applicable to our Company. As required by CSA Multilateral Instrument 52-109, an evaluation was carried out of the design and effectiveness of our internal controls over financial reporting. Based on this evaluation, Management concluded that the internal controls over financial reporting are effective, using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission on Internal Control – Integrated Framework. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. During the quarter ended April 30, 2015 there were no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Outlook

The U.S. office furniture market has seen favourable growth in the past three years (2012 – 1.4%, 2013 – 2.2%, and 2014 – 5.4%) (BIFMA Monthly Consumption History). BIFMA's forecast for 2015 and 2016 is 8.1% and 12.9% respectively.

Office furniture trends demonstrate the office furniture market is constantly changing. These trends include reliance on technology, open concept environment with space for individual work, wellness and health consciousness, design, blending residential and work aesthetics, and a broad demographic work population. Inscape products are inherently flexible to help companies address the latest trends and business issues.

Management feels that the Company is well positioned to meet the demands and growth in the industry. The Company's financial strength and liquidity provide support to manage growth and invest in product development and design. The manufacturing footprint provides capacity to meet the expected market growth as well as growth resulting from our strategic distribution objectives. Our new platform, F.I.R.E., will make it easier and faster for the Company to meet the needs of the customers from specification through to manufacturing and delivery. F.I.R.E. launches in fiscal 2016.

The partnerships we have developed with West Elm and third party furniture designers and manufacturers increase the Company's overall product offering and provide a more complete product line to meet the ever changing needs of our customer base. And finally our focus to improve operations effectiveness and efficiency will allow us to meet increased competition and market forces to create the best-in-class value products in North America.

Management is committed to meeting its sales targets and monitoring its product mix to improve margins. Cash flow management is critical to ensure the Company's financial position remains healthy as it invests in the future. Only those investments in property, plant and equipment that are essential for operating effectiveness and link to our strategic objectives will be considered.

June 25, 2015

management report

To the Shareholders of Inscape Corporation

Preparation of the consolidated financial statements accompanying this annual report and the presentation of all other information in the report is the responsibility of Management. The financial statements have been prepared in accordance with International Financial Reporting Standards and reflect Management's best estimates and judgments. All other financial information in the report is consistent with that contained in the financial statements.

The Board of Directors, through its Audit Committee, oversees Management in carrying out its responsibility for financial reporting and systems of internal control. The Audit Committee, which is composed of non-executive directors, meets regularly with Management and external auditors to satisfy itself as to the reliability and integrity of financial information and the safeguarding of assets. The financial statements have been reviewed and approved by the Board of Directors on the recommendation of the Audit Committee.

Jim Stelter
Director and Chief Executive Officer

Matthew Posno
Chief Financial Officer


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independent auditor's report

To the Shareholders of Inscape Corporation

We have audited the accompanying consolidated financial statements of Inscape Corporation, which comprise the consolidated statements of financial position as at April 30, 2015 and April 30, 2014, and the consolidated statements of operations, consolidated statements of comprehensive loss, consolidated statements of changes in shareholders' equity and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Inscape Corporation as at April 30, 2015 and April 30, 2014, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Deloitte LLP

Chartered Professional Accountant, Chartered Accountants
Licensed Public Accountants
June 25, 2015

inscape corporation consolidated statements of financial position

	Note	**April 30, 2015**	April 30, 2014
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		**$ 3,192**	$ 6,029
Short-term investments		**9,832**	12,869
Trade and other receivables	15.5	**11,585**	9,643
Inventories	11	**4,157**	3,944
Income taxes receivable		**62**	56
Prepaid expenses		**677**	787
		29,505	33,328
NON-CURRENT ASSETS			
Property, plant and equipment	8	**18,243**	20,498
Intangible assets	9	**139**	227
Deferred tax assets	6.2	**695**	4,302
		$ 48,582	$ 58,355
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities		**$ 9,546**	$ 9,175
Provisions	13	**232**	230
Derivative liabilities	15.2	**3,822**	2,321
		13,600	11,726
DEFERRED TAX LIABILITIES	6.2	**1,177**	1,014
DERIVATIVE LIABILITIES	15.2	**123**	66
OTHER LONG-TERM OBLIGATIONS	17	**976**	248
RETIREMENT BENEFIT OBLIGATION	14	**2,880**	1,707
		18,756	14,761
CAPITAL AND RESERVES			
Issued capital	12	**52,868**	52,853
Contributed surplus		**2,675**	2,675
Accumulated other comprehensive loss		**(1,009)**	(302)
Deficit		**(24,708)**	(11,632)
		29,826	43,594
		$ 48,582	$ 58,355

The accompanying notes are an integral part of these consolidated financial statements.

Approved by the Board of Directors,

MBhayana

(signed)

Chairman

Madan Bhayana

Bartley Bull.

(signed)

Director

Bartley Bull

Consolidated Statements of Operations

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

	Note	Years Ended April 30, 2015	2014
SALES	5	$ **69,424**	$ 66,155
COST OF GOODS SOLD		**54,616**	51,413
GROSS PROFIT		**14,808**	14,742
EXPENSES			
Selling, general and administrative		**22,344**	20,546
Impairment of long-lived assets	10	**1,486**	344
Unrealized gain on foreign exchange		**(633)**	(389)
Increase in fair value of derivative liabilities	15.2	**1,558**	2,825
Investment income		**(309)**	(374)
		24,446	22,952
LOSS BEFORE TAXES		**(9,638)**	(8,210)
INCOME TAXES (RECOVERY)		**3,438**	(1,118)
NET LOSS		$ **(13,076)**	$ (7,092)
BASIC AND DILUTED EARNINGS PER SHARE	7	$ **(0.91)**	$ (0.49)
SUPPLEMENTAL INFORMATION			
Salaries,wages and benefits included in cost of goods sold		$ **15,755**	$ 16,036
Salaries,wages and benefits included in selling, general and administrative		**11,778**	11,217
Total salaries, wages and benefits		$ **27,533**	$ 27,253
Amortization included in cost of goods sold		$ **2,296**	$ 2,920
Amortization included in selling, general and administrative		**793**	720
Total amortization		$ **3,089**	$ 3,640

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements Of Comprehensive Loss

(in thousands of Canadian dollars)

	Note	Years Ended April 30, 2015	2014
NET LOSS		$ **(13,076)**	$ (7,092)
OTHER COMPREHENSIVE INCOME (LOSS)			
Items that may not be reclassified to earnings			
Remeasurement of defined benefit liabilities	14.2	**(1,106)**	2,921
Tax relating to remeasurement of defined benefit liabilities		**(278)**	(800)
Total items that may not be reclassified to earnings		**(1,384)**	2,121
Items that may be reclassified to earnings			
Exchange gain on translating foreign operations		**677**	700
OTHER COMPREHENSIVE INCOME (LOSS)		**(707)**	2,821
TOTAL COMPREHENSIVE LOSS		$ **(13,783)**	$ (4,271)

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements Of Changes In Shareholders' Equity
(in thousands of Canadian dollars)

			Accumulated Other Comprehensive Income (Loss) ("AOCI")			
Year Ended April 30, 2015	**Share Capital**	**Contributed Surplus**	**Cumulative Remeasurement of Defined Benefit Liabilities**	**Cumulative Translation gain**	**Deficit**	**Total Shareholders' Equity**
BALANCE - May 1, 2014	**$ 52,853**	**$ 2,675**	**$ (473)**	**$ 171**	**$ (11,632)**	**$ 43,594**
Issuance of capital stock for stock options	**15**	**-**	**-**	**-**	**-**	**15**
Net Loss	**-**	**-**	**-**	**-**	**(13,076)**	**(13,076)**
Other Comprehensive Income (Loss)	**-**	**-**	**(1,384)**	**677**	**-**	**(707)**
Total Comprehensive Loss	**-**	**-**	**(1,384)**	**677**	**(13,076)**	**(13,783)**
BALANCE - April 30, 2015	**$ 52,868**	**$ 2,675**	**$ (1,857)**	**$ 848**	**$ (24,708)**	**$ 29,826**

