

**Consolidated Financial Statements**

**INSCAPE CORPORATION**

**For the Years Ended**

**April 30, 2021 and 2020**

**inscape**

# Independent Auditor's Report

To the Shareholders and the Board of Directors of  
Inscape Corporation

## Opinion

We have audited the consolidated financial statements of Inscape Corporation (the "Company"), which comprise the consolidated statements of financial position as at April 30, 2021 and 2020, and the consolidated statements of operations, comprehensive income (loss), changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

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

## Basis for Opinion

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

## Key Audit Matter

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements for the year ended April 30, 2021. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

### ***Property, plant and equipment – Refer to Notes 2 and 6 to the consolidated financial statements***

#### *Key Audit Matter Description*

At the end of each reporting period, the Company reviews the carrying amounts of its long-lived assets to determine whether there are any indicators that those assets might be impaired. If such indicators exist, 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 recoverable amount is estimated based on the cash-generating unit ("CGU") to which the asset belongs. Indicators of impairment were identified for the Furniture CGU. The recoverable amount of the Furniture CGU mainly consists of the fair value less costs to sell of the land and building (the "real estate assets") within the CGU. This required management to make significant judgements and assumptions related to the fair value of the real estate assets by evaluating directly comparable real estate transactions. The recoverable amount of the Furniture CGU exceeded its carrying value and no impairment loss was recognized.

Given the significant judgement made by management to measure the fair value of the real estate assets, performing audit procedures to evaluate the reasonableness of these judgments and assumptions, specifically those relating to identifying and verifying the sufficiency, relevance, and comparability of the available public real estate transactions, required a high degree of auditor judgement. As a result, auditing those judgements required an increased extent of audit effort including the involvement of fair value specialists.

### *How the Key Audit Matter was Addressed in the Audit*

With the assistance of our fair value specialists, our audit procedures related to the fair value less costs to sell of real estate assets included the following, among others:

- Evaluated the independent appraisal obtained by management to estimate the fair value of the real estate assets by:
  - reviewing the source information and assumptions used by comparing those to relevant internal and external information, including industry information, to assess the relevance and comparability of public real estate transactions considered.
  - Performed an independent search of comparable transactions to search for contradictory evidence.

### **Other Information**

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

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

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

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

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

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

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

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

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

The image shows the signature of Deloitte LLP in a cursive, handwritten style.

Chartered Professional Accountants  
Licensed Public Accountants  
Toronto, Ontario  
July 15, 2021

# INSCAPE CORPORATION

## CONSOLIDATED STATEMENTS OF OPERATIONS

For the years ended April 30,  
(in thousands of Canadian dollars)

	Note	2021	2020
<b>SALES</b>	20	\$ 38,203	\$ 75,818
<b>COST OF GOODS SOLD</b>	21	31,269	55,027
<b>GROSS PROFIT</b>		<u>6,934</u>	<u>20,791</u>
<b>EXPENSES</b>			
Selling, general and administrative	21	20,536	26,382
Unrealized (gain) loss on foreign exchange		(377)	289
Other income	9 & 23	(5,308)	(2,504)
Unrealized (gain) loss on derivatives	10.2	(3,997)	1,994
(Gain) loss on disposal of property, plant and equipment & intangible assets		(209)	30
Interest expense (income)		6	(9)
		<u>10,651</u>	<u>26,182</u>
<b>Loss before taxes</b>		<u>(3,717)</u>	<u>(5,391)</u>
Income tax (recovery) expense	15.1	(2,826)	15
<b>NET LOSS</b>		<u>\$ (891)</u>	<u>\$ (5,406)</u>
 <b>Net Loss per share available to shareholders</b>			
Basic	19	\$ (0.06)	\$ (0.38)
Diluted		\$ (0.06)	\$ (0.38)

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

# INSCAPE CORPORATION

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

For the years ended April 30,  
(in thousands of Canadian dollars)

	Note	2021	2020
<b>NET LOSS</b>		<b>\$ (891)</b>	<b>\$ (5,406)</b>
OTHER COMPREHENSIVE INCOME (LOSS)			
<b>Items that may not be reclassified to earnings</b>			
Remeasurement of defined benefit pension liabilities	14.2	<b>6,466</b>	(3,140)
Tax relating to remeasurement of retirement benefit obligations	15.2	<b>(275)</b>	-
<b>Items that may be reclassified to earnings</b>			
Exchange (loss) gain on translating foreign operations		<b>(141)</b>	130
Other comprehensive income (loss)		<b>6,050</b>	(3,010)
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>		<b>\$ 5,159</b>	<b>\$ (8,416)</b>

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

# INSCAPE CORPORATION

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at April 30,

(in thousands of Canadian dollars)

	Note	2021	2020
<b>ASSETS</b>			
<b>Current assets</b>			
Cash		\$ 3,736	\$ 5,885
Restricted cash	2	2,764	-
Trade and other receivables	4	5,887	10,255
Inventories	5	3,497	5,785
Note receivable	11	36	-
Assets held for sale	6	5,241	-
Prepaid expenses and other assets		543	690
Derivative financial assets	10.2	587	-
		<u>22,291</u>	<u>22,615</u>
<b>Non-current assets</b>			
Property, plant and equipment	6	5,479	9,915
Intangible assets	7	1,287	1,637
Right-of-use assets	8.1	10,050	3,637
Derivative financial assets	10.2	19	-
Note receivable	11	266	-
Deferred tax assets	15.1	2,580	-
		<u>19,681</u>	<u>15,189</u>
<b>TOTAL ASSETS</b>		<b>\$ 41,972</b>	<b>\$ 37,804</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	12	\$ 8,044	\$ 11,923
Lease liabilities	8.2	717	2,035
Derivative financial liabilities	10.2	-	2,122
Revolving credit facility	22	7,858	-
Forgivable government loan	23	219	1,199
Provisions	13	226	203
		<u>17,064</u>	<u>17,482</u>
<b>Non-current liabilities</b>			
Retirement benefit obligation	14.2	1,083	7,340
Lease liabilities	8.2	9,342	1,856
Derivative financial liabilities	10.2	-	1,269
Provisions	13	483	1,057
Other long-term obligations	16	164	123
		<u>11,072</u>	<u>11,645</u>
<b>TOTAL LIABILITIES</b>		<b>28,136</b>	<b>29,127</b>
<b>SHAREHOLDERS' EQUITY</b>			
Shareholders' capital	17	52,868	52,868
Contributed surplus		2,675	2,675
Accumulated other comprehensive income (loss)		2,462	(3,588)
Deficit		(44,169)	(43,278)
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>13,836</b>	<b>8,677</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>\$ 41,972</b>	<b>\$ 37,804</b>

Approved by the Board of Directors,  
(signed)

Bartley Bull  
Chair

(signed)

Eric Ehgoetz  
Director & Chief Executive Officer

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)

	Share Capital	Contributed Surplus	Cumulative Remeasurement of Retirement Benefit Obligation	Cumulative Translation Gain	Deficit	Total Shareholders' Equity
Balance, April 30, 2019	\$ 52,868	\$ 2,675	\$ (1,844)	\$ 1,266	\$ (37,872)	\$ 17,093
Net loss	-	-	-	-	(5,406)	(5,406)
Other comprehensive (loss) income	-	-	(3,140)	130	-	(3,010)
<b>Balance, April 30, 2020</b>	<b>\$ 52,868</b>	<b>\$ 2,675</b>	<b>\$ (4,984)</b>	<b>\$ 1,396</b>	<b>\$ (43,278)</b>	<b>\$ 8,677</b>
Net loss	-	-	-	-	(891)	(891)
Other comprehensive income (loss)	-	-	6,191	(141)	-	6,050
<b>Balance, April 30, 2021</b>	<b>\$ 52,868</b>	<b>\$ 2,675</b>	<b>\$ 1,207</b>	<b>\$ 1,255</b>	<b>\$ (44,169)</b>	<b>\$ 13,836</b>

