INSCAPE CORPORATION
CONSOLIDATED BALANCE SHEETS
(Unaudited)(in thousands)

		January 31 2011		April 30 2010
ASSETS				
CURRENT				
Cash and cash equivalents	**$**	**5,788**	$	2,675
Short-term investments		**16,960**		17,073
Trade and other receivables		**11,861**		11,180
Inventory (Note 3)		**4,823**		4,550
Derivative assets		**3,380**		7,537
Income taxes receivable		**40**		539
Prepaid expenses		**877**		775
		43,729		44,329
CAPITAL ASSETS		**25,156**		25,309
INTANGIBLE ASSETS		**868**		871
DERIVATIVE ASSETS		**-**		381
DEFERRED PENSION ASSETS		**1,734**		1,933
FUTURE INCOME TAX ASSETS		**1,278**		2,658
	$	**72,765**	$	75,481
LIABILITIES				
CURRENT				
Accounts payable and accrued liabilities	**$**	**8,278**	$	8,175
OTHER LONG-TERM OBLIGATIONS		**808**		261
FUTURE INCOME TAX LIABILITIES		**3,860**		5,488
		12,946		13,924
SHAREHOLDERS' EQUITY				
SHARE CAPITAL (Note 4)		**54,248**		57,059
CONTRIBUTED SURPLUS (Note 4)		**1,907**		84
ACCUMULATED OTHER COMPREHENSIVE INCOME		**1,181**		4,992
RETAINED EARNINGS (DEFICIT)		**2,483**		(578)
		59,819		61,557
	$	**72,765**	$	75,481

See accompanying notes to the financial statements

Note - These interim financial statements have not been reviewed by an auditor

Approved by the Board of Directors,

Director
Madan Bhayana

Director
Robert G. Long

INSCAPE CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)(in thousands, except per share amounts)

	Three Months Ended January 31,		Year-to-date Ended January 31,	
	2011	2010	**2011**	2010
SALES	**$ 23,585**	$ 17,909	**$ 66,345**	$ 52,089
COST OF GOODS SOLD including amortization (three-month $789, 2010 - $928, year-to-date $2,313, 2010 - $2,468)	**16,694**	12,694	**46,212**	38,394
GROSS MARGIN	**6,891**	5,215	**20,133**	13,695
EXPENSES				
Selling, general and administrative including amortization (three-month $177, 2010 - $102, year-to-date $551, 2010 - $532)	**5,967**	5,141	**16,416**	14,899
Unrealized loss on foreign exchange	**122**	42	**149**	623
Unrealized gain on derivatives	**(375)**	-	**(673)**	-
Interest income	**(150)**	(167)	**(354)**	(412)
	5,564	5,016	**15,538**	15,110
INCOME (LOSS) BEFORE TAXES	**1,327**	199	**4,595**	(1,415)
INCOME TAXES (RECOVERY)	**423**	92	**1,534**	(85)
NET INCOME (LOSS)	**$ 904**	$ 107	**$ 3,061**	$ (1,330)
BASIC AND DILUTED INCOME (LOSS) PER SHARE (Note 4)	**$ 0.06**	$ 0.01	**$ 0.21**	$ (0.09)

See accompanying notes to the financial statements
Note - These interim financial statements have not been reviewed by an auditor

INSCAPE CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Unaudited)(in thousands)

	Three Months Ended January 31,		Year-to-date Ended January 31,	
	2011	2010	**2011**	2010
NET INCOME (LOSS)	**$ 904**	$ 107	**$ 3,061**	$ (1,330)
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAXES				
Unrealized gains on derivatives designated as cash flow hedges, (three-month net of taxes of $69, 2010 - $106, year-to-date net of taxes of $61, 2010 - $1,539)	**165**	(238)	**145**	3,483
Reclassification of losses (gains) on derivatives designated as cash flow hedges to income, (three-month net of taxes of $65, 2010 - $162, year-to-date net of taxes of $1,655, 2010-$433)	**(1,411)**	141	**(3,956)**	949
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAXES	**(1,246)**	(97)	**(3,811)**	4,432
COMPREHENSIVE INCOME (LOSS) , NET OF TAXES	**$ (342)**	$ 10	**$ (750)**	$ 3,102

See accompanying notes to the financial statements
Note - These interim financial statements have not been reviewed by an auditor

INSCAPE CORPORATION

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Unaudited)(in thousands)

