Annual Report
2020

inscape
work for tomorrow

Contents

Letter to Shareholders

Unprecedented. It's a word that has been used almost continuously by the media and members of our industry, as well as most government leaders and economists, to describe the impact of the COVID-19 pandemic. As it accelerated its influence throughout the world economy, in parallel to the completion of our 2020 Fiscal Year ending April 30th, 2020 and our fourth quarter, your company and its leadership team engaged in real time strategies to react and adapt to its impact.

During this time, the health and safety of our employees has been paramount. We were able to provide enough infrastructure to continue operating our factories in compliance with government restrictions while the balance of our employees primarily worked from home and continued to deliver for our customers. We are proud of our accomplishments protecting our employees during this time.

Only some of our efforts are reflected in the results for the period presented at year-end: service our customer's needs; build cash; manage working capital; reduce expenses; and, remain debt free. Other efforts will only start to become evident in future quarters including: adapt our product offering to anticipated demand trends post "COVID"; explore new channels to reach our customers; actively manage and reduce inventory levels; invest in rapid payback opportunities to drive plant efficiencies; and, monitor government programs to help support the business now and in the future...

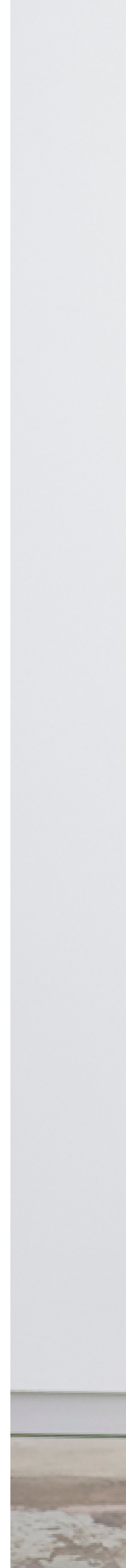
We look forward to demonstrating a new path forward and improved financial results as we begin to effect the necessary changes, which will take time to be in evidence as the economy recovers during our coming fiscal year.

We wish to thank Brian Mirsky, Inscape's CEO until March 5, 2020, for his valued contributions to the business and efforts to recruit a new generation of talent to the organization during his tenure.

We once again thank the leadership team, our employees and our partners for their commitment, particularly during this time of economic uncertainty, and our Board of Directors for their unparalleled support.

Bartley Bull,
Chair

Eric Ehgoetz,
Director and Chief Executive Officer



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 ("Inscape" or "the Company") for the year ended April 30, 2020 should be read in conjunction with the accompanying Consolidated Financial Statements and Notes for the years ended April 30, 2020 and 2019.

The discussion and analysis are as of June 25, 2020 unless otherwise stated.

Additional information relating to the Company, including the Annual Information Form, is available on SEDAR at sedar.com or on our website myinscape.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 or loss before interest, taxes, depreciation and amortization. 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 measures presented by other issuers.

Reference is also made to both adjusted net income or loss before taxes and adjusted EBITDA. Adjusted net income or loss before taxes excludes derivative fair value adjustments, unrealized exchange gains or losses, share-based compensation, severance and other non-recurring expenses such as gains or losses on disposal of capital assets and intangibles, restructuring expenses and proceeds from government subsidies and grants. Adjusted EBITDA is earnings before interest, taxes, depreciation and amortization with the exclusion of derivative fair value adjustments, unrealized exchange gains or losses, share-based compensation, severance and other non-recurring expenses such as gains or losses on disposal of capital assets and intangibles, restructuring expenses and proceeds from government subsidies and grants. Management believes adjusted net income and loss before taxes and adjusted EBITDA are useful measures that facilitate period-to-period operating comparisons. The adjusted net loss before taxes and adjusted EBITDA are 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 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, growth expectations for the contract office 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

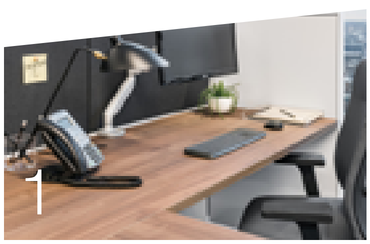
Inscape Corporation is a limited company incorporated in Ontario, Canada, with Class B common shares listed on the Toronto Stock Exchange (TMX). The Company's registered office and headquarters is at 67 Toll Road, Holland Landing, Ontario, Canada.

Since 1888, Inscape has been designing products and services that are focused on the future, so businesses can adapt and evolve without investing in their workspaces all over again. Our versatile portfolio includes systems furniture, storage, and walls – all of which are adaptable and built to last. Inscape's wide dealer network, showrooms in the United States and Canada, along with full service and support for all of our clients, enables us to stand out from the crowd. We make it simple. We make it smart. We make our clients wonder why they didn't choose us sooner.

The Company reports in two business segments. The Office Furniture segment includes storage, benching, systems and seating solutions products. The Walls segment includes architectural and movable walls. Inscape's products are manufactured in two facilities: a 306,000 square foot plant in Holland Landing, Ontario, and a 110,000 square foot plant in Falconer, New York. The latter facility was recently sold and now leased back by Inscape for its manufacturing. Inscape serves its clients through a network of dealers and representatives supported by showrooms across North America.

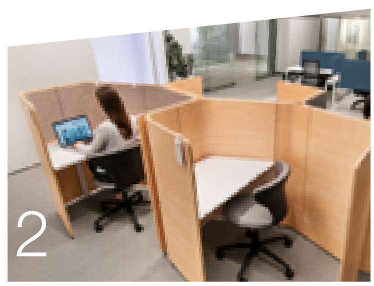
Vision & Strategy

Management has identified five key strategic initiatives which focus on building a strong foundation for future growth.



Focus the Portfolio

Invest in new product development in high growth and high profit product categories. Review existing portfolio of product categories to determine long term viability.

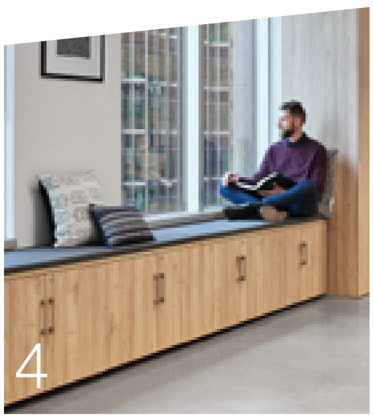


Develop the Inscape Brand

Emphasize the core attributes of our Brand, increase market awareness and continue to improve the customer experience both on site and on the web.

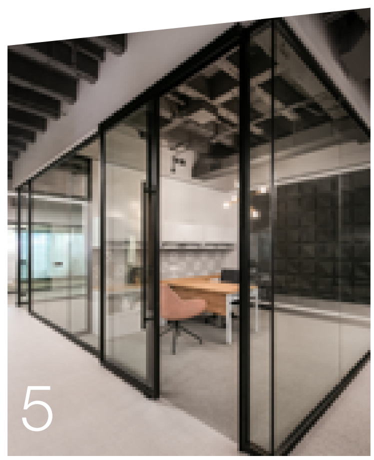
Build Distribution

Focus investment on high opportunity and high margin markets. Reinforce existing Dealer presence and leverage Inscape showrooms in core markets. Continue focus on growing the number of large customers with recurring annual sales. Develop new channels for growth.



Improve Capacity Utilization

Improve manufacturing efficiencies and other costs relating to product fulfillment through tactical investments to increase insourcing and modernize production methods. Accelerate product rationalization efforts to eliminate low volume or unprofitable products. Focus on what customers want and what sells.



Build Capability

Implement business process improvements and invest in new equipment and technology to enhance performance. Evaluate strategic alliances that leverage Inscape strengths and increase our avenues for growth.

Overview

Fiscal year 2020 compared to fiscal year 2019

Fiscal year 2020 sales decreased by $14.8 million or 16.3% compared to the prior year. Both the Furniture and Walls business units contributed to the decline in sales which stemmed from a general reduction in customer demand, as well as, both shipment delays and pushouts of major projects to future quarters resulting from the economic impact of COVID-19.

In fiscal year 2020, the Company incurred a net loss of $5.4 million or 0.38 cents per share, compared to a net loss of $8.7 million, or 61 cent per share a year ago. Both reporting periods included unrealized derivative losses relating to fair value of outstanding derivative contracts which have had a significant impact on the reported net loss. In Fiscal 2020, there was a significant gain related to the sale and leaseback and the proceeds related to the government forgivable loan. With the exclusion of these items in addition to other items such as stock based compensation and severance expenses, fiscal year 2020 had an adjusted net loss before taxes of $4.4 million compared with last year's adjusted net loss before taxes of $6.9 million.

Fiscal year 2019 compared to fiscal year 2018

Fiscal year 2019 sales decreased by $3.4 million or 3.6% compared to the prior year. Furniture business unit sales declined as the Company exited an unprofitable business which contributed $12.4 million in net sales in fiscal 2018. Excluding sales from the unprofitable business, fiscal 2019 sales increased by 9.2% over the prior year.

In fiscal year 2019, the Company incurred a net loss of $8.7 million or 61 cents per share, compared to a net loss of $3.0 million, or 21 cent per share a year ago. Both reporting periods included unrealized derivative losses or gains relating to fair value of outstanding derivative contracts and other unusual items, which have a significant impact on the reported net income or loss. With the exclusion of these items, fiscal year 2019 had an adjusted net loss before taxes of $6.9 million compared with last year's adjusted net loss before taxes of $5.1 million. Unfavourable sales mix combined with incremental investments in sales, marketing and product development initiatives accounted for the majority of the increase in adjusted net loss.

Financial Highlights

(In thousands, except for per share amounts)

	THREE MONTHS ENDED APRIL 30	
	2020	2019
Sales	**$ 14,443**	$ 18,629
Net loss	**$ (5,196)**	$ (4,420)
Basic and diluted loss per share	**$ (0.36)**	$ (0.31)
Adjusted net loss before taxes	**$ (2,288)**	$ (3,349)
Adjusted EBITDA	**$ (1,038)**	$ (2,723)

	YEARS ENDED APRIL 30	
	2020	**2019**
Sales	**$ 75,818**	$ 90,583
Net loss	**$ (5,406)**	$ (8,746)
Basic and diluted loss per share	**$ (0.38)**	$ (0.61)
Adjusted net loss before taxes	**$ (5,163)**	$ (6,851)
Adjusted EBITDA	**$ (1,381)**	$ (4,710)
Total assets	**$ 37,804**	$ 39,527
Total liabilities	**$ 29,127**	$ 22,434
Weighted average number of shares for basic and diluted EPS	**14,380,701**	14,380,701
Cash	**$ 5,885**	$ 3,265

Results of Operations

SALES (In thousands)		**FISCAL 2020**		FISCAL 2019	CHANGE
Three Months Ended April 30	**$**	**14,443**	$	18,629	(22.5%)
Years Ended April 30	**$**	**75,818**	$	90,583	(16.3%)

Sales in the fourth quarter were 22.5% lower than the same quarter of last year. The decline in the fourth quarter is primarily due to the economic impact of COVID-19 which resulted in both shipment delays and customer order pushouts in some of our major markets.