			Accumulated Other Comprehensive Loss ("AOCI")			
Year Ended April 30, 2014	**Share Capital**	**Contributed Surplus**	**Cumulative Remeasurement of Defined Benefit Liabilities**	**Cumulative Translation gain**	**Deficit**	**Total Shareholders' Equity**
BALANCE - May 1, 2013	$ 52,853	$ 2,675	$ (2,594)	$ (529)	$ (4,540)	$ 47,865
Net Loss	-	-	-	-	(7,092)	(7,092)
Other Comprehensive Income	-	-	2,121	700	-	2,821
Total Comprehensive Loss	-	-	2,121	700	(7,092)	(4,271)
BALANCE -April 30, 2014	$ 52,853	$ 2,675	$ (473)	$ 171	$ (11,632)	$ 43,594

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements Of Cash Flows
(in thousands of Canadian dollars)

	Note	Years Ended April 30, 2015	2014
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:			
OPERATING ACTIVITIES			
Net loss		**$ (13,076)**	$ (7,092)
Items not affecting cash:			
Amortization		**3,089**	3,640
Impairment of long-lived assets	10	**1,486**	344
Pension expense	14	**536**	670
Unrealized loss on short-term investments held for trading		**131**	43
Increase in fair value of derivative liabilities	15.2	**1,558**	2,825
Deferred income taxes		**3,438**	(1,118)
Share based compensation		**727**	(483)
Unrealized gain on foreign exchange		**(633)**	(389)
Loss (Gain) on sale of capital assets		**1**	(6)
Employer's contribution to pension funds	14	**(595)**	(934)
Cash used for operating activities before non-cash working capital		**(3,338)**	(2,500)
Movements in non-cash working capital			
Trade and other receivables		**(806)**	2,410
Inventories		**(132)**	184
Prepaid expenses		**144**	(94)
Accounts payable and accrued liabilities		**21**	(748)
Provisions		**(21)**	(406)
Income tax receivables and payables		**32**	(6)
Cash used for operating activities		**(4,100)**	(1,160)
FINANCING ACTIVITIES			
Issuance of capital stock for stock options		**15**	-
INVESTING ACTIVITIES			
Short-term investments held for trading		**2,906**	123
Additions to property, plant and equipment & intangible assets		**(1,760)**	(1,294)
Proceeds from sale of capital assets		**-**	13
Cash generated from (used for) investing activities		**1,146**	(1,158)
Unrealized foreign exchange gain on cash and cash equivalents		**102**	154
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(2,837)**	(2,164)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		**6,029**	8,193
CASH AND CASH EQUIVALENTS, END OF YEAR		**$ 3,192**	$ 6,029
CASH AND CASH EQUIVALENTS CONSIST OF:			
Cash		**$ 1,617**	$ 1,911
Cash equivalents		**1,575**	4,118
		$ 3,192	$ 6,029

The accompanying notes are an integral part of these consolidated financial statements.

notes to the consolidated financial statements

1. General information

Inscape Corporation (the "Company") is a limited company incorporated in Ontario, Canada, with Class B common shares listed on the Toronto Stock Exchange (TMX). The Company's registered office is 67 Toll Road, Holland Landing, Ontario, Canada.

The Company is an office furniture and wall products manufacturer with production at two facilities in Canada and the United States in approximately 438,000 square feet of space. Inscape serves its customers through a network of authorized dealers.

2. Significant accounting policies

2.1 Statement of compliance

These consolidated financial statements including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS").

These consolidated financial statements were prepared on a going concern assumption using the historical cost basis except for financial instruments.

These consolidated financial statements were approved and authorized for issuance by the Board of Directors of the Company on June 25, 2015.

2.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its two wholly owned U.S. subsidiaries – Inscape Inc. and Inscape (New York) Inc.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

2.3 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, net of dealer rebates.

2.3.1 Sale of goods and installation services

Revenue from the sale of goods is recognized when the sales price is fixed or determinable, collection is reasonably assured, the costs incurred or to be incurred in respect of the sales can be measured reliably, the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the significant risks and rewards of ownership of the goods have been transferred to the customers.

For sales involving products and installation service, revenue from the sale of goods is recognized when the goods are shipped, while revenue from the installation service is recognized by reference to the stage of completion of the service at the end of the reporting period.

2.3.2 Investment income

Dividend income from investments is recognized when the Company's right to receive payment has been established, it is probable that the economic benefits will flow to the Company and the amount of dividend can be measured reliably.

Interest income is recognized when it is probable that the economic benefits will flow to the Company and the amount of interest can be measured reliably.

2.4 Foreign currencies

The Canadian dollar is the functional currency of the Company and the presentation currency for the consolidated financial statements.

Transactions in foreign currencies are recognized at the average exchange rate for the month in which the transactions occurred, unless exchange rates fluctuated significantly during that period or for non-recurring transactions of material amounts, in which case the exchange rates at the dates of the transactions are used. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences are recognized in profit or loss in the period in which they arise.

For the Company's foreign operation where the Canadian dollar ("CAD") is its functional currency, the same policy described above is applied to the translation of its assets and liabilities for the purpose of presenting consolidated financial statements.

For the Company's foreign operation where the U.S. dollar ("USD") is its functional currency, the assets and liabilities of the foreign operation for the purpose of presenting consolidated financial statements are expressed in Canadian dollars using exchange rates prevailing at the end of the reporting period. Exchange differences arising, if any, are recognized in other comprehensive income or loss and accumulated in equity until the disposal of the foreign operation, when all of the accumulated exchange differences in respect of that operation are reclassified to profit or loss. Revenues

2.4 Foreign currencies (continued)

and expenses are translated into Canadian dollars at the average exchange rate for the month in which the transactions occurred, unless exchange rates fluctuated significantly during that period or for non-recurring transactions of material amounts, in which case the exchange rates at the dates of the transactions are used.

2.5 Employee future benefits

Contributions to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method. Actuarial gains and losses and related taxes are recognized in other comprehensive income as remeasurement.

The retirement benefit obligation recognized in the statements of financial position represents the present value of the defined benefit obligation as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to the present value of available refunds and reductions in future contributions to the plan.

The determination of a benefit expense requires assumptions such as the discount rate to measure obligations and the expected return on asset, the expected mortality rate and the expected rate of future compensation increases.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds and that have terms to maturity approximating the terms of the related pension liability.

2.6 Share-based payments

For share-based payments arrangement in which the term of the arrangement provides the employees and others providing similar services with the choice of settlement by equity instruments or in cash, the transaction is accounted for as a cash-settled share-based payment transaction.

For cash-settled share-based payments, a liability is recognized for the goods or services acquired, measured initially at the fair value of the liability. Under the stock option plan, the fair value is determined by using the Black-Scholes-Merton Option Pricing Model, which factors in the Company's estimate of the number of options that will eventually vest. Under the executives' long-term incentive plan and the deferred share unit plan, the fair value is based on the share price at the end of the reporting period as well as the Company's estimate of the number of shares that will eventually vest.

At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognized in profit or loss for the year.

2.7 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

2.7.1 Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statements of operations because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

2.7.2 Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

2.8 Cash and cash equivalents

Cash and cash equivalents include cash and liquid short-term investments in money market instruments with maturities of three months or less from the date of acquisition.

2.9 Short-term investments

Short-term investments include liquid investments, such as Guaranteed Investment Certificates ("GICs"), preferred shares, bonds, in money market instruments with maturities greater than three months from the date of acquisition, measured at fair market value at the report date.

2.10 Trade receivables

Trade receivables are amounts due from customers from the sale of goods or rendering of services in the ordinary course of business. Trade receivables are classified as current assets if payment is due within one year or less. The financial instrument designation for trade receivables is "loans and receivables". The Company maintains an allowance for impairment of trade receivables. The expense relating to doubtful accounts is included within

2.10 Trade receivables (continued)
"selling, general and administrative expense" in the statements of operations.

2.11 Trade payables
Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business. Trade payables are classified as current liabilities if payment is due within one year or less. Trade payables are recognized initially at fair value and subsequently measured at amortized cost.

2.12 Earnings per share ("EPS")
Basic earnings per common share is calculated using the weighted daily average number of common shares outstanding. Diluted earnings per share is calculated using the treasury stock method.