Period Ended January 31, 2011

	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income ("AOCI")	Retained Earnings (Deficit)	Total AOCI and Retained Earnings	Total Shareholders' Equity
BALANCE - May 1, 2010	$ 57,059	$ 84	$ 4,992	$ (578)	$ 4,414	$ 61,557
Share Buy-back (Note 4)	(2,811)	1,823	-	-	-	(988)
Net Income	-	-	-	3,061	3,061	3,061
Other Comprehensive Loss	-	-	(3,811)	-	(3,811)	(3,811)
BALANCE - January 31, 2011	$ 54,248	$ 1,907	$ 1,181	$ 2,483	$ 3,664	$ 59,819

Period Ended January 31, 2010

	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income ("AOCI")	Retained Earnings (Deficit)	Total AOCI and Retained Earnings	Total Shareholders' Equity
BALANCE - May 1, 2009	$ 57,059	$ 84	$ 23	$ 511	$ 534	$ 57,677
Net Loss	-	-	-	(1,330)	(1,330)	(1,330)
Other Comprehensive Income	-	-	4,432	-	4,432	4,432
BALANCE - January 31, 2010	$ 57,059	$ 84	$ 4,455	$ (819)	$ 3,636	$ 60,779

See accompanying notes to the financial statements

Note - These interim financial statements have not been reviewed by an auditor

INSCAPE CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)(in thousands)

	Three Months Ended January 31,		Year-to-date Ended January 31,	
	2011	2010	**2011**	2010
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:				
OPERATING ACTIVITIES				
Net income (loss)	**$ 904**	$ 107	**$ 3,061**	$ (1,330)
Items not affecting cash:				
Amortization	**965**	870	**2,864**	2,840
Pension expense	**264**	182	**754**	546
Unrealized loss (gain) on short-term investments held for trading	**105**	38	**(73)**	122
Unrealized gain on derivatives	**(375)**	-	**(673)**	-
Future income taxes	**244**	92	**1,355**	(85)
Derivative assets and liabilities	**(231)**	(178)	**(182)**	(848)
Deferred expenses and other expenses	**-**	(12)	**(13)**	(105)
Stock based compensation	**405**	(13)	**560**	77
Unrealized loss on foreign exchange	**122**	42	**149**	623
Loss on sale of capital assets	**107**	15	**86**	15
	2,510	1,143	**7,888**	1,855
Employer's contribution to pension funds	**(189)**	(196)	**(556)**	(566)
Changes in non-cash operating working capital items	**2,205**	(511)	**(685)**	(1,030)
Cash generated from operating activities	**4,526**	436	**6,647**	259
FINANCING ACTIVITIES				
Share buy-back (Note 4)	**(101)**	-	**(988)**	-
INVESTING ACTIVITIES				
Short-term investments held for trading	**(2,387)**	4	**186**	(3,953)
Additions to capital assets	**(1,005)**	(3,699)	**(2,859)**	(4,279)
Proceeds from sale of capital assets	**20**	2	**54**	2
Cash used for investing activities	**(3,372)**	(3,693)	**(2,619)**	(8,230)
Unrealized foreign exchange gain (loss) on cash and cash equivalents	**89**	14	**73**	(69)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**1,142**	(3,243)	**3,113**	(8,040)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	**4,646**	9,060	**2,675**	13,857
CASH AND CASH EQUIVALENTS, END OF PERIOD	**$ 5,788**	$ 5,817	**$ 5,788**	$ 5,817
CASH AND CASH EQUIVALENTS CONSIST OF:				
Cash	**$ 2,312**	$ 929	**$ 2,312**	$ 929
Cash equivalents	**3,476**	4,888	**3,476**	4,888
	$ 5,788	$ 5,817	**$ 5,788**	$ 5,817
SUPPLEMENTAL INFORMATION				
Income taxes paid (refund received)	**$ (331)**	$ 4	**$ (331)**	$ 4

See accompanying notes to the financial statements

Note - These interim financial statements have not been reviewed by an auditor

1. BASIS OF ACCOUNTING

Inscape Corporation's consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of commitments and contingencies and the reported amounts of sales and expenses during the reporting period. Estimates and assumptions are used in items such as useful lives of capital assets and intangible assets, valuation allowances for receivables and inventory, future tax assets and liabilities, and defined benefit pension amounts. Actual results could differ from those estimates.