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

# INSCAPE CORPORATION

## CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended April 30,  
(in thousands of Canadian dollars)

	Note	2021	2020
<b>Net (outflow) inflow of cash related to the following activities:</b>			
<b>OPERATING</b>			
Net loss		\$ (891)	\$ (5,406)
<b>Items not affecting cash</b>			
Amortization and depreciation	6,7 & 8.1	3,935	3,598
Deferred income tax recovery	15.2	(2,580)	-
Interest expense on lease liabilities		293	222
Unrealized (gain) loss on derivatives	10.2	(3,997)	1,994
Share-based compensation		76	(379)
Unrealized (gain) loss on foreign exchange		(322)	18
Non-cash portion of other income	9	(2,688)	(2,504)
(Gain) loss on disposal of property, plant and equipment & intangible assets	6 & 7	(268)	30
Retirement benefit obligation expense net of employer contributions		223	283
<b>Cash used in operating activities before non-cash working capital</b>		<b>(6,219)</b>	<b>(2,144)</b>
<b>Movements in non-cash working capital</b>			
Trade and other receivables		3,930	3,299
Inventories		2,103	844
Prepaid expenses and other assets		106	29
Trade and other payables		(3,604)	(3,484)
Lease liabilities	8.2	8	204
Provisions		(463)	(263)
Income tax receivables and payables		-	13
<b>Changes in non-cash operating items</b>		<b>2,080</b>	<b>642</b>
Increase in restricted cash	2	(2,764)	-
Interest payment on lease liabilities	8.2	(293)	(219)
Restricted shares settled		(36)	(21)
<b>Cash used in operating activities</b>		<b>(7,232)</b>	<b>(1,742)</b>
<b>INVESTING</b>			
Note receivable - issued	11	(302)	-
Additions to property, plant and equipment	6	(2,540)	(558)
Additions to intangible assets	7	-	(63)
Proceeds from disposal of property, plant and equipment		253	3,449
Proceeds from sale of business	9	-	971
<b>Cash (used in) generated from investing activities</b>		<b>(2,589)</b>	<b>3,799</b>
<b>FINANCING</b>			
Proceeds from revolving credit facility	22	8,005	-
Proceeds from forgivable government loan	23	1,708	1,808
Principal portion of lease liabilities	8.2	(1,615)	(1,354)
Financing fees	22	(131)	-
<b>Cash generated from financing activities</b>		<b>7,967</b>	<b>454</b>
<b>Unrealized foreign exchange (gain) loss on cash</b>		<b>(295)</b>	<b>109</b>
<b>Net cash (outflow) inflow</b>		<b>(2,149)</b>	<b>2,620</b>
Cash, beginning of year		5,885	3,265
Cash, end of year		\$ 3,736	\$ 5,885

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

# INSCAPE CORPORATION

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended April 30, 2021 and 2020

*(in thousands of Canadian dollars, except where indicated and per share amounts)*

---

### 1. GENERAL INFORMATION

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

The Company is an office furniture manufacturer with production at two facilities in Canada and the United States in approximately 338,000 square feet of space. The Company serves its clients through a network of dealers and representatives supported by showrooms across North America.

The Company reports in two reportable operating segments. The Office Furniture segment includes storage, benching, systems and seating solutions products. The Walls segment includes architectural and movable walls. The Company’s products are manufactured in two facilities: a 308,000 square foot plant in Holland Landing, Ontario, and a 30,000 square foot plant in Jamestown, New York.

# INSCAPE CORPORATION

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended April 30, 2021 and 2020

*(in thousands of Canadian dollars, except where indicated and per share amounts)*

---

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### Statement of compliance with IFRS including comparatives

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

The directors have, at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements. These consolidated financial statements were approved and authorized for issuance by the Board of Directors of the Company on July 15, 2021.

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

#### Basis of consolidation

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

#### Revenue recognition

##### *Sale of manufactured goods*

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

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

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

Revenue from the sale of manufactured goods and installation is measured at fair value of the consideration received less applicable sales taxes, discounts, rebates and dealer incentives. Sales-related warranties associated with the sales and installation of manufactured goods cannot be purchased separately and they serve as an assurance that the products sold comply with agreed-upon specifications. Accordingly, the Company accounts for warranties in accordance with IAS 37 (see Note 13).

##### *Dealer incentives*

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

# INSCAPE CORPORATION

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended April 30, 2021 and 2020

*(in thousands of Canadian dollars, except where indicated and per share amounts)*

---

### Restricted cash

Restricted cash is cash where specific restrictions exist on the Company's ability to use this cash.

Restricted cash consists of cash held by the Company on deposit with its bank, as collateral security for certain derivative financial instruments.

### Assets classified as held for sale

Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the assets are available for immediate sale in their present condition. Management must also be committed to a plan to sell the assets within one year from the date of classification. Assets classified as held for sale are measured at the lower of the carrying amount or fair value less costs to sell and are not depreciated from the date of classification.

### Leases

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

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

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

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

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

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

### Foreign currencies

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.

# INSCAPE CORPORATION

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended April 30, 2021 and 2020

*(in thousands of Canadian dollars, except where indicated and per share amounts)*

---

For the Company's foreign operation where the US dollar is its functional currency, the assets and liabilities of the foreign operation for the purpose of presenting consolidated financial statements are expressed in Canadian dollars using exchange rates prevailing at the end of the reporting period. Exchange differences arising, if any, are recognized in other comprehensive income or loss and accumulated in equity until the disposal of the foreign operation, when all of the accumulated exchange differences in respect of that operation are reclassified to profit or loss. Revenues and expenses are translated into Canadian dollars at the average exchange rate for the month in which the transactions occurred, unless exchange rates fluctuated significantly during that period or for non-recurring transactions of material amounts, in which case the exchange rates at the dates of the transactions are used.

### **Employee future benefits**

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

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

The retirement benefit obligation recognized in the statements of financial position represents the present value of the defined benefit obligation as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to the present value of available refunds and reductions in future contributions to the plan. The determination of a benefit expense requires assumptions such as the discount rate to measure obligations and the expected return on asset, the expected mortality rate and the expected rate of future compensation increases.

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

### **Share-based compensation**

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

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

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

### **Taxation**

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

### **Current tax**

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

# INSCAPE CORPORATION

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended April 30, 2021 and 2020

*(in thousands of Canadian dollars, except where indicated and per share amounts)*

---

### **Deferred tax**

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

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

### **Government grants**

Government grants are recognized when there is reasonable assurance that the Company will comply with any conditions attached to the grants and the grants will be received. Government grants are recognized in other income on a systematic basis over the periods in which the Company incurs expenses for the related costs for which the grants are intended to compensate.

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

### **Research and development costs**

Research costs, including costs for new patents and patent applications, are expensed in the period in which they are incurred. Development costs are expensed in the period in which they are incurred unless certain criteria, including technical feasibility, commercial feasibility, intent and ability to develop and use the technology, are met for deferral and amortization.

### **Loss per share ("LPS")**

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

### **Property, plant and equipment**

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

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

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

# INSCAPE CORPORATION

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended April 30, 2021 and 2020

*(in thousands of Canadian dollars, except where indicated and per share amounts)*

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

<b>Asset category</b>	<b>Depreciation rate</b>	<b>Depreciation method</b>
Land	nil	nil
Building / Roof	2.5% - 4%	Straight line
Leasehold improvements	The lower of the estimated useful life and the term of the lease	Straight line
Machinery and equipment	6.6% - 20%	Straight line
Tools, dies and jigs	33.33%	Straight line
Office furniture and equipment	10% - 50%	Straight line

### Intangible assets

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

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

<b>Asset category</b>	<b>Amortization rate</b>	<b>Amortization method</b>
Licensed products	20% - 33.33%	Straight line
Computer software	20% - 33.33%	Straight line
Intellectual property	10%	Straight line

### Impairment of long-lived non-financial assets

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

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

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

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

# INSCAPE CORPORATION

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended April 30, 2021 and 2020

*(in thousands of Canadian dollars, except where indicated and per share amounts)*

---

### **Inventories**

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

### **Provisions**

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

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

### **Financial assets**

Financial assets consist of cash, restricted cash, trade and other receivables and note receivable and derivative financial assets. These financial assets are initially measured at fair value plus transaction costs. They are subsequently measured at amortized cost, except derivatives financial assets, as discussed below.