2.13 Property, plant and equipment
Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognized when property, plant and equipment is available for use so as to write off the cost less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. Depreciation ceases at the earlier of when the asset or component is derecognized, or when it is held for sale or included in a group that is classified as held for sale.

Each component of an item of property, plant and equipment with a cost which is significant in relation to the total cost of the item and has a significantly different estimated useful life than the parent asset is depreciated separately. Component accounting is used for the Company's buildings.

2.14 Intangible assets
Intangible assets are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each year-end, with the effect of any changes in estimate being accounted for on a prospective basis.

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

2.15 Impairment of long-lived non-financial assets
At the end of each reporting period, the Company reviews the carrying amounts of its long-lived non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs. A CGU is the smallest identifiable group of assets that generates cash flows that are largely independent of the cash flows from other assets or group of assets.

Recoverable amount is the higher of fair value less costs to sell and value in use, which is the present value of the estimated future cash flows from the use of the asset (or cash-generating unit).

The discount rates used in the present value calculation are the pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount is estimated to be less than the carrying amount of the asset (or cash-generating unit), the carrying amount is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss. At the end of each reporting period, the Company reviews whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill (or cash-generating unit) may no longer exist or may have decreased. If any such indication exists, the recoverable amount of the asset (or cash-generating unit) is estimated in order to determine whether the impairment loss should be reversed. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

2.16 Inventories
Raw materials are measured at the lower of cost and net realizable value, determined on a first-in, first-out basis. Recoverable costs of raw materials that have no consumption over a period of eighteen months may be written down based on the Company's assessment of their future usage. When circumstances that previously caused inventories to be written down below cost no longer exist, the amount of the write-down previously recorded is reversed. Work-in-progress and finished goods are measured at the lower of cost and net realizable value, determined on a first-in, first-out basis. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale. The cost of work-in-progress and finished goods includes the cost of raw materials, the applicable share of the cost of labour, fixed and variable production overheads.

2.17 Leases
Leases are classified as finance or operating depending on the terms and conditions of the contracts. Leases

2.17 Leases (continued)
which transfer substantially all the risks and ownership are classified as finance leases. An asset held under a finance lease is initially recognized at the inception of the lease at an amount equal to the lower of its fair value and the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statements of financial position as a finance lease obligation. Subsequent to its initial recognition, the costs are depreciated in accordance with the accounting policy of the applicable asset. Obligations recorded under finance leases are reduced by lease payments, net of imputed interest. Interest expense is recognized in net earnings.

Leases that do not meet the criteria for finance leases are classified as operating leases. Payments made under operating leases are expensed on a straight-line basis over the term of the lease.

2.18 Provisions
Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

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. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Present obligations under onerous contracts are recognized and measured as provisions. An onerous contract is considered to exist where the Company has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

2.19 Financial assets
All financial assets are recognized and derecognized on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'loans and receivables' and 'available-for-sale' (AFS) financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

2.19.1 Financial assets at FVTPL (including held-for-trading investments)
Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL on initial recognition. Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss.

2.19.2 Held-to-maturity investments
Financial assets with fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment, with revenue recognized on an effective yield basis.

2.19.3 Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than twelve months after the end of a reporting period, which are classified as non-current assets. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate.

2.19.4 Available for sale financial assets
AFS financial assets are those non-derivative financial assets that are designated as available for sale, or are not classified as loans and receivables or held-to-maturity investments, are not held for trading, and are not designated as financial assets at FVTPL on initial recognition. AFS assets are stated at fair value. Gains and losses arising from changes in fair value are recognized in other comprehensive income or loss and accumulated in the investments revaluation reserve. Impairment losses and interest calculated using the effective interest method are recognized in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

2.19.5 Impairment of financial assets
Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected. When impairment has occurred, the loss is recognized in net earnings with the offset to reduce the asset's carrying value. For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate. In a subsequent period, if the impairment loss decreases and the decrease relates to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through net earnings. On the date of impairment reversal, the carrying amount of

2.19.5 Impairment of financial assets (continued)
the financial asset cannot exceed its amortized cost had impairment not been recognized.

2.20 Financial liabilities
Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL. Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss.

Other financial liabilities are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognized on an effective yield basis.

2.21 The following is the classification of the Company's financial assets and liabilities based on their characteristics and management's choices and intentions related to them:

Asset/Liability	Classification	Subsequent Measurement
Cash and cash equivalents	Loans and receivables	Amortized cost
Short-term investments	Held for trading	Fair value
Trade and other receivables	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other liabilities	Amortized cost
Derivative assets and liabilities	FVTPL	Fair value

The fair values of cash and cash equivalents, trade and other receivables, accounts payable and accrued liabilities approximates their carrying amounts because of the short-term maturity of these instruments.

2.22 Derivative financial instruments
The Company enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rate risk.

Derivatives are initially recognized at fair value at the date the derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately since the derivatives are not designated as hedging instruments for hedge accounting.

A derivative with a positive fair value is recognized as a financial asset; a derivative with a negative fair value is recognized as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Non-performance risk, including the Company's own credit risk, is considered when determining the fair value of financial instruments.

2.23 Share capital
Common shares issued by the Company are recorded in the amount of the proceeds received, net of direct issue costs.

2.24 Repurchase of share capital
When the Company repurchases its common shares under a Normal Course Issuer Bid ("NCIB"), the average book value of the common shares repurchased is deducted from issued capital. The difference between the amount of the consideration paid (including directly attributable costs net of any tax effects) and the average book value of the common shares repurchased is charged to contributed surplus. At the end of a reporting period, if there are repurchased shares that have not yet been cancelled, they are recognized as treasury shares recorded at the purchase price of the transaction.

2.25 New accounting policy adopted

IFRIC 21 Levies:
IFRIC 21 was issued by the IASB in May 2013. IFRIC 21 provides guidance on when to recognize a liability for a levy imposed by a government both for levies that are accounted for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and those

2.25 New accounting policy adopted (continued)
where the timing and amount of the levy is certain. A levy is an outflow of resources embodying economic benefits that is imposed by governments on entities in accordance with legislation, other than income taxes within the scope of IAS 12 Income Taxes and fines or other penalties imposed for breaches of the legislation. The interpretation identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation. It provides the following guidance on recognition of a liability to pay levies: (i) the liability is recognized progressively if the obligation event occurs over a period of time, and (ii) if an obligation is triggered on reaching a minimum threshold, the liability is recognized when that minimum threshold is reached. The Company adopted this standard on May 1, 2014. The adoption of this standard did not have a significant impact on the Company's financial position or results of operation.

3. Critical accounting judgments and key sources of estimation uncertainty

In the application of the Company's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

3.1 Critical estimates and judgments in applying accounting policies
The following are the critical estimates and judgments that the management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the financial statements.

Critical judgments:
Allowance for doubtful accounts is based on management's judgment and review of any known exposures, customer creditworthiness, and collection experience.

Reserve for inventory is based on the aging of inventory and management's judgment of product life cycles in identifying obsolete items.

Identification of cash generating units for the purposes of performing impairment test of asset is based on management's judgment of what constitutes the smallest group of assets that can generate cash flows largely independent of other assets.

Determination of valuation allowance on deferred tax assets is based on management's judgment of the ability of the Company to achieve sufficient taxable income to use the deferred tax assets.

Critical estimates:
Estimated useful lives and residual values of intangible assets, and property, plant and equipment are based on management's experience, the intended usage of the assets and the expected technological advancement that may affect the life cycle and residual values of the assets.

Defined benefit pension obligations are based on the management's best estimates on the discount rate of obligations, mortality rate and the future rate of salary increase.

Liability for the Company's performance and restricted share units is based on the management's best estimates on the Company's financial performance during the vesting period of the performance and restricted share units.

Cash flow projections of the Company's cash generating units for the purposes of performing an impairment test of assets are based on the Company's best estimate of the range of business and economic conditions.

The Company computes an income tax provision in each of the jurisdictions in which it operates. Actual amounts of income tax expense are finalized upon filing and acceptance of the tax return by the relevant authorities, which occur subsequent to the issuance of the financial statements. The estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the ability to use the underlying future tax deductions before they expire against future taxable income. The assessment is based upon existing tax laws and estimates of future taxable income. To the extent estimates differ from the final tax returns, net earnings would be affected in a subsequent period.