The fiscal 2020 annual sales of $75.8 million were 16.3% lower than the previous year's sales of $90.6 million, due to the timing of major customer projects in the prior year and reduced sales demand in the latter half of this year.

GROSS PROFIT (In thousands)		**FISCAL 2020**	**% OF SALES**		FISCAL 2019	% OF SALES
Three Months Ended April 30	**$**	**3,877**	**26.8%**	$	4,090	22.0%
Years Ended April 30	$	**20,791**	**27.4%**	$	24,382	26.9%

The fourth quarter gross profit as a percentage of sales of 26.8% was 4.8 percentage points higher than the same quarter of last year, primarily due to favourable product mix, improvements in quality expenses and cost efficiencies in the Walls business segment.

Fiscal year 2020 gross profit as a percentage of sales increased by 0.5 percentage points from last year's 26.9% to the current year's 27.4%.

SELLING, GENERAL & ADMINISTRATIVE EXPENSES (SG&A) (In thousands)		**FISCAL 2020**	**% OF SALES**		FISCAL 2019	% OF SALES
Three Months Ended April 30	**$**	**6,565**	**45.5%**	$	7,879	42.3%
Years Ended April 30	**$**	**26,382**	**34.8%**	$	31,767	35.1%

SG&A for the quarter was 45.5% of sales compared with last year's 42.3%. The current quarter SG&A of $6.6 million was $1.3 million lower than the same quarter of last year primarily due to reduced headcount levels, a decrease in marketing initiatives and lower selling and travel and entertainment expenses.

SG&A for the year was 34.8% of sales versus 35.1% last year. The SG&A expense of $26.4 million was $5.4 million or 17.0% lower than last year, mainly due to a reduction in marketing initiatives, lower variable and fixed selling expenses, headcount reductions and cost savings from the exit of an unprofitable business unit.

NET LOSS (In thousands)		**FISCAL 2020**	**% OF SALES**		FISCAL 2019	% OF SALES
Three Months Ended April 30	**$**	**(5,196)**	**(36.0%)**	$	(4,420)	(23.7%)
Years Ended April 30	**$**	**(5,406)**	**(7.1%)**	$	(8,746)	(9.7%)

The fourth quarter net loss of $5.2 million is higher than the net loss of $4.4 million in the same quarter of last year, primarily due to a $2.3 million loss on the revaluation of derivative contracts and foreign exchange losses of $0.3 million. These were partially offset by reductions in SG&A expenses noted previously and $0.5 million in other income from government grants.

Fiscal year 2020 ended with a net loss of $5.4 million compared to a net loss of $8.7 million in fiscal year 2019. This is primarily due to a $5.4 million reduction in SG&A and $1.5 million reduction in non-operating or unusual items including the $1.8 million gain on the sale and leaseback of the Falconer facility and sale of the DC Rollform business and $0.5 million of other income in the form of a grant related to the forgivable government loan.

The adjusted net loss before taxes and adjusted EBITDA are non-GAAP measures, which do not have any standardized meaning prescribed by GAAP and is therefore unlikely to be comparable to similar measures presented by other issuers.

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

	THREE MONTHS ENDED APRIL 30		YEARS ENDED APRIL 30	
(In thousands)	**2020**	2019	**2020**	2019
Net loss before taxes	**$ (5,237)**	$ (4,400)	**$ (5,391)**	$ (8,726)
Adjust non-operating or unusual items:				
Unrealized loss on derivatives	**$ 3,032**	$ 692	**$ 1,994**	$ 1,746
Unrealized loss (gain) on foreign exchange	**$ 224**	$ (78)	**$ 289**	$ (81)
(Gain) loss on disposal of PP&E and intangibles	**$ (188)**	$ 1	**$ (1,957)**	$ (294)
Other income – government grant	**$ (517)**	$ —	**$ (517)**	$ —
Stock based compensation	**$ (102)**	$ 272	**$ (379)**	$ 256
Severance obligation	**$ 500**	$ 164	**$ 798**	$ 248
Adjusted net loss before taxes	**$ (2,288)**	$ (3,349)	**$ (5,163)**	$ (6,851)

The following is a reconciliation of net loss before taxes calculated in accordance with GAAP to EBITDA and adjusted EBITDA, the non-GAAP measures:

	THREE MONTHS ENDED APRIL 30		YEARS ENDED APRIL 30	
(In thousands)	**2020**	2019	**2020**	2019
Net loss before taxes	**$ (5,237)**	$ (4,400)	**$ (5,391)**	$ (8,726)
Interest	**$ 191**	$ (4)	**$ 184**	$ (30)
Depreciation	**$ 602**	$ 630	**$ 2,158**	$ 2,171
Amortization	**$ 457**	$ —	**$ 1,440**	$ —
EBITDA	**$ (3,987)**	$ (3,774)	**$ (1,609)**	$ (6,585)
Adjust non-operating or unusual items:				
Unrealized loss on derivatives	**$ 3,032**	$ 692	**$ 1,994**	$ 1,746
Unrealized loss (gain) on foreign exchange	**$ 224**	$ (78)	**$ 289**	$ (81)
(Gain) loss on disposal of PP&E and intangibles	**$ (188)**	$ 1	**$ (1,957)**	$ (294)
Other income – government grant	**$ (517)**	$ —	**$ (517)**	$ —
Stock based compensation	**$ (102)**	$ 272	**$ (379)**	$ 256
Severance obligation	**$ 500**	$ 164	**$ 798**	$ 248
Adjusted EBITDA	**$ (1,038)**	$ (2,723)	**$ (1,381)**	$ (4,710)

Income Tax

In accordance with IFRS requirements, deferred tax benefits relating to tax loss carry-forward were not recognized during fiscal 2020. See the notes to the consolidated financial statements which include a reconciliation of the income tax expense and valuation allowance.

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 $9 in fiscal year 2020 and $30 in fiscal year 2019.

Summary of Quarterly Results

Selected unaudited quarterly financial information for the previous eight quarters from July 31, 2018 through April 30, 2020 is provided below:

Selected Quarterly Information

(in thousands, except per share amounts)
(Unaudited)

							QUARTERS ENDED	
		APR 30, 2020		JAN 31, 2020		OCT 31, 2019		JULY 31, 2019
Sales	$	14,443	$	17,376	$	23,322	$	20,677
Gross profit	$	3,877	$	4,371	$	6,765	$	5,778
Gross profit %		26.84%		25.20%		29.00%		27.90%
Net (loss) income	$	(5,196)	$	142	$	392	$	(744)
Basic & diluted (loss) income per share	$	(0.36)	$	0.01	$	0.03	$	(0.05)
Adjusted net (loss) income before taxes	$	(2,288)	$	(1,591)	$	231	$	(1,515)
Adjusted EBITDA	$	(1,038)	$	(739)	$	1,076	$	(680)

							QUARTERS ENDED	
		APR 30, 2019		JAN 31, 2019		OCT 31, 2018		JULY 31, 2018
Sales	$	18,629	$	28,878	$	21,850	$	21,226
Gross profit	$	4,090	$	8,240	$	6,560	$	5,492
Gross profit %		22.00%		28.50%		30.00%		25.90%
Net (loss) income	$	(4,420)	$	1,300	$	(2,421)	$	(3,205)
Basic & diluted (loss) income per share	$	(0.31)	$	0.09	$	(0.17)	$	(0.22)
Adjusted net (loss) income before taxes	$	(3,349)	$	1,055	$	(2,098)	$	(2,459)
Adjusted EBITDA	$	(2,723)	$	1,606	$	(1,609)	$	(1,984)

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

Liquidity & Capital Resources

Cash Flow Summary

(in thousands)	THREE MONTHS ENDED APRIL 30	
	FISCAL 2020	FISCAL 2019
Net cash flow generated from (used in):		
Operating activities before changes in working capital	**$ (1,549)**	$ (1,974)
Net change in working capital	**$ 4,093**	$ 3,277
Investing activities	**$ (81)**	$ (134)
Financing activities	**$ 454**	$ —
Foreign exchange loss on cash	**$ 246**	$ (803)
Net increase in cash	**$ 3,163**	$ 366
Cash, beginning of period	**$ 2,722**	$ 2,899
Cash, end of period	**$ 5,885**	$ 3,265

(in thousands)	TWELVE MONTHS ENDED APRIL 30	
	FISCAL 2020	FISCAL 2019
Net cash flow generated from (used in):		
Operating activities before changes in working capital	**$ (2,144)**	$ (3,870)
Net change in working capital	**$ 402**	$ 1,162
Investing activities	**$ 3,799**	$ 1,315
Financing activities	**$ 454**	$ —
Foreign exchange loss on cash	**$ 109**	$ (722)
Net increase (decrease) in cash	**$ 2,620**	$ (2,115)
Cash, beginning of year	**$ 3,265**	$ 5,380
Cash, end of year	**$ 5,885**	$ 3,265

The fourth quarter cash outflow from operations (before changes in working capital) was $1.5 million compared to the previous year's outflow of $2.0 million. The movement is primarily due to the economic impact of COVID-19 on interest rates, exchange rate and share price which affected the valuation of derivative contracts, remeasurement of retirement benefit obligations and share-based compensation.

Net increase in working capital of $4.1 million consisted primarily of improvement in working capital management initiatives. Net cash inflow from financing activities of $0.5 million consisted of a forgivable government loan of $1.8 million partially offset by $1.4 million payments of the principal portion of lease liabilities.

On an annual basis, fiscal 2020 cash outflow from operations (before changes in working capital) was $2.1 million, compared to a cash outflow of $3.9 million in the previous year, primarily due to lower operating expenditure in SG&A during 2020 relative to prior year when there were incremental investments in marketing, sales coverage and supply chain initiatives. Net working capital movement of $0.4 million is primarily due to movements in lease liabilities and inventories.

Cash inflow of $3.8 million from investing activities consisted of $4.4 million proceeds from the sale and leaseback and sale of the DC Rollform business. Net cash inflow from financing activities of $0.5 million comprised lease liabilities and the forgivable government loan.

Credit Facility

The Company has a demand credit facility for foreign exchange contracts of US $8.0 million and a demand operating credit facility of $5.0 million. As at April 30, 2020, the Company had $4.5 million available in its borrowing base. The interest rate on the demand operating credit facility is Prime Rate plus 1.00% for Canadian dollar loans, US Base Rate plus 1.00% for US dollar loans and 2.5% for Canadian dollar Banker's Acceptance and 2.5% for US dollar Libor loans. The agreement is secured by the Company's assets, including property related to both accounts receivable and inventory.

The credit facility agreement has the following covenants:

1. The ratio of "total liabilities less postponed debt, non-cash provisions up to $1,000 and lease liabilities" to "shareholders' equity less intangible assets" does not exceed 1.60 to 1.0 at any time, measured quarterly.
2. Current ratio, excluding any derivative assets and liabilities, not to be less than 1.25 to 1.0, measured quarterly.