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

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

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

### **Impairment of financial assets**

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

### **Financial liabilities**

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

# INSCAPE CORPORATION

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended April 30, 2021 and 2020

*(in thousands of Canadian dollars, except where indicated and per share amounts)*

### Classification of financial assets and liabilities

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

Asset/Liability	Classification under IFRS 9
Cash	Amortized cost
Restricted cash	Amortized cost
Trade and other receivables	Amortized cost
Note receivable	Amortized cost
Trade and other payables	Amortized cost
Revolving credit facility	Amortized cost
Derivative assets and liabilities	FVTPL

### Derivative financial instruments

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

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

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

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

### Share capital

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

## SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

### Significant estimates and judgments in applying accounting policies

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

#### Significant judgments

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

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

# INSCAPE CORPORATION

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended April 30, 2021 and 2020

*(in thousands of Canadian dollars, except where indicated and per share amounts)*

---

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

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

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

Determination to not recognize deferred tax assets is based on management's judgment of the ability of the Company to achieve sufficient taxable income to use the deferred tax assets.

### **COVID-19 Pandemic**

The COVID-19 pandemic has continued to disrupt global health and the economy in 2021 and has created an indeterminate period of volatility in the markets in which the Company operates. The Company continues to monitor developments and mitigate risks related to the COVID-19 pandemic and the impact on the business operations, supply chain, and most importantly the health and safety of its employees.

As an evolving risk, the duration and full financial effect of the COVID-19 pandemic is unknown at this time. Any estimate of the length and severity of these developments is therefore subject to significant uncertainty, and accordingly affect the Company's operations, financial results and condition in future periods. Therefore, the amounts recorded in these consolidated financial statements are based on the latest reliable information available to management at the time the consolidated financial statements were prepared, reflecting the information and conditions to date. However, given the level of uncertainty caused by COVID-19, these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the affected asset or liability in the future.

### **Asset held for sale**

The Company's accounting policies relating to assets held for sale are described above. In applying this policy, judgment is required in determining whether sale of certain assets is highly probable, which is a necessary condition for being presented within assets held for sale.

### **Government assistance**

Government assistance, including the Canada Emergency Wage Subsidy ("CEWS") and the Canada Emergency Rent Subsidy ("CERS"), are recorded in the consolidated financial statements as described above, significant accounting policies. In applying this policy, judgment is required in determining whether government grants will be received and that the Company will comply with conditions attached.

### **Going concern**

Significant judgments exercised in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements include the assessment of the Company's ability to continue as a going concern.

The Company uses a forecasted cash flow to assess the Company's ability to continue as a going concern. Significant judgment is required to forecast the amount of new sales orders and total revenue and the timing of the related cash flows.

### **Significant estimates**

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

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

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

# INSCAPE CORPORATION

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended April 30, 2021 and 2020

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

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

### 3. NEW ACCOUNTING STANDARDS ADOPTED

The following amendments to standards and interpretations became effective for the annual periods beginning on or after May 1, 2020. The application of these amendments and interpretations had no significant impact on the Company's consolidated financial position or results of operations.

#### IAS 1, Presentation of Financial Statements and IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors

The amendments to IAS 1 and IAS 8 clarify the definition of materiality and seek to align the definition used in the Conceptual Framework with that in the standards themselves as well as ensuring the definition of materiality is consistent across all IFRS. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of 'material' or refer to the term 'material' to ensure consistency.

### 4. TRADE AND OTHER RECEIVABLES

	As at April 30, 2021	As at April 30, 2020
Trade account receivables, gross	\$ 5,323	\$ 9,754
Allowance for expected credit losses	(45)	(216)
	5,278	9,538
Other receivables	609	717
	\$ 5,887	\$ 10,255

An aging analysis of trade receivables:

	As at April 30, 2021	As at April 30, 2020
Current	\$ 2,394	\$ 3,892
1-30 days	1,189	1,987
31-60 days	230	1,438
61-90 days	257	472
> 90 days	1,253	1,965
	\$ 5,323	\$ 9,754

### 5. INVENTORIES

	As at April 30, 2021	As at April 30, 2020
Raw materials	\$ 3,153	\$ 5,004
Work-in-progress	174	219
Finished goods	170	562
	\$ 3,497	\$ 5,785

# INSCAPE CORPORATION

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended April 30, 2021 and 2020

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

The cost of inventories recognized as cost of goods sold was \$30,186 (2020 - \$51,952). During the year, there was an inventory write-down to net realizable value of \$1,513 (2020 - \$282).

### 6. PROPERTY, PLANT AND EQUIPMENT

As at April 30, 2021	Land	Buildings/ Roof	Lease- hold Improve- ments	Machinery and Equipment	Tools, Dies and Jigs	Office Furniture and Equipment	Capital Projects in Progress (CIP)	Total
<b>Cost:</b>								
Opening balance, May 1, 2020	\$ 300	\$ 15,237	\$ 6,318	\$ 39,979	\$ 21,009	\$ 11,965	\$ 117	\$ 94,925
Additions	-	63	311	1,675	64	137	290	2,540
Disposals	-	-	(3,542)	(1,255)	(581)	(2,849)	(28)	(8,255)
Transferred to assets held for sale <sup>1</sup>	(300)	(15,300)	-	-	-	-	-	(15,600)
Impact of financial currency translation	-	-	(8)	(125)	(70)	(80)	(3)	(286)
<b>Ending balance, April 30, 2021</b>	<b>-</b>	<b>-</b>	<b>3,079</b>	<b>40,274</b>	<b>20,422</b>	<b>9,173</b>	<b>376</b>	<b>73,324</b>
<b>Accumulated depreciation:</b>								
Opening balance, May 1, 2020	-	10,070	4,961	37,722	20,864	11,393	-	85,010
Depreciation charge for the year	-	289	467	454	106	310	-	1,626
Disposals	-	-	(3,542)	(1,234)	(580)	(2,823)	-	(8,179)
Transferred to assets held for sale <sup>1</sup>	-	(10,359)	-	-	-	-	-	(10,359)
Impact of financial currency translation	-	-	-	(108)	(71)	(74)	-	(253)
<b>Ending balance, April 30, 2021</b>	<b>-</b>	<b>-</b>	<b>1,886</b>	<b>36,834</b>	<b>20,319</b>	<b>8,806</b>	<b>-</b>	<b>67,845</b>
<b>Net book value, April 30, 2021</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,193</b>	<b>\$ 3,440</b>	<b>\$ 103</b>	<b>\$ 367</b>	<b>\$ 376</b>	<b>\$ 5,479</b>

<sup>1</sup>As of March 24, 2021, the Company intends to enter into an agreement to sell and leaseback the land and building at the Holland Landing property within the next twelve months. As at April 30, 2021, the non-current assets has been reclassified as assets held for sale on the statement of financial position (Note 2). This property is part of the Furniture reportable segment.

As at April 30, 2020	Land	Buildings/ Roof	Lease- hold Improve- ments	Machinery and Equipment	Tools, Dies and Jigs	Office Furniture and Equipment	Capital Projects in Progress (CIP)	Total
<b>Cost:</b>								
Opening balance, May 1, 2019	\$ 488	\$ 19,079	\$ 6,448	\$ 39,933	\$ 20,981	\$ 12,403	\$ 162	\$ 99,494
Additions	-	61	71	80	11	233	102	558
Disposal	(186)	(3,864)	(206)	(130)	(10)	(684)	-	(5,080)
Transfers	-	-	11	59	-	(11)	(149)	(90)
Impact of financial currency translation	(2)	(39)	(6)	37	27	24	2	43
<b>Ending balance, April 30, 2020</b>	<b>300</b>	<b>15,237</b>	<b>6,318</b>	<b>39,979</b>	<b>21,009</b>	<b>11,965</b>	<b>117</b>	<b>94,925</b>
<b>Accumulated depreciation:</b>								
Opening balance, May 1, 2019	-	11,463	4,601	37,274	20,733	11,623	-	85,694
Depreciation charge for the year	-	368	476	511	115	401	-	1,871
Disposal	-	(1,744)	(113)	(92)	(10)	(654)	-	(2,613)
Impact of financial currency translation	-	(17)	(3)	29	26	23	-	58
<b>Ending balance, April 30, 2020</b>	<b>-</b>	<b>10,070</b>	<b>4,961</b>	<b>37,722</b>	<b>20,864</b>	<b>11,393</b>	<b>-</b>	<b>85,010</b>
<b>Net book value, April 30, 2020</b>	<b>\$ 300</b>	<b>\$ 5,167</b>	<b>\$ 1,357</b>	<b>\$ 2,257</b>	<b>\$ 145</b>	<b>\$ 572</b>	<b>\$ 117</b>	<b>\$ 9,915</b>

