Condensed Interim Consolidated Financial Statements of

INSCAPE CORPORATION

(Unaudited)

January 31, 2012 and 2011

INSCAPE CORPORATION
CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Unaudited)(in thousands)

	Note	**January 31 2012**	April 30 2011
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		**$ 9,028**	$ 7,545
Short-term investments		**11,946**	19,022
Trade and other receivables		**10,558**	9,099
Inventories	7	**4,684**	3,964
Derivative assets	10	**749**	2,101
Income taxes receivable		**305**	206
Prepaid expenses		**847**	806
		38,117	42,743
NON-CURRENT ASSETS			
Capital assets		**25,251**	24,060
Intangible assets		**870**	907
Derivative assets	10	**131**	-
Deferred tax assets		**2,716**	1,899
		$ 67,085	$ 69,609
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities		**$ 9,042**	$ 8,688
Provisions	8	**190**	502
		9,232	9,190
RETIREMENT BENEFIT OBLIGATION	9	**2,146**	2,977
OTHER LONG-TERM OBLIGATIONS	11	**946**	841
PROVISIONS	8	**283**	358
DEFERRED TAX LIABILITIES		**2,018**	2,309
		14,625	15,675
CAPITAL AND RESERVES			
Issued capital	9	**52,940**	54,166
Contributed surplus	9	**2,624**	1,946
Accumulated other comprehensive loss		**(541)**	(883)
Deficit		**(2,563)**	(1,295)
		52,460	53,934
		$ 67,085	$ 69,609

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

(signed)
Chairman
Doug C. Lord

(signed)
Director
Robert G. Long

INSCAPE CORPORATION
CONDENSED INTERIM CONSOLIDATED STATEMENT OF OPERATIONS
(Unaudited)(in thousands, except per share amounts)

	Note	Three Months Ended January 31, 2012	Three Months Ended January 31, 2011	Nine Months Ended January 31, 2012	Nine Months Ended January 31, 2011
			(Note 3)		(Note 3)
SALES		**$ 20,203**	$ 23,872	**$ 61,395**	$ 67,550
COST OF GOODS SOLD		**14,475**	16,869	**46,937**	47,115
GROSS MARGIN		**5,728**	7,003	**14,458**	20,435
EXPENSES					
Selling, general and administrative		**5,155**	5,984	**16,791**	16,387
Unrealized (gain) loss on foreign exchange		**(30)**	12	**(429)**	45
Unrealized loss (gain) on derivatives	10	**(210)**	(375)	**401**	(673)
Investment income		**(113)**	(150)	**(386)**	(354)
		4,802	5,471	**16,377**	15,405
(LOSS) INCOME BEFORE TAXES		**926**	1,532	**(1,919)**	5,030
INCOME TAX (RECOVERY) EXPENSE		**260**	446	**(651)**	1,621
NET (LOSS) INCOME		**$ 666**	$ 1,086	**$ (1,268)**	$ 3,409
BASIC AND DILUTED (LOSS) INCOME PER SHARE	6	**$ 0.05**	$ 0.07	**$ (0.09)**	$ 0.23
SUPPLEMENTAL INFORMATION					
Salaries and benefits included in cost of goods sold		**$ 4,593**	$ 5,753	**$ 14,569**	$ 15,245
Salaries and benefits included in operating expense		**2,496**	2,740	**8,469**	7,817
Total salaries and benefits		**$ 7,089**	$ 8,493	**$ 23,038**	$ 23,062
Amortization included in cost of goods sold		**$ 879**	$ 788	**$ 2,458**	$ 2,315
Amortization included in operating expense		**138**	177	**365**	551
Total amortization		**$ 1,017**	$ 965	**$ 2,823**	$ 2,866

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

INSCAPE CORPORATION
CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS)
(Unaudited)(in thousands)

	Three Months Ended January 31, 2012	Three Months Ended January 31, 2011	Nine Months Ended January 31, 2012	Nine Months Ended January 31, 2011
NET (LOSS) INCOME	**$ 666**	$ 1,086	**$ (1,268)**	$ 3,409
OTHER COMPREHENSIVE INCOME (LOSS)				
Unrealized gain on derivatives designated as cash flow hedges	**-**	234	**-**	206
Reclassification of gains on derivatives designated as cash flow hedges to income	**-**	(2,001)	**(207)**	(5,611)
Exchange gain (loss) on translating foreign operations	**65**	(178)	**471**	(157)
Income tax relating to components of other comprehensive income	**-**	521	**78**	1,594
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAXES	**65**	(1,424)	**342**	(3,968)
TOTAL COMPREHENSIVE INCOME (LOSS), NET OF TAXES	**$ 731**	$ (338)	**$ (926)**	$ (559)