2. ACCOUNTING POLICIES

These interim consolidated financial statements follow the same accounting policies as were used for the consolidated financial statements for the year ended April 30, 2010.

Future Accounting Policy Changes

EIC 175, Revenue Arrangements with Multiple Deliverables

In February 2010, the Emerging Issues Committee of the CICA issued EIC-175, Multiple Deliverable Revenue Arrangements ("EIC-175"). EIC-175 provides additional guidance on how to determine whether an arrangement involving multiple deliverables contains more than one unit of accounting and addresses how arrangement consideration should be measured and allocated to the separate units of accounting in the arrangement. This section applies to revenue arrangements with multiple deliverables entered into or materially modified in the first annual fiscal period beginning on or after January 1, 2011, which is our fiscal year beginning on May 1, 2011. The Company believes that the adoption of this standard does not have a material impact on its financial results.

International Financial Reporting Standards ("IFRS")

In February 2008, the CICA announced that accounting standards for public companies will be replaced by International Financial Reporting Standards ("IFRS") for fiscal years beginning on or after January 1, 2011. Accordingly the Company will adopt IFRS for its fiscal year beginning May 1, 2011. The Company has completed an analysis of the IFRS changeover and believes that there will be no significant impact on its financial results.

Unaudited (in thousands except share and per share amounts)

3. INVENTORY

		January 31, 2011		April 30, 2010
Raw materials	**$**	**3,370**	$	3,502
Work-in-progress		**397**		360
Finished goods		**1,056**		688
	$	**4,823**	$	4,550

For the three-month period ended January 31, 2011, inventories of $28,781 were expensed and included in cost of goods sold (2010 - $12,489). For the nine-month period ended January 31, 2011, inventories of $46,249 were expensed and included in cost of goods sold (2010 - $37,904).

4. SHARE CAPITAL

		January 31, 2011		April 30, 2010
Authorized				
7,670,881 Class A multiple voting shares, 10 votes per share				
Unlimited Class B subordinated voting shares, 1 vote per share				
Issued				
5,345,881 Class A multiple voting shares (April 30, 2010 - 5,345,881)	**$**	**375**	$	375
9,268,512 Class B subordinated voting shares (April 30, 2010 - 9,750,936)		**53,873**		56,684
	$	**54,248**	$	57,059

On July 9, 2010 the Company repurchased 441,317 Class B subordinated voting shares from an ex-officer of the Company at $1.88 per share. The shares were returned to treasury and were cancelled on July 21, 2010.

In September, 2010, the Company received approval from TSX to make a Normal Course Issuer Bid ("NCIB") to repurchase the Company's Class B subordinated voting shares from the market at market price for cancellation. As at January 31, 2011, 42,207 Class B subordinated voting shares have been repurchased under the NCIB and 41,107 shares have been cancelled, with the remaining 1,100 shares cancelled in February 2011.

Unaudited (in thousands except share and per share amounts)

4. SHARE CAPITAL (continued)

Changes in the Company's share capital accounts as a result of the share repurchases are summarized in the table below:

	Number of shares ('000)	Share Capital	Contributed Surplus
			$ 84
Class A multiple voting	5,346	$ 375	
Class B subordinated voting	9,751	56,684	
Balance at April 30, 2010	15,097	57,059	84
Class B share buy-back	(483)	(2,811)	1,860
Share buy-back expenses			(37)
Balance at January 31, 2011	14,614	$ 54,248	$ 1,907

5. EARNINGS PER SHARE

The following tables set forth the components used in the basic and diluted earnings per share calculations:

Three Months Ended January 31,		
Numerator	**2011**	2010
Net income for the quarter for basic and diluted earnings per share	**$ 904**	$ 107
Denominator		
Weighted average number of shares outstanding for basic earnings per share	**14,634,751**	15,096,817
Weighted average number of shares outstanding for diluted earnings per share	**14,778,830**	15,096,817

Nine Months Ended January 31,		
Numerator	**2011**	2010
Net income (loss) for the period for basic and diluted earnings per share	**$ 3,061**	$ (1,330)
Denominator		
Weighted average number of shares outstanding for basic earnings per share	**14,777,523**	15,096,817
Weighted average number of shares outstanding for diluted earnings per share	**14,830,645**	15,146,029

Stock options for 142,500 shares were not included in the computation of basic income per share for the three-month period ended January 31, 2011 (2010 – 355,000) as they are anti-dilutive for the period. Stock options for 247,500 shares were not included in the computation of basic income per share for the nine-month period ended January 31, 2011 (2010 – 317,500) as they are anti-dilutive for the period.