Although the Company had no borrowings as at April 30, 2020, the Company was not in compliance with one of its financial covenants and received a waiver from its bank on June 18, 2020 (2019 – not in compliance with one covenant but waiver received from bank).

Contractual Obligations

The following is a summary of the Company's contractual obligations as at April 30, 2020:

							PAYMENTS DUE BY PERIOD	
(in millions)		**TOTAL**		**1 YEAR OR LESS**		**1 – 5 YEARS**		**AFTER 5 YEARS**
Lease liabilities	$	3.9	$	2.0	$	1.4	$	0.5
Foreign exchange contracts		3.4		2.1		1.3		—
	$	7.3	$	4.1	$	2.7	$	0.5

Lease contracts are primarily in respect of the Company's four showrooms and its US manufacturing facilities. See "Financial Instruments" discussed below for the Company's obligations for foreign exchange contracts.

Share Capital

The Company has 3,345,881 Class A multiple voting shares and 11,034,820 Class B subordinated voting shares outstanding at April 30, 2020. 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.

Related Party Transactions

The following was the remuneration of directors and other members of key management personnel, including Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, Chief Brand Officer, VP Supply Chain and VP Human Resources. Compensation of two directors are paid through companies they control.

	Three Months Ended April 30				**Years Ended April 30**			
(in thousands)		**2020**		2019		**2020**		2019
Salaries and short-term benefits	**$**	**410**	$	362	**$**	**2,163**	$	2,084
Post-employment benefits	**$**	**8**	$	52	**$**	**42**	$	52
Share-based compensation	**$**	**656**	$	272	**$**	**379**	$	256
	$	**1,074**	$	686	**$**	**2,584**	$	2,392

During the year, the Company paid out $21K (2019 - $nil) to former related parties for goods and services.

Future Accounting Changes

In 2020, there were no future accounting standard changes which impacted on the Company's business.

Significant Accounting Judgements, Estimates and Assumptions

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.

Significant Estimates and Judgments in Applying Accounting Policies

The following are the 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.

Significant Judgments

The Company assesses on a forward-looking basis the expected credit losses ("ECL") associated with its assets carried at amortized costs, including other receivables. For trade and other receivables only, the Company applies the simplified approach permitted by IFRS 9, which requires the expected lifetime losses (based on management's judgement and review of known exposures, credit worthiness, and collection experience) to be recognized from initial recognition of the receivables.

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

Reserve for warranty is based on management's judgment and review of any known exposures and historical claim experience.

Percentage of completion percentages are based on Inscape's onsite project management estimate of job progress.

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

Determination to not recognize 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.

Significant Estimates

Estimated useful lives and residual values of intangible assets, 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 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 management's best estimate of the Company's financial performance during the vesting period of the performance and restricted share units.

Determination of the company's fair value of the principal assets of each CGU less the costs to sell the assets is used to perform an impairment test of the assets.

Financial Instruments

The Company's activities expose it primarily to the financial risks of changes in the US 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 US 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, 2020, the Company had outstanding US dollar hedge contracts with settlement dates from May 2020 to August 2021. The total notional amounts under the contracts are US $40,000 to $50,000 (2019 - $41,000 to $51,400). Dependent on the spot CAD/US rate on each settlement date, the Company can sell US dollars at rates ranging from $1.28 CAD/US to $1.50 CAD/US (2019 - $1.24 CAD/US to $1.41 CAD/US). These contracts had a mark-to-market unrealized loss of $3,391 (US $2,437) as at April 30, 2020 (2019 – unrealized gain of $1,397 or US $1,042), 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 US currency exchange rate, reclassification of the unrealized gains or losses to realized income or loss are recognized on the consolidated statement of operations as unrealized gain or loss on derivatives of the year. There were realized losses of $275 on the settlement of contracts during fiscal year 2020 (2019 - $3).

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.

Natural Disasters and Pandemics

Extraordinary weather conditions, or natural disasters, such as hurricanes, tornadoes, floods, droughts, tsunamis, typhoons, and earthquakes and pandemics could disrupt operations at our facilities or those of our suppliers and customers and increase our cost of sales and other operating expenses.

The Company is monitoring the outbreak of the novel coronavirus. Should the outbreak become more widespread in Canada and the United States and adversely affect general economic conditions, it may impact demand for the Company's products and negatively affect the Company's revenue and profitability.

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.

US Dollar Exchange Rate

The US is the main market for the Company. Fluctuations in the US/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 US dollar hedge instruments. The hedge instruments provide the Company with an opportunity to lock in the US 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 US suppliers where appropriate and seeks to increase Canadian dollar sales.

Access to the US Markets

The Company depends heavily on unrestricted access to the US 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 US 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 US statutes, regulations, procurement requirements and border crossing restrictions. Where appropriate, the Company publicizes its extensive investment in the US and contribution to the economy by operating a production plant in New York State, providing employment opportunities in different states and purchasing from US 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.

Controls & Procedures

Disclosure Controls and Procedures

The Chief Executive Officer and the Chief Financial Officer (the "Certifying Officers"), along with other members of management, have designed, or caused to be designed under their supervision, Disclosure Controls and Procedures ("DC&P") to provide reasonable assurance that (i) material information relating to the Company is made known to them by others, particularly during the period in which the annual filings are being prepared; and (ii) information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation.

The Certifying Officers have evaluated, or caused to be evaluated under their supervision, the design and operating effectiveness of DC&P and have found that the Company's DC&P are effective at the financial year-end.

Internal Control over Financial Reporting

The Certifying Officers, along with other members of management, have also designed, or caused to be designed under their supervision, Internal Control over Financial Reporting ("ICFR") to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes prepared in accordance with IFRS. The Certifying Officers have used the Internal Control – Integrated Framework (2013 COSO Framework) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") to design the Company's ICFR.

The Certifying Officers have evaluated, or caused to be evaluated under their supervision, the design and operating effectiveness of ICFR and have found that the Company's ICFR is effective in design and operation at the financial year end.

During the year ended April 30, 2020, there has been no change in the Company's ICFR that has materially affected, or is reasonably likely to materially affect, the Company's ICFR.

Limitations of an Internal Control System

The Certifying Officers believe that any DC&P or ICFR, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met and that all control issues, including instances of fraud, if any, within the Company have been prevented or detected. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential (future) conditions.

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.

Eric Ehgoetz,
Director and Chief Executive Officer

Jon Szczur
Chief Financial Officer

June 25, 2020

Independent Auditor's Report

To the Shareholders and the Board of Directors of Inscape Corporation

Opinion

We have audited the consolidated financial statements of Inscape Corporation and its subsidaries (the "Company"), which comprise the consolidated statements of financial position as at April 30, 2020 and 2019, and the consolidated statements of operations, comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at April 30, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

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

- Management's Discussion and Analysis
- The information, other than the financial statements and our auditor's report thereon, in the Annual Report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

The Annual Report is expected to be made available to us after the date of the auditor's report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Devin Thompson McLeod.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
June 25, 2020

Consolidated Financial Statements

Consolidated Statements of Operations

Years ended April 30 (In thousands of Canadian dollars)

	NOTE		AS AT APRIL 30, 2020		AS AT APRIL 30, 2019
SALES	19	**$**	**75,818**	$	90,583
COST OF GOODS SOLD	20		**55,027**		66,201
GROSS PROFIT			**20,791**		24,382
EXPENSES					
Selling, general and administrative	20		**26,382**		31,767
Unrealized loss (gain) on foreign exchange			**289**		(81)
Other income	7		**(2,504)**		—
Unrealized loss on derivatives	10.2		**1,994**		1,746
Loss (gain) on disposal of property, plant and equipment & intangibles			**30**		(294)
Investment income			**(9)**		(30)
			26,182		33,108
Loss before taxes			**(5,391)**		(8,726)
INCOME TAXES	14.1				
Current			**15**		20
			15		20
NET LOSS		**$**	**(5,406)**	$	(8,746)
NET LOSS PER SHARE AVAILABLE TO SHAREHOLDERS	18				
Basic		**$**	**(0.38)**	$	(0.61)
Diluted		**$**	**(0.38)**	$	(0.61)

Consolidated Statements of Comprehensive Loss

Years ended April 30 (In thousands of Canadian dollars)

	NOTE		2020		2019
NET LOSS		**$**	**(5,406)**	$	(8,746)
OTHER COMPREHENSIVE LOSS					
Items that may not be reclassified to earnings					
Remeasurement of defined benefit pension liabilities	13.2		**(3,140)**		(865)
Items that may be reclassified to earnings					
Exchange gain on translating foreign operations			**130**		377
Other comprehensive loss			**(3,010)**		(488)
TOTAL COMPREHENSIVE LOSS		**$**	**(8,416)**	$	(9,234)

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

Consolidated Statements of Financial Position

Years ended April 30 (in thousands of Canadian dollars)

ASSETS	**NOTE**	**2020**	2019
CURRENT ASSETS			
Cash		**$ 5,885**	$ 3,265
Trade and other receivables	4	**10,255**	13,416
Inventories	5	**5,785**	6,577
Income taxes receivable	14	**—**	9
Prepaid expenses		**690**	692
		22,615	23,959
NON-CURRENT ASSETS			
Property, plant and equipment	6	**9,915**	13,800
Right-of-use assets	9.1	**3,637**	—
Intangible assets	8	**1,637**	1,768
		15,189	15,568
TOTAL ASSETS		**$ 37,804**	$ 39,527
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	11	**$ 11,923**	$ 15,157
Lease liabilities	9.2	**2,035**	—
Derivative financial liabilities	10.2	**2,122**	1,052
Forgivable government loan	22	**1,199**	—
Provisions	12	**203**	387
		17,482	16,596
NON-CURRENT LIABILITIES			
Retirement benefit obligation	13	**7,340**	3,917
Lease liabilities	9.2	**1,856**	—
Derivative financial liabilities	10.2	**1,269**	345
Provisions	12	**1,057**	1,053
Other long-term obligations	15	**123**	523
		11,645	5,838
TOTAL LIABILITIES		**29,127**	22,434
SHAREHOLDERS' EQUITY			
Shareholders' capital	16	**$ 52,868**	$ 52,868
Contributed surplus		**2,675**	2,675
Accumulated other comprehensive loss		**(3,588)**	(578)
Deficit		**(43,278)**	(37,872)
TOTAL SHAREHOLDERS' EQUITY		**8,677**	17,093
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$ 37,804**	$ 39,527

Approved by the Board of Directors,

Bartley Bull,
Chair

Eric Ehgoetz,
Director and Chief Executive Officer

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

Consolidated Statements of Changes in Shareholders' Equity

(in thousands of Canadian dollars)