The Company is subject to taxation in numerous jurisdictions. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company maintains provisions for uncertain tax positions that it believes appropriately reflect its risk with respect to tax matters under active discussion, audit, dispute or appeal with tax authorities, or which are otherwise considered to involve uncertainty. These provisions are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. It is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provision in the period in which such determination is made.

4. Future Accounting Changes

IFRS 9 Financial Instruments:
In July 2014, the IASB issued IFRS 9 (2014) – Financial

4 Future Accounting Changes (continued)
Instruments ("IFRS 9"). IFRS 9 replaces IAS 39 – Financial Instruments: Recognition and Measurement ("IAS 39"), in its entirety. IFRS 9 uses a single approach to determine whether a financial asset or liability is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. For financial assets, the approach in IFRS is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets and limited changes to the classification and measurement requirements for financial assets. For financial liabilities measured at fair value, fair value changes due to changes in the Company's credit risk are presented in other comprehensive income ("OCI"), instead of net income (loss), unless this would create an accounting mismatch. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39 and introduces a new expected loss impairment model. IFRS 9 also provides relief from the requirement to restate comparative financial statements for the effect of applying IFRS 9. This amendment completes the IASB's financial instruments project and the standard is effective for reporting periods beginning on or after January 1, 2018 with early adoption permitted. The Company is currently evaluating the impact of the adoption of this standard on its consolidated financial statements.

IFRS 15 Revenue from Contracts with Customers:
In May 2014, the IASB released IFRS 15 Revenue from Contracts with Customers, which establishes principles for reporting the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. It provides a single model in order to depict the transfer of promised goods or services to customers. The core principle of IFRS 15 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods and services. IFRS 15 also requires more comprehensive disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and a number of revenue-related interpretations (IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC-31 Revenue - Barter Transactions Involving Advertising Service). IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. The Company is currently evaluating the impact of the adoption of this standard on its consolidated financial statements.

5. Segment information

The accounting policies of the reportable segments are the same as the Company's accounting policies described in note 2. Segment profit represents the profit earned by each segment without allocation of investment income and income tax expense. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and assessment of segment performance.

The Company operates in two principal geographical areas – U.S. and Canada.

The Company's sales from continuing operations from external customers by geographical location are detailed below.

	Years Ended April 30, 2015	2014
Sales from		
United States	**$ 62,460**	$ 58,549
Canada	**6,921**	7,191
Other	**43**	415
	$ 69,424	$ 66,155

The Company's identifiable non-current assets (i.e. property, plant and equipment and intangibles) by geographical location are detailed below.

	April 30, 2015	April 30, 2014
Identifiable Assets		
United States	**$ 4,626**	$ 5,843
Canada	**13,756**	14,882
	$ 18,382	$ 20,725

Notes to the Consolidated Financial Statements for the Year Ended April 30, 2015

The following is an analysis of the Company's revenue and results from continuing operations and capital expenditures by reportable segments, which are identified on the basis of internal reports about components of the Company that are regularly reviewed by the chief operating decision makers in order to allocate resources to the segments and to assess their performance.

		Years Ended April 30, 2015		2014
Segment Sales				
Furniture	**$**	**50,066**	$	47,054
Movable walls and rollform		**19,358**		19,101
	$	**69,424**	$	66,155
Segment Operating Losses				
Furniture (incl. impairment loss of $344 in 2014)	**$**	**(4,068)**	$	(5,952)
Movable walls and rollform (incl. impairment loss of $1,486 in 2015)		**(4,954)**		(196)
		(9,022)		(6,148)
Unrealized exchange gain		**633**		389
Increase in fair value of derivative liabilities		**(1,558)**		(2,825)
Investment income		**309**		374
Loss before taxes		**(9,638)**		(8,210)
Income taxes provision (recovery)		**3,438**		(1,118)
Net loss	**$**	**(13,076)**	$	(7,092)
Capital expenditures				
Furniture	**$**	**1,692**	$	1,225
Movable walls and rollform		**68**		69
	$	**1,760**	$	1,294
Amortization				
Furniture	**$**	**2,767**	$	3,136
Movable walls and rollform		**322**		504
	$	**3,089**	$	3,640

Segment assets and liabilities		**April 30, 2015**		April 30, 2014
Assets				
Furniture	**$**	**40,387**	$	47,076
Moveable walls and rollform		**8,195**		11,279
Total assets	**$**	**48,582**	$	58,355
Liabilities				
Furniture	**$**	**15,484**	$	11,061
Moveable walls and rollform		**3,272**		3,700
Total liabilities	**$**	**18,756**	$	14,761

6. Income taxes

6.1 Income tax recognized in profit or loss
During the fourth quarter of fiscal year 2015, the Company booked a valuation allowance relating to deferred tax assets. Due to the losses in the fourth quarter and the effects of accounting losses in the previous three years, management deemed it appropriate to charge a valuation allowance for these assets. This adjustment is a non-cash charge to the results and the Company has 20 years in which the assets can be realized against future income, at which point the valuation allowance can be reversed.

Income tax (recovery) comprises of:

		2015		2014
Current	**$**	**-**	$	-
Deferred		**3,438**		(1,118)
	$	**3,438**	$	(1,118)

The income tax provision and recovery for the years can be reconciled to the accounting loss as follows:

		2015		2014
Loss before income taxes	**$**	**(9,638)**	$	(8,210)
Basic statutory income tax rate		**25.38%**		25.38%
Tax at basic statutory income tax rate		**(2,446)**		(2,084)
Reconciling items:				
Tax effect of non-taxable (non-recoverable) items		**(125)**		59
Canada/U.S. tax rate differences		**(603)**		27
Valuation allowance		**6,632**		883
Deferred tax rate and other adjustments		**(20)**		(3)
Income tax (recovery)	**$**	**3,438**	$	(1,118)

The Company's basic Canadian statutory income tax rate is the aggregate of the federal income tax rate of 15% (2014 -15%) and the Ontario provincial tax rate of 10.38% (2014 – 10.38%). The basic U.S. statutory income tax rate is the aggregate of the federal income tax rate of 34% (2014 – 34%) and the average rate for various states of 6% (2014 – 6%).

6.2 Deferred tax assets and liabilities

Deferred tax assets	**April 30, 2014 balance**	**Recognized in profit or loss**	**Recognized in OCI**	**Utilization of loss carryforward**	**Exchange differences and other**	**April 30, 2015 closing balance**
Deductible temporary difference						
Property, plant and equipment	**$ 191**	**590**	**-**	**-**	**(8)**	**$ 773**
Retirement benefit obligation	**494**	**(49)**	**6**	**-**	**51**	**502**
Derivative liabilities	**-**	**1,001**	**-**	**-**	**-**	**1,001**
Reserves	**753**	**(9)**	**-**	**-**	**94**	**838**
less valuation allowance	-	**(2,971)**	**(6)**	-	**(137)**	**(3,114)**
	1,438	**(1,438)**	**-**	**-**	**-**	**-**
Tax benefit of loss carryforwards	**3,747**	**1,974**	**-**	**-**	**129**	**5,850**
less valuation allowance	**(883)**	**(4,143)**	**-**	**-**	**(129)**	**(5,155)**
	$ 4,302	**(3,607)**	**-**	**-**	**-**	**$ 695**

Deferred tax liabilities	**April 30, 2013 balance**	**Recognized in profit or loss**	**Recognized in OCI**	**Utilization of loss carryforward**	**Exchange differences and other**	**April 30, 2014 closing balance**
Property, plant and equipment	**$ 1,367**	**(294)**	**-**	**-**	**-**	**$ 1,073**
Retirement benefit obligation	**(120)**	**(16)**	**(277)**	**-**	**-**	**(413)**
Derivative liabilities	**(606)**	**606**	**-**	**-**	**-**	**-**
Reserves	**373**	**(191)**	**-**	**-**	**58**	**240**
less valuation allowance	**-**	**-**	**277**	**-**	**-**	**277**
	$ 1,014	**105**	**-**	**-**	**58**	**$ 1,177**

