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Inscape Announces Fiscal Year 2017 Fourth Quarter and Annual Results

June 22, 2017: Inscape (TSX: INQ), a leading designer and manufacturer of furnishings for the workplace, today announced its fourth quarter and annual financial results ended April 30, 2017.

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 of fiscal 2017 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%.

"We are very pleased with our continued progress in our strategic growth plan," said Brian Mirsky, CEO. "As we enter our new fiscal year, our focus will be on operational execution to support our sales, marketing and product development efforts."

Inscape Corporation
Summary of Consolidated Financial Results
(Unaudited) (in thousands except EPS)

	Three Months Ended April 30		Years Ended April 30	
	2017	2016	**2017**	2016
Sales	**$ 21,023**	$ 20,480	**$ 95,295**	$ 79,846
Gross profit	**5,564**	5,208	**28,549**	19,803
Selling, general & administrative expenses	**5,992**	6,856	**26,332**	26,162
Unrealized (gain) loss on foreign exchange	**(255)**	518	**(405)**	(327)
Unrealized loss (gain) on derivatives	**1,937**	(7,520)	**2,923**	(4,651)
Investment income	**(23)**	(19)	**(129)**	(127)
(Loss) Income before taxes	**(2,087)**	5,373	**(172)**	(1,254)
Income taxes	**-**	-	**-**	**-**
Net (loss) income	**$ (2,087)**	$ 5,373	**$ (172)**	$ (1,254)
Basic and diluted income (loss) per share	**$ (0.15)**	$ 0.37	**$ (0.01)**	$ (0.09)
Weighted average number of shares (in thousands) for basic EPS calculation	**14,381**	14,381	**14,381**	14,381

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. 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 unusual items that had very significant impact on the net loss. With the exclusion of these unusual items, current year adjusted net income was $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.

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

(in thousands)	Three Months Ended April 30 2017	Three Months Ended April 30 2016	Years Ended April 30 2017	Years Ended April 30 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)

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; and 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.

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 $0.8 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 a 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.

At the previous fiscal year ended April 30, 2016, the Company recorded a valuation allowance of $7.0 million to derecognize the future income tax benefit of loss carry forwards as deferred tax assets. For the twelve-month period ended April 30, 2017, $0.9 million of the valuation allowance was utilized to reduce the Company's income tax expense.

At the end of the fiscal year, the company was debt-free and had cash, cash equivalents and short-term investments totaling $11.5 million and an unused credit facility.

Fourth Quarter Call Details

Inscape will host a conference call at 8:30 AM EST on Friday, June 23, 2017 to discuss the company's quarterly results. To participate, please call 1-800-920-2997 five minutes before the start time. A replay of the conference call will also be available from June 23, 2017 after 10:30 AM EST until 11:59 PM EST on June 30, 2017. To access the rebroadcast, please dial 1-800-558-5253 (Reservation Number 21852095).

Forward-looking Statements

Certain of the above statements are forward-looking statements that involve risks and uncertainties. Actual results could differ materially as a result of many factors including, but not limited to, further changes in market conditions and changes or delays in anticipated product demand. In addition, future results may also differ materially as a result of many factors, including: fluctuations in the company's operating results due to product demand arising from competitive and general economic and business conditions in North America; length of sales cycles; significant fluctuations in international exchange rates, particularly the U.S. dollar exchange rate; restrictions in access to the U.S. market; changes in the company's markets, including technology changes and competitive new product introductions; pricing pressures; dependence on key personnel; and other factors set forth in the company's Ontario Securities Commission reports and filings.

About Inscape

Inscape has supported the evolution of the workspace since 1888. A versatile portfolio of systems, storage, walls and seating products addresses the diverse needs of today's office with solutions that stand the test of time – built to last and inherently flexible. Dedicated to delivering innovative solutions with care and expertise, Inscape is here to help you make life at work better.

For more information, visit www.inscapesolutions.com.

