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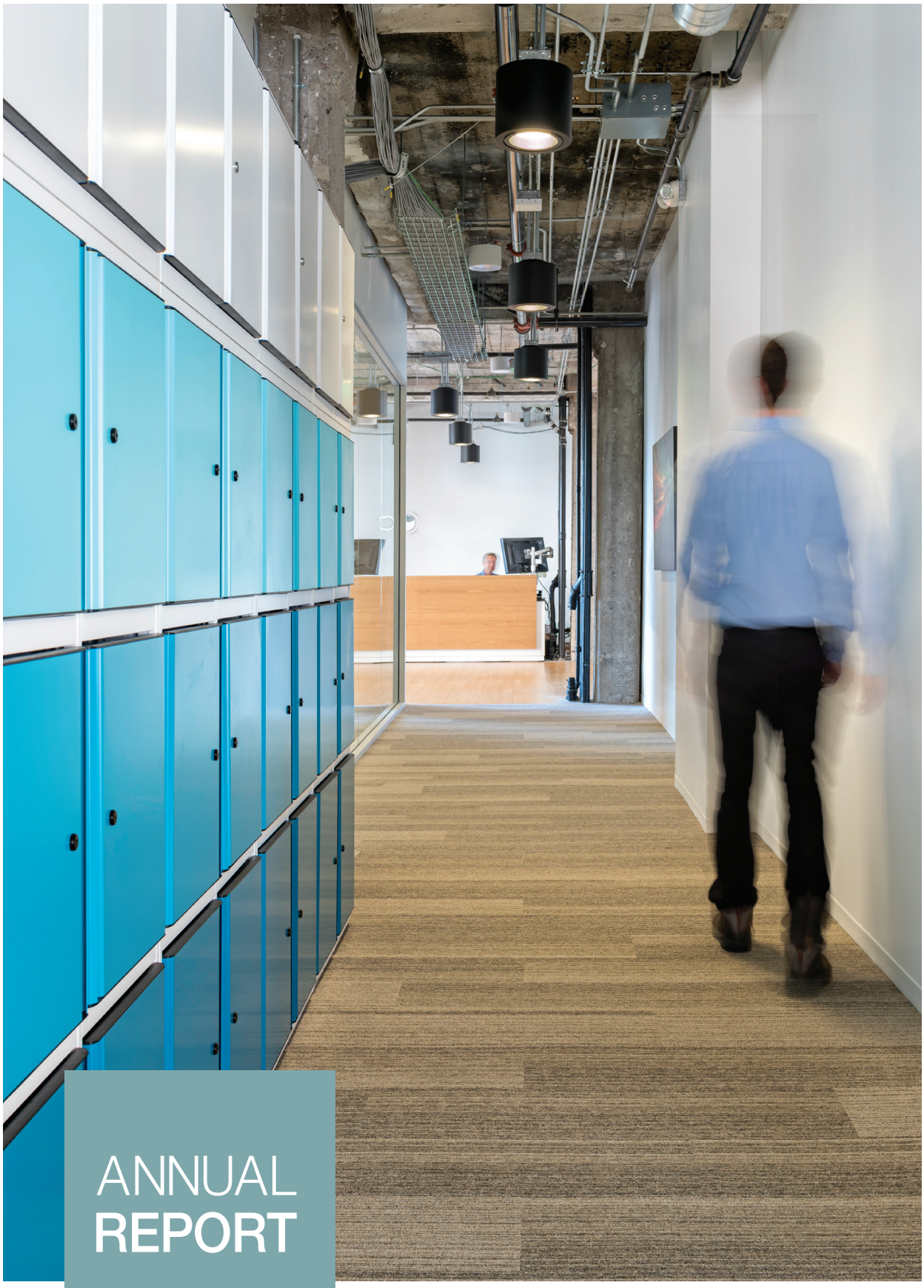

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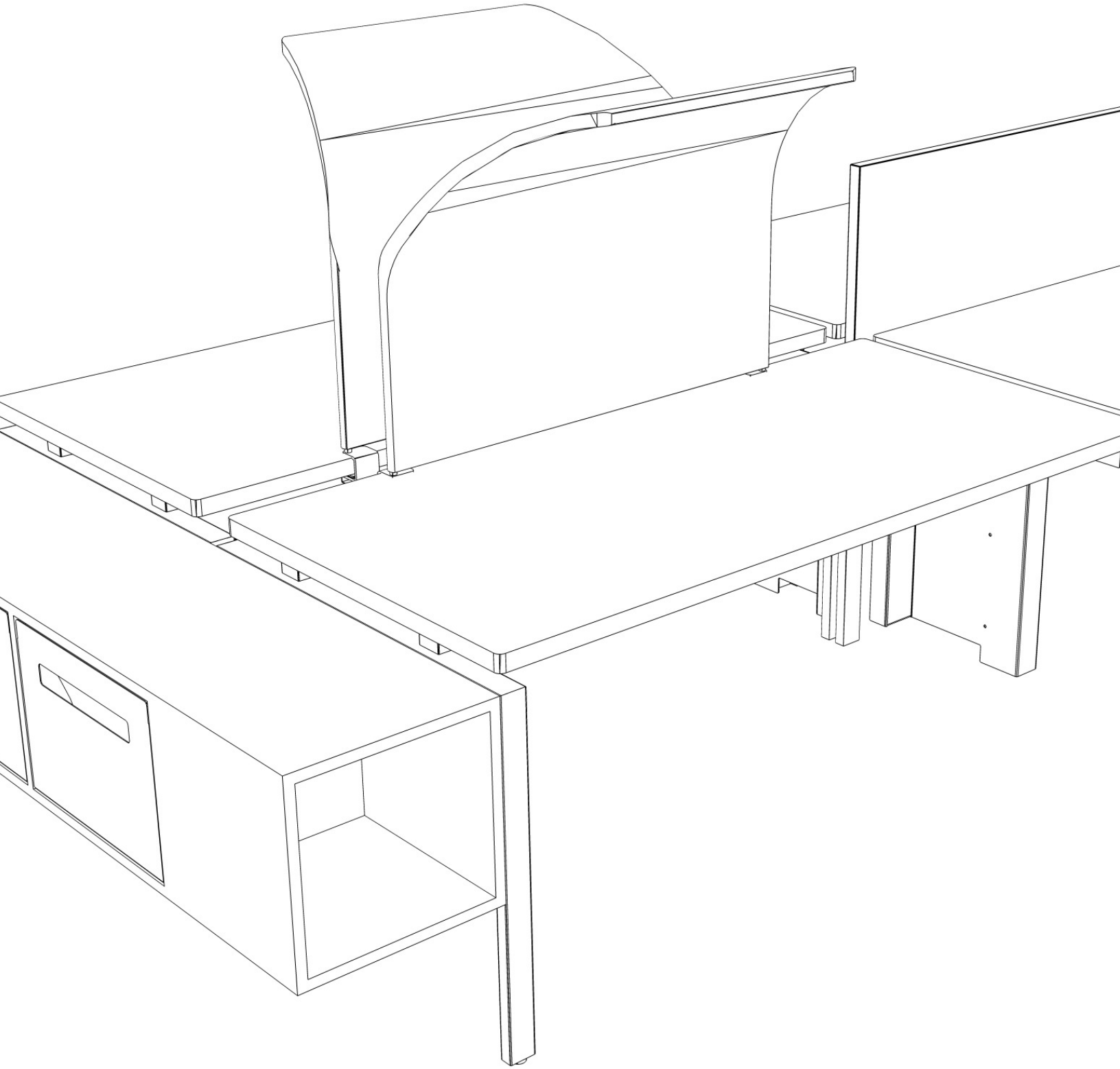

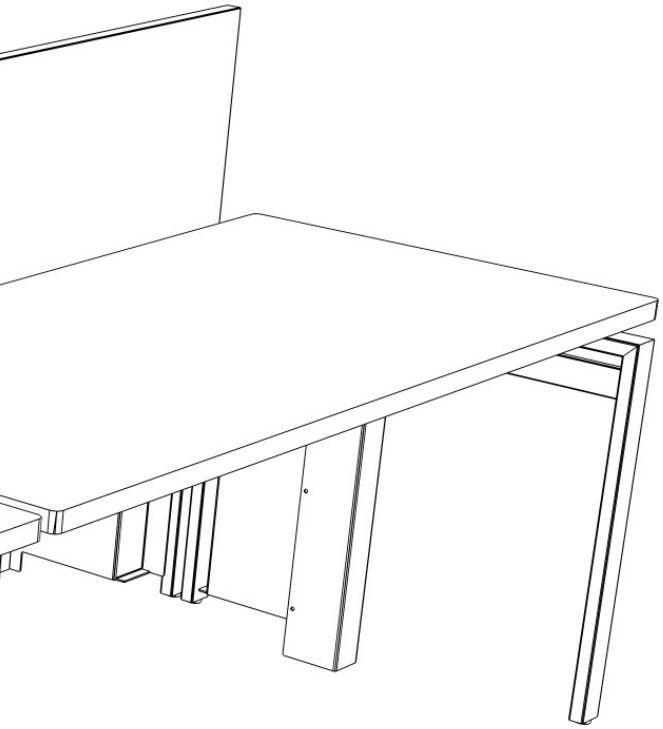

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Financial Highlights

(in thousands, except for per share amounts)

Years Ended April 30	**2017**	2016
Sales	**$ 95,295**	$ 79,846
Net loss	**$ (172)**	$ (1,254)
Basic and diluted loss per share	**$ (0.01)**	$ (0.09)
Adjusted income (loss) before taxes	**$ 3,327**	$ (4,984)
EBITDA	**$ 5,908**	$ (2,199)
Total assets	**$ 47,565**	$ 46,784
Total liabilities	**$ 19,761**	$ 20,257
Cash, cash equivalent and short-term investments	**$ 11,514**	$ 10,495