Deferred tax assets	April 30, 2013 balance	Recognized in profit or loss	Recognized in OCI	Utilization of loss carryforward	Exchange differences and other	April 30, 2014 closing balance
Deductible temporary differences						
Property, plant and equipment	$ 102	73	-	-	16	$ 191
Retirement benefit obligation	644	(63)	(133)	-	46	494
Reserves	804	(112)	-	-	61	753
	1,550	(102)	(133)	-	123	1,438
Tax benefit of loss carryforwards	2,393	1,257	-	(77)	174	3,747
less valuation allowance	-	(883)	-	-	-	(883)
	$ 3,943	272	(133)	(77)	297	$ 4,302

Deferred tax liabilities	April 30, 2013 balance	Recognized in profit or loss	Recognized in OCI	Utilization of loss carryforward	Exchange differences and other	April 30, 2014 closing balance
Property, plant and equipment	$ 1,757	(390)	-	-	-	$ 1,367
Retirement benefit obligation	(793)	34	639	-	-	(120)
Unrealized gain on derivatives	109	(715)	-	-	-	(606)
Reserves	201	154	-	-	18	373
	$ 1,274	(917)	639	-	18	$ 1,014

6.3 Loss carry forwards

As at April 30, 2015, the Company has unused non-capital loss of $15,289 (2014 - $11,607), consisting of Canadian non-capital loss of $6,163 and U.S. non-capital loss of $9,126 (2014 – Canadian $6,163, U.S. $5,444) which may be carried forward and used to reduce future years' taxable income. The future income tax benefit of these losses of $5,850 net of valuation allowance of $5,155 (April 30, 2014 - $3,747, net of valuation allowance of $883) has been included in the deferred tax assets. The valuation allowance adjusts the Canadian non-capital loss to an amount that can be utilized based on the Company's judgment.

The non-capital losses expire as follows:

Expiry date	Loss carryforwards
2027	$ 211
2028	345
2030	90
2032	5,240
2033	2,048
2034	4,806
2035	2,549
	$ 15,289

7. Earnings per share

The earnings and weighted average number of shares used in the calculation of basic and diluted earnings per share are as follows. Diluted loss per common share for the years ended April 30, 2015 and April 30, 2014 has not been disclosed as the effect of the conversion would be anti-dilutive.

	Years Ended April 30,	
Numerator	**2015**	2014
Net loss for the year for basic and diluted earnings per share	**$ (13,076)**	$ (7,092)
Denominator		
Weighted average number of shares outstanding for basic earnings per share	**14,375,954**	14,373,201
Dilution impact of stock options	**107,883**	6,629
Weighted average number of shares outstanding for diluted earnings per share	**14,483,837**	14,379,830

Diluted loss per common share for the years ended April 30, 2015 and April 30, 2014 has not been disclosed as the effect of the conversion would be anti-dilutive.

8. Property, plant and equipment

		April 30, 2015		April 30, 2014
Cost	$	102,750	$	100,512
Accumulated amortization		84,507		80,014
Net book value	$	18,243	$	20,498
Land	$	468	$	453
Buildings		7,953		8,868
Roofs		1,065		885
Leasehold improvements		1,445		1,775
Machinery and equipment		5,758		7,180
Tools, dies and jigs		134		345
Office furniture and equipment		848		866
Capital projects in progress		572		126
Net book value	$	18,243	$	20,498

	Cost April 30, 2014	Additions	Disposals	Impairment	Foreign Exchange	Cost April 30, 2015
Land	$ 453	$ -	$ -	$ -	$ 15	$ 468
Buildings	14,798	-	-	-	321	15,119
Roofs	3,292	257	-	-	-	3,549
Leasehold improvements	10,639	41	-	-	23	10,703
Machinery and equipment	38,369	309	(9)	-	95	38,764
Tools, dies and jigs	21,465	88	-	-	52	21,605
Office furniture and equipment	11,370	550	-	-	50	11,970
Capital projects in progress	126	446	-	-	-	572
	$ 100,512	$ 1,691	$ (9)	$ -	$ 556	$ 102,750

	Accumulated Amortization April 30, 2014	Amortization	Disposals	Impairment	Foreign Exchange	Accumulated Amortization April 30, 2015
Land	$ -	$ -	$ -	$ -	$ -	$ -
Buildings	5,930	376	-	866	(6)	7,166
Roofs	2,407	77	-	-	-	2,484
Leasehold improvements	8,864	350	-	34	10	9,258
Machinery and equipment	31,189	1,438	(8)	375	12	33,006
Tools, dies and jigs	21,120	263	-	42	46	21,471
Office furniture and equipment	10,504	433	-	161	24	11,122
	$ 80,014	$ 2,937	$ (8)	$ 1,478	$ 86	$ 84,507

8 Property, plant and equipment (continued)

	Cost April 30, 2013	Additions	Disposals	Foreign Exchange	Cost April 30, 2014
Land	$ 441	$ -	$ -	$ 12	$ 453
Buildings	14,369	172	-	257	14,798
Roofs	3,079	213	-	-	3,292
Leasehold improvements	10,448	173	-	18	10,639
Machinery and equipment	38,605	220	(530)	74	38,369
Tools, dies and jigs	21,377	49	-	39	21,465
Office furniture and equipment	10,978	353	-	39	11,370
Capital projects in progress	102	24	-	-	126
	$ 99,399	$ 1,204	$ (530)	$ 439	$ 100,512

	Accumulated Amortization April 30, 2013	Amortization	Disposals	Foreign Exchange	Accumulated Amortization April 30, 2014
Land	$ -	$ -	$ -	$ -	$ -
Buildings	5,530	377	-	23	5,930
Roofs	2,333	74	-	-	2,407
Leasehold improvements	8,537	318	-	9	8,864
Machinery and equipment	30,075	1,619	(523)	18	31,189
Tools, dies and jigs	20,514	576	-	30	21,120
Office furniture and equipment	10,093	393	-	18	10,504
	$ 77,082	$ 3,357	$ (523)	$ 98	$ 80,014

The following useful lives are used in the calculation of depreciation recognized on a straight-line basis.

Buildings	40 years
Roofs	25 years
Leasehold improvements	lesser of the estimated useful life and the lease term
Machinery and equipment	5 to 15 years
Tools, dies and jigs	3 years
Office furniture and equipment	2 to 10 years

9. Intangible assets

	April 30, 2015	April 30, 2014
Cost	**$ 9,174**	$ 9,074
Accumulated amortization	**9,035**	8,847
Net book value	**$ 139**	$ 227
Licensed products	**$ 42**	$ -
Computer software	**96**	214
Intellectual property	**1**	13
Net book value	**$ 139**	$ 227

9 Intangible assets (continued)

	Cost April 30, 2014	Additions	Disposals	Impairment	Foreign Exchange	Cost April 30, 2015
Licensed products	$ 74	$ 48	$ -	$ -	$ -	$ 122
Computer software	$ 8,287	21	-	-	25	8,333
Intellectual property	$ 713	-	-	-	6	719
	$ 9,074	$ 69	$ -	$ -	$ 31	$ 9,174

	Accumulated Amortization April 30, 2014	Amortization	Disposals	Impairment	Foreign Exchange	Accumulated Amortization April 30, 2015
Licensed products	$ 74	$ 6	$ -	$ -	$ -	$ 80
Computer software	$ 8,073	135	-	5	24	8,237
Intellectual property	$ 700	11	-	3	4	718
	$ 8,847	$ 152	$ -	$ 8	$ 28	$ 9,035

	Cost April 30, 2013	Additions	Disposals	Foreign Exchange	Cost April 30, 2014
Licensed products	$ 659	$ -	$ (585)	$ -	$ 74
Computer software	8,175	89	-	23	8,287
Intellectual property	708	-	-	5	713
	$ 9,542	$ 89	$ (585)	$ 28	$ 9,074

	Accumulated Amortization April 30, 2013	Amortization	Disposals	Foreign Exchange	Accumulated Amortization April 30, 2014
Licensed products	$ 271	$ 44	$ (241)	$ -	$ 74
Computer software	7,839	219	-	15	8,073
Intellectual property	677	20	-	3	700
	$ 8,787	$ 283	$ (241)	$ 18	$ 8,847

The following useful lives are used in the calculation of amortization recognized on a straight-line basis.