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Condensed Interim Consolidated Financial Statements of

INSCAPE CORPORATION

(Unaudited)

April 30, 2017 and 2016

INSCAPE CORPORATION
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Unaudited)(in thousands of Canadian dollars)

	Note	**April 30, 2017**	April 30, 2016
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		**$ 7,236**	$ 5,989
Short-term investments		**4,278**	4,506
Trade and other receivables	8.4	**11,965**	11,225
Inventories	7	**5,092**	4,932
Income taxes receivable		**141**	89
Prepaid expenses		**1,234**	1,019
Derivative assets	8.2	**-**	416
		29,946	28,176
NON-CURRENT ASSETS			
Property, plant and equipment		**15,115**	16,038
Intangible assets		**1,809**	1,585
Derivative assets	8.2	**-**	290
Deferred tax assets		**695**	695
		$ 47,565	$ 46,784
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities		**$ 10,139**	$ 12,596
Derivative liabilities	8.2	**1,381**	-
		11,520	12,596
DEFERRED TAX LIABILITIES		**1,216**	1,194
DERIVATIVE LIABILITIES	8.2	**836**	-
OTHER LONG-TERM OBLIGATIONS	9	**1,455**	1,195
RETIREMENT BENEFIT OBLIGATION		**4,734**	5,272
		19,761	20,257
CAPITAL AND RESERVES			
Issued capital		**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.

Approved by the Board of Directors,

(signed)
Chairman
Madan Bhayana

(signed)
Director
Bartley Bull

INSCAPE CORPORATION
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)(in thousands of Canadian dollars, except per share amounts)

	Note	Three Months Ended April 30, 2017	Three Months Ended April 30, 2016	Years Ended April 30, 2017	Years Ended April 30, 2016
SALES	5	**$ 21,023**	$ 20,480	**$ 95,295**	$ 79,846
COST OF GOODS SOLD		**15,459**	15,272	**66,746**	60,043
GROSS PROFIT		**5,564**	5,208	**28,549**	19,803
EXPENSES					
Selling, general and administrative		**5,992**	6,856	**26,332**	26,162
Unrealized loss (gain) on foreign exchange		**(255)**	518	**(405)**	(327)
Unrealized loss (gain) on derivatives	8	**1,937**	(7,520)	**2,923**	(4,651)
Investment income		**(23)**	(19)	**(129)**	(127)
		7,651	(165)	**28,721**	21,057
(LOSS) GAIN BEFORE TAXES		**(2,087)**	5,373	**(172)**	(1,254)
INCOME TAXES	11	**-**	-	**-**	-
NET (LOSS) INCOME		**$ (2,087)**	$ 5,373	**$ (172)**	$ (1,254)
BASIC AND DILUTED (LOSS) INCOME PER SHARE	6	**$ (0.15)**	$ 0.37	**$ (0.01)**	$ (0.09)
SUPPLEMENTAL INFORMATION					
Salaries, wages and benefits included in cost of goods sold		**$ 3,771**	$ 3,699	**$ 16,209**	$ 16,381
Salaries, wages and benefits included in selling, general and administrative		**2,715**	3,367	**14,236**	13,034
Total salaries, wages and benefits		**$ 6,486**	$ 7,066	**$ 30,445**	$ 29,415
Amortization included in cost of goods sold		**$ 400**	$ 465	**$ 1,565**	$ 1,856
Amortization included in selling, general and administrative		**308**	341	**1,145**	1,056
Total amortization		**$ 708**	$ 806	**$ 2,710**	$ 2,912

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

INSCAPE CORPORATION
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Unaudited)(in thousands of Canadian dollars)

		Three Months Ended April 30, 2017	Three Months Ended April 30, 2016	Years Ended April 30, 2017	Years Ended April 30, 2016
NET (LOSS) INCOME		**$ (2,087)**	$ 5,373	**$ (172)**	$ (1,254)
OTHER COMPREHENSIVE INCOME (LOSS)					
Items that may not be reclassified to earnings					
Remeasurement of defined benefit liabilities	3	**990**	(2,065)	**990**	(2,065)
Total items that may not be reclassified to earnings		**990**	(2,065)	**990**	(2,065)
Items that may be reclassified to earnings					
Exchange gain (loss) on translating foreign operations		**372**	(647)	**459**	20
OTHER COMPREHENSIVE INCOME (LOSS)		**1,362**	(2,712)	**1,449**	(2,045)
TOTAL COMPREHENSIVE INCOME (LOSS)		**$ (725)**	$ 2,661	**$ 1,277**	$ (3,299)