# INSCAPE CORPORATION

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended April 30, 2021 and 2020

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

### 7. INTANGIBLE ASSETS

As at April 30, 2021	Licensed Products	Computer Software	Intellectual Property	Total
<b>Cost:</b>				
Opening balance, May 1, 2020	\$ 122	\$ 11,021	\$ 524	\$ 11,667
Disposals	(48)	(556)	(103)	(707)
Impact of financial currency translation	-	(39)	-	(39)
<b>Ending balance, April 30, 2021</b>	<b>\$ 74</b>	<b>\$ 10,426</b>	<b>\$ 421</b>	<b>\$ 10,921</b>
<b>Accumulated Amortization:</b>				
Opening balance, May 1, 2020	\$ 122	\$ 9,384	\$ 524	\$ 10,030
Amortization	-	345	-	345
Disposals	(48)	(556)	(103)	(707)
Impact of financial currency translation	-	(34)	-	(34)
<b>Ending balance, April 30, 2021</b>	<b>\$ 74</b>	<b>\$ 9,139</b>	<b>\$ 421</b>	<b>\$ 9,634</b>
<b>Net book value, April 30, 2021</b>	<b>\$ -</b>	<b>\$ 1,287</b>	<b>\$ -</b>	<b>\$ 1,287</b>

As at April 30, 2020	Licensed Products	Computer Software	Intellectual Property	Total
<b>Cost:</b>				
Opening balance, May 1, 2019	\$ 122	\$ 10,906	\$ 524	\$ 11,552
Additions	-	63	-	63
Disposals	-	(51)	-	(51)
Transfers from CIP (Note 6)	-	90	-	90
Impact of financial currency translation	-	13	-	13
<b>Ending balance, April 30, 2020</b>	<b>\$ 122</b>	<b>\$ 11,021</b>	<b>\$ 524</b>	<b>\$ 11,667</b>
<b>Accumulated Amortization:</b>				
Opening balance, May 1, 2019	\$ 122	\$ 9,138	\$ 524	\$ 9,784
Amortization	-	288	-	288
Disposals	-	(50)	-	(50)
Impact of financial currency translation	-	8	-	8
<b>Ending balance, April 30, 2020</b>	<b>\$ 122</b>	<b>\$ 9,384</b>	<b>\$ 524</b>	<b>\$ 10,030</b>
<b>Net book value, April 30, 2020</b>	<b>\$ -</b>	<b>\$ 1,637</b>	<b>\$ -</b>	<b>\$ 1,637</b>

# INSCAPE CORPORATION

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended April 30, 2021 and 2020

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

### 8. LEASES

#### 8.1 Right-of-use assets

As at April 30, 2021

	Showrooms		Facilities		Other		Total
<b>Cost:</b>							
Opening balance, May 1, 2020	\$	4,050	\$	905	\$	124	\$ 5,079
Additions		7,139		1,220		137	8,496
Disposals		(635)		(832)		(17)	(1,484)
Impact of financial currency translation		-		(113)		(13)	(126)
<b>Ending balance, April 30, 2021</b>	<b>\$</b>	<b>10,554</b>	<b>\$</b>	<b>1,180</b>	<b>\$</b>	<b>231</b>	<b>\$ 11,965</b>
<b>Accumulated Depreciation:</b>							
Opening balance, May 1, 2020	\$	1,244	\$	173	\$	25	\$ 1,442
Amortization		1,221		711		32	1,964
Disposals		(635)		(810)		(5)	(1,450)
Impact of financial currency translation		-		(37)		(4)	(41)
<b>Ending balance, April 30, 2021</b>	<b>\$</b>	<b>1,830</b>	<b>\$</b>	<b>37</b>	<b>\$</b>	<b>48</b>	<b>\$ 1,915</b>
<b>Net book value, April 30, 2021</b>	<b>\$</b>	<b>8,724</b>	<b>\$</b>	<b>1,143</b>	<b>\$</b>	<b>183</b>	<b>\$ 10,050</b>

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

As at April 30, 2020

	Showrooms		Facilities		Other		Total
<b>Cost:</b>							
Opening balance, May 1, 2019	\$	-	\$	-	\$	-	\$ -
Initial application of IFRS 16		4,050		-		119	4,169
Additions		-		871		-	871
Impact of financial currency translation		-		34		5	39
<b>Ending balance, April 30, 2020</b>	<b>\$</b>	<b>4,050</b>	<b>\$</b>	<b>905</b>	<b>\$</b>	<b>124</b>	<b>\$ 5,079</b>
<b>Accumulated Depreciation:</b>							
Opening balance, May 1, 2019	\$	-	\$	-	\$	-	\$ -
Depreciation		1,244		170		25	1,439
Impact of financial currency translation		-		3		-	3
<b>Ending balance, April 30, 2020</b>	<b>\$</b>	<b>1,244</b>	<b>\$</b>	<b>173</b>	<b>\$</b>	<b>25</b>	<b>\$ 1,442</b>
<b>Net book value, April 30, 2020</b>	<b>\$</b>	<b>2,806</b>	<b>\$</b>	<b>732</b>	<b>\$</b>	<b>99</b>	<b>\$ 3,637</b>

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

# INSCAPE CORPORATION

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended April 30, 2021 and 2020

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

### 8.2 Lease liabilities

As at April 30, 2021

	Showrooms		Facilities		Other		Total
Opening balance, May 1, 2020	\$	3,277	\$	512	\$	102	\$ 3,891
Additions		7,139		1,220		137	8,496
Principal payments		(1,069)		(517)		(29)	(1,615)
Disposals		-		(15)		(14)	(29)
Exchange differences		(612)		(63)		(9)	(684)
<b>Ending balance, April 30, 2021</b>	<b>\$</b>	<b>8,735</b>	<b>\$</b>	<b>1,137</b>	<b>\$</b>	<b>187</b>	<b>\$ 10,059</b>
Current lease liabilities		531		120		66	717
Non-current lease liabilities		8,204		1,017		121	9,342
<b>Ending balance, April 30, 2021</b>	<b>\$</b>	<b>8,735</b>	<b>\$</b>	<b>1,137</b>	<b>\$</b>	<b>187</b>	<b>\$ 10,059</b>

#### Lease term:

Not later than 1 year  
 Later than 1 year and not later than 5 years  
 Later than 5 years

As at  
 April 30,  
 2021

\$	717
	3,811
	5,531
<b>\$</b>	<b>10,059</b>

# INSCAPE CORPORATION

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended April 30, 2021 and 2020

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

As at April 30, 2020

	Showrooms	Facilities	Other	Total
Opening balance, May 1, 2019	\$ -	\$ -	\$ -	\$ -
Initial application of IFRS 16	4,282	-	119	4,401
Additions	-	722	-	722
Principal payments	(1,109)	(223)	(22)	(1,354)
Exchange differences	104	13	5	122
Ending balance, April 30, 2020	\$ 3,277	\$ 512	\$ 102	\$ 3,891
Current lease liabilities	1,492	512	31	2,035
Non-current lease liabilities	1,785	-	71	1,856
Ending balance, April 30, 2020	\$ 3,277	\$ 512	\$ 102	\$ 3,891

Lease term:

Not later than 1 year

Later than 1 year and not later than 5 years

Later than 5 years

As at  
April 30,  
2020

\$ 2,035

1,408

448

\$ 3,891

# INSCAPE CORPORATION

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended April 30, 2021 and 2020

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

### 9. OTHER INCOME

Details of other income during the year are presented below:

Description	Note	2021	2020
Sale and leaseback	9.1	\$ -	\$ 1,252
Sale of business	9.2	-	735
Government assistance	23	5,308	517
<b>Total</b>		<b>\$ 5,308</b>	<b>\$ 2,504</b>

#### 9.1 Sale and leaseback

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

The leaseback resulted in the recognition of a right-of-use asset of \$732 (US\$527) and lease liabilities of \$512 (US\$368) at April 30, 2020, which subsequently expired in February 2021.