Licensed products	10 years
Intellectual property	10 years
Computer software	3 to 5 years

10. Impairment loss

During the year, due to a decline in the financial performance of the movable walls and rollform segment, the Company carried out a review of the recoverable amount of that segment's long-lived assets. The review led to the recognition of an impairment loss of $1,486, which has been recognized in the consolidated statements of operations. The Company estimated the fair value less costs of disposal of the assets, which is based on the recent market prices of assets with similar age and obsolescence. The fair value less costs of disposal is higher than the value in use. The recoverable amount of the assets has been determined on the basis of the fair value less costs of disposals, which equaled $2,883 as at April 30, 2015.

11. Inventories

	April 30, 2015	April 30, 2014
Raw materials	$ 3,092	$ 2,622
Work-in-progress	285	376
Finished goods	780	946
	$ 4,157	$ 3,944

11 Inventories (continued)
The cost of inventories recognized as cost of goods sold was $50,436 (2014- $48,128). During the year there was an inventory write-down of $70 (2014 - $146). There was no reversal of inventory write-down.

12. Issued capital

Authorized
7,670,881 Class A multiple voting shares, 10 votes per share
Unlimited Class B subordinated voting shares, 1 vote per share

Issued and outstanding	**May 1, 2014 Balance**	**Issuance**	**Repurchase**	**Apr 30, 2015 Balance**
Class A multiple voting	**5,345,881**	**-**	**-**	**5,345,881**
Class B subordinated voting	**9,027,320**	**7,500**	**-**	**9,034,820**
Total number of shares	**14,373,201**	**7,500**	**-**	**14,380,701**

Issued and outstanding	May 1, 2013 Balance	Issuance	Repurchase	Apr 30, 2014 Balance
Class A multiple voting	5,345,881	-	-	5,345,881
Class B subordinated voting	9,038,320	-	(11,000)	9,027,320
Total number of shares	14,384,201	-	(11,000)	14,373,201

13. Provisions

		April 30, 2015		April 30, 2014
Provision, beginning of year	**$**	**230**	$	580
Additional provisions recognized		**216**		242
Reductions arising from payments		**(139)**		(561)
Reversal of unused amounts		**(96)**		(88)
Currency exchange		**21**		57
Provision, end of year	**$**	**232**	$	230

The provision relates to warranty claims and represents the present value of the management's best estimate of the future outflow of economic benefits that will be required. The estimate has been made on the basis of potential warranty claims known to management.

14. Retirement benefit obligation

14.1 Defined contribution plans
The Company operates a defined contribution retirement benefit plan for all qualifying employees. The assets of the plans are held separately from those of the Company in funds under the control of trustees.

The total expense recognized in the consolidated statements of operations of $173 (2014- $189) represents contributions made to the plan by the Company.

14.2 Defined benefit pension plans
The Company operates two defined benefit pension plans for qualifying employees in Canada and one defined benefit pension plan for qualifying employees in the U.S. No other post-retirement benefits are provided to these employees.

All three defined benefit pension plans are contributory in nature and are administered by trustees. The two Canadian plans are registered under the Ontario Pension Benefits Act, RSO 1990 and the Income Tax Act. The U.S. plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA). All three plans are legally separate from the Company and are monitored by a pension committee. The pension committee is responsible for policy setting. The pension plans expose the Company to actuarial risk, currency risk, credit risk, interest rate risk and market risk. For the

14.2 Defined benefit pension plans
year-ended April 30, 2015, there were no plan amendments, curtailments and settlements.

Actuarial valuations are prepared at least every three years for the two Canadian plans and every year for the U.S. plan. The most recent actuarial valuations were as at December 31, 2013 for the Canadian plans and July 1, 2014 for the U.S. plan. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method. Actuarial gains and losses are recognized immediately in other comprehensive income as a part of remeasurement. The total employer's contributions to the two Canadian plans for the fiscal year 2016 are expected to be $429 (2015 - $498), consisting of $208 normal costs based on 193.1% of employee contributions and $221 solvency deficit funding for a 8 year period until fiscal year 2023. The expected contribution to the US plan for the fiscal year 2016 is US$0 (2015 - $187).

Amounts recognized in the cost of goods sold and other comprehensive income in respect of these defined benefit plans are as follows:

		2015		2014
Defined benefit plans				
Benefits earned during the year	$	597	$	630
Participant contributions		(145)	$	(148)
Net interest cost		84		188
Pension expense recognized	$	536	$	670
Remeasurements on the net defined benefit liabilities				
Actuarial gains due to actuarial experience	$	73	$	423
Actuarial (loss) gains due to financial assumption changes		(2,259)		1,478
Actuarial loss due to demographic assmuption changes		(16)		(679)
Return on plan assets greater than discount rate		1,096		1,699
Remeasurements effects recognized in other comprehensive income	$	(1,106)	$	2,921
Cumulative actuarial losses relating to net defined benefit liabiities				
Balance, beginning of the year	$	(746)	$	(3,667)
Remeasurements recognized in the year		(1,106)		2,921
Balance, end of the year	$	(1,852)	$	(746)

The significant actuarial assumptions used in measuring the accrued defined benefit pension plans obligations are as follows:

	2015	2014
Discount rate at year end	3.8% to 3.95%	4.25% to 4.5%
Rate of increase in future compensation	2%	2%

Mortality Tables	2015	2014
Canadian Plans	2014 Private Sector Table	2014 Private Sector Table
U.S. Plan	IRS 2014 Optional Small Plan Table	IRS 2013 Optional Small Plan Table

A 1% increase in the discount rate would reduce the Canadian defined benefit obligation by approximately $2,814 and a 1% decrease in the discount rate would increase the Canadian defined benefit obligation by approximately $3,593.

A 1% increase in the discount rate would reduce the US defined benefit obligation by approximately US$437 and a 1% decrease in the discount rate would increase the US defined benefit obligation by approximately US$742.

The discount rates are based on a review of current market interest rates of AA corporate bond yields with a similar

14.2 Defined benefit pension plans (continued)

duration as the expected future cash outflows for the pension payments.

The amount included in the consolidated statements of financial position arising from the entity's obligation in respect of its defined benefit plans is as follows:

		April 30, 2015		April 30, 2014
Defined benefit obligation, beginning of year	$	20,785	$	21,063
Current service cost		597		630
Interest cost		943		829
Benefits and expenses paid		(823)		(953)
Actuarial losses (gains)		2,202		(1,222)
Foreign exchange rate changes		541		438
Defined benefit obligation, end of year	$	24,245	$	20,785
Fair value of plan assets, beginning of year	$	19,078	$	16,317
Interest income		859		641
Employer contributions		595		933
Employee contributions		145		148
Benefits and expenses paid		(823)		(953)
Return on plan assets greater than discount rate		1,096		1,699
Foreign exchange rate changes		415		293
Fair value of plan assets, end of year	$	21,365	$	19,078
Defined benefit obligation, net	$	2,880	$	1,707

The major categories of plan assets at the end of the year are as follows:

	April 30, 2015	April 30, 2014
Equity securities	59%	67%
Debt securities	30%	28%
Cash and cash equivalents	11%	5%
Total	100%	100%

15. Financial instruments

15.1 Capital risk management

The Company's objectives when managing capital are to safeguard the entity's ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders through growth in earnings.

Management defines capital as the Company's total capital and reserves excluding accumulated other comprehensive loss as summarized in the following table:

		April 30, 2015		April 30, 2014
Issued capital	$	52,868	$	52,853
Contributed surplus		2,675		2,675
Deficit		(24,708)		(11,632)
	$	30,835	$	43,896

15.1 Capital risk management (continued)

The Company manages its capital structure and makes modifications in response to changes in economic conditions and the risks associated with the underlying strategic initiatives. In order to maintain or adjust the capital structure, the Company may return capital to shareholders, or draw on its line of credit.

See Note 19-Credit facility for a description of the Company's externally imposed covenants.