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

INSCAPE CORPORATION
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Unaudited)(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**	**Deficit**	**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	**-**	**-**	**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**	**Deficit**	**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 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
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(Unaudited) (in thousands of Canadian dollars)

	Note	Three Months Ended April 30, 2017	Three Months Ended April 30, 2016	Years Ended April 30, 2017	Years Ended April 30, 2016
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:					
OPERATING ACTIVITIES					
Net (loss) income		**$ (2,087)**	$ 5,373	**$ (172)**	$ (1,254)
Items not affecting cash:					
Amortization and depreciation		**708**	806	**2,710**	2,912
Pension expense		**245**	169	**765**	1,067
Unrealized (gain) loss on short-term investments held for trading		**(32)**	(38)	**(150)**	169
Unrealized loss (gain) on derivatives	8.2	**1,937**	(7,520)	**2,923**	(4,651)
Share based compensation		**(1,404)**	(83)	**260**	219
Unrealized (gain) loss on foreign exchange		**(255)**	518	**(405)**	(327)
(Gain) Loss on disposal of capital assets		**-**	32	**(2)**	32
Employer's contribution to pension funds		**(100)**	(104)	**(524)**	(762)
Cash generated from (used for) operating activities before non-cash working capital		**(988)**	(847)	**5,405**	(2,595)
Movements in non-cash working capital					
Trade and other receivables		**3,452**	3,804	**79**	861
Inventories		**2,011**	(41)	**(38)**	(743)
Prepaid expenses		**(86)**	25	**(176)**	(334)
Accounts payable and accrued liabilities		**(3,173)**	(394)	**(3,025)**	2,563
Income tax receivables and payables		**(7)**	2	**(43)**	(18)
Cash generated from (used for) operating activities		**1,209**	2,549	**2,202**	(266)
INVESTING ACTIVITIES					
Short-term investments held for trading		**1,000**	2	**378**	5,157
Additions to property, plant and equipment & intangible assets		**(386)**	(388)	**(1,750)**	(2,069)
Proceeds from disposal of capital assets		**-**	2	**2**	2
Cash (used for) generated from investing activities		**614**	(384)	**(1,370)**	3,090
Unrealized foreign exchange gain (loss) on cash and cash equivalents		**216**	(363)	**415**	(27)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**2,039**	1,802	**1,247**	2,797
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD		**5,197**	4,187	**5,989**	3,192
CASH AND CASH EQUIVALENTS, END OF PERIOD		**$ 7,236**	$ 5,989	**$ 7,236**	$ 5,989
CASH AND CASH EQUIVALENTS CONSIST OF:					
Cash		**$ 5,951**	$ 5,171	**$ 5,951**	$ 5,171
Cash equivalents		**1,285**	818	**1,285**	818
		$ 7,236	$ 5,989	**$ 7,236**	$ 5,989

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

1. General information

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

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

2. Statement of compliance

These condensed interim consolidated financial statements are prepared in accordance with International Financial Accounting Standard ('IAS') 34 - Interim Financial Reporting.

These financial statements follow the same accounting policies as were used for the consolidated financial statements for the year ended April 30, 2017.

These financial statements were approved and authorized for issuance by the Board of Directors of the Company on June 22, 2017.

3. Critical accounting judgments and key sources of estimation uncertainty

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

3.1 Critical estimates and judgments in applying accounting policies

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

Critical judgments:

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

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

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

Determination of the functional currency of the Company's various reporting entities is based on management's judgment of the currency environment of each entity.

Critical estimates:

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

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

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

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

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

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

4. Future Accounting 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 the interim 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.

Unaudited (in thousands except share and per share amounts)

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 Company's revenue from continuing operations from customers by geographical location are detailed below.