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

INSCAPE CORPORATION
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Unaudited)(in thousands)
Period Ended January 31, 2012

	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Loss ("AOCI")	Deficit	Total Shareholders' Equity
BALANCE - May 1, 2011	$ 54,166	$ 1,946	$ (883)	$ (1,295)	$ 53,934
Share Repurchase (Note 9)	(1,226)	678	-	-	(548)
Net Loss	-	-	-	(1,268)	(1,268)
Other Comprehensive Loss	-	-	342	-	342
BALANCE - January 31, 2012	$ 52,940	$ 2,624	$ (541)	$ (2,563)	$ 52,460

Period Ended January 31, 2011

	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income (Loss) ("AOCI")	Deficit	Total Shareholders' Equity
BALANCE - May 1, 2010 (Note 3.2)	$ 57,059	$ 84	$ 4,539	$ (4,870)	$ 56,812
Share Repurchase	(2,811)	1,823	-	-	(988)
Net Income (Note 3.2)	-	-	-	3,409	3,409
Other Comprehensive Loss (Note 3.2)	-	-	(3,968)	-	(3,968)
BALANCE - January 31, 2011 (Note 3.2)	$ 54,248	$ 1,907	$ 571	$ (1,461)	$ 55,265

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, 2012	Three Months Ended January 31, 2011	Nine Months Ended January 31, 2012	Nine Months Ended January 31, 2011
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:				
OPERATING ACTIVITIES				
(Loss) Income before taxes	**$ 926**	$ 1,532	**$ (1,919)**	$ 5,030
Items not affecting cash:				
Amortization	**1,016**	965	**2,823**	2,866
Impairment of long-lived assets	**163**	-	**163**	-
Pension expense	**96**	139	**573**	377
Unrealized (gain) loss on short-term investments held for trading	**3**	105	**22**	(73)
Unrealized gain on derivatives	**(210)**	(375)	**401**	(673)
Derivative assets and liabilities	**-**	(231)	**578**	(182)
Stock based compensation	**(235)**	454	**105**	629
Unrealized (gain) loss on foreign exchange	**(30)**	12	**(429)**	45
(Gain) Loss on sale of capital assets	**3**	107	**(14)**	86
Employer's contribution to pension funds	**(172)**	(189)	**(1,454)**	(556)
Cash from operating activities before non-cash working capital	**1,560**	2,519	**849**	7,549
Movements in non-cash working capital				
Trade and other receivables	**2,345**	3,706	**(894)**	(943)
Inventories	**(186)**	741	**(633)**	(299)
Prepaid expenses	**151**	(42)	**(34)**	(103)
Accounts payable and accrued liabilities	**(28)**	(2,389)	**193**	114
Provisions	**(261)**	-	**(432)**	-
Income tax receivable	**(3)**	(9)	**(356)**	329
Cash generated from (used for) operating activities	**3,578**	4,526	**(1,307)**	6,647
FINANCING ACTIVITIES				
Share repurchase (Note 10)	**(30)**	(101)	**(548)**	(988)
INVESTING ACTIVITIES				
Short-term investments held for trading	**2,343**	(2,387)	**7,054**	186
Additions to capital assets and intangibles assets	**(1,727)**	(1,005)	**(3,920)**	(2,859)
Proceeds from sale of capital assets	**3**	20	**22**	54
Cash generated from (used for) investing activities	**619**	(3,372)	**3,156**	(2,619)
Unrealized foreign exchange gain on cash and cash equivalents	**8**	89	**182**	73
NET INCREASE IN CASH AND CASH EQUIVALENTS	**4,175**	1,142	**1,483**	3,113
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	**4,853**	4,646	**7,545**	2,675
CASH AND CASH EQUIVALENTS, END OF PERIOD	**$ 9,028**	$ 5,788	**$ 9,028**	$ 5,788
CASH AND CASH EQUIVALENTS CONSIST OF:				
Cash	**$ 6,816**	$ 2,312	**$ 6,816**	$ 2,312
Cash equivalents	**2,212**	3,476	**2,212**	3,476
	$ 9,028	$ 5,788	**$ 9,028**	$ 5,788
SUPPLEMENTAL INFORMATION				
Income taxes paid (refund received)	**$ 264**	$ 6	**$ 375**	$ (331)

See accompanying notes to the financial statements

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

1. General information

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

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

Inscape makes smart workspaces – thoughtfully designed spaces that perform beyond expectations. For over a century, we have collaborated with our clients to provide customized solutions based on their individual needs. Our meticulously engineered system, storage and wall products provide unparalleled flexibility to create unique applications at a lower cost of ownership. Easy reconfiguration and seamless integration with other products means our smart applications will work today and tomorrow. And they look fabulous.