Unaudited (in thousands except share and per share amounts)

6. SEGMENT INFORMATION

The Company operates under one reporting segment, which is the design and manufacture of office systems and furniture.

	Three Months Ended January 31,	
	2011	2010
Sales from		
United States	**$ 19,894**	$ 16,178
Canada	**3,451**	1,625
Other	**240**	106
	$ 23,585	$ 17,909

	Nine Months Ended January 31,	
	2011	2010
Sales from		
United States	**$ 57,181**	$ 45,541
Canada	**8,252**	6,251
Other	**912**	297
	$ 66,345	$ 52,089

	January 31, 2011	April 30, 2010
Capital Assets		
Canada	**$ 20,792**	$ 21,096
United States	**4,364**	4,213
	$ 25,156	$ 25,309

7. PENSION EXPENSE

Total pension expense relating to the various defined benefit plans is $264 for the three-month period ended January 31, 2011 (2010 - $182). Total pension expense relating to the various defined benefit plans is $754 for the nine-month period ended January 31, 2011 (2010 - $546).

Unaudited (in thousands except share and per share amounts)

8. FINANCIAL INSTRUMENTS

Risk exposures of the Company's financial instruments and the related risk management are as follows:

(a) Credit risk – The Company's cash and cash equivalents, short-term investments, trade accounts receivable and derivative assets are subject to the risk that the counter-parties may fail to discharge their obligation to pay the Company. The Company's investment policy specifies the types of permissible investments, the minimum credit ratings required and the maximum balances allowed. The purchase of any securities carrying a credit rating below BBB for bonds or R1-Low for commercial paper is prohibited. The counterparty of the Company's derivatives is a major Canadian bank. The Company has credit policies and procedures to manage trade accounts receivable credit risk by assessing new customers' credit history, reviewing of credit limits, monitoring aging of accounts receivable and establishing an allowance for doubtful accounts based on specific customer information and general historical trends. The Company has historically experienced minimal customer defaults on trade accounts receivable. As at January 31, 2011, the allowance for doubtful accounts was $165 (April 30, 2010 - $217).

The following table summarizes the amounts that best represent the Company's maximum exposure to credit risk without taking into account any collateral held or other credit enhancements:

	January 31, 2011	April 30, 2010
Cash and cash equivalents	**$ 5,788**	$ 2,675
Short-term investments	**16,960**	17,073
Accounts receivable prior to provisions for doubtful accounts	**12,025**	11,397
Derivative assets	**3,380**	7,918
	$ 38,153	$ 39,063

(b) Currency risk – The Company's U.S. dollar denominated cash, trade accounts receivable, accounts payable and accrued liabilities are subject to the risk that their fair values will fluctuate because of changes in the U.S. dollar exchange rate relative to the Canadian dollar. The Company uses U.S. dollar forward exchange contracts to manage the currency risk. The Company has a policy in place to ensure that all such derivatives are used only to manage currency risk and not for trading purposes.

8. FINANCIAL INSTRUMENTS (continued)

The Company has entered into an agreement in February 2010 (“February agreement”) and a second agreement in May 2010 (“May agreement”) with a major Canadian bank with a right to accumulate U.S. currency forward contracts at a notional amount of U.S. $300 per month beginning March 2010 to October 2011 under the February agreement and to accumulate another U.S. $300 per month beginning May 2010 to December 2011 under the May agreement. The accumulation of the forward contracts is dependent on the USD/CAD spot rate staying at or above $0.9525 CAD per USD at a specific time of each month under the February agreement and at or above $0.9550 CAD per USD under the May agreement. If the spot rate is below the specified rates, then that month’s accumulation does not occur. The forward contracts accumulated have a strike price of $1.10 CAD per USD to be settled in October 2011 under the February agreement and in December 2011 under the May agreement. As at January 31, 2011, 20 forward contracts totalling U.S. $6,000 under the two agreements were accumulated. At the end of January 31, 2011, the agreements had a mark-to-market gain of $886. The unrealized gain on the derivatives was initially recognized in the statements of operations in the periods when the agreements were entered and the subsequent periods when the mark-to-market values were updated.