	Three Months Ended April 30		Years Ended April 30	
	2017	2016	**2017**	2016
United States	**$ 19,725**	$ 18,765	**$ 90,458**	$ 72,628
Canada	**1,255**	1,693	**4,678**	7,196
Other	**43**	22	**159**	22
	$ 21,023	$ 20,480	**$ 95,295**	$ 79,846

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

Unaudited (in thousands except share and per share amounts)

	Three Months Ended April 30		Years Ended April 30	
	2017	2016	**2017**	2016
Furniture	**$ 15,503**	$ 14,255	**$ 69,674**	$ 57,595
Movable walls and rollform	**5,520**	6,225	**25,621**	22,251
	$ 21,023	$ 20,480	**$ 95,295**	$ 79,846
Segment Income (Loss)				
Furniture	**$ (155)**	$ (1,091)	**$ 2,509**	$ (2,422)
Movable walls and rollform	**(273)**	(557)	**(292)**	(3,937)
	(428)	(1,648)	**2,217**	(6,359)
Unrealized gain (loss) on foreign exchange	**255**	(518)	**405**	327
Unrealized (loss) gain on derivatives	**(1,937)**	7,520	**(2,923)**	4,651
Investment income	**23**	19	**129**	127
(Loss) Income before taxes	**(2,087)**	5,373	**(172)**	(1,254)
Income taxes	**-**	-	**-**	-
Net (loss) income	**$ (2,087)**	$ 5,373	**$ (172)**	$ (1,254)

Segment income or loss represents the income earned or loss incurred by each segment without allocation of unrealized foreign exchange and derivative gains and losses, investment income and income tax expense. This is the measure reported to the management for the purposes of resource allocation and assessment of segment performance.

6. 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:

	Three Months Ended April 30,	
Numerator	**2017**	2016
Net (loss) income for the quarter for basic and diluted earnings per share	**$ (2,087)**	$ 5,373
Denominator		
Weighted average number of shares outstanding	**14,380,701**	14,380,701
Dilution impact of stock options	**206,925**	246,011
Weighted average number of shares outstanding including stock options	**14,587,626**	14,626,712

	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

Unaudited (in thousands except share and per share amounts)

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

7. 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 $15,090 (2016 - $14,049) for the three-month period and $63,650 (2016 - $55,096) for the twelve-month period ended April 30, 2017.

The Company recorded an inventory write-down of $338 (2016 - $4) during the three-month period and $512 (2016 - $87) during the twelve-month period ended April 30, 2017.

8. Financial instruments

8.1 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 income (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.

8.2 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 of office furniture to the U.S. The use of financial derivatives is governed by the Company's policies approved by the Board of

Unaudited (in thousands except share and per share amounts)

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.

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

	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

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 twelve-month period ended April 30, 2017, a 5% change in the Canadian dollar against the U.S. dollar would have an impact of approximately $307 on the Company's pre-tax earnings (2016 – $511).

8.3 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 twelve-month period 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).

8.4 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 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 prohibited. Management reports to the Board of Directors quarterly the Company's investment portfolios to demonstrate 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 (April 30, 2016 - $609).

8.5 Liquidity risk management

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities.

The Company is debt-free and has access to financing facilities 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.

8.6 Fair value hierarchy

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Unaudited (in thousands except share and per share amounts)

April 30, 2017	**Level 1**	**Level 2**	**Level 3**
Short-term investments	**$ 4,278**	**$ -**	**$ -**
Derivative liabilities	**-**	**(2,217)**	**-**
	$ 4,278	**$ (2,217)**	**$ -**

April 30, 2016	Level 1	Level 2	Level 3
Short-term investments	$ 4,506	$ -	$ -
Derivative assets	-	706	-
	$ 4,506	$ 706	$ -

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

9. Other long-term obligations

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

	April 30, 2017	April 30, 2016
Deferred Share Units	**$ 572**	$ 322
Stock Options	**637**	780
Restricted Share Units	**246**	93
	$ 1,455	$ 1,195

10. 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, Senior 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**	
	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 $56 for the three-month period (2016 - $92) and $166 (2016 - $377) for the twelve month period 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.

11. Income taxes

At the previous fiscal year ended April 30, 2016 the Company recorded a valuation allowance of $6,987 to derecognize the future income tax benefit of loss carryforwards as deferred tax assets. For the twelve-month period ended April 30, 2017, $927 of the $6,987 valuation allowance was utilized to reduce the Company's income tax expense.

12. 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 (April 30, 2016 – nil).