#### 9.2 Sale of business

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

### 10. FINANCIAL INSTRUMENTS

#### 10.1 Capital risk management

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

Management defines capital as the Company’s total capital, debt and reserves excluding accumulated other comprehensive income (loss) as summarized in the following table:

	As at April 30, 2021	As at April 30, 2020
Issued capital	\$ 52,868	\$ 52,868
Contributed surplus	2,675	2,675
Debt	(8,005)	-
Deficit	(44,169)	(43,278)
<b>Total</b>	<b>\$ 3,369</b>	<b>\$ 12,265</b>

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 revolving credit facility.

See Credit Facility for a description of the Company’s externally imposed covenants – Note 22.

# INSCAPE CORPORATION

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended April 30, 2021 and 2020

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

### 10.2 Foreign currency risk management

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

As at April 30, 2021, the Company had outstanding US dollar hedge contracts with settlement dates from May 2021 to May 2022. The total notional amounts under the contracts are US\$14,000 to \$22,050 (2020 - \$40,000 to \$50,000). Dependent on the spot CAD/US rate on each settlement date, the Company can sell US dollars at rates ranging from \$1.27 CAD/US to \$1.35 CAD/US (2020 - \$1.28 CAD/US to \$1.50 CAD/US). These contracts had a mark-to-market unrealized gain of \$606 (US\$493) as at April 30, 2021 (2020 – unrealized loss of \$3,391 or US\$2,437), which was recognized on the consolidated statement of financial position as derivative asset. Any changes in the net gain or loss from the prior reporting period due to addition of forward contracts, movements in the US currency exchange rate, reclassification of the unrealized gains or losses to realized income or loss are recognized on the consolidated statement of operations as unrealized gain or loss on derivatives of the year. There were realized gains of \$135 on the settlement of contracts during fiscal year 2021 (2020 – losses \$275).

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

	As at April 30, 2021	As at April 30, 2020
Fair value of derivative liabilities, beginning of year	\$ (3,391)	\$ (1,397)
Changes in fair value during the year:		
Increase (decrease) in fair value of new contracts added	535	(2,581)
Reversal of derivative assets of contracts settled	2,271	728
Increase (decrease) in fair values of outstanding contracts	1,191	(141)
Net decrease (increase) in fair value of derivative liabilities recognized during the year	3,997	(1,994)
<b>Fair value of derivative assets (liabilities), end of year</b>	<b>\$ 606</b>	<b>\$ (3,391)</b>
Current	\$ 587	\$ (2,122)
Long-term	19	(1,269)
	<b>606</b>	<b>\$ (3,391)</b>

### 10.3 Foreign currency sensitivity analysis

Based on the existing average US currency hedge contract rates and the mix of US dollar denominated sales and expenses for the year ended April 30, 2021, a 1% change in the Canadian dollar against the US dollar would have an impact of approximately \$42 on the Company's pre-tax earnings (2020 – \$56).

Based on the US dollar denominated assets and liabilities as at April 30, 2021, a 1% change in the Canadian dollar against the US dollar would have an impact of \$315 on the unrealized exchange gain or loss reported in the Consolidated Statements of Operations (2020 - \$281) and an impact of \$162 on the Consolidated Statements of Comprehensive Income (Loss) (2020 - \$168).

### 10.4 Credit risk management

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss to the Company. The credit risk of counterparty non-performance continues to be relatively low, notwithstanding the impact of COVID-19. The Company's cash, restricted cash, trade accounts receivable, loan 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, 2021, the Company's maximum direct exposure to credit risk is \$13,153 (2020 – \$16,140).

# INSCAPE CORPORATION

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended April 30, 2021 and 2020

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

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

The Company measures the loss allowance for trade receivables at an amount equal to lifetime expected credit losses ("ECL"). The ECL on trade receivables are estimated by assessing new customers' credit history, reviewing credit limits, monitoring aging of accounts receivable, assessing specific customer information and reviewing general historical trends. Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable. As at April 30, 2021, the allowance for expected credit losses was \$45 (2020 - \$216).

The Company's allowance for expected credit losses consist of sales allowances released during the year of \$126 (2020 - \$104) mainly from adjustments to expected lifetime credit losses. The amount written-off of \$38 (2020 - \$22) was from one customer where the Company could not collect. Below is a breakdown of the Company's ECL:

Movement in the allowance for ECL	As at	As at
	April 30, 2021	April 30, 2020
Balance, beginning of year	\$ 216	\$ 333
Sales allowances adjustments	(126)	(104)
Amount written-off	(38)	(22)
Currency exchange	(7)	9
<b>Balance, end of year</b>	<b>\$ 45</b>	<b>\$ 216</b>

### 10.5 Liquidity risk management

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities as they fall due. The Company is exposed to liquidity risk primarily as a result of its drawings on the revolving credit facility, lease liabilities and trade and other payables. The Company continuously reviews both actual and forecasted cash flows to ensure that the Company has appropriate capital capacity.

The primary source of liquidity is funds generated by operating activities; the Company also relies on the revolving credit facility as a source of funds for short-term working capital needs. Our debt maturities in future years are as disclosed in Note 22. The expected maturities of our undiscounted financial liabilities, excluding the revolving credit facility, do not differ significantly from the contractual maturities, other than as noted below. With respect to the revolving credit facility maturity, we expect to settle the balance outstanding in part with the funds received from the planned sale of the Holland Landing Property, as described in Note 6.

The following table summarizes the amount of contractual undiscounted future cash flow requirements as at April 30, 2021:

	2022	2023	2024	2025	2026	Thereafter	Total
Trade and other payables	\$ 8,044	-	-	-	-	-	8,044
Revolving credit facility	8,005	-	-	-	-	-	8,005
Interest commitments relating to revolving credit facility <sup>1</sup>	1,024	-	-	-	-	-	1,024
Lease liabilities	717	952	953	953	953	5,531	10,059
<b>Total contractual obligations</b>	<b>\$ 17,790</b>	<b>952</b>	<b>953</b>	<b>953</b>	<b>953</b>	<b>5,531</b>	<b>27,132</b>

<sup>1</sup>Interest commitments are calculated based on the term revolving credit facility balance at the interest rate of prime/base plus 8.75% as at April 30, 2021

# INSCAPE CORPORATION

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended April 30, 2021 and 2020

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

As at April 30, 2021, the Company had \$6,150 available in its borrowing base based on accounts receivable, inventories and real estate. These facilities are secured by the Company's property.

As at April 30, 2021 the Company had drawn down \$8,005 on the revolving credit facility (2020 – not drawn) and an unused authorized balance of over \$6,000 available (see Note 22). The Company expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets from the expected proceeds from the sale of the Holland Landing property (Assets held for sale – Note 6), allowing the Company to repay funds drawn under the revolving credit facility.

### 10.6 Fair value hierarchy

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

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

The following table illustrates the classification of financial assets in the fair value hierarchy as at April 30, 2021:

	Level 1	Level 2	Level 3
Derivative financial assets	\$ -	\$ 606	\$ -
<b>Total net financial assets</b>	<b>\$ -</b>	<b>\$ 606</b>	<b>\$ -</b>

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

	Level 1	Level 2	Level 3
Derivative financial liabilities	\$ -	\$ 3,391	\$ -
<b>Total net financial liabilities</b>	<b>\$ -</b>	<b>\$ 3,391</b>	<b>\$ -</b>

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

### 11. NOTE RECEIVABLE

On January 19, 2021, the Company entered into a lease agreement for the plant in Jamestown, New York. Subsequent to entering into the lease, the Company issued a note receivable to the lessor, an unrelated party, in the amount of \$250 USD.

The principal outstanding under this note receivable as at April 30, 2021 is \$302 (2020 - \$nil) and is repayable in 84 monthly payments of \$4 until it is fully paid off in February 2028, at a seven percent (7%) annual interest rate.

Interest income for the year ended April 30, 2021 was \$4 (2020 - \$nil).