Letter to the Shareholders

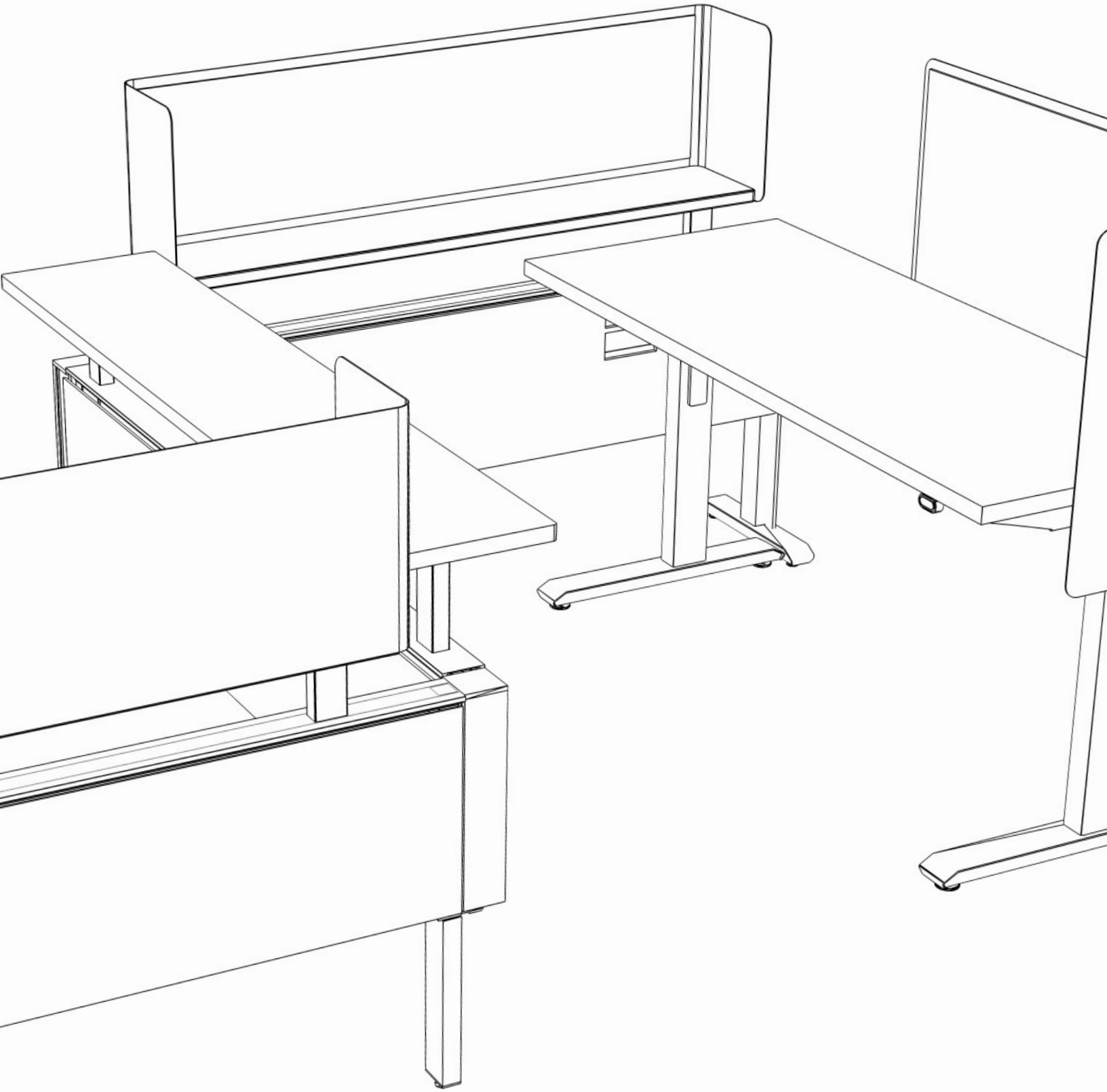
We are very pleased with our progress this past year. As we continue to grow sales and earnings in a competitive environment, we have made meaningful progress on the execution of our strategic plan which includes strengthening our dealer network and expanding our customer base.

Our financial position remains strong as we continue to fortify our foundation for growth. As we enter our new fiscal year, our focus remains on operational execution to support our sales, marketing and product development efforts.

We thank our leadership team, employees, and partners for their commitment and our Board of Directors for their ongoing guidance and support.

Madan Bhayana, Chairman

Bartley Bull, Director



Management's Discussion & Analysis

The following Management's Discussion and Analysis ("MD&A") of operating results and financial condition of Inscape Corporation and its subsidiaries ("the Company") for the year ended April 30, 2017 should be read in conjunction with the accompanying Consolidated Financial Statements and Notes for the years ended April 30, 2017 and 2016. The discussion and analysis are as of June 22, 2017 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 inscapesolutions.com.

Non GAAP Measures

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

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

Forward-looking Statements

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

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

The Company reports in two business segments: the Office Furniture segment includes storage, benching, systems, seating solutions and West Elm Workspace products. The Inscape Walls segment includes architectural and movable walls. The Company's head office is located in Holland Landing, Ontario. Inscape's products are manufactured in two facilities: a 306,000 square foot plant in Holland Landing, Ontario, and a 132,000 square foot plant in Falconer, New York. The Company also has a West Elm Workspace office and distribution center in Grand Rapids, Michigan. Inscape serves its clients through a network of dealers and representatives supported by showrooms across North America.

Vision and Strategy

Management continued to focus and build on its four key strategic objectives. These are the foundation of the Company's strategic growth and development and they include: (1) Enhance and expand the Company's products to provide a full range of products for end users; (2) Generate a dedicated distribution network; (3) Create a customer interface platform that leverages leading edge technology and will simplify fulfillment process and allow us to meet customer needs more quickly; (4) Re-invent the industrial system.

The Company continually looks to add new products to its product portfolio. These products are complementary to its existing platform of office systems, benching, storage, filing and walls.

The Company has four guiding principles to product design:

- Delight Users
- Empower Technology
- Foster Agility
- Design for Sustainability

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

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

In November 2014, the Company announced a partnership with West Elm (a division of retailer Williams Sonoma Inc.) to create a new product line that will complement Inscape's existing products and meet a market demand for high design products at significantly better value than is currently seen in the market. The official launch of the new West Elm Workspace with Inscape product line was unveiled at Neocon 2015 where over 75 new products were launched and the Company was awarded two Best of NeoCon Awards.

The second quarter of the Fiscal 2016 marked the initial shipment of the West Elm Workspace with Inscape products. Project wins with both large growth media/tech firms as well as smaller innovative companies confirm the market desires the products launched in partnership with West Elm. The West Elm Workspace with Inscape reseller network has also been further solidified, with 21 showrooms now operating in North America.

In December 2014 the Company announced the development of F.I.R.E. (Fully Integrated Resource for Enterprise management) which integrates industry leading technology to create a single customer-centric solution unlike any other currently available. F.I.R.E. unites the leading industry partners to create one integrated solution that reimagines the client experience from idea to order, and shipment to satisfaction. As at April 30, 2017, the Company has invested $2.6 million to create this new platform ($0.4 in fiscal 2015, $1.4 million in fiscal 2016, $0.8 million in fiscal 2017).

F.I.R.E is being used by 28 dealers in 75 locations and is functional for Inscape's Office Furniture segment including West Elm Workspace with Inscape. F.I.R.E development continues as the Company adds new products to its portfolio. This technology supports the Company's dealers, appeals to the design community and integrates into the Company's fulfillment system.

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

These key strategic initiatives are creating a strong foundation for growth of the Company. Today we have 21 West Elm Workspace dealers and 20 committed Platinum dealers. The Company continues to add new products and accessories that will enhance and support our existing product lines.

Overview

Fiscal year 2017 compared to fiscal year 2016

Fiscal year 2017 sales increased $15.4 million (19.3%) compared to fiscal year 2016 as a result of growth in business segments and favorable U.S. currency hedge contract rates.

In fiscal year 2017, the Company incurred a net loss of $0.2 million or 1 cent per share, compared to a net loss of $1.3 million, or 9 cents per share a year ago. Both reporting periods included unrealized derivative loss/gain relating to fair value of outstanding U.S. hedge contracts and other unusual items, which have significant impact on the reported net loss/income. With the exclusion of these items, fiscal year 2017 had an adjusted net income of $3.3 million, compared with last year's adjusted net loss of $5.0 million, an improvement of $8.3 million mainly due to higher sales volume, favorable U.S. currency hedge rates and control over fixed overheads.

Fiscal year 2016 compared to fiscal year 2015

Sales increased $10.5 million (15%) compared to 2015, which resulted from volume increase in all product segments, favorable U.S. exchange rates, new products under the brand name of West Elm Workspace with Inscape, and the addition of seating solutions.

Fiscal year 2016 had a net loss of $1.3 million or 9 cents per share, compared to a net loss of $13.1 million, or 91 cents per share a year ago. Fiscal year 2016's loss included a derivative gain of $4.7 million and unrealized exchange gain of $0.3 million due to the revaluation of FX hedges and exchange respectively. During the fourth quarter of the year, the Company reorganized its administrative and overhead support functions that will reduce expenses in future years. A restructuring cost of $0.3 million was accrued in the quarter. With the exclusion of the currency adjustments, the restructuring cost and certain one-time items to be discussed below, fiscal year 2016 would have an adjusted loss of $5.0 million compared to the prior year's adjusted loss of $6.4 million before taxes.

Results of Operations

Sales

(in thousands)	**Fiscal 2017**	Fiscal 2016	Change
3 months ended April 30	**$ 21,023**	$ 20,480	2.7%
Years ended April 30	**$ 95,295**	$ 79,846	19.3%

Sales in the fourth quarter were 2.7% higher than the same quarter of last year. Benefits from the growth in the furniture segment and more favorable U.S. currency hedges were reduced by a decrease in the quarterly sales of the Walls segment and overall lower realized selling price. On a normalized U.S. exchange and realized selling price basis, sales in the current quarter were about the same as the fourth quarter of last year. Sales in the Company's fourth quarter are normally lower than other quarters due to slowdown of sales orders during the holidays and reduced number of working days compared to the first three quarters.

The fiscal 2017 annual sales of $95.3 million were 19.3% higher than the previous year's $79.8 million. The increase of $15.4 million included $8.5 million U.S. exchange due to improved U.S. currency hedge rates. Both furniture and Walls segments recorded increase in sales. On a normalized U.S. exchange and realized selling price basis, fiscal 2017 sales were up by 12.1%.

Gross Profit

	Fiscal 2017		Fiscal 2016	
(in thousands)		**% of sales**		% of sales
3 months ended April 30	**$ 5,564**	**26.5%**	$ 5,208	25.4%
Years ended April 30	**$ 28,549**	**30.0%**	$ 19,803	24.8%

The fourth quarter gross profit as a percentage of sales of 26.5% was 1.1 percentage points higher than the same quarter of last year. The cost of goods sold of the current quarter included a write down of obsolete and slow moving inventory of $0.3 million, or 1.5% of sales. In the prior year quarter, the cost of goods sold included a restructuring cost of $0.3 million, or 1.4% of sales. The year-over-year increase of 1.1 percentage points in gross profit percentage was the result of gains from U.S. currency hedge rates partially offset by higher raw material costs, lower realized selling prices and the inventory write down.

Fiscal year 2017 gross profit as a percentage of sales increased 5.2 percentage points from last year's 24.8% to the current year's 30.0%. The cost of goods sold of the current quarter included a write down of obsolete and slow moving inventory of $0.4 million, or 0.4% of sales. The $0.3 million restructuring cost in the previous year also represents 0.4% of fiscal 2016 sales. More favorable U.S. currency hedge rates and higher volumes in both Furniture and Walls segment were the main source of the gross profit improvement, which was reduced by lower realized selling prices and higher raw material costs.