	SHARE CAPITAL	CONTRIBUTED SURPLUS	CUMULATIVE REMEASUREMENT OF RETIREMENT BENEFIT OBLIGATION	CUMULATIVE TRANSLATION GAIN	DEFICIT	TOTAL SHAREHOLDERS' EQUITY
Balance, April 30, 2018	$ 52,868	$ 2,675	$ (979)	$ 889	$ (29,126)	$ 26,327
Net loss	—	—	—	—	(8,746)	(8,746)
Other comprehensive income (loss)	—	—	(865)	377	—	(488)
Balance, April 30, 2019	**$ 52,868**	**$ 2,675**	**$ (1,844)**	**$ 1,266**	**$ (37,872)**	**$ 17,093**
Net loss	—	—	—	—	(5,406)	(5,406)
Other comprehensive income (loss)	—	—	(3,140)	130	—	(3,010)
Balance, April 30, 2020	**$ 52,868**	**$ 2,675**	**$ (4,984)**	**$ 1,396**	**$ (43,278)**	**$ 8,677**

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

Consolidated Statements of Cash Flows

Years ended April 30 (in thousands of Canadian dollars)

	NOTE	2020	2019
Net inflow (outflow) of cash related to the following activities:			
OPERATING			
Net loss		**$ (5,406)**	$ (8,746)
ITEMS NOT AFFECTING CASH			
Amortization and depreciation	6, 8, 9, 20.2	**3,598**	2,171
Interest expense on lease liabilities		**222**	—
Unrealized loss on derivatives	10.2	**1,994**	1,746
Share-based compensation		**(379)**	256
Unrealized loss (gain) on foreign exchange		**18**	(81)
Non-cash portion of other income	7	**(2,504)**	—
Disposal of property, plant and equipment & intangibles	7	**30**	(294)
Retirement benefit obligation expense net of employer contributions		**283**	1,078
Cash used for operating activities before non-cash working capital		**(2,144)**	(3,870)
MOVEMENTS IN NON-CASH WORKING CAPITAL			
Trade and other receivables		**3,299**	(805)
Inventories		**844**	248
Prepaid expenses		**29**	268
Accounts payable and accrued liabilities		**(3,484)**	959
Lease liability	9.2	**204**	—
Provisions		**(263)**	490
Income tax receivables and payables		**13**	2
Changes in non-cash operating items		**642**	1,162
Interest payment on lease liabilities	9.2	**(219)**	—
Restricted shares settled		**(21)**	—
Cash used in operating activities		**(1,742)**	(2,708)
INVESTING			
Proceeds from sales of short-term investments		**—**	3,614
Additions to property, plant and equipment	6	**(558)**	(2,148)
Additions to intangible assets	8	**(63)**	(153)
Proceeds from disposal of property, plant and equipment	7.1	**3,449**	2
Proceeds from sale of business	7.2	**971**	—
Cash generated from investing activities		**3,799**	1,315
FINANCING			
Proceeds from forgivable government loan	22	**1,808**	—
Payment of principal portion of lease liabilities	9.2	**(1,354)**	—
Cash generated from (used in) financing activities		**454**	—
Unrealized foreign exchange loss on cash		**109**	(722)
Net cash inflow (outflow)		**2,620**	(2,115)
Cash, beginning of year		**3,265**	5,380
Cash, end of year		**$ 5,885**	$ 3,265
CASH CONSISTS OF:			
Cash		**$ 5,885**	$ 3,265
		$ 5,885	$ 3,265

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

Notes to the Consolidated Financial Statements

(In thousands of Canadian dollars, except were indicated per share amounts.)

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 at 67 Toll Road, Holland Landing, Ontario, Canada.

The Company is an office furniture manufacturer with production at two facilities in Canada and the United States in approximately 416,000 square feet of space. Inscape serves its clients through a network of dealers and representatives supported by showrooms across North America.

The Company reports in two business segments. The Office Furniture segment includes storage, benching, systems and seating solutions products. The Walls segment includes architectural and movable walls. Inscape's products are manufactured in two facilities: a 306,000 square foot plant in Holland Landing, Ontario, and approximately 110,000 square foot plant in Falconer, New York. During the year, the latter facility was sold and leased back by Inscape for its manufacturing.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance with IFRS including comparatives

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standard ("IFRS") as issued by the International Accounting Standards Board ("IASB"). 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, 2020.

The consolidated financial statements are presented in Canadian dollars, the functional currency of the Company, and all values are rounded to the nearest thousands, except where indicated.

Basis of consolidation

The consolidated financial statements include the accounts of Inscape and its two wholly owned US subsidiaries, Inscape Inc. and Inscape (New York) Inc. Subsidiaries are consolidated from the date of acquisition and control and continue to be consolidated until the date that such control ceases. The Company controls an entity when the Company is exposed or has rights to variable returns from its involvement with the investee and has the ability to affect these returns through the Company's power over the investee. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Revenue recognition

Sale of manufactured goods

The Company's revenue is generated from sales and installation of manufactured goods to customers through a dealer network. For manufactured goods, revenue is recognized when the goods are shipped. Revenue is recognized when control of the assets passes to the customer; the Company's terms and condition state that control of the assets transfers at shipping point. This is where the customer gains control of the asset.

Revenue from installation is recognized on a percentage of completion based on physical stage of completion of the contract. This output method is the best measure of progress as the nature of the products installed enable measurement to be reliably observed.

The Company invoices the customer as the installation occurs. The payments are received as per normal payment terms established with the customer.

Revenue from the sale of manufactured goods and installation is measured at fair value of the consideration received less applicable sales taxes, discounts, rebates and dealer incentives. Sales-related warranties associated with the sales and installation of manufactured goods cannot be purchased separately and they serve as an assurance that the products sold comply with agreed-upon specifications. Accordingly, the Company accounts for warranties in accordance with IAS 37 (see Note 12).

Dealer incentives

The Company offers a variety of incentives to its dealer base to support sales initiatives. An obligation arises from the incentives when the Company sells manufactured goods and/or installations through the dealer network. The obligation is measured at fair value of the incentive earned. The dealer incentives are recorded as a reduction to revenue in the Consolidated Statement of Operations

Leases

The Company adopted IFRS 16 Leases ("IFRS 16") on May 1, 2019, using the modified retrospective approach with the cumulative effects of initial application recorded in opening retaining earnings and no restatement of prior period financial information. IFRS 16 supersedes IAS 17 Leases ("IAS 17"), IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model. The nature and effect of these changes are disclosed below.

IFRS 16 introduces changes to the lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset ("ROU asset") and a lease liability at the lease commencement for all leases, except for short-term leases (lease terms of twelve months or less) and leases of low value assets (a lease of an asset that, when new is less than US $5,000). In applying IFRS 16, the Company recognizes the ROU assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of future lease payments; recognizes the depreciation of ROU assets and interest on lease liabilities in the consolidated statements of operations and comprehensive loss; and separates the total amount of cash paid into a principal portion (presented in financing activities) and interest (presented within operating activities) in the consolidated statements of cash flows. For short-term leases and leases of low value assets, the Company has opted to recognize a lease expense on a straight-line basis, and this expense is presented within selling, general and administrative expenses in the consolidated statements of operations and comprehensive loss.

For leases that were classified as operating leases under IAS 17, lease liabilities at transition have been measured at the present value of remaining lease payments, discounted at the Company's incremental borrowing rate as at May 1, 2019. The rate applied is the US treasury rate or Canadian benchmark bond rate (depending on the location of the ROU asset and remaining lease term) adjusted for the Company's interest rate spread and the LIBOR spread (for ROU assets in the US) or CDOR spread (for ROU assets in Canada). Generally, ROU assets at transition have been measured at an amount equal to the corresponding lease liabilities, adjusted for any prepaid or accrued rent and deferred rent relating to that lease, with no net impact on retained earnings.

In applying IFRS 16 for the first time, the Company has used the following practical expedients permitted by the standard:

- the Company has applied the recognition exemptions for low value leases and leases that end within twelve months of the date of initial application, and account for them as low value and short-term leases respectively;
- the Company has not reassessed, under IFRS 16, contracts that were identified as leases under the previous accounting standard (IAS 17);
- the Company has excluded initial direct costs in the measurement of the right-of-use asset; and
- the Company has used hindsight in determining the lease term where the lease contracts contain options to extend or terminate the lease.

The cumulative effect of the changes made to the May 1, 2019 consolidated statement of financial position for the adoption of IFRS 16 is as follows:

		BALANCE AS AT APRIL 30, 2019 (AS REPORTED)	IFRS 16 ADJUSTMENTS		BALANCE AS AT MAY 1, 2019
ASSETS					
Right-of-use assets, net	$	-	4,170	**$**	**4,170**
LIABILITIES					
Accrued liabilities	$	6,634	(336)	**$**	**6,298**
Lease liabilities, current	$	-	1,331	**$**	**1,331**
Lease liabilities, non-current	$	-	3,070	**$**	**3,070**

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Company has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of IFRS 16.

The Company used its incremental borrowing rates at May 1, 2019 to measure lease liabilities. The weighted average incremental borrowing rate was 5.06%. The weighted average lease term remaining as at May 1, 2019 was approximately 5 years.

The following tables reconcile the lease liabilities recognized on May 1, 2019 and the operating lease commitments disclosed under IAS 17 as at April 30, 2019 discounted using the incremental borrowing rates as at the date of initial application:

Balance as at May 1, 2019

Operating lease commitment as at April 30, 2019	$	5,100
Effect from discounting at the incremental borrowing rate as at May 1, 2019		(699)
Lease liabilities due to initial application of IFRS 16 as at May 1, 2019	$	4,401

		As at April 30, 2019
LEASE TERM:		
Not later than 1 year	$	1,491
Later than 1 year and not later than 5 years		2,912
Later than 5 years		697
	$	5,100

New accounting policy for leases under IFRS 16

The Company assesses whether a contract is or contains a lease, at inception of a contract. The Company recognizes a ROU asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, at the commencement of the lease.

The ROU asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any incentives received. They are subsequently measured at cost less accumulated depreciation and impairment losses.

The ROU asset is depreciated over the shorter of the lease term or the useful life of the underlying asset.

The ROU asset is subject to testing for impairment if there is an indicator of impairment.

The lease liability is initially measured at the present value of outstanding lease payments at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate. The Company's incremental borrowing rate for a lease is the rate that the Company would pay to borrow an amount necessary to obtain an asset of a similar value to the right-of-use asset on a collateralized basis over a similar term.

Lease payments include fixed payments less any lease incentives and any variable lease payments where variability depends on an index or rate. Management exercises judgment in the process of applying IFRS 16 and determining the appropriate lease term on a lease by lease basis. Management considers many factors including any events that create an economic incentive to exercise a renewal option including performance, expected future performance and past business practice. Renewal options are only included if the Management is reasonably certain that the option will be renewed. Variable lease payments that do not depend on an index or rate are not included in the measurement of the ROU asset and lease liability. The related payments are recognized as an expense in the period in which the triggering event occurs and are included in the consolidated statements of operations and comprehensive loss.