# INSCAPE CORPORATION

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended April 30, 2021 and 2020

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

### 12. TRADE AND OTHER PAYABLES

	As at April 30, 2021	As at April 30, 2020
Trade accounts payable	\$ 2,661	\$ 4,375
Accrued liabilities	5,160	5,972
Sales tax payable	132	145
Other payables	91	1,431
	<b>\$ 8,044</b>	<b>\$ 11,923</b>

### 13. PROVISIONS

	As at April 30, 2021	As at April 30, 2020
<b>Provision due to warranty</b>		
Balance, beginning of year	\$ 1,260	\$ 1,440
Provisions made during the year	336	143
Provisions reversed and used during the year	(791)	(369)
Impact of financial currency translation	(96)	46
<b>Balance, end of year</b>	<b>\$ 709</b>	<b>\$ 1,260</b>
Current	226	203
Non-Current	\$ 483	\$ 1,057

### 14. RETIREMENT BENEFIT OBLIGATION

#### 14.1 Defined contribution plans

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

The total expense recognized in the consolidated statements of operations of \$121 (2020 - \$164) represents contributions made to the plan by the Company. The total employer's expected contribution to the plan for the upcoming fiscal year is anticipated to be approximately \$123.

#### 14.2 Defined benefit pension plans

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

The Canadian defined benefit pension plan is contributory in nature. The US defined benefit plan is non-contributory, and the accrued benefits were frozen in August 2013. The Canadian plan is registered under the Ontario Pension Benefits Act, RSO 1990 and the Income Tax Act. The US plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA). Both plans are legally separate from the Company and are monitored by a pension committee. The pension committee is responsible for policy setting. The pension plans expose the Company to actuarial risk, currency risk, credit risk, interest rate risk and market risk.

Actuarial valuations are prepared at least every three years for the Canadian plan and every year for the US plan. The most recent actuarial valuations were as at December 31, 2017 for the Canadian plan and July 1, 2019 for the US plan. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method. Actuarial gains and losses are recognized immediately in other comprehensive income as a part of remeasurement. The total employer's expected contribution to the Canadian defined benefit plan for the upcoming fiscal year is anticipated to be approximately \$338. The expected contribution to the US plan for the upcoming fiscal year are approximately \$39.

# INSCAPE CORPORATION

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended April 30, 2021 and 2020

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

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

	As at April 30, 2021	As at April 30, 2020
<b>Defined benefit plans</b>		
Benefits earned during the year	\$ 701	\$ 659
Participant contribution	(87)	(132)
Net interest cost	204	157
<b>Pension expense recognized</b>	<b>\$ 818</b>	<b>\$ 684</b>

	As at April 30, 2021	As at April 30, 2020
<b>Remeasurements of the net defined benefit liabilities</b>		
Actuarial gain (loss) due to actuarial experience	\$ 886	\$ (59)
Actuarial gain (loss) due to financial assumption changes	815	(2,050)
Actuarial gain due to demographic assumption changes	61	27
Return on plan assets greater (less) than discount rate	4,704	(1,058)
<b>Remeasurements effects recognized in other comprehensive income (loss)</b>	<b>\$ 6,466</b>	<b>\$ (3,140)</b>

	As at April 30, 2021	As at April 30, 2020
<b>Cumulative actuarial losses relating to net defined benefit liabilities</b>		
Balance, beginning of year	\$ (4,984)	\$ (1,844)
Remeasurements recognized in the year	6,466	(3,140)
<b>Balance, end of year</b>	<b>\$ 1,482</b>	<b>\$ (4,984)</b>

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

	2021	2020
Discount rate at year end	2.69% to 3.40%	2.49% to 3.20%
Rate of increase in future compensation	2.0%	2.0%

Mortality Tables	2021	2020
Canadian Plan	2014 CPM Private Sector Table	2014 CPM Private Sector Table
US Plan	RP – 2014 / MP-2020 (Society of Actuaries)	RP – 2014 / MP-2019 (Society of Actuaries)

A 1% increase in the discount rate would reduce the Canadian defined benefit obligation by approximately \$2,890 (2020 - \$3,085) and a 1% decrease in the discount rate would increase the Canadian defined benefit obligation by approximately \$3,602 (2020 - \$3,873).

# INSCAPE CORPORATION

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended April 30, 2021 and 2020

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

A 1% increase in the discount rate would reduce the US defined benefit obligation by approximately US\$564 (2020 – US\$707) and a 1% decrease in the discount rate would increase the US defined benefit obligation by approximately US\$684 (2020 – US\$864).

The discount rates are based on a review of current market interest rates of AA corporate bond yields with a similar duration as the expected future cash outflows for the pension payments.

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

	As at April 30, 2021	As at April 30, 2020
Defined benefit obligation, beginning of year	\$ 30,241	\$ 27,509
Current service cost	701	659
Interest cost	876	978
Benefits and expenses paid	(1,510)	(1,225)
Actuarial (gain) loss	(1,763)	2,082
Foreign exchange rate changes	(974)	238
<b>Defined benefit obligation, end of year</b>	<b>\$ 27,571</b>	<b>\$ 30,241</b>

	As at April 30, 2021	As at April 30, 2020
Fair value of plan assets, beginning of year	\$ 22,901	\$ 23,592
Interest Income	672	821
Employer contributions	297	433
Employee contributions	87	132
Benefits and expenses paid	(1,510)	(1,225)
Return on plan assets greater than discount rate	4,704	(1,058)
Foreign exchange rate changes	(663)	206
<b>Fair value of plan assets, end of year</b>	<b>\$ 26,488</b>	<b>\$ 22,901</b>
<b>Defined benefit obligation, net end of year</b>	<b>\$ 1,083</b>	<b>\$ 7,340</b>

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

	As at April 30, 2021	As at April 30, 2020
Equity securities	62%	64%
Debt securities	23%	23%
Cash and cash equivalents	15%	13%
<b>Total</b>	<b>100%</b>	<b>100%</b>

# INSCAPE CORPORATION

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended April 30, 2021 and 2020

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

### 15. INCOME TAXES

#### 15.1 Income tax recognized in profit or loss

The Company's income tax expense (recovery) comprises:

	As at April 30, 2021	As at April 30, 2020
Current	\$ 29	\$ 15
Deferred	(2,855)	-
	<b>\$ (2,826)</b>	<b>\$ 15</b>

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

	As at April 30, 2021	As at April 30, 2020
Loss before income taxes	\$ (3,717)	\$ (5,391)
Basic statutory income tax rate	25.34%	25.34%
	(942)	(1,366)
<b>Reconciling items:</b>		
Permanent differences	1,639	50
True-up	(71)	35
Impact of tax rate differences	(94)	(117)
Impact of changes in tax law	-	(7)
(Recognition) non-recognition of deferred tax assets	(3,319)	1,075
Other	(39)	345
<b>Income tax (recovery) expense</b>	<b>\$ (2,826)</b>	<b>\$ 15</b>

The Company's basic Canadian statutory income tax rate is the aggregate of the federal income tax rate of 15% (2020 -15%) and the blended provincial tax rate of 10.34% (2020 – 10.34%). The basic US statutory income tax rate is the aggregate of the federal income tax rate of 21% (2020 – 21%) and the average rate for various states of 4.2% (2020 – 3.4%).

#### 15.2 Net deferred income tax assets and liabilities

The Company recognized net deferred income tax assets of \$2,580 (2020 - \$nil) relating to unused tax losses of \$4,078, previously part of the unrecognized deferred income tax assets as at April 30, 2020. It is management's assessment that there is sufficient positive evidence to conclude that the net deferred income tax assets will be realized against the Company's expected profits in the foreseeable future. Management's assessment is based on the Company's decision to sell the Holland Landing property. The sale will allow for the Canadian entity deferred income tax asset to be recovered in a foreseeable future.