15.2 Foreign currency risk management

The Company's activities expose it primarily to the financial risks of changes in the U.S. dollar exchange rates. The Company enters into a variety of derivative financial instruments to hedge the exchange rate risk arising on the anticipated sales to the U.S. The use of financial derivatives is governed by the Company's policies approved by the Board of Directors. Compliance with policies and exposure limits is reviewed by the Board on a regular basis. The Company does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

As at April 30, 2015, the Company had outstanding U.S. dollar hedge contracts with settlement dates from May 2015 to March 2017. The total nominal amounts under the contracts are U.S. $39,750 to $49,500 (2014 - $49,000 to $61,250). Dependent on the spot CAD/USD rate on each settlement date, the Company can sell U.S. dollars at rates ranging from $1.04 CAD/USD to $1.27 CAD/USD (2014 - $1.022 CAD/USD to $1.106 CAD/USD). These contracts had a mark-to-market loss of $3,945 (U.S. $3,271), which was recognized on the consolidated statement of financial position as derivative liabilities. Any changes in the net gain or loss from the prior reporting period due to addition of forward contracts, movements in the U.S. currency exchange rate, reclassification of the unrealized gains or losses to realized income or loss are recognized on the consolidated statement of operations as increase or decrease in fair value of derivative assets or liabilities of the period.

The following reconciles the changes in the fair value of the derivatives at the beginning and the end of the year:

		April 30, 2015		April 30, 2014
Fair value of derivative (liabilites) assets, beginning of year	**$**	**(2,387)**	$	438
Changes in fair value during the year:				
Decrease in fair value of new contracts added		**(1,938)**		(2,601)
Reversal of derivative liabilities (assets) of contracts settled		**2,601**		(275)
(Decrease) Increase in fair values of outstanding contracts		**(2,221)**		51
Net increase in fair value of derivative liabilities recognized during the year		**(1,558)**		(2,825)
Fair value of derivative liabilities, end of year	**$**	**(3,945)**	$	(2,387)
Current	**$**	**(3,822)**	$	(2,321)
Long-term		**(123)**		(66)
	$	**(3,945)**	$	(2,387)

15.3 Foreign currency sensitivity analysis

Based on the existing average U.S. currency hedge contract rates and the mix of U.S. dollar denominated sales and expenses for the year ended April 30, 2015, a 5% change in the Canadian dollar against the U.S. dollar would have an impact of approximately $503 on the Company's pre-tax earnings (2014 – $120).

Based on the U.S. dollar denominated assets and liabilities as at April 30, 2015, a 1% change in the Canadian dollar against the U.S. dollar would have an impact of $35 on the unrealized exchange gain or loss reported in the Consolidated Statements of Operations (2014 - $34) and an impact of $156 on the Consolidated Statements of Other Comprehensive Income (2014 - $96).

15.4 Interest rate risk management

The Company's cash equivalents and short-term investments are subject to the risk that interest income will fluctuate because of changes in market interest rates. The Company manages the interest rate risk by investing in highly liquid financial instruments with staggered maturity dates. For the year ended April 30, 2015, each 100 basis point variation in the market interest rate is estimated to result in a change of $102 in the Company's investment income (2014 - $88).

15.5 Credit risk management

The Company's cash and cash equivalents, short-term investments, trade accounts receivable and derivative assets are subject to the risk that the counterparties may fail to discharge their obligation to pay the Company. As at April 30, 2015, the Company's maximum direct exposure to credit risk is $24,609 (2014 – 28,541).

The Company's investment policy specifies the types of permissible investments, the minimum credit ratings required and the maximum balances allowed. The purchase of any securities carrying a credit rating

15.5 Credit risk management (continued)
below BBB for bonds or R1-Low for commercial paper is prohibited. Management reports to the Board of Directors quarterly the Company's investment portfolios to show their compliance with the investment policy. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Company has credit policies and procedures to manage trade accounts receivable credit risk by assessing new customers' credit history, reviewing of credit limits, monitoring aging of accounts receivable and establishing an allowance for doubtful accounts based on specific customer information and general historical trends. Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable. As at April 30, 2015, the allowance for doubtful accounts was $480 (2014 - $431).

Movement in the allowance for doubtful accounts

		April 30, 2015		April 30, 2014
Balance at beginning of the year	**$**	**431**	$	423
Provisions added (reduced)		**5**		(5)
Amount written off		**(4)**		(18)
Currency exchange		**48**		31
Balance at end of the year	**$**	**480**	$	431

15.6 Liquidity risk management
Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities as they fall due.

The Company is debt-free and has access to financing facilities, as described in note 19, which were unused at the end of the reporting period (2014: unused). The Company expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets.

15.7 Fair value hierarchy
The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

April 30, 2015		**Level 1**		**Level 2**		**Level 3**
Short-term investments	**$**	**9,832**	**$**	**-**	**$**	**-**
Derivative liabilities		**-**		**(3,945)**		**-**
	$	**9,832**	**$**	**(3,945)**	**$**	**-**

April 30, 2014		Level 1		Level 2		Level 3
Short-term investments	$	12,869	$	-	$	-
Derivative liabilities		-		(2,387)		-
	$	12,869	$	(2,387)	$	-

There were no transfers between Level 1, 2 and 3 in the periods.

16. Share-based compensation

16.1 Stock option plan
The Company has allotted and reserved 1,500,000 Class B subordinated voting shares under its Stock Option Plan. In September 2014 at the Annual General Meeting of the Shareholders, an amendment to the Stock Option Plan was approved to allow any stock option which is exercised or for any reason is cancelled or terminated without having been exercised be available for grants under the Plan.

16.1 Stock option plan (continued)
The reserves allotted at the end of the year are 1,500,000 (2014: 1,122,533), while the reserves available for grant at the end of the year are 479,310 (2014: 204,650).

Under the plan, options may be granted to purchase Class B subordinated voting shares at the market price determined at the time of grant. The plan also allows for the issuance of stock options with tandem share appreciation rights which give the holder the right to elect to either receive cash in an amount equal to the excess of the quoted market price over the option price or to receive a Class B subordinated voting share by making a cash payment equal to the option.

During the year, stock options with share appreciation rights for 142,807 Class B subordinated voting shares to expire in 5 years were granted (2014 – 753,207).

1,020,690 stock options were outstanding as at April 30, 2015 (2014 – 917,883). Fair values of these stock options based on the Black-Scholes-Merton Option Pricing Model are accounted for as liabilities and amortized over the vesting periods. Fair values of the amortized liabilities as at April 30, 2015 totaled $738 (April 30, 2014 - $187).

Fair values of the stock options were estimated using the Black-Scholes option pricing model. The assumptions used to compute the fair values and compensation expense under the model are as follows:

Inputs to the Black-Scholes Model	2015 Values	2014 Values	Basis
Expected remaining life of the options	0.6 to 4.6 years	0.6 to 4.9 years	Expiry dates of the options, history of forfeiture rates and early exercise
Risk-free interest rates	0.1% to 1.3%	0.1% to 1.7%	Market yield on U.S. Treasury securities at terms commensurate with the expected remaining life of the options
Expected volatility	37% to 58%	30% to 62%	The Company's daily share price over a period of time commensurate with the expected remaining life of the options
Expected dividend yield	0%	0%	The Company's current dividend yield

The intrinsic value of the stock options outstanding at year-end is $959 as at April 30, 2015 (2014 - $50).