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.

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 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 US dollar 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 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.

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 or loss as remeasurement of defined benefit liabilities.

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

Share-based compensation

For share-based compensation 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 compensation, a liability is recognized for the goods or services acquired, measured initially at the fair value of the liability. The liability is subsequently measured at fair value using mark to market accounting. 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' cash settled long- term incentive plan and the cash settled 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.

Taxation

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

Current tax

Current tax is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statements of operations due to 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.

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.

Government grant

Government grant is recognized when there is reasonable assurance that the Company will comply with any conditions attached to the grant and the grant will be received. Government grant is recognized in other income on a systematic basis over the periods in which the Company recognizes expenses for the related costs for which the grants are intended to compensate, which in the case of grants related to assets requires setting up the grant as deferred income or deducting it from the carrying amount of the asset.

A portion of the Small Business Administration ("SBA") loan received from the US government is forgivable subject to the terms of the Paycheck Protection Program ("PPP") - all employees are kept on the payroll for eight weeks and the money is used for payroll, rent, mortgage interest, or utilities.

When a government loan is issued to the Company at a below-market rate of interest, the loan is initially recorded at its net present value and accreted to its face value over the period of the loan. The benefit of the below-market rate of interest is accounted for as a government grant. It is measured as the difference between the initial carrying value of the loan and the cash proceeds received.

Loss per share ("LPS")

Basic loss per common share is calculated using the weighted daily average number of common shares outstanding. Diluted loss per share is calculated using the treasury stock method.

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.

Depreciation is calculated over the estimated useful life of the assets, at the following rates and methods:

ASSET CATEGORY	DEPRECIATION RATE	DEPRECIATION METHOD
Land	nil	nil
Building / Roof	2.5% - 4%	Straight line
Leasehold improvements	The lower of the estimated useful life and the term of the lease	Straight line
Machinery and equipment	6.6% - 20%	Straight line
Tools, dies and jigs	33.33%	Straight line
Office furniture and equipment	10% - 50%	Straight line

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.

Amortization is calculated over the estimated useful life of the assets, at the following rates and methods:

ASSET CATEGORY	AMORTIZATION RATE	AMORTIZATION METHOD
Licensed products	20% – 33.33%	Straight line
Computer software	20% – 33.33%	Straight line
Intellectual property	10%	Straight line

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.

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, and the applicable share of the cost of labour, fixed and variable production overheads.

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.

Financial assets

Financial assets consist of cash and cash equivalents and trade and other receivables. These financial assets are initially measured at fair value plus transaction costs. They are subsequently measured at amortized cost.

Amortized cost is determined using the effective interest rate method, factoring in acquisition costs paid to third parties, and loss allowance. The effective interest rate is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to the carrying amount. When calculating the effective interest rate, the Company estimates future cash flows considering all contractual terms of the financial instrument.

The Company does not have any financial assets that are subsequently measured at fair value except for the derivative financial instrument which may be in an asset or liability position depending on the prevailing foreign exchange rates at such time.

Financial assets are derecognized when the rights to receive cash flows from the asset have expired or the Company has transferred its rights to receive cash flows from an asset.

Impairment of financial assets

The Company recognizes an allowance for expected credit loss on accounts receivable that are measured at amortized cost. The amount of expected credit loss ("ECL") is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The Company recognizes lifetime ECL for its accounts receivables. The expected credit losses on these financial assets are estimated using the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions, and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

Financial liabilities

Financial liabilities are recognized initially at fair value and subsequently measured at either fair value or amortized cost. The Company's financial liabilities are classified as 'financial liabilities at amortized cost' and include any borrowings and trade and other payables and are subsequently measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant year. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability.

Classification of financial assets and liabilities

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	NEW CLASSIFICATION UNDER IFRS 9
Cash and cash equivalents	Amortized cost
Trade and other receivables	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Derivative assets and liabilities	FVTPL

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 realized 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.

Share capital

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

SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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.

SIGNIFICANT ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES

The following are 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.

Significant judgments

The Company assesses on a forward-looking basis the expected credit losses ("ECL") associated with its assets carried at amortized costs, including other receivables. For trade and other receivables only, the Company applies the simplified approach permitted by IFRS 9, which requires the expected lifetime losses (based on management's judgement and review of known exposures, credit worthiness, and collection experience) to be recognized from initial recognition of the receivables.

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

Reserve for warranty is based on management's judgment and review of any known exposures and historical claim experience.

Percentage of completion percentages are based on Inscape's onsite project management estimate of job progress.

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

Determination to not recognize 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.

Significant estimates

Estimated useful lives and residual values of intangible assets, 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 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 management's best estimate of the Company's financial performance during the vesting period of the performance and restricted share units.

Determination of the company's fair value of the principal assets of each CGU less the costs to sell the assets is used to perform an impairment test of the assets.

3. NEW ACCOUNTING STANDARDS ADOPTED

IFRS Interpretations Committee ("IFRIC") 23, Uncertainty over Income Tax Treatments ("IFRIC 23")
IFRIC 23 provides guidance to be applied in the determination of taxable profit or loss, tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12, Income Taxes ("IAS 12"). IFRIC 23 was issued by the IASB in June 2017 and is effective for annual periods beginning on or after January 1, 2019. There was no material impact to our consolidated financial statements as a result of adopting IFRIC 23

4. TRADE AND OTHER RECEIVABLES

	AS AT APRIL 30, 2020	AS AT APRIL 30, 2019
Trade account receivables, gross	**$ 9,754**	$ 13,576
Loss allowance for expected credit losses	**(216)**	(333)
	9,538	13,243
Other receivables	**717**	173
	$ 10,255	$ 13,416

	AS AT APRIL 30, 2020	AS AT APRIL 30, 2019
An aging analysis of trade receivables:		
Current	**$ 3,892**	$ 6,616
1-30 days	**1,987**	1,736
31-60 days	**1,438**	2,070
61-90 days	**472**	1,134
> 90 days	**1,965**	2,020
	$ 9,754	$ 13,576

5. INVENTORIES

	AS AT APRIL 30, 2020	AS AT APRIL 30, 2019
Raw materials	**$ 5,004**	$ 5,505
Work-in-progress	**219**	287
Finished goods	**562**	785
	$ 5,785	$ 6,577

The cost of inventories recognized as cost of goods sold was $51,959 (2019 - $61,230). During the year, there was an inventory write-down to net realizable value of $282 (2019 - $250).

6. PROPERTY, PLANT AND EQUIPMENT

AS AT APRIL 30, 2020	LAND	BUILDINGS/ ROOF	LEASEHOLD IMPROVEMENTS	MACHINERY & EQUIPMENT	TOOLS, DIES & JIGS	OFFICE FURNITURE & EQUIPMENT	CAPITAL PROJECTS IN PROGRESS	TOTAL
COST:								
Opening balance, May 1, 2019	**$ 488**	**$ 19,079**	**$ 6,448**	**$ 39,933**	**$ 20,981**	**$ 12,403**	**$ 162**	**$ 99,494**
Additions	**—**	**61**	**71**	**80**	**11**	**233**	**102**	**558**
Disposals	**(186)**	**(3,864)**	**(206)**	**(130)**	**(10)**	**(684)**	**—**	**(5,080)**
Transfers	**—**	**—**	**11**	**59**	**—**	**(11)**	**(149)**	**(90)**
Exchange differences	**(2)**	**(39)**	**(6)**	**37**	**27**	**24**	**2**	**43**
Ending balance, April 30, 2020	**300**	**15,237**	**6,318**	**39,979**	**21,009**	**11,965**	**117**	**94,925**
ACCUMULATED DEPRECIATION:								
Opening balance, May 1, 2019	**—**	**11,463**	**4,601**	**37,274**	**20,733**	**11,623**	**—**	**85,694**
Depreciation charge for the year	**—**	**368**	**476**	**511**	**115**	**401**	**—**	**1,871**
Disposals	**—**	**(1,744)**	**(113)**	**(92)**	**(10)**	**(654)**	**—**	**(2,613)**
Exchange differences	**—**	**(17)**	**(3)**	**29**	**26**	**23**	**—**	**58**
Ending balance, April 30, 2020	**—**	**10,070**	**4,961**	**37,722**	**20,864**	**11,393**	**—**	**85,010**
Net book value, April 30, 2020	**$ 300**	**$ 5,167**	**$ 1,357**	**$ 2,257**	**$ 145**	**$ 572**	**$ 117**	**$ 9,915**

AS AT APRIL 30, 2019	LAND	BUILDINGS/ ROOF	LEASEHOLD IMPROVEMENTS	MACHINERY & EQUIPMENT	TOOLS, DIES & JIGS	OFFICE FURNITURE & EQUIPMENT	CAPITAL PROJECTS IN PROGRESS	TOTAL
COST:								
Opening balance, May 1, 2018	$ 480	$ 18,908	$ 11,150	$ 39,828	$ 21,860	$ 13,026	$ 908	$ 106,160
Additions	—	—	1,337	52	50	561	148	2,148
Disposal			(6,049)	—	(1,178)	(1,231)	2	(8,456)
Transfers	—	—	—	(1)	216	19	(896)	(662)
Exchange differences	8	171	10	54	33	28	—	304
Ending balance, April 30, 2019	**488**	**19,079**	**6,448**	**39,933**	**20,981**	**12,403**	**162**	**99,494**
ACCUMULATED DEPRECIATION:								
Opening balance, May 1, 2018	—	11,000	10,320	36,739	21,742	12,435	—	92,236
Depreciation charge for the year	—	391	316	496	112	394	—	1,709
Disposal	—	—	(6,041)	—	(1,152)	(1,233)	—	(8,426)
Exchange differences	—	72	6	39	31	27	—	175
Ending balance, April 30, 2019	**—**	**11,463**	**4,601**	**37,274**	**20,733**	**11,623**	**—**	**85,694**
Net book value, April 30, 2019	**$ 488**	**$ 7,616**	**$ 1,847**	**$ 2,659**	**$ 248**	**$ 780**	**$ 162**	**$ 13,800**

7. OTHER INCOME

Details of other income during the year are presented below:

DESCRIPTION	NOTE		
Sale and leaseback	7.1	$	1,252
Sale of business	7.2		735
Government grant	22		517
TOTAL		**$**	**2,504**

7.1 Sale and leaseback

On December 31, 2019, the Company completed a sale and leaseback of certain land and buildings ("property") related to the Walls segment. The sale generated cash proceeds of $3,449 (US $2,618) compared to a carrying value of $2,346 (US $1,792) which resulted in a gain of $1,252 (US $939) recorded in loss (gain) on disposal of property, plant and equipment and intangibles.

Following the sale, the Company leased back the majority of the property via a triple net lease agreement which expires in February 2021.

The leaseback resulted in the recognition of a right-of-use asset of $732 (US $527) and lease liabilities of $512 (US $368) at April 30, 2020.