Deferred income tax assets and liabilities arising from the effect of temporary differences are as follows:

	April 30, 2020	Recognized in profit or loss	Recognized in other comprehensive income (loss)	Exchange differences and other	April 30, 2021
Property, plant and equipment	\$ (1,344)	\$ (2,304)	\$ -	\$ 156	\$ (3,492)
Retirement benefit obligation	780	-	(1,056)	-	(276)
Derivative assets (liabilities)	859	(1,013)	-	-	(154)
Reserves	773	183	-	-	956
	1,068	(3,134)	(1,056)	156	(2,966)
Capital loss carryforwards	30	-	-	-	30
Non-capital loss carryforwards	2,980	2,692	-	(156)	5,516
	4,078	(442)	(1,056)	-	2,580
Unrecognized (recognized) deferred income tax assets	(4,078)	3,297	781	-	-
	<b>\$ -</b>	<b>\$ 2,855</b>	<b>\$ (275)</b>	<b>\$ -</b>	<b>\$ 2,580</b>

# INSCAPE CORPORATION

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended April 30, 2021 and 2020

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

### 15.3 Loss carry forwards

As at April 30, 2021, the Company has unused non-capital losses of \$45,520 (2020 - \$37,872), consisting of Canadian non-capital loss of \$13,171 and US net operating losses of \$32,349 – US\$24,716 (2020 – Canadian \$10,828 and US net operating losses of \$27,044 – US\$ 19,442) which may be carried forward and used to reduce future years' taxable income. US non-capital losses of \$32,349, of which \$17,549 are limited to 80% of taxable income (determined without regard to the deduction), have an indefinite life and no expiry period.

The Company has asserted that it is electing to recognize a portion of the unrecognized appreciated gain on certain properties for tax purposes immediately prior to the loss restriction event, which occurred with the change in majority ownership of the Company that took place on October 30, 2020. Without applying the aforementioned election, the pre-acquisition non-capital losses totaling \$10,435 and capital losses totaling \$236 would be restricted in their future application.

### 16. OTHER LONG-TERM OBLIGATIONS

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

	As at April 30, 2021	As at April 30, 2020
Deferred Share Units	\$ 27	\$ 32
Stock Options	72	30
Restricted Share Units	65	61
	\$ 164	\$ 123

### 17. ISSUED CAPITAL

As of April 30, 2021, share transactions were as follows:

	Class A		Class B		Total	
	Multiple Voting Shares		Subordinate Voting Shares			
	Number of shares	Share Capital	Number of shares	Share Capital	Number of shares	Share Capital
Balance, April 30, 2020	3,346	\$ 237	11,035	\$ 52,631	14,381	\$ 52,868
Conversion of multiple voting shares into subordinate voting shares <sup>(1)</sup>	(3,346)	(237)	3,346	237	-	-
<b>Balance, April 30, 2021</b>	-	\$ -	14,381	\$ 52,868	14,381	\$ 52,868

(1) On October 30, 2020, the Class A multiple voting shares of the Company, previously held by Bhayana Management Ltd. and The Madan and Raksha M. Bhayana Family Foundation (collectively, the "Bhayana Family"), were converted into Class B subordinate voting shares. Subsequently, by way of a private placement, Pender Growth Fund ("PGF"), an unrelated party, entered into a Share Purchase Agreement (the "Purchase Agreement") with the Bhayana Family pursuant to which PGF purchased a total of 6,886,981 Class B subordinate voting shares. On November 18, 2020, PGF completed the second and final tranche of the share purchase transaction, and holds in aggregate with other funds advised by PenderFund Capital Management Ltd. 7,927,321 subordinate voting shares of the Company, or approximately 55.12% of the total issued and outstanding subordinate voting shares of the Company, making PenderFund Capital Management Ltd. its ultimate parent.

# INSCAPE CORPORATION

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended April 30, 2021 and 2020

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

### 18. SHARE-BASED COMPENSATION

#### 18.1 Stock option plan

The Company has allotted and reserved 1,500,000 Class B subordinated voting shares under its Stock Option Plan. At the end of the year, the reserves available for grant are 1,078,161 (2020 – 356,585).

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 45,000 Class B subordinated voting shares to expire in five years were granted (2020 – 408,185).

421,839 stock options were outstanding as at April 30, 2021 (2020 – 1,143,415). 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, 2021 totaled \$72 (2020 - \$30). Fair values of the stock options were estimated using the Black-Scholes-Merton option pricing model.

The intrinsic value of the vested stock options outstanding as at April 30, 2021 was \$2 (2020 - \$nil).

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

Inputs to the Black-Scholes-Merton Model	2021 Values	2020 Values	Basis
Expected remaining life of the options	<b>0.2 to 4.6 years</b>	0.2 to 4.9 years	Expiry dates of the options, history of forfeiture rates and early exercise
Risk-free interest rates	<b>0.01% to 1.19%</b>	0.11% to 0.36%	Market yield on US Treasury securities at terms commensurate with the expected remaining life of the options
Expected volatility	<b>62% to 113%</b>	52% to 86%	The Company's daily share price over a period of time commensurate with the expected remaining life of the options
Expected dividend yield	<b>0%</b>	0%	The Company's current dividend yield

#### 18.2 Movements in share options during the year

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

	As at April 30, 2021		As at April 30, 2020	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding, beginning of year	1,143,415	\$ 1.95	1,012,795	\$ 2.51
Granted	45,000	0.99	408,185	1.22
Expired	(53,734)	3.10	(120,000)	3.27
Forfeited	(712,842)	1.92	(157,565)	2.63
<b>Outstanding, end of year</b>	<b>421,839</b>	<b>\$ 1.75</b>	<b>1,143,415</b>	<b>\$ 1.95</b>

# INSCAPE CORPORATION

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended April 30, 2021 and 2020

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

### 18.3 Share options outstanding at the end of the year

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

April 30, 2021	Options outstanding			Options exercisable	
	Number of outstanding options	Weighted average remaining life in years	Weighted average exercise price	Number exercisable at year end	Weighted average exercise price
Range of exercise price					
\$0.78 to \$2.55	330,042	2.87	\$ 1.24	177,500	\$ 0.96
\$2.98 to \$3.41	39,378	1.01	3.24	39,378	1.29
\$3.65 to \$4.02	52,419	0.94	3.84	52,419	2.11
<b>\$0.78 to \$4.02</b>	<b>421,839</b>	<b>2.46</b>	<b>\$ 1.75</b>	<b>269,297</b>	<b>\$ 1.35</b>

April 30, 2020	Options outstanding			Options exercisable	
	Number of outstanding options	Weighted average remaining life in years	Weighted average exercise price	Number exercisable at year end	Weighted average exercise price
Range of exercise price					
\$0.78 to \$2.55	890,206	3.09	\$ 1.53	212,500	\$ 1.48
\$2.98 to \$3.41	158,004	1.35	2.02	111,605	3.08
\$3.65 to \$4.02	95,205	1.97	3.82	36,150	4.02
<b>\$0.78 to \$4.02</b>	<b>1,143,415</b>	<b>2.76</b>	<b>\$ 1.95</b>	<b>360,255</b>	<b>\$ 2.23</b>

### 18.4 Deferred share unit plan

The Company has a Deferred Share Unit Plan for the members of the Board of Directors and the executives. Under the plan, each director receiving Director's fees may elect to receive all or a percentage of the fees in the form of notional Class B subordinated voting shares of the Company called deferred share units ("DSU"). The issue price of each DSU is equal to the weighted average share price at which Class B subordinate voting shares of the Company were traded on the TMX during the last five-day period of the quarter prior to the DSU issue. Upon retirement from the Board, a director's DSU is redeemed for cash based on the market price of the shares at the time of redemption. The intrinsic value of vested deferred share units outstanding as at April 30, 2021 were \$nil (2020 - \$nil).

As at April 30, 2021, 33,596 DSUs were outstanding with a total fair value of \$27 measured at the closing price of the shares at year end (2020 – 57,799 units, fair value \$32).

### 18.5 Movements in deferred share units during the year

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

	As at April 30, 2021	As at April 30, 2020
Outstanding, beginning of year	57,799	57,799
Forfeited/Exercised	(24,203)	-
<b>Outstanding, end of year</b>	<b>33,596</b>	<b>57,799</b>

### 18.6 Executives long-term incentive plan

The Company has a long-term incentive plan for eligible executives. Under the plan, annual grants of stock options and restricted share units ("RSU") are issued to eligible executives based on each executive's responsibilities and base salaries. The value of RSU redeemable at the end of a three-year vesting period is dependent upon the market price of the Class B subordinated voting shares of the Company. During the year the Company issued 458,321 RSU (2020 – 123,518). As at April 30, 2021, 206,757 RSU were outstanding (2020 – 225,279).