2. Future Accounting Changes

The Company is assessing the potential impacts of the adoption of the following new accounting standards issued by the International Accounting Standards Board (IASB) for reporting periods beginning on or after January 1, 2013.

(a) IFRS 9 – Financial Instruments replaces IAS 39 – Financial Instruments: Recognition and Measurement. IFRS 9 establishes principles for the reporting of financial assets and financial liabilities that will provide relevant information to users of financial statements on the amounts, timing and uncertainty of an entity's future cash flows.

(b) IAS 1 – Presentation of Items of Other Comprehensive Income – The amendment provides guidance on the presentation of items continued in other comprehensive income and their classification.

(c) IAS 19 – Employee Benefits – The amendments eliminates the deferred recognition of gains and losses resulting from defined benefit plans, eliminate the options for the presentation of gains and losses relating to those plans and improve the accounting for termination benefits.

(d) IFRS 13 – Fair Value Measurements – This standard provides guidance on its determination and introduces consistent requirements for disclosures on fair value measurements.

(e) IFRS 10 - Consolidated Financial Statements – This new standard provides a control-based requirement for consolidation across all types of interests in other entities.

(f) IFRS 12 – Disclosure of Interests in Other Entities – This standard supplements existing disclosure requirements about interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities.

3. Significant accounting policies

3.1 Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Accounting Standard (”IAS”) 34 Interim Financial Reporting.

The significant accounting policies the Company expects to use in its consolidated financial statements for the year ending April 30, 2012 are adopted in these interim statements. A summary of these significant accounting policies is disclosed in Note 3 of the Company’s condensed interim consolidated financial statements for the quarter ended July 31, 2011.

These condensed interim consolidated financial statements were approved by the Board of Directors on March 8, 2012.

3.2 Transition from Canadian GAAP to International Financial Reporting Standards (“IFRSs”)

The Company adopted the International Financial Reporting Standards (“IFRS”) effective May 1, 2011. A reconciliation of the shareholders’ equity reported in accordance with Canadian GAAP to the equity in accordance with IFRSs as the transition date of May 1, 2010 is disclosed in Note 3.2.1 of the Company’s condensed interim consolidated financial statements for the quarter ended July 31, 2011.

The following are reconciliations of the shareholders’ equity, statement of operations, statement of comprehensive loss and statement of changes in shareholders’ equity reported in accordance with Canadian GAAP to the same statements in accordance with IFRSs for the three months and nine months ended January 31, 2011:

Reconciliation of equity at January 31, 2011	Note	January 31, 2011 CGAAP	Effect of transition to IFRS	**January 31, 2011 IFRS**
ASSETS				
CURRENT				
Cash and cash equivalents		$ 5,788	$ -	**$ 5,788**
Short-term investments		16,960	-	**16,960**
Trade and other receivables		11,861	-	**11,861**
Inventories	i	4,823	(12)	**4,811**
Derivative assets		3,380	-	**3,380**
Income taxes receivable		40	-	**40**
Prepaid expenses	i	877	(3)	**874**
		43,729	(15)	**43,714**
CAPITAL ASSETS	i & ii	25,156	(948)	**24,208**
INTANGIBLE ASSETS	i	868	(1)	**867**
DERIVATIVE ASSETS		-	-	**-**
DEFERRED PENSION ASSETS	iii	1,734	(1,734)	**-**
DEFERRED TAX ASSETS	vi	1,278	489	**1,767**
		$ 72,765	$ (2,209)	**$ 70,556**
LIABILITIES				
CURRENT				
Accounts payable and accrued liabilities	iv	$ 8,278	$ (186)	**$ 8,092**
Provisions	iv	-	186	**186**
RETIREMENT BENEFIT OBLIGATION	iii	-	3,247	**3,247**
OTHER LONG-TERM OBLIGATIONS	v	808	(190)	**618**
PROVISIONS	iv	-	401	**401**
DEFERRED TAX LIABILITIES	vi	3,860	(1,113)	**2,747**
		12,946	2,345	**15,291**
SHAREHOLDERS' EQUITY				
SHARE CAPITAL		54,248	-	**54,248**
CONTRIBUTED SURPLUS		1,907	-	**1,907**
ACCUMULATED OTHER COMPREHENSIVE INCOME	i	1,181	(610)	**571**
RETAINED EARNINGS (DEFICIT)		2,483	(3,944)	**(1,461)**
		59,819	(4,554)	**55,265**
		$ 72,765	$ (2,209)	**$ 70,556**