Selling, General and Administrative Expenses (SG&A)

	Fiscal 2017		Fiscal 2016	
(in thousands)		**% of sales**		% of sales
3 months ended April 30	**$ 5,992**	**28.5%**	$ 6,856	33.5%
Years ended April 30	**$ 26,332**	**27.6%**	$ 26,162	32.8%

SG&A for the quarter was 28.5% of sales, compared with last year's 33.5%. The current quarter SG&A of $6.0 million was $0.9 million lower than the same quarter of last year, of which $0.5 million was due to a reduction in the market value of share-based compensation during the quarter when the Company share price moved down from $5.24 at the beginning of the quarter to $4.05 at the end of the quarter. The remaining $0.3 million decrease in SG&A consists mainly of lower salaries, benefits and year-end bonus adjustments.

SG&A for the year was 27.6% of sales versus 32.8% last year. The SG&A expense of $26.3 million was $0.2 million or 0.6% higher than last year, consisting of $0.6 million variable SG&A relating to higher sales volume, offset by decrease of $0.4 million in fixed SG&A. Last year's higher fixed SG&A was mainly caused by one-time settlement loss on the wind-up of one of the Company's defined benefit pension plans and investment in West Elm Workspace with Inscape start-up costs.

Net Income (Loss)

	Fiscal 2017		Fiscal 2016	
(in thousands)		**% of sales**		% of sales
3 months ended April 30	**$ (2,087)**	**-9.9%**	$ 5,373	26.2%
Years ended April 30	**$ (172)**	**-0.2%**	$ (1,254)	-1.6%

The fourth quarter net loss of $2.1 million is below net income of $5.4 million in the same quarter of last year. The current quarter's net loss included an unrealized derivative loss of $1.9 million, versus a gain of $7.5 million in the same quarter of last year relating to the change in the fair market value of outstanding U.S. currency hedge contracts. With the exclusion of the unrealized derivative loss/gain and other unusual items, the current quarter had an adjusted loss of $0.9 million compared with an adjusted loss of $1.3 million in the same quarter of last year; an improvement of $0.4 million or 28.2%. The improvement was mainly a result of higher U.S. currency hedge rates and lower SG&A.

Fiscal year 2017 ended with a net loss of $0.2 million, compared to a net loss of $1.3 million in fiscal year 2016.

Similar to the quarterly results, both reporting periods had several unrealized, unusual and mostly non-controllable items that in total had a very significant impact on the net loss. With the exclusion of these items, current year had an adjusted net income of $3.3 million, compared with last year's adjusted net loss of $5.0 million, an improvement of $8.3 million. The substantial increase in the year-over-year net income was attributable to favorable U.S. currency hedge rates, higher sales volume, lower fixed SG&A, partially offset by lower realized selling prices and higher raw material costs .

The adjusted income or loss is a non-GAAP measure, which does not have any standardized meaning prescribed by GAAP and is therefore unlikely to be comparable to similar measures presented by other issuers.

Net Income (Loss) Reconciliation

The following is a reconciliation of net income and loss calculated in accordance with GAAP to the non-GAAP measure:

	Three Months Ended April 30		Years Ended April 30	
(in thousands)	**2017**	2016	**2017**	2016
Net (loss) income	**$ (2,087)**	$ 5,373	**$ (172)**	$ (1,254)
Adjust non-operating or unusual items:				
Unrealized loss (gain) on derivatives	**1,937**	(7,520)	**2,923**	(4,651)
Unrealized (gain) loss on foreign exchange	**(255)**	518	**(405)**	(327)
(Increase) Decrease in fair value of short-term investments	**(32)**	(38)	**(150)**	169
Stock based compensation	**(507)**	24	**1,556**	331
Defined benefit pension plan settlement loss	**–**	–	**–**	378
Settlement of customer accounts	**(65)**	–	**(722)**	–
Severance obligation	**63**	325	**297**	370
Adjusted net income (loss)	**$ (946)**	$ (1,318)	**$ 3,327**	$ (4,984)

Income Tax

In accordance with IFRS requirement, deferred tax benefits relating to tax loss carry-forward were not recognized during fiscal 2017. Note 6 of the consolidated financial statements includes a reconciliation of the income and deferred tax expense and deferred tax asset and liabilities.

Investment Income

The Company earned interest income and dividends from short-term investments of its excess cash in money market instruments and preferred shares. The investments generated investment income of $0.1 million in fiscal year 2017 and fiscal year 2016.

Summary of Quarterly Results

Selected unaudited quarterly financial information for the previous eight quarters from July 31, 2015 through April 30, 2017 is provided below:

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

Quarters Ended	**April 30, 2017**	**January 31, 2017**	**October 31, 2016**	**July 31, 2016**
Sales	**$ 21,023**	**$ 23,161**	**$ 27,543**	**$ 23,569**
Gross profit	**$ 5,564**	**$ 7,018**	**$ 9,116**	**$ 6,851**
Gross profit %	**26.5%**	**30.3%**	**33.1%**	**29.1%**
Net income (loss)	**$ (2,087)**	**$ 1,846**	**$ 1,596**	**$ (1,527)**
Basic and diluted income (loss) per share	**$ (0.15)**	**$ 0.13**	**$ 0.11**	**$ (0.11)**
Adjusted income (loss) before taxes	**$ (946)**	**$ 1,133**	**$ 2,952**	**$ 188**
EBITDA	**$ (261)**	**$ 1,760**	**$ 3,612**	**$ 797**

Quarters Ended	April 30, 2016	January 31, 2016	October 31, 2015	July 31, 2015
Sales	$ 20,480	$ 22,948	$ 21,144	$ 15,274
Gross profit	$ 5,208	$ 6,333	$ 5,066	$ 3,196
Gross profit %	25.4%	27.6%	24.0%	20.9%
Net income (loss)	$ 5,373	$ (2,157)	$ 573	$ (5,043)
Basic and diluted income (loss) per share	$ 0.37	$ (0.15)	$ 0.04	$ (0.35)
Adjusted income (loss) before taxes	$ (1,318)	$ 328	$ (1,169)	$ (2,825)
EBITDA	$ (531)	$ 1,051	$ (493)	$ (2,226)

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

The Company's sales volume is impacted by the timing of shipments of large projects from quarter to quarter. Sales of the fourth quarter are typically lower than other quarters due to the slowdown of sales orders during the holidays and the reduced number of working days comparing to the first three quarters.

Liquidity and Capital Resources

Cash Flow Summary (in thousands)	Three Months Ended April 30, **Fiscal 2017**	Fiscal 2016
Net cash flow generated from (used in):		
Operating activities before changes in working capital	**$ (988)**	$ (847)
Net change in working capital	**2,197**	3,396
Investing activities	**614**	(384)
Foreign exchange gain (loss) on cash and cash equivalents	**216**	(363)
Net increase in cash and cash equivalents	**2,039**	1,802
Cash and cash equivalents, beginning of period	**5,197**	4,187
Cash and cash equivalents, end of period	**$ 7,236**	$ 5,989

Cash Flow Summary (in thousands)	Twelve Months Ended April 30, **Fiscal 2017**	Fiscal 2016
Net cash flow generated from (used in):		
Operating activities before changes in working capital	**$ 5,405**	$ (2,595)
Net change in working capital	**(3,203)**	2,329
Investing activities	**(1,370)**	3,090
Foreign exchange gain (loss) on cash and cash equivalents	**415**	(27)
Net increase in cash and cash equivalents	**1,247**	2,797
Cash and cash equivalents, beginning of year	**5,989**	3,192
Cash and cash equivalents, end of year	**$ 7,236**	$ 5,989

The fourth quarter cash outflow from operations (before changes in working capital) was $1.0 million. Net decrease in working capital of $2.2 million consisted of:

- $3.4 million decrease in accounts receivable due to decline in sales from the third quarter to the fourth quarter by $1.9 million and improved collections
- $2.0 million decrease in inventory due to the decline in quarterly sales from the third quarter, timing of finished goods shipment and the $0.3 million non-cash inventory write down offset by
- $3.2 million decrease in accounts payable and accrued liabilities due to decline in sales from the third quarter to the fourth quarter and the timing of payroll spend

Cash inflow of $0.6 million from investing activities consisted of $1.0 million increase in money market instruments with maturities of three months or less, offset by $0.4 million capital expenditures.

On an annual basis, fiscal 2017 generated cash inflow from operations (before changes in working capital) of $5.4 million, compared to a cash outflow of $2.6 million in the previous year. Net increase in working capital of $3.2 million consisted of:

- $3.0 million decrease in accounts payable and accrued liabilities due to lower activities in the fourth quarter and the settlement of certain accrued liabilities during the year
- $0.2 million decrease in prepaid expenses

Cash outflow of $1.4 million for investing activities consists of $0.4 million increase in money market instruments with maturities of three months or less, offset by $1.8 million capital expenditures mainly on F.I.R.E. and showrooms.

Credit Facility

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

The credit facility agreement has the following covenants:

1. The ratio of "total liabilities less postponed debt to shareholders' equity less intangible assets" does not exceed 1.4 to 1.0, measured quarterly.
2. Current ratio, excluding any derivative assets and liabilities, not to be less than 1.5 to 1.0, measured quarterly.

The Company was in compliance with the covenants as at April 30, 2017.

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

Contractual Obligations

The following is a summary of the Company's contractual obligations as at April 30, 2017:

	Payments Due By Period				
(in millions)	**Total**	**1 year or less**	**2–3 years**	**4–5 years**	**After 5 years**
Operating leases	$ 5.7	$ 1.5	$ 2.6	$ 1.6	$ –
Foreign exchange contracts	76.7	44.3	32.4	–	–
	$ 82.4	$ 45.8	$ 35.0	$ 1.6	$ –

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

Off-Balance Sheet Arrangements

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

Share Capital

The Company has 5,345,881 Class A multiple voting shares and 9,034,820 Class B subordinated voting shares outstanding at April 30, 2017. 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

Compensation of key management personnel includes directors and other members of key management personnel, including Chief Executive Officer, Chief Financial Officer, President of West Elm Workspace with Inscape Division, Executive VP Sales, VP Operations, VP Product Development and VP Human Resources. Compensation of the Chief Executive Officer and two directors are paid through companies they control.

	Three Months Ended April 30		Years Ended April 30	
(in millions)	**2017**	2016	**2017**	2016
Salaries and short-term benefits	**$ 466**	$ 450	**$ 2,013**	$ 1,756
Post-employment benefits	**5**	6	**16**	20
Share-based compensation	**(438)**	17	**1,377**	302
	$ 33	$ 473	**$ 3,406**	$ 2,078

During the year, the Company incurred expenses of $166 (2016 – $377) to a related party for goods and services associated with the Company's strategic initiatives. The entity is deemed a related party because the President of West Elm Workspace with Inscape Division is a shareholder of that entity.