As at January 31, 2011, the Company has a series of outstanding forward contracts (including the accumulating forward contracts disclosed above) due from February 2011 to December 2011 to sell a total of U.S. $21,500 (2010 - U.S. $49,000) at an average exchange rate of Canadian $1.15 (2010 - $1.21). The mark-to-market values of the contracts had a net gain of $3,380 as at January 31, 2011 (2010 –$4,455). In accordance with the accounting policy on cash flow hedges for anticipated transactions, $1,675 of the net gain had been recognized in the statements of operations in the periods when the contracts were entered and the subsequent periods when the mark-to-market values were updated. The remaining $1,705 ($1,181 after tax) was recorded in accumulated other comprehensive income and is expected to be reclassified to net income within the next 12 months.

(c) Interest rate risk – The Company’s cash equivalents and short-term investments are subject to the risk that interest income will fluctuate because of changes in market interest rates. The Company manages the interest rate risk by investing in highly liquid financial instruments with staggered maturity dates. For the nine-month period ended January 31, 2011, each 100 basis point variation in the market interest rate is estimated to result in a change of $118 in the Company’s interest income (2010 - $83).

Unaudited (in thousands except share and per share amounts)

8. FINANCIAL INSTRUMENTS (continued)

(d) Liquidity risk – Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company's liquidity risk is very limited as its cash, cash equivalents and short-term investments are consistently in excess of the immediate financial liabilities. The Company is debt-free and has a line of credit of $10,000 which remained unused as at January 31, 2011.

(e) Fair value hierarchy

The following table presents the fair value hierarchy for the Company's financial instruments measured at fair value at January 31, 2011:

	Level 1	Level 2	Level 3
Cash and cash equivalents	**$ 5,788**	$ -	$ -
Short-term investments	**16,960**	-	-
Derivative assets	**-**	**3,380**	-
	$ 22,748	**$ 3,380**	$ -

9. CAPITAL MANAGEMENT

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

Management defines capital as the Company's total shareholders' equity excluding components of accumulated other comprehensive income (loss) arising from cash flow hedges as summarized in the following table:

	January 31, 2011	April 30, 2010
Share Capital	**$ 54,248**	$ 57,059
Contributed Surplus	**1,907**	84
Retained Earnings (Deficit)	**2,483**	(578)
	$ 58,638	$ 56,565

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 adjust the amount of dividends paid to shareholders, return capital to shareholders, or draw on its line of credit.

See Note 10 on the Company's externally imposed covenants.

10. CREDIT FACILITY

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

The credit facility agreement has the following covenants:

1. The ratio of "total liabilities less postponed debt" to "shareholders' equity less intangible assets" does not exceed 0.5 to 1.0 at any time, measured quarterly
2. Shareholders' equity not to be less than $50 million at any time, measured quarterly
3. Current ratio, excluding any derivative assets and liabilities, not to be less than 1.50 to 1.0

The Company was in compliance with these covenants during the period.

As at January 31, 2011, the Company has not drawn on the demand operating credit.

11. CONTINGENT LIABILITY

On November 22, 2010, the New York State Workers' Compensation Board (the "NYSWC Board") notified the Company of an assessment of US $784 as the Company's contribution to cover the deficit of the Metal Goods and Manufacturers Self Insurance Trust Fund (the "Fund").

In 2005, the Fund filed a complaint with the New York State Supreme Court alleging that the Company must pay US $70 to cover the Fund's deficit. The Company defended the claim together with 14 other companies that were served the complaint in varying amounts. In 2008, the New York State Supreme Court dismissed the Fund's complaint as without merit. In 2009, the Court rejected the Fund's application for an appeal. The Fund was subsequently dissolved and taken over by the NYSWC Board. In January 2010, the NYSWC Board issued an interim assessment of US $114 for the Fund's deficit and in November 2010 they revised the assessment to US $784.

The Company is in the process of obtaining legal opinions on the NYSWC Board's assessment. At this time, the Company is unable to evaluate the merit of the assessment and to estimate the costs that may be incurred to address this matter. In the meantime, the Company has signed a Memorandum of Understanding (the "MOU") with the NYSWC Board to provide them interim cash flow funding over an eighteen-month period beginning March 2011. In return, the NYSWC Board will not commence an administrative and/or civil action against the Company and vice-versa during the time the MOU is in effect. Either the NYSWC Board or the Company can terminate the MOU by giving ninety days prior written notice of such termination. Based on the funding provision in the MOU, US $528 was accrued and included in the cost of goods sold of the Consolidated Statements of Operations for the three-month period ending January 31, 2011.