CONDENSED INTERIM CONSOLIDATED STATEMENT OF OPERATIONS

Unaudited (in thousands , except per share amounts)	Note	9 Months Ended January 31, 2011 CGAAP	Effect of transition to IFRS	**9 Months Ended January 31, 2011 IFRS**
Sales		$ 67,550	$ -	**$ 67,550**
Cost of goods sold	i,ii, iii & v	47,417	(302)	**47,115**
Gross margin		20,133	302	**20,435**
Expenses				
Selling, general and administrative	iii & v	16,416	(29)	**16,387**
Unrealized foreign exchange loss	i	149	(104)	**45**
Unrealized derivative gain		(673)	-	**(673)**
Investment income		(354)	-	**(354)**
		15,538	(133)	**15,405**
Income before taxes		4,595	435	**5,030**
Income taxes	vi	1,534	87	**1,621**
Net income		$ 3,061	$ 348	**$ 3,409**
BASIC INCOME PER SHARE		$ 0.21	$ 0.02	**$ 0.23**
DILUTED INCOME PER SHARE		$ 0.21	$ 0.02	**$ 0.23**

CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

(Unaudited)(in thousands)	Note	9 Months Ended January 31, 2011 CGAAP	Effect of transition to IFRS	**9 Months Ended January 31, 2011 IFRS**
NET INCOME		$ 3,061	$ 348	**$ 3,409**
OTHER COMPREHENSIVE LOSS,				
Unrealized gains on derivatives designated as cash flow hedges		206	-	**206**
Reclassification of gains on derivatives designated as cash flow hedges to income		(5,611)	-	**(5,611)**
Exchange loss on translating foreign operations	i	-	(157)	**(157)**
Income tax relating to components of other comprehensive loss		1,594	-	**1,594**
OTHER COMPREHENSIVE LOSS, NET OF TAXES		(3,811)	(157)	**(3,968)**
COMPREHENSIVE LOSS , NET OF TAXES		$ (750)	$ 191	**$ (559)**

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
Nine Months Ended January 31, 2011 (Unaudited)(in thousands)

	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income ("AOCI")	Deficit	Total Shareholders' Equity
BALANCE per CGAAP - May 1, 2010	$ 57,059	$ 84	$ 4,992	$ (578)	$ 61,557
IFRS transition adjustments on May 1, 2010	-	-	(453)	(4,292)	(4,745)
Restated balance per IFRS - May 1, 2010	$ 57,059	$ 84	$ 4,539	$ (4,870)	$ 56,812
Share Repurchase per CGAAP and IFRS	(2,811)	1,823	-	-	(988)
Net Income per CGAPP	-	-	-	3,061	3,061
Net Income IFRS adjustments	-	-	-	348	348
Other Comprehensive Loss per CGAPP	-	-	(3,811)	-	(3,811)
Other Comprehensive Loss IFRS adjustments	-	-	(157)	-	(157)
BALANCE per IFRS- January 31, 2011	$ 54,248	$ 1,907	$ 571	$ (1,461)	$ 55,265

CONDENSED INTERIM CONSOLIDATED STATEMENT OF OPERATIONS

Unaudited (in thousands , except per share amounts)	Note	3 Months Ended January 31, 2011 CGAAP	Effect of transition to IFRS	3 Months Ended January 31, 2011 IFRS
Sales		$ 23,872	$ -	$ 23,872
Cost of goods sold	i,ii, iii & v	16,981	(112)	16,869
Gross margin		6,891	112	7,003
Expenses				
Selling, general and administrative	iii & v	5,967	17	5,984
Unrealized foreign exchange loss	i	122	(110)	12
Unrealized derivative gain		(375)	-	(375)
Investment income		(150)	-	(150)
		5,564	(93)	5,471
Income before taxes		1,327	205	1,532
Income taxes	vi	423	23	446
Net income		$ 904	$ 182	$ 1,086
BASIC INCOME PER SHARE		$ 0.06	$ 0.01	$ 0.07
DILUTED INCOME PER SHARE		$ 0.06	$ 0.01	$ 0.07

CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

(Unaudited)(in thousands)	Note	3 Months Ended January 31, 2011 CGAAP	Effect of transition to IFRS	3 Months Ended January 31, 2011 IFRS
NET INCOME		$ 904	$ 182	$ 1,086
OTHER COMPREHENSIVE LOSS,				
Unrealized gains on derivatives designated as cash flow hedges		234	-	234
Reclassification of gains on derivatives designated as cash flow hedges to income		(2,001)	-	(2,001)
Exchange loss on translating foreign operations	i	-	(178)	(178)
Income tax relating to components of other comprehensive loss		521	-	521
OTHER COMPREHENSIVE LOSS, NET OF TAXES		(1,246)	(178)	(1,424)
COMPREHENSIVE LOSS , NET OF TAXES		$ (342)	$ 4	$ (338)

3.2 Transition from Canadian GAAP to International Financial Reporting Standards ("IFRSs") (continued)

The conversion to IFRS has no impact on the Company's cash flows. The following is an explanation of the IFRS adjustments noted in the above reconciliations:

(i) Foreign exchange translation
Under Canadian GAAP, the temporal method was used to translate the balance sheet of a U.S. subsidiary, which is an integrating foreign operation of the Company. Under IAS 21 – Foreign Exchange, the subsidiary is assessed to have the U.S. dollar as its functional currency; whereas Canadian dollar is the presentation currency of the Company's consolidated financial statements. Under the circumstances, IAS 21 requires the use of the current rate method to translate all the assets and liabilities of the subsidiary. The adjustments reflect the translation gains or losses, mainly from the translation of the capital assets of the subsidiary at the exchange rate at each reporting date. Under Canadian GAAP, the assets were translated at the historical U.S. exchange rate when they were acquired.

(ii) Capital Assets
IAS 16 – Property, Plant and Equipment requires separate amortization of any significant components of capital assets that have a materially different useful life than the parent assets. The Company determined that the roof is a significant component of the building that has a shorter useful life than the building. This adjustment represents faster depreciation of this component.

(iii) Retirement benefit obligations
Under Canadian GAAP, the Company amortized the actuarial losses and gains of the defined benefit pension plans over the Expected Average Remaining Service Life (EARSAL) of the plan members. On transition to IFRS, the Company elected to recognize all cumulative unamortized actuarial losses and gains in the opening retained earnings as at May 1, 2010.

(iv) Provisions
Under IFRS, provisions representing liabilities to the Company for which the amount or timing is uncertain need to be presented as a separate item on the Statement of Financial Position. This adjustment represents reclassification of the Company's provisions for warranty expenses, contingent liability for a New York State Workers' Compensation Board assessment and other legal claims. These provisions were included in the accounts payable and accrued liabilities under Canadian GAAP.

(v) Shared-based payments
Under Canadian GAAP, the obligations for cash settled share-based awards were recognized and remeasured at each reporting period at their intrinsic values. Under IFRS, the obligations are recognized initially at the fair value of the awards when they were granted using the Black-Scholes-Merton Option Pricing Model. The obligations are remeasured at each reporting date based on changes in the fair value of the awards.

(vi) Income taxes
The adjustment reflects the changes in deferred income taxes resulting from the IFRS adjustments noted above.

4. Critical estimates and judgments in applying accounting policies

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

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

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

Estimated useful lives of 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 of the assets.

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

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

Unaudited (in thousands except share and per share amounts)

5. Segment information

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

	Three Months Ended January 31,		Nine Months Ended January 31,	
	2012	2011	**2012**	2011
Segment Sales				
Systems and storage	**$ 16,131**	$ 18,147	**$ 49,385**	$ 49,383
Movevable walls and rollform	**4,072**	5,725	**12,010**	18,167
	$ 20,203	$ 23,872	**$ 61,395**	$ 67,550
Segment Operating (Losses) Profits				
Systems and storage	**$ 1,503**	$ 1,987	**$ 2,141**	$ 4,166
Movevable walls and rollform	**174**	796	**(404)**	3,955
	1,677	2,783	**1,737**	8,121
Corporate expenses	**1,104**	1,764	**4,070**	4,073
Unrealized exhange (gain) loss	**(30)**	12	**(429)**	45
Unrealized derivatives (gain) loss	**(210)**	(375)	**401**	(673)
Interest income	**(113)**	(150)	**(386)**	(354)
(Loss) Income before taxes	**926**	1,532	**(1,919)**	5,030
Provision for income taxes	**260**	446	**(651)**	1,621
Net (loss) income	**$ 666**	$ 1,086	**$ (1,268)**	$ 3,409

The accounting policies of the reportable segments are the same as the Company's accounting policies described in note 3. Segment profit represents the profit earned by each segment without allocation of central administration costs and directors' salaries, investment revenue and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

Unaudited (in thousands except share and per share amounts)

5. Segment information (continued)

The Company operates in two principal geographical areas – U.S. and Canada.