Future Accounting Changes

IFRS 2 share-based payments:
In June 2016, the IASB issued amendments to IFRS 2 Share-based Payment, clarifying how to account for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, share-based payment transactions with a net settlement feature, and a modification to the terms and conditions that changes the classification of the transactions. These amendments are effective for annual periods beginning on or after January 1, 2018, and though permitted, have not been adopted early.

IFRS 9 Financial instruments:
In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments, which united the various phases of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement as follows:

Classification and measurement – Financial assets are classified and measured based on the business model under which they are managed and the contractual cash flow characteristics of the financial assets. Financial liabilities are classified in a similar manner as under IAS 39, except that financial liabilities measured at fair value will have fair value changes resulting from changes in the entity's own credit risk recognized in Other Comprehensive Income instead of Net Income, unless this would create an accounting mismatch.

Impairment – The measurement of impairment of financial assets is based on an expected credit loss model. It is no longer necessary for a triggering event to have occurred before credit losses are recognized. IFRS 9 also includes new disclosure requirements for expected credit losses and credit risk.

Hedge accounting – The new general hedge accounting model more closely aligns hedge accounting with risk management activities undertaken by entities when hedging their financial and non-financial risk exposures. It will provide more opportunities to apply hedge accounting to reflect actual risk management activities.

The standard also provides relief from the requirement to restate comparative financial statements for the effect of applying IFRS 9. The standard is effective for reporting periods beginning on or after January 1, 2018, and though permitted, have not been adopted early.

IFRS 15 revenue from contracts with customers:
In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers, which establishes principles for reporting the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. It outlines a single comprehensive model on the core principle that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods and services. IFRS 15 also contains enhanced disclosure requirements on the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, and though permitted, has not been adopted early.

In April 2016, the IASB published clarifications to IFRS 15 which address three topics (identifying performance obligations, principal versus agent considerations, and licensing) and provide

some transition relief for modified contracts and completed contracts. The amendments are effective for annual periods beginning on or after January 1, 2018, and though permitted, have not been adopted early.

IFRS 16 Leases:
In January 2016, the IASB issued IFRS 16 Leases, specifying the recognition, measurement, presentation and disclosure requirements of leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019, and though permitted, has not been adopted early.

Significant Accounting Policies and Estimates

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

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

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

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

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

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

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

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

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

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

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

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

Financial instruments

The Company's cash and cash equivalents, short-term investments, trade accounts receivable and derivative assets are subject to the risk that the counter-parties may fail to discharge their obligation to pay the Company. The Company's investment policy specifies the types of permissible investments, the minimum credit ratings required and the maximum balances allowed. The purchase of any securities carrying a credit rating below BBB for bonds or R1-Low for commercial paper is strictly prohibited. Management reports to the Board of Directors quarterly the Company's investment portfolios to review the compliance with the investment policy. The counterparty of the Company's derivatives is a major Canadian bank. The Company has credit policies and procedures to manage trade accounts receivable credit risk by assessing new customers' credit history, reviewing of credit limits, monitoring the aging of accounts receivable and establishing an allowance for doubtful accounts based on specific customer information and general historical trends. The Company has historically experienced minimal customer defaults on trade accounts receivable. The Company's U.S. dollar denominated cash, trade accounts receivable, accounts payable and accrued liabilities are subject to the risk that their fair values will fluctuate because of changes in U.S. dollar exchange rate relative to the Canadian dollar. The Company uses U.S. currency hedge instruments to manage its U.S. dollar exchange risk. The counterparty of the financial instruments is a major Canadian bank. The Company has a policy in place to ensure that all such instruments are used only to manage risk and not for trading purposes. The outstanding hedge instruments are marked to market at the balance sheet date. Unrealized gains and losses on the contracts are recorded as derivative assets and liabilities on the balance sheet and the change in fair value of the instruments is recognized in earnings in the period of change.

As at April 30, 2017, the Company had outstanding U.S. dollar hedge contracts with settlement dates from May 2017 to April 2019. The total notional amounts under the contracts are U.S. $48 million to $60 million (2016 - $46.2 million to $57.8 million). Dependent on the spot CAD/USD rate on each settlement date, the Company can sell U.S. dollars at rates ranging from $1.25 CAD/USD to $1.45 CAD/USD (2016 - $1.25 CAD/USD to $1.40 CAD/USD). These contracts had a mark-to-market unrealized loss of $2.2 million (U.S. $1.6 million) as at April 30, 2017 (2016 – unrealized gain of $0.7 million or U.S. $0.6 million), which was recognized on the consolidated statement of financial position as derivative liabilities. Any changes in the net gain or loss from the prior reporting period due to addition of forward contracts, movements in the U.S. currency exchange rate, reclassification of the unrealized gains or losses to realized income or loss are recognized on the consolidated statement of operations as unrealized gain or loss on derivatives of the year.

Risks and uncertainties

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

General economic and market conditions

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

Competitive environment

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

Raw material and commodity costs

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

U.S. dollar exchange rate

The U.S. is the main market for the Company. Fluctuations in the U.S./Canadian dollar exchange rate have a significant impact on the operating results, cash flows and financial condition of the Company. One method the Company uses to manage its foreign currency exposure is through the use of U.S. dollar hedge instruments. The hedge instruments provide the Company with

an opportunity to lock in the U.S. currency conversion rate at a prevailing hedge rate to facilitate the business planning process with pre-determined exchange rate exposure. However, the instruments do not completely eliminate the effects of exchange rate fluctuations. To minimize the effect of exchange rate fluctuations, the Company endeavors to create natural hedges through increasing U.S. suppliers where appropriate and seeks to increase Canadian dollar sales.

Access to the U.S. markets

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

Effectiveness of market representatives

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

Effectiveness of growth strategy implementation

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

Controls and 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 three months ended April 30, 2017, 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.

June 22, 2017

Management Report

To the Shareholders of Inscape Corporation

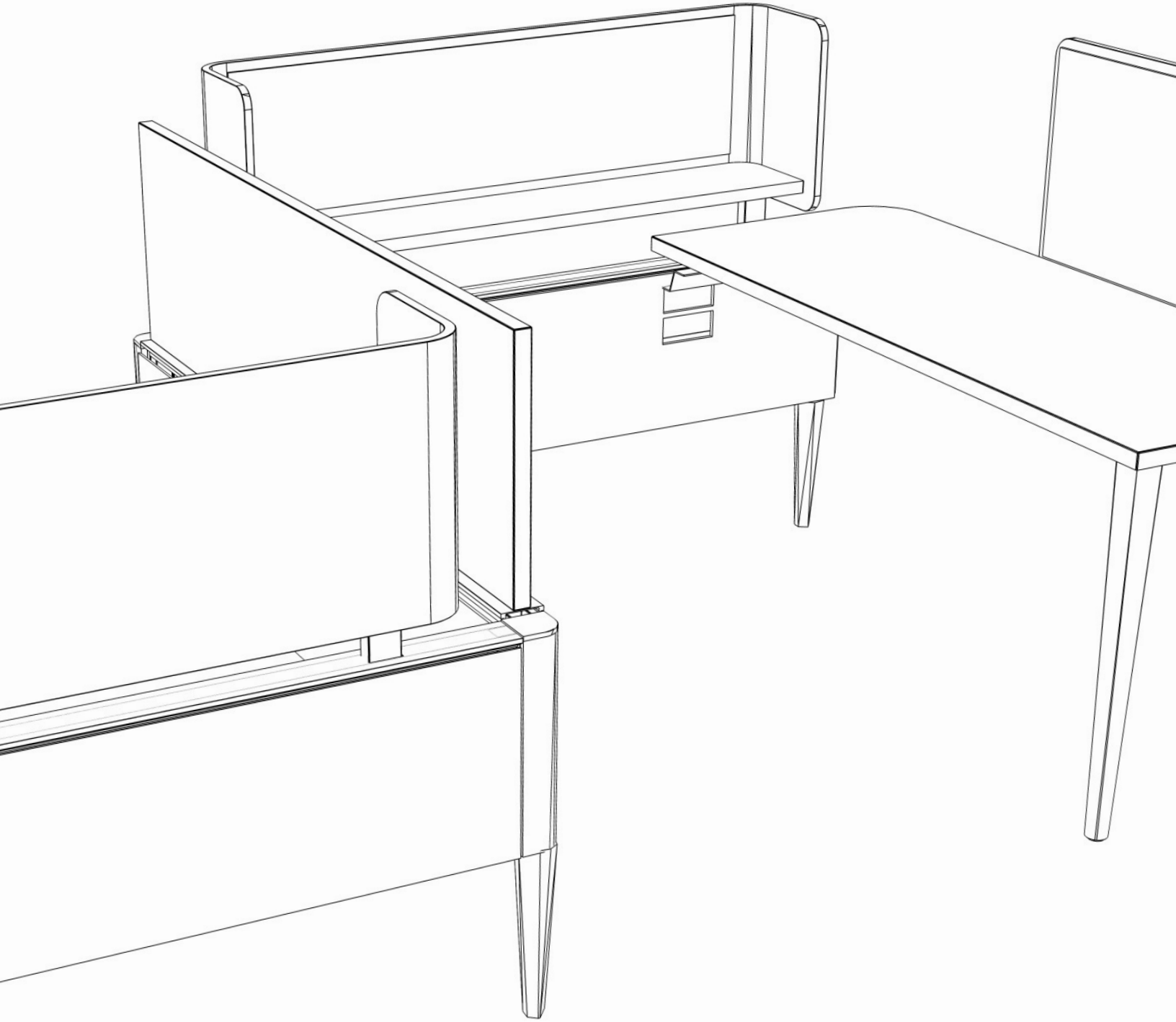
Preparation of the consolidated financial statements accompanying this annual report and the presentation of all other information in the report is the responsibility of Management. The financial statements have been prepared in accordance with International Financial Reporting Standards and reflect 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.