7.2 Sale of business

On December 31, 2019, the Company sold its DC Rollform business, which engaged in metal fabrication within our Walls segment. The assets and liabilities disposed of at December 31, 2019 consisted of inventory, machinery and equipment, and tools for cash proceeds of $971 (US $737) and gain of $735 (US $557) recorded in loss (gain) on disposal of property, plant and equipment and intangibles. The DC Rollform business did not represent a strategic shift in our business and will not have a major effect on our operations and financial results.

8. INTANGIBLE ASSETS

AS AT APRIL 30, 2020	LICENSED PRODUCTS	COMPUTER SOFTWARE	INTELLECTUAL PROPERTY	TOTAL
COST:				
Opening balance, May 1, 2019	**$ 122**	**$ 10,906**	**$ 524**	**$ 11,552**
Additions	**—**	**63**	**—**	**63**
Disposals	**—**	**(51)**	**—**	**(51)**
Transfers from CIP (Note 6)	**—**	**90**	**—**	**90**
Exchange differences	**—**	**13**	**—**	**13**
Ending balance, April 30, 2020	**$ 122**	**$ 11,021**	**$ 524**	**$ 11,667**
ACCUMULATED AMORTIZATION:				
Opening balance, May 1, 2019	**$ 122**	**$ 9,138**	**$ 524**	**$ 9,784**
Amortization	**—**	**288**	**—**	**288**
Disposals	**—**	**(50)**	**—**	**(50)**
Exchange differences	**—**	**8**	**—**	**8**
Ending balance, April 30, 2020	**$ 122**	**$ 9,384**	**$ 524**	**$ 10,030**
Net book value, April 30, 2020	**$ —**	**$ 1,637**	**$ —**	**$ 1,637**

AS AT APRIL 30, 2019	LICENSED PRODUCTS	COMPUTER SOFTWARE	INTELLECTUAL PROPERTY	TOTAL
COST:				
Opening balance, May 1, 2018	$ 122	$ 10,213	$ 826	$ 11,161
Additions	—	153	—	153
Disposals	—	(139)	(302)	(441)
Transfers from CIP (Note 6)	—	663	—	663
Exchange differences	—	16	—	16
Ending balance, April 30, 2019	**$ 122**	**$ 10,906**	**$ 524**	**$ 11,552**
ACCUMULATED AMORTIZATION:				
Opening balance, May 1, 2018	$ 122	$ 8,799	$ 826	$ 9,747
Amortization	—	462	—	462
Disposals	—	(139)	(302)	(441)
Exchange differences	—	16	—	16
Ending balance, April 30, 2019	**$ 122**	**$ 9,138**	**$ 524**	**$ 9,784**
Net book value, April 30, 2019	**$ —**	**$ 1,768**	**$ —**	**$ 1,768**

9. LEASES

9.1 Right-of-use assets

The following table presents changes in the cost and accumulated depreciation of the Company's right-of-use assets:

	SHOWROOMS	MANUFACTURING FACILITIES	OTHER	TOTAL
COST:				
Opening balance, May 1, 2019	$ —	$ —	$ —	$ —
Initial application of IFRS 16 (Note 2)	4,050	—	119	4,169
Additions	—	871	—	871
Impact of foreign currency translation	—	34	5	39
Ending balance, April 30, 2020	**$ 4,050**	**$ 905**	**$ 124**	**$ 5,079**
ACCUMULATED DEPRECIATION				
Opening balance, May 1, 2019	$ —	$ —	$ —	$ —
Depreciation	1,244	170	25	1,439
Impact of foreign currency translation	—	3	—	3
Ending balance, April 30, 2020	**$ 1,244**	**$ 173**	**$ 25**	**$ 1,442**
Net book value, April 30, 2020	**$ 2,806**	**$ 732**	**$ 99**	**$ 3,637**

There were no expenses related to short-term or low-value leases during the year.

9.2 Lease liabilities

The following table presents the Company's lease liabilities at April 30, 2020:

	SHOWROOMS	MANUFACTURING FACILITIES	OTHER	TOTAL
May 1, 2019	$ —	$ —	$ —	$ —
Initial application of IFRS 16 (Note 2)	4,282	—	119	4,401
Additions	—	722	—	722
Principal payments	(1,109)	(223)	(22)	(1,354)
Impact of foreign currency translation	104	13	5	122
April 30, 2020	**$ 3,277**	**$ 512**	**$ 102**	**$ 3,891**
Current lease liabilities	1,492	512	31	2,035
Non-current lease liabilities	1,785	—	71	1,856
April 30, 2020	$ 3,277	$ 512	$ 102	$ 3,891

AS AT APRIL 30, 2020	
LEASE TERM:	
Not later than 1 year	$ 2,035
Later than 1 year and not later than 5 years	1,408
Later than 5 years	448
	$ 3,891

10. FINANCIAL INSTRUMENTS

10.1 Capital risk management

The Company's objective 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:

	AS AT APRIL 30, 2020	AS AT APRIL 30, 2019
Issued capital	**$ 52,868**	$ 52,868
Contributed surplus	**2,675**	2,675
Deficit	**(43,278)**	(37,872)
	$ 12,265	$ 17,671

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 Credit Facility for a description of the Company's externally imposed covenants – Note 21.

10.2 Foreign currency risk management

The Company's activities expose it primarily to the financial risks of changes in the US 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 US. 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, 2020, the Company had outstanding US dollar hedge contracts with settlement dates from May 2020 to August 2021. The total notional amounts under the contracts are US $40,000 to $50,000 (2019 - $41,000 to $51,400). Dependent on the spot CAD/US rate on each settlement date, the Company can sell US dollars at rates ranging from $1.28 CAD/US to $1.50 CAD/US (2019 - $1.24 CAD/US to $1.41 CAD/US). These contracts had a mark-to-market unrealized loss of $3,391 (US $2,437) as at April 30, 2020 (2019 – unrealized loss of $1,397 or US $1,042), 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 US currency exchange rate, reclassification of the unrealized gains or losses to realized income or loss are recognized on the consolidated statement of operations as unrealized gain or loss on derivatives of the year. There were realized losses of $275 on the settlement of contracts during fiscal year 2020 (2019 – gains $3).

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

		AS AT APRIL 30, 2020		AS AT APRIL 30, 2019
Fair value of derivative (liabilities) assets, beginning of year	$	(1,397)	$	349
CHANGES IN FAIR VALUE DURING THE YEAR:				
Decrease in fair value of new contracts added		(2,581)		(1,240)
Reversal of derivative assets (liabilities) of contracts settled		728		(362)
Decrease in fair values of outstanding contracts		(141)		(144)
Net decrease in fair value of derivative liabilities recognized during the year		(1,994)		(1,746)
Fair value of derivative liabilities assets, end of year	**$**	**(3,391)**	$	(1,397)
Current	$	(2,122)	$	(1,052)
Long-term		(1,269)		(345)
	$	(3,391)	$	(1,397)

10.3 Foreign currency sensitivity analysis

Based on the existing average US currency hedge contract rates and the mix of US dollar denominated sales and expenses for the year ended April 30, 2020, a 1% change in the Canadian dollar against the US dollar would have an impact of approximately $56 on the Company's pre-tax earnings (2019 – $271).

Based on the US dollar denominated assets and liabilities as at April 30, 2020, a 1% change in the Canadian dollar against the US dollar would have an impact of $281 on the unrealized exchange gain or loss reported in the Consolidated Statements of Operations (2019 - $181) and an impact of $168 on the Consolidated Statements of Comprehensive Loss (2019 - $257).

10.4 Credit risk management

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss to us. We believe our credit risk of counterparty non-performance continues to be relatively low, notwithstanding the impact of COVID-19. The Company's cash, 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, 2020, the Company's maximum direct exposure to credit risk is $16,140 (2019 – $16,681).

We are in regular contact with our customers, suppliers and logistics providers, and to date have not experienced significant counterparty non-performance. However, if a key supplier (or any company within such supplier's supply chain) or customer experiences financial difficulties or fails to comply with their contractual obligations, which may occur as the pandemic continues, this could result in a significant financial loss to us. We would also suffer a significant financial loss if an institution from which we purchased foreign exchange contracts and/or annuities for our pension plans defaults on their contractual obligations. With respect to our financial market activities, we have adopted a policy of dealing only with credit-worthy counterparties. In light of COVID-19, we assessed the financial stability and liquidity of our customers at the reporting date. No significant adjustments were made to our allowance for expected credit loss in connection with this assessment.

The Company's investment policy specifies the types of permissible investments, the 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 prohibited. On a quarterly basis, management reviews the Company's investment portfolio with the Audit Committee to demonstrate compliance with the investment policy. The credit risk on liquid funds and derivative financial instruments is limited as the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Company measures the loss allowance for trade receivables at an amount equal to lifetime expected credit losses ("ECL"). The ECL on trade receivables are estimated by assessing new customers' credit history, reviewing credit limits, monitoring aging of accounts receivable, assessing specific customer information and reviewing 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, 2020, the allowance for expected credit losses was $216 (2019 - $333).

The Company's allowance for expected credit losses consist of sales allowances released during the year of $104 (2019 – provisions made $95) mainly from adjustments to expected lifetime credit losses. The amount written-off of $22 (2019 - $89) was from one customer where the Company could not collect. Below is a breakdown of the Company's ECL:

MOVEMENT IN THE ALLOWANCE FOR ECL		AS AT APRIL 30, 2020		AS AT APRIL 30, 2019
Balance, beginning of year	**$**	**333**	$	312
Sales allowances (reduced) added		**(104)**		95
Amount written-off		**(22)**		(89)
Currency exchange		**9**		15
Balance, end of year	**$**	**216**	$	333

10.5 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 has a demand credit for foreign exchange contracts of US $8,000 and a demand operating facility of $5,000 with its bank. As at April 30, 2020, the Company had $4,547 available in its borrowing base based on accounts receivable and inventory. These facilities are secured by the Company's property.

As at April 30, 2020 the Company had not drawn down on the demand operating facilities (2019 – not drawn). The Company expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets.

10.6 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).

The following table illustrates the classification of financial liabilities in the fair value hierarchy as at April 30, 2020.

	LEVEL 1	LEVEL 2	LEVEL 3
Derivative financial liabilities	**$ –**	**$ 3,391**	**$ –**
Total net financial assets	**$ –**	**$ 3,391**	**$ –**

The following table illustrates the classification of financial liabilities in the fair value hierarchy as at April 30, 2019:

	LEVEL 1	LEVEL 2	LEVEL 3
Derivative financial liabilities	–	1,397	–
Total net financial assets	$ –	$ 1,397	$ –

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

11. TRADE AND OTHER PAYABLES

	AS AT APRIL 30, 2020	AS AT APRIL 30, 2019
Trade accounts payable	**$ 4,375**	$ 5,691
Accrued liabilities	**5,972**	6,634
Sales tax payable	**145**	290
Other payables	**1,431**	2,542
	$ 11,923	$ 15,157

12. PROVISIONS

PROVISION DUE TO WARRANTY	AS AT APRIL 30, 2020	AS AT APRIL 30, 2019
Balance, beginning of year	**$ 1,440**	$ 919
Provisions (settled) made during the year	**143**	1,195
Provisions reversed and used during the year	**(369)**	(723)
Currency exchange	**46**	49
Balance, end of year	**$ 1,260**	$ 1,440
Current	**203**	387
Non-Current	**$ 1,057**	$ 1,053

13. RETIREMENT BENEFIT OBLIGATION

13.1 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. An actuarial valuation was prepared as at December 31, 2019.