The intrinsic value of the Company's vested RSUs outstanding as at April 30, 2021 was \$56 (2020 - \$nil).

# INSCAPE CORPORATION

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended April 30, 2021 and 2020

*(in thousands of Canadian dollars, except where indicated and per share amounts)*

### 18.7 Movements in restricted share units during the year

The following summarizes the movements in RSU during the year:

	As at April 30, 2021	As at April 30, 2020
Outstanding, beginning of year	225,279	184,979
Granted	458,321	123,518
Forfeited	(429,673)	(53,137)
Maturities	(47,170)	(30,081)
<b>Outstanding, end of year</b>	<b>206,757</b>	<b>225,279</b>

### 19. LOSS PER SHARE

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

	As at April 30, 2021	As at April 30, 2020
Net Loss	\$ (891)	\$ (5,406)
Weighted average number of shares outstanding basic	14,380,701	14,380,701
Dilution impact of stock options	-	-
Weighted average number of shares outstanding diluted	14,380,701	14,380,701
Basic and diluted loss per share	\$ (0.06)	\$ (0.38)

Stock options are anti-dilutive and are therefore, not included in the computation of basic and diluted loss per share for the years ended April 30, 2021 and April 30, 2020.

### 20. SEGMENTED REPORTING

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

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

# INSCAPE CORPORATION

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended April 30, 2021 and 2020

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

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

Segmented sales	As at	
	April 30, 2021	April 30, 2020
Furniture	\$ 29,176	\$ 55,592
Walls	9,027	20,226
<b>Total</b>	<b>\$ 38,203</b>	<b>\$ 75,818</b>

Segmented loss	As at	
	April 30, 2021	April 30, 2020
Furniture	\$ (8,903)	\$ (2,795)
Walls	(4,699)	(2,796)
	<b>(13,602)</b>	<b>(5,591)</b>
Unrealized gain (loss) on foreign exchange	377	(289)
Unrealized gain (loss) on derivatives (Note 10.2)	3,997	(1,994)
Other income (Note 23)	5,308	2,504
Gain (loss) on sale of property, plant and equipment & intangibles	209	(30)
Interest expense	(6)	9
Loss before taxes	(3,717)	(5,391)
Income tax recovery (expense)	2,826	(15)
<b>Net loss</b>	<b>\$ (891)</b>	<b>\$ (5,406)</b>

Amortization and depreciation	As at	
	April 30, 2021	April 30, 2020
Furniture	\$ 3,076	\$ 3,227
Walls	859	371
<b>Total</b>	<b>\$ 3,935</b>	<b>\$ 3,598</b>

Additions to property, plant and equipment and intangibles	As at	
	April 30, 2021	April 30, 2020
Furniture	\$ 2,084	\$ 516
Walls	456	105
<b>Total</b>	<b>\$ 2,540</b>	<b>\$ 621</b>

Segment assets and liabilities	As at	
	April 30, 2021	April 30, 2020
<b>Assets</b>		
Furniture	\$ 35,774	\$ 27,719
Walls	6,195	10,089
<b>Total assets</b>	<b>\$ 41,969</b>	<b>\$ 37,808</b>
<b>Liabilities</b>		
Furniture	\$ 23,823	\$ 20,451
Walls	4,309	8,717
<b>Total liabilities</b>	<b>\$ 28,132</b>	<b>\$ 29,168</b>

# INSCAPE CORPORATION

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended April 30, 2021 and 2020

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

The Company's revenue is based on geographical location as detailed below:

Sales from:	As at	As at
	April 30, 2021	April 30, 2020
United States	\$ 36,156	\$ 69,876
Canada	2,047	5,942
<b>Total</b>	<b>\$ 38,203</b>	<b>\$ 75,818</b>

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

	As at	As at
	April 30, 2021	April 30, 2020
United States	\$ 9,892	\$ 3,658
Canada	6,923	11,531
<b>Total</b>	<b>\$ 16,815</b>	<b>\$ 15,189</b>

## 21. SUPPLEMENTAL INFORMATION

### 21.1 Salaries, wages and benefits

Included in:	As at	As at
	April 30, 2021	April 30, 2020
Cost of goods sold	\$ 10,047	\$ 16,008
Selling, general and administrative	11,056	14,298
	<b>\$ 21,103</b>	<b>\$ 30,306</b>

### 21.2 Amortization and depreciation

Included in:	As at	As at
	April 30, 2021	April 30, 2020
Cost of goods sold	\$ 1,359	\$ 861
Selling, general and administrative	2,576	2,737
	<b>\$ 3,935</b>	<b>\$ 3,598</b>

## 22. CREDIT FACILITY

On April 29, 2021 the Company closed a new revolving committed credit facility with FrontWell Capital Partners Inc., with credit availability of the lesser of \$15,000 and availability pursuant to the Borrowing Base calculation representing accounts receivable, inventories, land and building, with a maturity date which is the earlier of (i) April 29, 2022, and (ii) the completion of the sale of the property classified as assets held for sale (see Note 6). The interest rate on the demand operating credit facility is Prime Rate plus 8.75% for Canadian dollar loans, US Base Rate plus 8.75% for US dollar loans. The agreement is secured by the Company's accounts receivable, inventories, land and building (borrowing base).

As at April 30, 2021, the Company has drawn \$8,005 on the demand operating credit facility of which \$5,200 is a Canadian dollar loan and \$2,300 is a US dollar loan (\$2,805 CDN) (2020 – not drawn), with related deferred financing charges in the amount of \$131 and foreign currency translation of \$16, included in current liabilities. In addition, as at the date of this report the Company met all the required credit facility covenants.

# INSCAPE CORPORATION

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended April 30, 2021 and 2020

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

### 23. GOVERNMENT ASSISTANCE

In response to the COVID-19 pandemic, the Company received a United States government unsecured forgivable loan in two Tranches, with a 1.00% per annum interest rate, repayable in 24 months. Tranche 1 was received as of April 30, 2020 for \$1,808 (US\$1,300) and tranche 2 for \$1,800 (US \$1,390) was received during the fourth quarter of fiscal 2021.

As at April 30, 2021, the loan for tranche 1 was forgiven and tranche 2 is expected to be forgiven subject to the terms of the Paycheck Protection Program. The loan will be forgivable if all employees are maintained on the payroll for eight weeks and the money is used for payroll, benefits, rent or utilities.

In addition, the Company applied for and received grants from the Canadian government under the CEWS and CERS programs.

As at April 30, 2021 the Company incurred qualifying expenditures of \$2,431 (2020 - \$nil), of which subsidies of \$2,732 (2020 – \$nil) were received, including \$301 which has been deferred to future periods and included in trade and other payables in the Consolidated Statements of Financial Position. The CEWS program has been extended to September 25, 2021 by the Canadian government. The Company will continue to apply for this assistance as it qualifies.

	As at April 30, 2021	As at April 30, 2020
<b>Other income during the period:</b>		
<b>Government Assistance:</b>		
SBA forgivable loan, utilized	\$ (2,774)	\$ (517)
CEWS program subsidies recognized	(2,431)	-
Canadian rent subsidies recognized	(103)	-
	<b>\$ (5,308)</b>	<b>\$ (517)</b>

### 24. RELATED PARTY TRANSACTIONS

The following was the remuneration of directors and other members of key management personnel, including the Chief Executive Officer, Chief Financial Officer, Chief Operations Officer, Chief Brand Officer, SVP Sales and Distribution, VP Manufacturing & Supply Chain and VP Human Resources.

	As at April 30, 2021	As at April 30, 2020
Salaries and short-term benefits	\$ 1,691	\$ 2,163
Post-employment benefits	22	42
Share based compensations	62	379
	<b>\$ 1,775</b>	<b>\$ 2,584</b>

### 25. SUBSEQUENT EVENTS

In the first quarter of 2022, the Company entered into a new lease agreement for a showroom located in City of Chicago, County of Cook, State of Illinois. The new lease has an initial term of approximately 11 years and is expected to commence in December 1, 2021. The base rent under the new showroom lease agreement is approximately \$430 per year for the first year, escalating 2.5% annually thereafter over the initial term including a rent free period of 16 months. The Company has an option to extend the term of the lease for an additional 5 years.