Brian A. Mirsky
Director and Chief Executive Officer

Aziz Hirji
Chief Financial Officer

July 18, 2017



Independent Auditor's Report

To the Shareholders of Inscape Corporation

We have audited the accompanying consolidated financial statements of Inscape Corporation, which comprise the consolidated statements of financial position as at April 30, 2017 and 2016, and the consolidated statements of operations and comprehensive loss, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Inscape Corporation as at April 30, 2017 and April 30, 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
July 18, 2017

Inscape Corporation
Consolidated Statements of Financial Position

(in thousands of Canadian dollars)

ASSETS	**Note**	**April 30, 2017**	April 30, 2016
CURRENT ASSETS			
Cash and cash equivalents		**$ 7,236**	$ 5,989
Short-term investments		**4,278**	4,506
Trade and other receivables	14.5	**11,965**	11,225
Inventories	11	**5,092**	4,932
Income taxes receivable		**141**	89
Prepaid expenses		**1,234**	1,019
Derivative assets	14.2	**–**	416
		29,946	28,176
NON-CURRENT ASSETS			
Property, plant and equipment	8	**15,115**	16,038
Intangible assets	9	**1,809**	1,585
Derivative assets	14.2	**–**	290
Deferred tax assets	6.2	**695**	695
		$ 47,565	$ 46,784
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities		**$ 10,139**	$ 12,596
Derivative liabilities	14.2	**1,381**	–
		11,520	12,596
DEFERRED TAX LIABILITIES	6.2	**1,216**	1,194
DERIVATIVE LIABILITIES	14.2	**836**	–
OTHER LONG-TERM OBLIGATIONS	16	**1,455**	1,195
RETIREMENT BENEFIT OBLIGATION	13	**4,734**	5,272
		19,761	20,257
CAPITAL AND RESERVES			
Issued capital	12	**52,868**	52,868
Contributed surplus		**2,675**	2,675
Accumulated other comprehensive loss		**(1,605)**	(3,054)
Deficit		**(26,134)**	(25,962)
		27,804	26,527
		$ 47,565	$ 46,784

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

Madan Bhayana, Chairman

Bartley Bull, Director

Inscape Corporation
Consolidated Statements of Operations
(in thousands of Canadian dollars, except per share amounts)

Years ended April 30	Note		2017		2016
Sales	5	$	**95,295**	$	79,846
Cost of goods sold			**66,746**		60,043
Gross profit			**28,549**		19,803
EXPENSES					
Selling, general and administrative			**26,332**		26,162
Unrealized gain on foreign exchange			**(405)**		(327)
Unrealized loss (gain) on derivatives	14.2		**2,923**		(4,651)
Investment income			**(129)**		(127)
			28,721		21,057
Loss before taxes			**(172)**		(1,254)
Income taxes			**–**		–
Net loss		$	**(172)**	$	(1,254)
Basic and diluted loss per share	7	$	**(0.01)**	$	(0.09)
Supplemental information					
Salaries, wages and benefits included in cost of goods sold		$	**16,209**	$	16,381
Salaries, wages and benefits included in selling, general and administrative			**14,236**		13,034
Total salaries, wages and benefits		$	**30,445**	$	29,415
Amortization included in cost of goods sold		$	**1,565**	$	1,856
Amortization included in selling, general and administrative			**1,145**		1,056
Total amortization		$	**2,710**	$	2,912

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

Inscape Corporation
Consolidated Statements of Comprehensive Income (loss)
(in thousands of Canadian dollars)

Years ended April 30			2017		2016
Net loss		$	**(172)**	$	(1,254)
OTHER COMPREHENSIVE INCOME (LOSS)					
Items that may not be reclassified to earnings					
Remeasurement of defined benefit pension liabilities	13.2		**990**		(2,065)
Items that may be reclassified to earnings					
Exchange gain on translating foreign operations			**459**		20
Other comprehensive income (loss)			**1,449**		(2,045)
Total comprehensive income (loss)		$	**1,277**	$	(3,299)

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

Inscape Corporation
Consolidated Statements of Changes in Shareholders' Equity
(in thousands of Canadian dollars)

			Accumulated other comprehensive income (loss) ("AOCI")			
Year ended April 30, 2017	**Share capital**	**Contributed surplus**	**Cumulative remeasurement of defined benefit liabilities**	**Cumulative translation gain**	**Defecit**	**Total shareholders' equity**
Balance – May 1, 2016	**$ 52,868**	**$ 2,675**	**$ (3,922)**	**$ 868**	**$ (25,962)**	**$ 26,527**
Net loss	**–**	**–**	**–**	**–**	**(172)**	**(172)**
Other comprehensive income	**–**	**–**	**990**	**459**	**–**	**1,449**
Total comprehensive income (loss)	**–**	**–**	**990**	**459**	**(172)**	**1,277**
Balance – April 30, 2017	**$ 52,868**	**$ 2,675**	**$ (2,932)**	**$ 1,327**	**$ (26,134)**	**$ 27,804**

			Accumulated other comprehensive income (loss) ("AOCI")			
Year ended April 30, 2016	**Share capital**	**Contributed surplus**	**Cumulative remeasurement of defined benefit liabilities**	**Cumulative translation gain**	**Defecit**	**Total shareholders' equity**
Balance – May 1, 2015	$ 52,868	$ 2,675	$ (1,857)	$ 848	$ (24,708)	$ 29,826
Net loss	–	–	–	–	(1,254)	(1,254)
Other comprehensive income (loss)	–	–	(2,065)	20	–	(2,045)
Total comprehensive income (loss)	–	–	(2,065)	20	(1,254)	(3,299)
Balance – April 30, 2016	$ 52,868	$ 2,675	$ (3,922)	$ 868	$ (25,962)	$ 26,527

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

Inscape Corporation
Consolidated Statements of Cash Flows
(in thousands of Canadian dollars)

Years ended April 30	Note	2017	2016
Net inflow (outflow) of cash related to the following activities:			
Operating activities			
Net loss		**$ (172)**	$ (1,254)
Items not affecting cash:			
Amortization and depreciation		**2,710**	2,912
Pension expense	13	**765**	1,067
Unrealized (gain) loss on short-term investments held for trading		**(150)**	169
Unrealized loss (gain) on derivatives	14.2	**2,923**	(4,651)
Share based compensation		**260**	219
Unrealized gain on foreign exchange		**(405)**	(327)
(Gain) Loss on disposal of capital assets		**(2)**	32
Employer's contribution to pension funds	13.2	**(524)**	(762)
Cash generated from (used for) operating activities before changes in working capital		**5,405**	(2,595)
Movements in working capital			
Trade and other receivables		**79**	861
Inventories		**(38)**	(743)
Prepaid expenses		**(176)**	(334)
Accounts payable and accrued liabilities		**(3,025)**	2,563
Income tax receivables and payables		**(43)**	(18)
Cash generated from (used for) operating activities		**2,202**	(266)
INVESTING ACTIVITIES			
Short-term investments held for trading		**378**	5,157
Additions to property, plant and equipment & intangible assets		**(1,750)**	(2,069)
Proceeds from disposal of capital assets		**2**	2
Cash (used for) generated from investing activities		**(1,370)**	3,090
Unrealized foreign exchange gain (loss) on cash and cash equivalents		**415**	(27)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**1,247**	2,797
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		**5,989**	3,192
CASH AND CASH EQUIVALENTS, END OF YEAR		**$ 7,236**	$ 5,989
CASH AND CASH EQUIVALENTS CONSIST OF:			
Cash		**$ 5,951**	$ 5,171
Cash equivalents		**1,285**	818
		$ 7,236	$ 5,989

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

Notes to the consolidated financial statements for the years ended April 30, 2017 & April 30, 2016

1. General Information

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

The Company reports in two business segments: the Office Furniture segment includes storage, benching, systems, seating solutions and West Elm Workspace products. The Inscape Walls segment includes architectural and movable walls. Currently the Company's head office is located in Holland Landing, Ontario. Inscape's products are manufactured in two facilities: a 306,000 square foot plant in Holland Landing, Ontario, and a 132,000 square foot plant in Falconer, New York. The Company also has a West Elm Workspace office and distribution center in Grand Rapids, Michigan. Inscape serves its clients through a network of dealers and representatives supported by showrooms across North America.

2. Significant Accounting Policies

2.1 Statement of compliance

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

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 July 18, 2017.

2.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its two wholly owned U.S. subsidiaries – Inscape Inc. and Inscape (New York) Inc. The Company and subsidiaries operate two reportable segments; namely Furniture and Movable Walls. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

2.3 Revenue recognition

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

2.3.1 Sale of goods, installation services and shipping charges

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

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

Where shipping costs are billed to customers, the freight charges are net against freight costs and are presented as part of the cost of goods sold on the basis that the Company acts as agent of the customers in arranging shipping services for the customers.

2.3.2 Investment income

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

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

2.4 Foreign currencies

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

Transactions in foreign currencies are recognized at the average exchange rate for the month in which the transactions occurred, unless exchange rates fluctuated

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

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

For the Company's foreign operation where the U.S. dollar 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.

2.5 Employee future benefits

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

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

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

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

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

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

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

2.7 Taxation

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

2.7.1 Current tax

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

2.7.2 Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences.

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

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

2.8 Cash and cash equivalents

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

2.9 Short-term investments

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

2.10 Trade receivables

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

2.11 Trade payables

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

2.12 Earnings per share ("EPS")

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

2.13 Property, plant and equipment

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

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

2.14 Intangible assets

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

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

2.15 Impairment of long-lived non-financial assets

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

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

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

If the recoverable amount is estimated to be less than the carrying amount of the asset (or cash-generating unit), the carrying amount is reduced to its recoverable amount. An

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

2.16 Inventories

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

2.17 Leases

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

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

2.18 Provisions

Provisions are recognised 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 recognised 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.

2.19 Financial assets

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

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

2.19.1 Financial assets at FVTPL (including held-for-trading investments)

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

2.19.2 Held-to-maturity investments

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

2.19.3 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than twelve months after the end of a reporting period, which are classified as non-current assets. Loans and receivables are measured at amortised cost using the

effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate.

2.19.4 Available for sale financial assets

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

2.19.5 Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected. When impairment has occurred, the loss is recognized in net earnings with the offset to reduce the asset's carrying value. For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate. In a subsequent period, if the impairment loss decreases and the decrease relates to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through net earnings. On the date of impairment reversal, the carrying amount of the financial asset cannot exceed its amortized cost had impairment not been recognized.

2.20 Financial liabilities

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

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

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

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

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

2.22 Derivative financial instruments

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

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

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

2.23 Share capital

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

3. Critical Accounting Judgments And Key Sources Of Estimation Uncertainty

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

3.1 Critical estimates and judgments in applying accounting policies

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

Critical Judgments

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

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

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

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

Critical Estimates

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

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

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

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

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

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

4. Future Accounting Policy Changes

The following new standards, amendments, and interpretations that have been issued are expected to impact the Company, but are not effective for the fiscal year ending April 30, 2017, and accordingly, have not been applied in preparing these financial statements. The Company is currently evaluating the impact of the adoption of these standards on its consolidated financial statements.

IFRS 2 share-based payments:
In June 2016, the IASB issued amendments to IFRS 2 Share-based Payment, clarifying how to account for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, share-based payment transactions with a net settlement feature, and a modification to the terms and conditions that changes the classification of the transactions. These amendments are effective for annual periods beginning on or after January 1, 2018, and though permitted, have not been adopted early.

IFRS 9 Financial instruments:
In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments, which united the various phases of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement as follows:

Classification and measurement – Financial assets are classified and measured based on the business model under which they are managed and the contractual cash flow characteristics of the financial assets. Financial liabilities are classified in a similar manner as under IAS 39, except that financial liabilities measured at fair value will have fair value changes resulting from changes in the entity's own credit risk recognized in Other Comprehensive Income instead of Net Income, unless this would create an accounting mismatch.

Impairment – The measurement of impairment of financial assets is based on an expected credit loss model. It is no longer necessary for a triggering event to have occurred before credit losses are recognized. IFRS 9 also includes new disclosure requirements for expected credit losses and credit risk.