The total expense recognized in the consolidated statements of operations of $164 (2019 - $177) represents contributions made to the plan by the Company. The total employer's expected contribution to the plan for the upcoming fiscal year is anticipated to be approximately $167.

13.2 Defined benefit pension plans

The Company operated one defined benefit pension plan for qualifying employees in Canada and one defined benefit pension plan for qualifying employees in the US No other post-retirement benefits are provided to these employees.

The Canadian defined benefit pension plan is contributory in nature. The US defined benefit plan is non-contributory, and the accrued benefits were frozen in August 2013. The Canadian plan is registered under the Ontario Pension Benefits Act, RSO 1990 and the Income Tax Act. The US plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA). Both 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.

Actuarial valuations are prepared at least every three years for the Canadian plan and every year for the US plan. The most recent actuarial valuations were as at December 31, 2017 for the Canadian plan and July 1, 2017 for the US 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 expected contribution to the Canadian defined benefit plan for the upcoming fiscal year is anticipated to be approximately $376. The expected contribution to the US plan for the upcoming fiscal year are approximately $52.

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

	AS AT APRIL 30, 2020	AS AT APRIL 30, 2019
DEFINED BENEFIT PLANS		
Benefits earned during the year	**$ 659**	$ 605
Participant contribution	**(132)**	(145)
Net interest cost	**157**	121
Pension expense recognized	**$ 684**	$ 581
REMEASUREMENTS OF THE NET DEFINED BENEFIT LIABILITIES		
Actuarial (loss) gain due to actuarial experience	**$ (59)**	$ 58
Actuarial loss due to financial assumption changes	**(2,050)**	(1,063)
Actuarial gain due to demographic assumption changes	**27**	23
Return on plan assets (less) greater than discount rate	**(1,058)**	117
Remeasurements effects recognized in other comprehensive income	**$ (3,140)**	$ (865)
CUMULATIVE ACTUARIAL LOSSES RELATING TO NET DEFINED BENEFIT LIABILITIES		
Balance, beginning of year	**$ (1,844)**	$ (979)
Remeasurements recognized in the year	**(3,140)**	(865)
Balance, end of year	**$ (4,984)**	$ (1,844)

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

	2020	2019
Discount rate at year end	**2.49% to 3.20%**	3.91% to 3.40%
Rate of increase in future compensation	**2.0%**	2.0%

MORTALITY TABLES	**2020**	2019
Canadian Plan	2014 CPM Private Sector Table	2014 CPM Private Sector Table
U.S. Plan	RP – 2014 / MP-2019 (Society of Actuaries)	RP – 2014 / MP-2017 (Society of Actuaries)

A 1% increase in the discount rate would reduce the Canadian defined benefit obligation by approximately $3,085 (2019 - $2,922) and a 1% decrease in the discount rate would increase the Canadian defined benefit obligation by approximately $3,873 (2019 - $3,678).

A 1% increase in the discount rate would reduce the US defined benefit obligation by approximately US $707 (2019 – US $559) and a 1% decrease in the discount rate would increase the US defined benefit obligation by approximately US $864 (2019 – US $676).

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

	AS AT APRIL 30, 2020	AS AT APRIL 30, 2019
DEFINED BENEFIT OBLIGATION, BEGINNING OF YEAR	**$ 27,509**	$ 25,539
Current service cost	**659**	605
Interest cost	**978**	979
Benefits and expenses paid	**(1,225)**	(897)
Actuarial loss	**2,082**	982
Foreign exchange rate changes	**238**	301
Defined benefit obligation, end of year	**$ 30,241**	$ 27,509

FAIR VALUE OF PLAN ASSETS, BEGINNING OF YEAR	**$ 23,592**	$ 22,700
Interest Income	**821**	858
Employer contributions	**433**	428
Employee contributions	**132**	145
Benefits and expenses paid	**(1,225)**	(897)
Return on plan assets greater than discount rate	**(1,058)**	116
Foreign exchange rate changes	**206**	242
Fair value of plan assets, end of year	**$ 22,901**	$ 23,592
Defined benefit obligation, net end of year	**$ 7,340**	$ 3,917

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

	AS AT APRIL 30, 2020	AS AT APRIL 30, 2019
Equity securities	**64%**	58%
Debt securities	**23%**	31%
Cash and cash equivalents	**13%**	11%
Total	**100%**	100%

14. INCOME TAXES

14.1 Income tax recognized in profit or loss

Consistent with 2019, the Company continues to not recognize certain deferred tax assets as a result of a lack of a history of accounting or taxable profits in 2020 or the preceding three years.

	AS AT APRIL 30, 2020		AS AT APRIL 30, 2019	
INCOME TAX COMPRISES OF:				
Current	**$**	**15**	$	20
Deferred		**—**		—
	$	**15**	$	20

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

	AS AT APRIL 30, 2020		AS AT APRIL 30, 2019	
Loss before income taxes	**$**	**(5,391)**	$	(8,726)
Basic statutory income tax rate		**25.34%**		25.26%
		(1,366)		(2,204)
RECONCILING ITEMS:				
Tax effect of non-taxable (non-recoverable items)		**50**		(167)
True-up		**35**		2
Impact of tax rate differences		**(117)**		(58)
Impact of changes in tax law		**(7)**		—
Non-recognition/(recognition) of deferred tax assets		**1,075**		2,427
Other		**345**		20
Income tax	**$**	**15**	$	20

The Company's basic Canadian statutory income tax rate is the aggregate of the federal income tax rate of 15% (2019 -15%) and the blended provincial tax rate of 10.34% (2019 – 10.26%). The basic US statutory income tax rate is the aggregate of the federal income tax rate of 21% (2019 – 21%) and the average rate for various states of 3.4% (2019 – 4%).

14.2 Deferred tax assets and liabilities

DEFERRED TAX ASSETS AND LIABILITIES		APRIL 30, 2019		RECOGNIZED IN PROFIT OR LOSS		RECOGNIZED IN OCI		EXCHANGE DIFFERENCES AND OTHER		APRIL 30, 2020
Property, plant and equipment	$	(776)	$	(568)	$	—	$	—	$	(1,344)
Reserves		(253)		253		—		—		—
Loss carryforwards		1,029		315		—		—		1,344
	$	—	$	—	$	—	$	—	$	—

14.3 Loss carry forwards

As at April 30, 2020, the Company has unused non-capital losses of $37,872 (2019 - $32,972), consisting of Canadian non-capital loss of $10,828 and US net operating losses of $27,044 – US $19,442 (2019 – Canadian $8,458 and US net operating losses of $24,514 – US $18,670) which may be carried forward and used to reduce future years' taxable income. The future income tax benefit of these losses of $1,344 (2019 - $1,029) has been included in the deferred tax assets. The unrecognized DTA relating to unused tax loss carryforwards is $8,365.

US non-capital losses of $27,044, of which $11,315 are limited to 80% of taxable income (determined without regard to the deduction), have an indefinite life and no expiry period.

The Canadian non-capital losses expire as follows:

EXPIRY DATE		LOSS CARRY FORWARDS
2032	$	—
2033		—
2034		2,008
2035		2,519
2036		1,704
2037		—
2038		2,223
2039		—
2040		2,374
Total	**$**	**10,828**

15. OTHER LONG-TERM OBLIGATIONS

Other long-term obligations are comprised of the fair value of the Company's stock-based compensation liabilities.

		AS AT APRIL 30, 2020		AS AT APRIL 30, 2019
Deferred Share Units	**$**	**32**	$	113
Stock Options		**30**		249
Restricted Share Units		**61**		161
	$	**123**	$	523

16. ISSUED CAPITAL

Authorized

7,670,881 Class A multiple voting shares, 10 votes per share

Unlimited Class B subordinating voting shares, 1 vote per share

ISSUED AND OUTSTANDING	**AS AT APRIL 30, 2020**	AS AT APRIL 30, 2019
Class A multiple voting	**3,345,881**	3,345,881
Class B subordinated voting	**11,034,820**	11,034,820
	14,380,701	14,380,701

17. SHARE-BASED COMPENSATION

17.1 Stock option plan

The Company has allotted and reserved 1,500,000 Class B subordinated voting shares under its Stock Option Plan. At the end of the year, the reserves available for grant are 356,585 (2019 – 487,205).

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 408,185 Class B subordinated voting shares to expire in 5 years were granted (2019 – 494,219).

1,143,415 stock options were outstanding as at April 30, 2020 (2019 – 1,012,795). 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, 2020 totaled $30 (April 30, 2019 - $249). Fair values of the stock options were estimated using the Black-Scholes-Merton option pricing model.

The intrinsic value of the vested stock options outstanding as at April 30, 2020 was $nil (April 30, 2019 - $95).

The assumptions used to compute the fair values and compensation expense under the model are as follows:

INPUTS TO THE BLACK-SCHOLES-MERTON MODEL	2020 VALUES	2019 VALUES	BASIS
Expected remaining life of the options	**0.2 to 4.9 years**	0.3 to 4.7 years	Expiry dates of the options, history of forfeiture rates and early exercise
Risk-free interest rates	**0.11% to 0.36%**	2.2% to 2.5%	Market yield on US Treasury securities at terms commensurate with the expected remaining life of the options
Expected volatility	**52% to 86%**	45% to 59%	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

17.2 Movements in share options during the year

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

	AS AT APRIL 30, 2020		AS AT APRIL 30, 2019	
	SHARES	**WEIGHTED AVERAGE EXERCISE PRICE**	SHARES	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding, beginning of year	**1,012,795**	**$ 2.51**	739,628	$ 3.25
Granted	**408,185**	**1.22**	494,219	1.75
Expired	**(120,000)**	**3.27**	(115,000)	3.78
Forfeited	**(157,565)**	**2.63**	(106,052)	2.76
Outstanding, end of year	**1,143,415**	**$ 1.95**	1,012,795	$ 2.51

17.3 Share options outstanding at the end of the year

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

APRIL 30, 2020	**OPTIONS OUTSTANDING**			**OPTIONS EXERCISABLE**	
RANGE OF EXERCISE PRICE	**NUMBER OF OUTSTANDING OPTIONS**	**WEIGHTED AVERAGE REMAINING LIFE IN YEARS**	**WEIGHTED AVERAGE EXERCISE PRICE**	**NUMBER EXERCISABLE AT YEAR END**	**WEIGHTED AVERAGE EXERCISE PRICE**
$0.78 to $2.55	**890,206**	**3.09**	**$ 1.53**	**212,500**	**$ 1.48**
$2.98 to $3.41	**158,004**	**1.35**	**2.02**	**111,605**	**3.08**
$3.65 to $4.02	**95,205**	**1.97**	**3.82**	**36,150**	**4.02**
$0.78 to $4.02	**1,143,415**	**2.76**	**$ 1.95**	**360,255**	**$ 2.23**

APRIL 30, 2019	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
RANGE OF EXERCISE PRICE	NUMBER OF OUTSTANDING OPTIONS	WEIGHTED AVERAGE REMAINING LIFE IN YEARS	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER EXERCISABLE AT YEAR END	WEIGHTED AVERAGE EXERCISE PRICE
$0.78 to $2.55	581,719	3.34	$ 1.82	32,500	$ 2.10
$2.98 to $3.41	298,355	1.56	3.24	188,517	3.28
$3.65 to $4.02	132,721	2.95	3.83	10,000	4.02
$0.78 to $4.02	1,012,795	2.77	$ 2.51	231,017	$ 3.14

17.4 Employee stock purchase plan

The Company prior to April 26, 2019 offered an Employee Stock Purchase Plan where employees who had one year of service could 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. Effective April 26, 2019 the employee stock purchase plan was cancelled.