16.2 Movements in share options during the year

The following reconciles the share options outstanding at the beginning and the end of the year:

	April 30, 2015		April 30, 2014	
	Shares	**Weighted Average Exercise Price**	Shares	Weighted Average Exercise Price
Outstanding, beginning of year	**917,883**	**$ 2.14**	811,605	$ 2.17
Granted	**142,807**	**2.31**	753,207	2.11
Exercised	**(15,000)**	**2.12**	(172,830)	1.86
Forfeited	**-**	**-**	(459,099)	2.24
Expired	**(25,000)**	**2.17**	(15,000)	2.40
Outstanding, end of year	**1,020,690**	**$ 2.16**	917,883	$ 2.14

16.3 Share options outstanding at the end of the year

The following summarizes the share options outstanding at the end of the year:

April 30, 2015	**Options Outstanding**			**Options Exercisable**	
Range of exercise prices	**Number of outstanding options**	**Weighted average remaining life in years**	**Weighted average exercise price**	**Number exercisable at year end**	**Weighted average exercise price**
$1.70 to $2.05	**436,840**	**0.83**	**$1.99**	**7,500**	**$1.80**
$2.10 to $2.40	**428,226**	**2.91**	**$2.19**	**35,000**	**$2.22**
$2.50 to $2.85	**155,624**	**0.54**	**$2.58**	**75,336**	**$2.81**
$1.70 to $2.85	**1,020,690**	**1.66**	**$2.16**	**117,836**	**$2.57**

April 30, 2014	Options Outstanding			Options Exercisable	
Range of exercise prices	Number of outstanding options	Weighted average remaining life in years	Weighted average exercise price	Number exercisable at year end	Weighted average exercise price
$1.80 to $2.05	436,840	1.18	$1.99	7,500	$1.80
$2.12 to $2.25	405,707	4.27	$2.17	35,000	$2.17
$2.80 to $2.85	75,336	2.12	$2.81	15,000	$2.85
$1.80 to $2.85	917,883	2.63	$2.14	57,500	$2.30

16.4 Employee stock purchase plan

The Company offers an Employee Stock Purchase Plan pursuant to which employees who have one year's service can choose to have up to 10% of their annual base salaries withheld to purchase Class B subordinated voting shares of the Company. The Company contributes 20% of employees' contributions to the plan. Both parties' contributions are held by the plan's trustees, who can purchase the Class B subordinated voting shares in the open market, from treasury or other plan participants' accounts. The purchase price of the shares from treasury is equal to the weighted average trading price of the Company's Class B subordinated voting shares on the TMX on the five trading days immediately prior to the subscription.

16.5 Deferred share unit plan

The Company has a Deferred Share Unit Plan for the members of the Board of Directors. Under the plan, each director receiving Director's fees may elect to receive all or a percentage of the fees in the form of notional Class B subordinated voting shares of the Company called deferred share units ("DSU"). The issue price of each DSU is equal to the weighted average share price at which Class B subordinate voting shares of the Company were traded on the Toronto Stock Exchange during the last five-day period of the quarter prior to the DSU issue. Upon retirement from the Board, a director's DSU is redeemed for cash based on the market price of the shares at the time of redemption.

During the year the Company issued 8,798 DSUs (2014 – 115,840). As at April 30, 2015, 130,425 DSUs were outstanding with a total fair value of $208 measured at the closing price of the shares on period end date (April 30, 2014 – 121,627 units, fair value $61).

16.6 Movements in deferred share units during the year

The following reconciles the deferred share units at the beginning and the end of the year:

	April 30, 2015	April 30, 2014
Outstanding, beginning of year	**121,627**	291,740
Granted	**8,798**	115,840
Forfeited	**-**	(65,000)
Redeemed	**-**	(220,953)
Outstanding, end of year	**130,425**	121,627

16.7 Executives long-term incentive plan

The Company has a long-term incentive plan for eligible executives. Under the plan, annual grants of stock options, performance share units ("PSU") or restricted share units ("RSU") are issued to eligible executives based on each executive's responsibilities and base salaries. The value of PSU or RSU redeemable at the end of the three-year vesting period is dependent upon the market price of the Class B subordinated voting shares of the Company and for PSU, the Company's 3-year average return on invested capital ("ROIC") relative to pre-determined ranges of ROIC. During the year the Company issued 38,226 units RSU (2014 – nil). As at April 30, 2015, 38,226 RSUs were outstanding (April 30, 2014 – 146,694 PSU units).

16.8 Movements in performance share units and restricted share units during the year

The following summarizes the movements in PSU and RSU during the year:

	April 30, 2015	April 30, 2014
Outstanding, beginning of year	**52,143**	146,694
Granted	**38,226**	-
Expired	**(52,143)**	(45,284)
Forfeited	**-**	(49,267)
Outstanding, end of year	**38,226**	52,143

17. Other long-term obligations

Other long-term obligations comprise the fair value of the Company's stock-based compensation liabilities as follows:

	April 30, 2015	April 30, 2014
Deferred Share Units	**$ 208**	$ 61
Stock Options	**736**	187
Restricted Share Units	**32**	-
	$ 976	$ 248

18. Operating lease arrangements

Operating leases relate to leases of real properties with lease terms of between 3 and 10 years. The Company does not have an option to purchase the leased properties at the expiry of the lease periods. Operating lease expense of $1,020 was charged to the consolidated statements of operations during the year (2014 - $905).

Non-cancellable operating lease commitments

	April 30, 2015	April 30, 2014
Not later than 1 year	**$ 1,196**	$ 987
Later than 1 year and not later than 5 years	**3,113**	2,713
Later than 5 years	**821**	1,400
	$ 5,130	$ 5,100

19. Credit facility

The Company has a demand operating credit of $10,000 and a demand credit for foreign exchange contracts of US $10,000 with its bank. The interest rate on the demand operating credit facility is Prime Rate plus 0.25% for Canadian dollar loans, US Base Rate plus 0.25% for US dollar loans and 1.5% for Canadian dollar Banker's Acceptance. The agreement is secured by the Company's personal property.

The credit facility agreement has the following covenants:

1. The ratio of "total liabilities less postponed debt" to "shareholders' equity less intangible assets" does not exceed 0.5 to 1.0 at any time, measured quarterly until the third quarter of fiscal year 2015, after which the ratio was amended to 1.0 to 1.0 measured quarterly.

2. Current ratio, excluding any derivative assets and liabilities, not to be less than 1.50 to 1.0, measured quarterly.

19. Credit facility (continued)
The Company is in compliance with the amended covenants as at April 30, 2015.

As at April 30, 2015, the Company has not drawn on the demand operating credit and the demand credit for foreign exchange contracts (2014 – not drawn).

20. Related party transactions

Compensation of key management personnel

The following was the remuneration of directors and other members of key management personnel, including Chief Executive Officer, Chief Financial Officer, VP Operations, VP Product Design and Development and VP Human Resources.

	2015	2014
Salaries and short-term benefits	**$ 1,476**	$ 1,435
Post-employment benefits	**14**	23
Share-based compensation	**646**	30
	$ 2,136	$ 1,488

During the year, the Company incurred expenses of $165 to a related party for goods and services associated with the Company's strategic initiatives. The entity is deemed a related party because the Chief Executive Officer is a shareholder of that entity. The relationship provides the Company immediate resources to implement new initiatives. Of the $165, $146 had been paid at the end of the reporting period.

21. Contingent liability

In the ordinary course of business, the Company may be contingently liable for litigation and claims with customers, suppliers and former employees. On an ongoing basis, the Company assesses the likelihood of any adverse judgments or outcomes to these matters as well as potential ranges of probable costs and losses and a determination of the provision required, if any, for these contingencies is made after analysis of each individual issue. There are no material contingent liabilities as at April 30, 2015 (2014 – nil).

corporate information

Board of Directors

Madan Bhayana
Chair of the Board

Brian A. Mirsky
Lead Director

Bartley Bull
Director

Dezsö J. Horváth
Director

Jim Stelter
Director and Chief Executive Officer

Corporate Officers

Jim Stelter
Chief Executive Officer

Matthew Posno
Chief Financial Officer & Secretary

Listing of Capital Stock

Toronto Stock Exchange (INQ)

Transfer Agent and Registrar

CST Trust Company
P.O. Box 700, Station B
Montreal, QC H3B 3K3
Tel: 416 682 3860 or 800 387 0825
Fax: 888 249 6189
www.canstockta.com

Auditor

Deloitte LLP
Toronto, Ontario

Corporate Office

67 Toll Road
Holland Landing, ON L9N 1H2
Tel: 905 836 7676
www.inscapesolutions.com

Financial Calendar

May 1 to April 30

2015 Annual Meeting

The annual and special meeting of shareholders will be held on September 10, 2015 at 4:00 pm at Inscape's Toronto showroom, 119 Spadina Avenue, Suite 202, Toronto, Ontario.

Investor Information

Shareholders seeking assistance or information about the Company are invited to contact Matthew Posno, Chief Financial Officer, at:
67 Toll Road, Holland Landing, Ontario L9N 1H2
Telephone: 905 836 7676
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