Hedge accounting – The new general hedge accounting model more closely aligns hedge accounting with risk management activities undertaken by entities when hedging their financial and non-financial risk exposures. It will provide more opportunities to apply hedge accounting to reflect actual risk management activities.

The standard also provides relief from the requirement to restate comparative financial statements for the effect of applying IFRS 9. The standard is effective for reporting periods beginning on or after January 1, 2018, and though permitted, have not been adopted early.

IFRS 15 revenue from contracts with customers:
In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers, which establishes principles for reporting the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. It outlines a single comprehensive model on the core principle that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods and services. IFRS 15 also contains enhanced disclosure requirements on the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, and though permitted, has not been adopted early.

In April 2016, the IASB published clarifications to IFRS 15 which address three topics (identifying performance obligations, principal versus agent considerations, and licensing) and provide some transition relief for modified contracts and completed contracts. The amendments are effective for annual periods beginning on or after January 1, 2018, and though permitted, have not been adopted early.

IFRS 16 Leases:
In January 2016, the IASB issued IFRS 16 Leases, specifying the recognition, measurement, presentation and disclosure requirements of leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019, and though permitted, has not been adopted early.

5. Segment Information

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

In determining the reportable segments, the Company takes into consideration the nature of the various products and services to see if their economic characteristics are similar, geographical areas, and the methods used to distribute the products and services.

Based on these factors, the Company concluded that there are three reportable segments in terms of geographical areas, namely U.S., Canada and other areas mainly due to differences in the currencies and the potential market size between U.S. and Canada, whereas the Company's sales in other geographical areas are relatively low.

Based on the nature of products and services, the Company concluded that there are two reportable segments in terms of products, namely Furniture and Walls. Aggregated in the Furniture segment are Systems, Benching, Storage and Seating, including such products sold by Inscape as well as West Elm Workspace with Inscape. The aggregation is based on the similarity in those products' functionalities, production or procurement process and method of distribution. Walls is a separate segment on its own due to the different nature of movable walls comparing to furniture, the production process and the installation services involved in the selling of movable walls.

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

Years ended April 30	**2017**	2016
United States	**$ 90,458**	$ 72,628
Canada	**4,678**	7,196
Other	**159**	22
	$ 95,295	$ 79,846

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

	April 30, 2017	April 30, 2016
United States	**$ 4,541**	$ 4,338
Canada	**12,383**	13,285
	$ 16,924	$ 17,623

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

	Years ended April 30	
Segment Sales	**2017**	2016
Furniture	**$ 69,674**	$ 57,595
Movable walls and rollform	**25,621**	22,251
	$ 95,295	$ 79,846
Segment Income (Loss)		
Furniture	**$ 2,509**	$ (2,422)
Movable walls and rollform	**(292)**	(3,937)
	2,217	(6,359)
Unrealized gain on foreign exchange	**405**	327
Unrealized (loss) gain on derivatives	**(2,923)**	4,651
Investment income	**129**	127
Loss before taxes	**(172)**	(1,254)
Income taxes	**–**	–
Net loss	**$ (172)**	$ 1,254)
Capital Expenditures		
Furniture	**$ 1,674**	$ 1,944
Movable walls and rollform	**76**	125
	$ 1,750	$ 2,069
Amortization and Depreciation		
Furniture	**$ 2,444**	$ 2,691
Movable walls and rollform	**266**	221
	$ 2,710	$ 2,912

Segment assets and liabilities	**April 30, 2017**	April 30, 2016
Assets		
Furniture	**$ 34,430**	$ 37,099
Moveable walls and rollform	**13,135**	9,685
Total assets	**$ 47,565**	$ 46,784
Liabilities		
Furniture	**$ 15,300**	$ 14,580
Moveable walls and rollform	**4,461**	5,677
Total liabilities	**$ 19,761**	$ 20,257

6. Income taxes

6.1 Income tax recognized in profit or loss

During fiscal year 2016, the Company booked a valuation allowance relating to deferred tax assets. Due to the losses in the year and the effects of accounting losses in the previous three years, management deemed it appropriate to charge a valuation allowance for these assets. This adjustment is a non-cash charge to the results and the Company has 20 years in which the assets can be realized against future income, at which point the valuation allowance can be reversed.

Income tax comprises of:

Years end April 30	**2017**	2016
Current	**$ 1,018**	$ (1,737)
Deferred	**(1,078)**	886
	(60)	(851)
Valuation allowance	**60**	851
	$ –	$ –

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

Years end April 30	**2017**	2016
Loss before income taxes	**$ (172)**	$ (1,254)
Basic statutory income tax rate	**25.38%**	25.38%
	(44)	(318)
Reconciling items:		
Tax effect of non-taxable (non-recoverable items)	**(190)**	(144)
Canada/U.S. tax rate differences	**174**	(389)
Valuation allowance	**60**	851
Income tax	**$ –**	$ –

The Company's basic Canadian statutory income tax rate is the aggregate of the federal income tax rate of 15% (2016 -15%) and the Ontario provincial tax rate of 10.38% (2016 – 10.38%). The basic U.S. statutory income tax rate is the aggregate of the federal income tax rate of 34% (2016 – 34%) and the average rate for various states of 6% (2016 – 6%).

6.2 Deferred tax assets and liabilities

Deferred tax assets	April 30, 2016 balance	Recognized in profit or loss	Recognized in OCI	Exchange differences and other	April 30, 2017 balance
Deductible temporary difference					
Property, plant and equipment	$ 821	$ 32	$ –	$ 78	$ 930
Retirement benefit obligation	995	23	(208)	10	821
Reserves	669	134	–	8	811
Less valuation allowance	(2,485)	(189)	208	(96)	(2,562)
	–	–	–	–	–
Tax benefit of loss carryforwards	7,682	(927)	–	323	7,078
Less valuation allowance	(6,987)	927	–	(323)	(6,383)
	$ 695	$ –	$ –	$ –	$ 695

Deferred tax liabilities	April 30, 2016 balance	Recognized in profit or loss	Recognized in OCI	Exchange differences and other	April 30, 2017 balance
Property, plant and equipment	$ 935	$ (113)	$ –	$ –	$ 822
Retirement benefit obligation	(708)	(48)	74	–	(681)
Derivative (liabilities) assets	180	(742)	–	–	(562)
Reserves	7	14	–	22	43
Less valuation allowance	780	889	(74)	–	1,595
	$ 1,194	$ –	$ –	$ 22	$ 1,216

Deferred tax assets	April 30, 2015 balance	Recognized in profit or loss	Recognized in OCI	Exchange differences and other	April 30, 2016 balance
Deductible temporary difference					
Property, plant and equipment	$ 773	$ 19	$ –	$ 29	$ 821
Retirement benefit obligation	502	28	442	23	995
Reserves	838	(197)	–	28	669
Less valuation allowance	(2,113)	150	(442)	(80)	(2,485)
	–	–	–	–	–
Tax benefit of loss carryforwards	5,850	1,736	–	96	7,682
Less valuation allowance	(5,155)	(1,736)	–	(96)	(6,987)
	$ 695	$ –	$ –	$ –	$ 695

Deferred tax liabilities	April 30, 2015 balance	Recognized in profit or loss	Recognized in OCI	Exchange differences and other	April 30, 2016 balance
Property, plant and equipment	$ 1,218	$ (283)	$ –	$ –	$ 935
Retirement benefit obligation	(413)	(57)	(238)	–	(708)
Derivative (liabilities) assets	(1,001)	1,181	–	–	180
Reserves	95	(105)	–	17	7
Less valuation allowance	1,278	(736)	238	–	780
	$ 1,177	$ –	$ –	$ 17	$ 1,194

6.3 Loss carry forwards

As at April 30, 2017, the Company has unused non-capital loss of $20,486 (2016 - $22,708), consisting of Canadian non-capital loss of $8,134 and U.S. non-capital loss of $12,352 –U.S. $9,041 (2016 –Canadian $10,651, U.S. non-capital loss of $12,056 – U.S.$ 9,864) which may be carried forward and used to reduce future years' taxable income. The future income tax benefit of these losses of $7,078 net of valuation allowance of $6,383 (April 30, 2016 - $7,682 net of valuation allowance of $6,987) has been included in the deferred tax assets. The valuation allowance adjusts the Canadian non-capital loss to an amount that can be utilized based on the Company's judgment.

The non-capital losses expire as follows:

Expiry date	Loss Carryforwards
2032	$ 3,485
2033	2,336
2034	3,912
2035	5,642
2036	5,111
Total	**$ 20,486**

7. Earnings per share

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

	Years ended April 30,	
Numerator	**2017**	2016
Net loss for the year for basic and diluted earnings per share	**$ (172)**	$ (1,254)
Denominator		
Weighted average number of shares outstanding	**14,380,701**	14,380,701
Dilution impact of stock options	**155,681**	248,176
Weighted average number of shares outstanding including stock options	**14,536,382**	14,628,877

Stock options are anti-dilutive and are, therefore, not included in the computation of basic and diluted earnings per share for years ended April 30, 2017 and April 30, 2016.

8. Property, plant and equipment

	April 30, 2017	April 30, 2016
Cost	$ 105,594	$ 103,987
Accumulated depreciation	90,479	87,949
Net book value	$ 15,115	$ 16,038

Land	$ 491	$ 476
Buildings	7,562	7,688
Roofs	897	981
Leasehold improvements	1,201	1,126
Machinery and equipment	3,708	4,581
Tools, dies and jigs	215	172
Office furniture and equipment	539	644
Capital projects in progress	502	370
Net book value	$ 15,115	$ 16,038

	Cost April 30, 2016	Additions	Disposals	Foreign Exchange	Cost April 30, 2017
Land	$ 476	$ –	$ –	$ 15	$ 491
Buildings	15,261	14	–	324	15,599
Roofs	3,549	–	–	–	3,549
Leasehold improvements	10,797	328	–	23	11,148
Machinery and equipment	39,677	106	(17)	101	39,867
Tools, dies and jigs	21,681	144	–	56	21,881
Office furniture and equipment	12,176	331	–	50	12,557
Capital projects in progress	370	132	–	–	502
	$ 103,987	$ 1,055	$ (17)	$ 569	$ 105,594

	Accumulated Depreciation April 30, 2016	Depreciation	Disposals	Foreign Exchange	Accumulated Depreciation April 30, 2017
Land	$ –	$ –	$ –	$ –	$ –
Buildings	7,573	339	–	125	8,037
Roofs	2,568	84	–	–	2,652
Leasehold improvements	9,671	262	–	14	9,947
Machinery and equipment	35,096	1,011	(17)	69	36,159
Tools, dies and jigs	21,509	103	–	54	21,666
Office furniture and equipment	11,532	436	–	50	12,018
	$ 87,949	$ 2,235	$ (17)	$ 312	$ 90,479