17.5 Deferred share unit plan

The Company has a Deferred Share Unit Plan for the members of the Board of Directors and the executives. 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 TMX 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. The intrinsic value of vested deferred share units outstanding as at April 30, 2020 were $nil (April 30, 2019 - $nil).

As at April 30, 2020, 57,799 DSUs were outstanding with a total fair value of $32 measured at the closing price of the shares at year end (April 30, 2019 – 57,799 units, fair value $112).

17.6 Movements in deferred share units during the year

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

	AS AT APRIL 30, 2020	AS AT APRIL 30, 2019
Outstanding, beginning of year	**57,799**	55,405
Granted	**—**	2,394
Outstanding, end of year	**57,799**	57,799

17.7 Executives long-term incentive plan

The Company has a long-term incentive plan for eligible executives. Under the plan, annual grants of stock options and restricted share units ("RSU") are issued to eligible executives based on each executive's responsibilities and base salaries. The value of RSU redeemable at the end of a three-year vesting period is dependent upon the market price of the Class B subordinated voting shares of the Company. During the year the Company issued 123,518 RSU (2019 – 101,472). As at April 30, 2020, 225,279 RSU were outstanding (April 30, 2019 – 184,979).

The intrinsic value of the Company's vested RSUs outstanding as at April 30, 2020 was $nil (April 30, 2019 - $13).

17.8 Movements in restricted share units during the year

The following summarizes the movements in RSU during the year:

	AS AT APRIL 30, 2020	AS AT APRIL 30, 2019
Outstanding, beginning of year	**184,979**	116,447
Granted	**123,518**	101,472
Forfeited	**(53,137)**	(12,226)
Maturities	**(30,081)**	(20,714)
Outstanding, end of year	**225,279**	184,979

18. LOSS PER SHARE

The net loss and weighted average number of shares used in the calculation of basic and diluted loss per share are as follows:

	AS AT APRIL 30, 2020	AS AT APRIL 30, 2019
Net Loss	**$ (5,406)**	$ (8,746)
Weighted average number of shares outstanding basic	**14,380,701**	14,380,701
Dilution impact of stock options	**—**	—
Weighted average number of shares outstanding diluted	**14,380,701**	14,380,701
Basic and diluted loss per share	**$ (0.38)**	$ (0.61)

Stock options are anti-dilutive and are therefore, not included in the computation of basic and diluted loss per share for the years ended April 30, 2020 and April 30, 2019.

19. SEGMENTED REPORTING

Inscape's reportable segments include Furniture and Walls. In determining reportable segments, the Company looks at the shared economic characteristics. The chief decision maker, the CEO monitors the operating results of the segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. Additionally, the product offerings, process and production are distinct and different between the operating segments.

Aggregated in the Furniture segment are Systems, Benching, Storage and Seating. The aggregation is based on the similarity in those products' functionalities, production or procurement, process of distribution and gross margin. Walls is a separate segment due to the different nature of movable walls compared to furniture, the production process and the installation services involved in the selling of movable walls.

The following is an analysis of the Company's revenue and results from continuing operations, capital expenditures, amortization and depreciation by reportable segments:

	AS AT APRIL 30, 2020	AS AT APRIL 30, 2019
SEGMENTED SALES		
Furniture	**$ 55,592**	$ 63,539
Walls	**20,226**	27,044
Total	**$ 75,818**	$ 90,583
SEGMENTED LOSS		
Furniture	**$ (2,795)**	$ (3,442)
Walls	**(2,796)**	(3,943)
	(5,591)	(7,385)
Unrealized loss (gain) on foreign exchange	**(289)**	81
Unrealized loss on derivatives	**(1,994)**	(1,746)
Other income (Note 7)	**2,504**	—
(Loss) gain on sale of property, plant and equipment & intangibles	**(30)**	31
Loss on sale of intangible	**—**	263
Investment income (loss)	**9**	30
Loss before taxes	**(5,391)**	(8,726)
Income tax	**15**	20
Net loss	**$ (5,406)**	$ (8,746)
AMORTIZATION AND DEPRECIATION		
Furniture	**$ 3,227**	$ 2,011
Walls	**371**	160
Total	**$ 3,598**	$ 2,171
ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLES		
Furniture	**$ 516**	$ 2,152
Walls	**105**	149
Total	**$ 621**	$ 2,301

Segment assets and liabilities

		AS AT APRIL 30, 2020		AS AT APRIL 30, 2019
ASSETS				
Furniture	$	27,719	$	27,742
Walls		10,089		11,785
Total assets	$	37,808	$	39,527
LIABILITIES				
Furniture	$	20,451	$	15,301
Walls		8,717		7,133
Total liabilities	$	29,168	$	22,434

INSCAPE'S REVENUE IS BASED ON GEOGRAPHICAL LOCATION AS DETAILED BELOW:

SALES FROM:				
United States	$	69,876	$	84,606
Canada		5,942		5,977
Total	$	75,818	$	90,583

INSCAPE'S IDENTIFIABLE NON-CURRENT ASSETS (I.E. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLES) BY GEOGRAPHICAL LOCATION ARE DETAILED BELOW:

United States	$	3,658	$	4,072
Canada		11,531		11,496
Total	$	15,189	$	15,568

20. SUPPLEMENTAL INFORMATION

20.1 Salaries, wages and benefits

		AS AT APRIL 30, 2020		AS AT APRIL 30, 2019
INCLUDED IN:				
Cost of goods sold	$	16,008	$	16,515
Selling, general and administrative		14,298		16,571
	$	30,306	$	33,086

20.2 Amortization and depreciation

		AS AT APRIL 30, 2019		AS AT APRIL 30, 2018
INCLUDED IN:				
Cost of goods sold	$	861	$	707
Selling, general and administrative		2,737		1,464
	$	3,598	$	2,171

21. CREDIT FACILITY

The Company has a demand credit facility for foreign exchange contracts of US $8,000 and a demand operating credit facility of $5,000 with its bank. As at April 30th the Company had $4,547 available in its borrowing base. Although the Company had no borrowings as at April 30, 2020, the Company was not in compliance with one of its financial covenants and received a waiver from its bank on June 18, 2020 (2019 – not in compliance with one covenant but waiver received from bank). The interest rate on the demand operating credit facility is Prime Rate plus 1.0% for Canadian dollar loans, US Base Rate plus 1.0% for US dollar loans, 2.5% for Canadian dollar Banker's Acceptance and 2.5% for US dollar Libor loans. The agreement is secured by the Company's property based on its accounts receivable and inventory (borrowing base).

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 1.6 to 1.0 at any time, measured quarterly.

2. Current ratio, excluding any derivative assets and liabilities, not to be less than 1.25 to 1.0, measured quarterly.

As at April 30, 2020, the Company has not drawn on the demand operating credit facility. (2019 – not drawn).

22. FORGIVABLE GOVERNMENT LOAN

In response to the COVID-19 pandemic, the Company received from the US government an unsecured forgivable loan for $1,808 (US $1,300) at 1.00% per annum, repayable in 24 months. The indebtedness may be forgiven subject to the terms of the Paycheck Protection Program. The loan is forgivable if all employees are kept on the payroll for eight weeks and the money is used for payroll, rent or utilities. As at April 30, 2020, the Company incurred $517 of the qualifying expenditures.

The fair value of the SBA loan is measured at the cost of a comparable US dollar loan at the Company's borrowing rate of 4.75% (US base rate plus 1%) at April 30, 2020. Under IFRS 9, the loan must initially be measured at fair value at inception. The fair value of the loan was determined to be $1,711 (US $1,230), with a grant (deferred income) of $97 (US $70). The latter would be released into income on a systematic basis per IAS 20 - Accounting for Government Grants and Disclosure of Government Assistance.

23. RELATED PARTY TRANSACTIONS

The following was the remuneration of directors and other members of key management personnel, including Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, Chief Brand Officer, VP Supply Chain, and VP Human Resources.

	AS AT APRIL 30, 2020	AS AT APRIL 30, 2019
Salaries and short-term benefits	**$ 2,163**	$ 2,084
Post-employment benefits	**42**	52
Share based compensations	**379**	256
	$ 2,584	$ 2,392

24. COMPARATIVE FINANCIAL STATEMENTS

Certain figures in the comparative Financial Statements have been reclassified from statements previously presented to conform to the presentation of the current period's Financial Statements.

Corporate Information

Board of Directors
Eric Ehgoetz, Director
Bartley Bull, Chair of the Board
Tania Bortolotto, Director
Dezsö J. Horváth, Director
Quentin Kong, Director
David LaSalle, Director

Chief Executive Officer
Eric Ehgoetz

Listing of Capital Stock
Toronto Stock Exchange (INQ)

Transfer Agent and Registrar
AST Trust Company (Canada)
PO Box 700, Postal Station B
Montreal, QC H3B 3K3
T 416 682 3860 or 800 387 0825
F 514 985 8843 or 888 249 6189
astfinancial.com/ca-en

Auditor
Deloitte LLP
Bay Adelaide East
8 Adelaide Street West, Suite 200
Toronto, ON M5H OA9

Corporate Office
67 Toll Road
Holland Landing, ON L9N 1H2
T 905 836 7676
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Financial Calendar
May 1 to April 30

2020 Annual Meeting
The annual meeting of shareholders will be held on September 17th, 2020 at 4:00 pm at Inscape's Corporate Headquarters:
67 Toll Road
Holland Landing, ON L9N 1H2

Investor Information
Shareholders seeking assistance or information about the Company are invited to contact **Jon Szczur, Chief Financial Officer**, at:
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Holland Landing, ON L9N 1H2
T 905 952 4102
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