	Accumulated Depreciation April 30, 2015	Depreciation	Disposals	Foreign Exchange	Accumulated Depreciation April 30, 2016
Land	$ 469	$ –	$ –	$ 7	$ 476
Buildings	15,118	3	–	140	15,261
Roofs	3,549	–	–	–	3,549
Leasehold improvements	10,704	83	–	10	10,797
Machinery and equipment	39,597	40	–	40	39,677
Tools, dies and jigs	21,503	154		24	21,681
Office furniture and equipment	11,969	266	(80)	21	12,176
Capital projects in progress	572	(202)	–	–	370
	$ 103,481	$ 344	$ (80)	$ 242	$ 103,987

	Accumulated Depreciation April 30, 2015	Depreciation	Disposals	Foreign Exchange	Accumulated Depreciation April 30, 2016
Land	$ –	$ –	$ –	$ –	$ –
Buildings	7,165	360	–	48	7,573
Roofs	2,484	84	–	–	2,568
Leasehold improvements	9,258	407	–	6	9,671
Machinery and equipment	33,838	1,231	–	27	35,096
Tools, dies and jigs	21,366	121	–	22	21,509
Office furniture and equipment	11,127	431	(46)	20	11,532
	$ 85,238	$ 2,634	$ (46)	$ 123	$ 87,949

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

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

9. Intangible assets

	April 30, 2017	April 30, 2016
Cost	**$ 11,746**	$ 11,014
Accumulated amortization	**9,937**	9,429
Net book value	**$ 1,809**	$ 1,585
Licensed products	**$ 10**	$ 26
Computer software	**1,799**	1,558
Intellectual property	**–**	1
Net book value	**$ 1,809**	$ 1,585

	Cost April 30, 2016	Additions	Disposals	Foreign Exchange	Cost April 30, 2017
Licensed products	**$ 122**	**$ –**	**$ –**	**$ –**	**$ 122**
Computer software	**10,067**	**695**	**–**	**31**	**10,793**
Intellectual property	**825**	**–**	**–**	**6**	**831**
	$ 11,014	**$ 695**	**$ –**	**$ 37**	**$ 11,746**

	Accumulated Amortization April 30, 2016	Amortization	Disposals	Foreign Exchange	Accumulated Amortization April 30, 2017
Licensed products	**$ 96**	**$ 16**	**$ –**	**$ –**	**$ 112**
Computer software	**8,508**	**459**	**–**	**27**	**8,994**
Intellectual property	**825**	**–**	**–**	**6**	**831**
	$ 9,429	**$ 475**	**$ –**	**$ 33**	**$ 9,937**

	Cost April 30, 2015	Additions	Disposals	Foreign Exchange	Cost April 30, 2016
Licensed products	$ 122	$ –	$ –	$ –	$ 122
Computer software	8,333	1,725	–	9	10,067
Intellectual property	822	–	–	3	825
	$ 9,277	$ 1,725	$ –	$ 12	$ 11,014

	Accumulated Amortization April 30, 2015	Amortization	Disposals	Foreign Exchange	Accumulated Amortization April 30, 2016
Licensed products	$ 80	$ 16	$ –	$ –	$ 96
Computer software	8,237	261	–	10	8,508
Intellectual property	821	1	–	3	825
	$ 9,138	$ 278	$ –	$ 13	$ 9,429

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

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

10. Impairment loss

The Company conducted an assessment at the end of the fiscal year 2017 in accordance with IAS 36 to determine whether there is any indication of long-lived asset impairment. The assessment concluded that there were no indicators of long-lived asset impairment.

The Company conducted impairment analyses and tests during fiscal year 2016, which indicated that the long-lived assets as at April 30, 2016 were carried at no more than their recoverable amount.

11. Inventories

	April 30, 2017	April 30, 2016
Raw materials	**$ 3,775**	$ 3,244
Work-in-progress	**446**	393
Finished goods	**871**	1,295
	$ 5,092	$ 4,932

The cost of inventories recognized as cost of goods sold was $63,350 (2016- $55,096). During the year there was an inventory write-down of $512 (2016 - $87). There was no reversal of inventory write-down.

12. Issued capital

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

Issued and outstanding	**April 30, 2017**	April 30, 2016
Class A multiple voting	**5,345,881**	5,345,881
Class B subordinated voting	**9,034,820**	9,034,820
Total number of shares	**14,380,701**	14,380,701

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.

The total expense recognized in the consolidated statements of operations of $202 (2016 - $190) represents contributions made to the plan by the Company.

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 U.S. No other post-retirement benefits are provided to these employees.

The Canadian defined benefit pension plan is contributory in nature. The U.S. 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 U.S. 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 two Canadian plans and every year for the U.S. plan. The most recent actuarial valuations were as at December 31, 2013 for the Canadian plans and July 1, 2015 for the U.S. plan. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method. Actuarial gains and losses are recognized immediately in other comprehensive income as a part of remeasurement. The total employer's contributions to the two Canadian plans for the fiscal year 2018 are expected to be $718 (2017 - $522), consisting of $300 normal costs based on 193.1% of employee contributions and $350 solvency deficit funding for a 10 year period until fiscal year 2027. The expected contribution to the U.S. plan for the fiscal year 2017 is U.S. $50 (2017 - $0).

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

Years ended April 30	**2017**	2016
Defined benefit plans		
Benefits earned during the year	**$ 689**	$ 699
Participant contributions	**(146)**	(141)
Net interest cost	**222**	131
Settlement loss	**–**	378
Pension expense recognized	**$ 765**	$ 1,067

Years ended April 30	**2017**	2016
Remeasurements on the net defined benefit liabilities		
Actuarial gain (loss) due to actuarial experience	**$ 108**	$ (82)
Actuarial (loss) gain due to financial assumption changes	**(1,037)**	236
Actuarial gain (loss) due to demographic assumption changes	**123**	(568)
Return on plan assets greater (less) than discount rate	**1,796**	(1,651)
Remeasurements effects recognized in other comprehensive income (loss)	**$ 990**	$(2,065)

	April 30, 2017	April 30, 2016
Cumulative actuarial losses relating to net defined benefit liabilities		
Balance, beginning of the year	**$ (3,922)**	$ (1,857)
Remeasurements recognized in the year	**990**	(2,065)
Balance, end of the year	**$ (2,932)**	$ (3,922)

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

	2017	2016
Discount rate at year end	**4.04% to 3.5%**	3.83% to 3.9%
Rate of increase in future compensation	**2.0%**	2.0%

Mortality Tables	**2017**	2016
Canadian Plan	2014 Private Sector Table	2014 Private Sector Table
U.S. Plan	RP-2014 / MP-2016 (Society of Actuaries)	RP-2014 / MP-2015 (Society of Actuaries)

A 1% increase in the discount rate would reduce the Canadian defined benefit obligation by approximately $2,880 (2016 - $2,650) and a 1% decrease in the discount rate would increase the Canadian defined benefit obligation by approximately $3,660 (2016 - $3,370).

A 1% increase in the discount rate would reduce the U.S. defined benefit obligation by approximately U.S. $622 (2016 – U.S. $685) and a 1% decrease in the discount rate would increase the U.S. defined benefit obligation by approximately U.S. $759 (2016 – U.S. $844).

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:

	April 30, 2017	April 30, 2016
Defined benefit obligation, beginning of year	**$ 24,473**	$ 24,245
Current service cost	**689**	699
Interest cost	**970**	944
Benefits and expenses paid	**(921)**	(1,274)
Actuarial loss	**806**	414
Foreign exchange rate changes	**627**	228
Salaried plan wind-up	**–**	(1,161)
Settlement loss	**–**	378
Defined benefit obligation, end of year	**$ 26,644**	$ 24,473
Fair Value of plan assets, beginning of year	**$ 19,201**	$ 21,365
Interest income	**748**	814
Employer contributions	**524**	762
Employee contributions	**146**	141
Benefits and expenses paid	**(921)**	(1,274)
Return on plan assets greater (less) than discount rate	**1,796**	(1,651)
Salaried plan wind-up	**–**	(1,161)
Foreign exchange rate changes	**416**	205
Fair value of plan assets, end of year	**$ 21,910**	$ 19,201
Defined benefit obligation, net end of year	**$ 4,734**	$ 5,272

13.2 Defined benefit pension plans (continued)

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

	April 30, 2017	April 30, 2016
Equity securities	**65%**	53%
Debt securities	**26%**	32%
Cash and cash equivalents	**9%**	15%
Total	**100%**	100%

14. Financial instruments

14.1 Capital risk management

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

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

	April 30, 2017	April 30, 2016
Issued capital	**$ 52,868**	$ 52,868
Contributed surplus	**2,675**	2,675
Deficit	**(26,134)**	(25,962)
	$ 29,409	$ 29,581

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

See Note 18-Credit facility for a description of the Company's externally imposed covenants.

14.2 Foreign currency risk management

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

As at April 30, 2017, the Company had outstanding U.S. dollar hedge contracts with settlement dates from May 2017 to April 2019. The total notional amounts under the contracts are U.S. $48,000 to $60,000 (2016 - $46,200 to $57,750). Dependent on the spot CAD/USD rate on each settlement date, the Company can sell U.S. dollars at rates ranging from $1.25 CAD/USD to $1.45 CAD/USD (2016 - $1.25 CAD/USD to $1.40 CAD/USD). These contracts had a mark-to-market unrealized loss of $2,217 (U.S. $1,624) as at April 30, 2017 (2016 – unrealized gain of $706 or U.S. $563), which was recognized on the consolidated statement of financial position as derivative liabilities. Any changes in the net gain or loss from the prior reporting period due to addition of forward contracts, movements in the U.S. currency exchange rate, reclassification of the unrealized gains or losses to realized income or loss are recognized on the consolidated statement of operations as unrealized gain or loss on derivatives of the year.

There was no realized gain or loss on the settlement of the contracts during fiscal year 2017 (2016 – realized loss $7,104).

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

Years Ended April 30		2017		2016
Fair value of derivative assets (liabilities), beginning of year	**$**	**706**	$	(3,945)
Changes in fair value during the year				
Decrease in fair value of new contracts added		**(1,281)**		–
Reversal of derivative assets (liabilities) of contracts settled		**(416)**		3,945
(Decrease) Increase in fair values of outstanding contracts		**(1,226)**		706
Net (decrease) increase in fair value of derivative assets recognized during the year		**(2,923)**		4,651
Fair value of derivative (liabilities) assets, end of year	**$**	**(2,217))**	$	706
Current	**$**	**(1,381)**	$	416
Long-term		**(836)**		290
	$	**(2,217)**	$	706

14.3 Foreign currency sensitivity analysis

Based on the existing average U.S. currency hedge contract rates and the mix of U.S. dollar denominated sales and expenses for the year ended April 30, 2017, a 1% change in the Canadian dollar against the U.S. dollar would have an impact of approximately $500 on the Company's pre- tax earnings (2016 – $350).

Based on the U.S. dollar denominated assets and liabilities as at April 30, 2017, a 1% change in the Canadian dollar against the U.S. dollar would have an impact of $32 on the unrealized exchange gain or loss reported in the Consolidated Statements of Operations (2016 - $63) and an impact of $174 on the Consolidated Statements of Comprehensive Income (Loss) (2016 - $249).

14.4 Interest rate risk management

The Company's cash equivalents and short-term investments are subject to the risk that interest income will fluctuate because of changes in market interest rates. The Company manages the interest rate risk by investing in highly liquid financial instruments with staggered maturity dates. For the year ended April 30, 2017, each 100 basis point variation in the market interest rate is estimated to result in a change of $40 in the Company's investment income (2016 - $55).

14.5 Credit risk management

The Company's cash and cash equivalents, short-term investments, trade accounts receivable and derivative assets are subject to the risk that the counterparties may fail to discharge their obligation to pay the Company. As at April 30, 2017, the Company's maximum direct exposure to credit risk is $23,479 (2016 – $21,720).

The Company's investment policy specifies the types of permissible investments, the minimum credit ratings required and the maximum balances allowed. The purchase of any securities carrying a credit rating below BBB for bonds or R1-Low for commercial paper is prohibited. Management reports to the Audit Committee quarterly the Company's investment portfolios to show their compliance with the investment policy. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Company has credit policies and procedures to manage trade accounts receivable credit risk by assessing new customers' credit history, reviewing of credit limits, monitoring aging of accounts receivable and establishing an allowance for doubtful accounts based on specific customer information and general historical trends. Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable. As at April 30, 2017, the allowance for doubtful accounts was $624 (2016 - $609).

Movement in the allowance for doubtful accounts	April 30, 2017	April 30, 2016
Balance at beginning of the year	**$ 609**	$ 480
Provisions (reduced) added	**(28)**	121
Amount written off	**(7)**	(7)
Currency exchange	**50**	15
Balance at end of the year	**$ 624**	$ 609

14.6 Liquidity risk management

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities as they fall due. The Company is debt-free and has access to financing facilities, as described in note 18, which were unused at the end of the reporting period (2016: unused). The Company expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets.

14.7 Fair value hierarchy

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

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

April 30, 2017	Level 1	Level 2	Level 3
Short-term investments	**$ 639**	**$ 3,639**	**$ –**
Derivative liabilities	**–**	**(2,217)**	**–**
	$ 639	**$ 1,422**	**$ –**

April 30, 2016	Level 1	Level 2	Level 3
Short-term investments	$ 488	$ 4,018	$ –
Derivative assets	–	706	–
	$ 488	$ 4,724	$ –

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

15. Share-based compensation

15.1 Stock option plan

The Company has allotted and reserved 1,500,000 Class B subordinated voting shares under its Stock Option Plan. In September 2014 at the Annual General Meeting of the Shareholders, an amendment to the Stock Option Plan was approved to allow any stock option which is exercised or for any reason is cancelled or terminated without having been exercised be available for grants under the Plan. At the end of the year, the reserves available for grant are 528,419 (2016: 528,532).

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 264,027 Class B subordinated voting shares to expire in 5 years were granted (2016 – 142,566).

612,443 stock options were outstanding as at April 30, 2017 (2016 –971,468). 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, 2017 totaled $637 (April 30, 2016 - $780).

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

Inputs to the Black-xScholes-Merton Model	2017 Values	2016 Values	Basis
Expected remaining life of the options	0.7 to 4.6 years	0.6 to 4.6 years	Expiry dates of the options, history of forfeiture rates and early exercise
Risk-free interest rates	1.0% to 1.8%	0.4% to 1.2%	Market yield on U.S. Treasury securities at terms commensurate with the expected remaining life of the options
Expected volatility	37% to 43%	37% to 43%	The Company's daily share price over a period of time commensurate with the expected remaining life of the options
Expected dividend yield	0%	0%	The Company's current dividend yield

The intrinsic value of the stock options outstanding as at April 30, 2017 is $486 (2016 - $685)

15.2 Movements in share options during the year

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

	April 30, 2017			April 30, 2016		
	Shares	**Weighted Average Exercise Price**		Shares	Weighted Average Exercise Price	
Outstanding, beginning of year	**971,468**	**$**	**2.27**	1,020,690	$	2.16
Granted	**264,027**	**$**	**3.70**	142,566	$	3.10
Exercised	**(491,095)**	**$**	**2.10**	(166,788)	$	2.34
Forfeited	**(131,957)**	**$**	**2.33**	(25,000)	$	2.17
Expired	**–**	**$**	**–**	–	$	–
Outstanding, end of year	**612,443**	**$**	**3.00**	971,468	$	2.27

15.3 Share options outstanding at the end of the year

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

April 30, 2017		Options Outstanding		Options Exercisable	
Range of exercise prices	Number of outstanding options	Weighted average remaining life in years	Weighted average exercise price	Number exercisable at year end	Weighted average exercise price
$1.80 to $2.25	**162,519**	**1.85**	**$ 2.11**	**30,000**	**$ 2.08**
$2.55 to $3.02	**189,097**	**3.35**	**$ 2.74**	**15,000**	**$ 2.77**
$3.14 to $4.02	**260,827**	**2.86**	**$ 3.75**	**15,000**	**$ 4.02**
$1.80 to $4.02	**612,443**	**2.75**	**$ 3.00**	**60,000**	**$ 2.74**

April 30, 2016		Options Outstanding		Options Exercisable	
Range of exercise prices	Number of outstanding options	Weighted average remaining life in years	Weighted average exercise price	Number exercisable at year end	Weighted average exercise price
$1.80 to $2.05	345,388	2.56	$ 1.99	130,388	$ 1.95
$2.17 to $2.55	433,226	2.66	$ 2.22	45,000	$ 2.29
$2.98 to $3.14	192,854	4.31	$ 3.10	12,500	$ 2.98
$1.80 to $3.14	971,468	2.87	$ 2.27	187,888	$ 2.10

15.4 Employee stock purchase plan

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

15.5 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 Board of Directors has discretion to issue DSU to certain executives. As at April 30, 2017, the President of West Elm Workspace with Inscape Division was the only executive who has 100,000 DSUs (2016 – 100,000).

During the year the Company issued 7,264 DSUs to Directors (2016 – 12,863).

As at April 30, 2017, 150,552 DSUs were outstanding with a total fair value of $572 measured at the closing price of the shares on period end date (April 30, 2016 – 143,288 units, fair value $322).

15.6 Movements in deferred share units during the year

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

	2017	2016
Outstanding, beginning of year	**143,288**	130,425
Granted	**7,264**	12,863
Outstanding, end of year	**150,552**	143,288

15.7 Executives long-term incentive plan

The Company has a long-term incentive plan for eligible executives. Under the plan, annual grants of stock options, performance share units ("PSU") or restricted share units ("RSU") are issued to eligible executives based on each executive's responsibilities and base salaries. The value of PSU or RSU redeemable at the end of a three-year vesting period is dependent upon the market price of the Class B subordinated voting shares of the Company and for PSU, the Company's 3-year average return on invested capital ("ROIC") relative to pre-determined ranges of ROIC. During the year the Company issued 36,989 RSUs (2016 – 35,688). As at April 30, 2017, 102,580 RSUs were outstanding (April 30, 2016 – 73,894).

15.8 Movements in restricted share units during the year

The following summarizes the movements in RSU during the year:

	2017	2016
Outstanding, beginning of year	**73,894**	38,226
Granted	**36,989**	35,668
Forfeited	**(8,303)**	–
Outstanding, end of year	**102,580**	73,894

16. Other long-term obligations

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

	April 30, 2017	April 30, 2016
Deferred share units	**$ 572**	$ 322
Stock options	**637**	780
Restricted share units	**246**	93
	$ 1,455	$ 1,195

17. Operating lease arrangements

Operating leases relate to leases of real properties with lease terms of between 1 and 10 years. The Company does not have an option to purchase the leased properties at the expiry of the lease periods. Operating lease expense of $1,472 was charged to the consolidated statements of operations during the year (2016 - $1,374).

	April 30, 2017	April 30, 2016
Not later than 1 year	**$ 1,447**	$ 1,415
Later than 1 year and not later than 5 years	**4,214**	4,471
Later than 5 years	**42**	129
	$ 5,703	$ 6,015

18. Credit facility

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

The credit facility agreement has the following covenants:

1. The ratio of "total liabilities less postponed debt" to "shareholders' equity less intangible assets" does not exceed 1.4 to 1.0 at any time, measured quarterly.

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

The Company is in compliance with these covenants as at April 30, 2017 (2016 – in compliance).

As at April 30, 2017, the Company has not drawn on the demand operating credit and the demand credit for foreign exchange contracts (2016 – not drawn).

19. Related party transactions

Compensation of key management personnel

The following was the remuneration of directors and other members of key management personnel, including Chief Executive Officer, Chief Financial Officer, President of West Elm Workspace with Inscape Division, Executive VP Sales, VP Operations, VP Product Development and VP Human Resources. Compensation of the Chief Executive Officer and two directors are paid through companies they control.

Years Ended April 30		**2017**		2016
Salaries and short-term benefits	**$**	**2,013**	$	1,756
Post-employment benefits		**16**		20
Share-based compensation		**1,377**		302
	$	**3,406**	$	2,078

During the year, the Company incurred expenses of $166 (2016 - $377) to a related party for goods and services associated with the Company's strategic initiatives. The entity is deemed a related party because the President of West Elm Workspace with Inscape Division is a shareholder of that entity.

20. Contingent liability

In the ordinary course of business, the Company may be contingently liable for litigation and claims with customers, suppliers and former employees. On an ongoing basis, the Company assesses the likelihood of any adverse judgments or outcomes to these matters as well as potential ranges of probable costs and losses and a determination of the provision required, if any, for these contingencies is made after analysis of each individual issue. There are no material contingent liabilities as at April 30, 2017 (2016 – nil).

Corporate Information

Board of Directors
Madan Bhayana, Chair of the Board
Bartley Bull, Director
Frank Delfino, Director
Eric Ehgoetz, Director
Dezso J. Horvàth, Director
Brian A. Mirsky, Director

Chief Executive Officer
Brian A. Mirsky

Listing of Capital Stock
Toronto Stock Exchange (INQ)

Transfer Agent and Registrar
CST Trust Company
P.O. Box 700, Station B
Montreal, QC H3B 3K3
T: 416 682 3860 or 800 387 0825
F: 888 249 6189
canstockta.com

Auditor
Deloitte LLP
Toronto, Ontario

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

2017 Annual and Special Meeting
The annual and special meeting of shareholders will be held on September 7, 2017 at 4:00 pm at Inscape's Corporate Office, 67 Toll Road, Holland Landing, Ontario, L9N 1H2

Investor Information
Shareholders seeking assistance or information about the Company are invited to contact Aziz Hirji, Chief Financial Officer, at:

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