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

	Three Months Ended January 31, 2012	2011
Sales from		
United States	**$ 17,181**	$ 20,177
Canada	**2,680**	3,455
Other	**342**	240
	$ 20,203	$ 23,872

	Nine Months Ended January 31, 2012	2011
Sales from		
United States	**$ 52,674**	$ 58,382
Canada	**8,137**	8,256
Other	**584**	912
	$ 61,395	$ 67,550

Unaudited (in thousands except share and per share amounts)

6. Earnings per share

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

Three Months Ended January 31,		
Numerator	**2012**	2011
Net income for the quarter for basic and diluted earnings per share	**$ 666**	$ 1,086
Denominator		
Weighted average number of shares outstanding for basic earnings per share	**14,389,292**	14,634,751
Dilution impact of stock options	**96,280**	144,079
Weighted average number of shares outstanding for diluted earnings per share	**14,485,572**	14,778,830

277,694 potential shares are anti-dilutive and are therefore excluded from the weighted average number of shares for the purposes of diluted earnings per share for the three-month period ended January 31, 2012 (2011-142,500).

Nine Months Ended January 31,		
Numerator	**2012**	2011
Net (loss) income for the period for basic and diluted earnings per share	**$ (1,268)**	$ 3,409
Denominator		
Weighted average number of shares outstanding for basic earnings per share	**14,486,244**	14,777,523
Dilution impact of stock options	**119,222**	53,122
Weighted average number of shares outstanding for diluted earnings per share	**14,605,466**	14,830,645

158,427 potential shares are anti-dilutive and are therefore excluded from the weighted average number of shares for the purposes of diluted earnings per share for the nine-month period ended January 31, 2012 (2011-247,500). Diluted loss per common share for the period has not been disclosed as the effect of the conversion would be anti-dilutive.

7. Inventories

	January 31, 2012	April 30, 2011
Raw materials	**$ 3,499**	$ 2,958
Work-in-progress	**329**	375
Finished goods	**856**	631
	$ 4,684	$ 3,964

Unaudited (in thousands except share and per share amounts)

8. Provisions

	Warranties (i)	NYWCB (ii)	Others (iii)	Total
Balance at April 30, 2011	$ 370	$ 480	$ 10	$ 860
Additional provisions recognized	33	-	-	33
Reductions arising from payments	(139)	(96)	-	(235)
Reversal of unused amounts	(227)	-	(10)	(237)
Currency exchange loss	24	28	-	52
Balance at January 31, 2012	$ 61	$ 412	$ -	$ 473
Current portion	$ 61	$ 129	$ -	$ 190
Long-term portion	-	283	-	283
	$ 61	$ 412	$ -	$ 473

(i) The provision for warranty claims represents the present value of the management's best estimate of the future outflow of economic benefits that will be required under the Company's obligations for warranties. The estimate has been made on the basis of potential warranty claims known to the management.

(ii) The NYWCB represents provision for an assessment from the New York State Workers' Compensation Board.

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 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 in fiscal year 2011.

(iii) "Others" represent a minor legal claim that was withdrawn at the end of the period.

Unaudited (in thousands except share and per share amounts)

9. Issued capital

The authorized capital of the Company consists of 7,670,881 Class A multiple voting shares and an unlimited number of Class B subordinated voting shares.

Class A multiple voting shares carries ten votes per share. Class B subordinated shares carries one vote per share.

Issued	April 30, 2011 Balance	Repurchase	October 31, 2011 Balance
Class A multiple voting	5,345,881		5,345,881
Class B subordinated voting	9,253,279	(210,959)	9,042,320
Total number of shares	14,599,160	(210,959)	14,388,201
Class A multiple voting	$ 375	$ -	$ 375
Class B subordinated voting	53,791	(1,226)	52,565
	$ 54,166	$ (1,226)	$ 52,940
Contributed surplus	$ 1,946	$ 678	$ 2,624

10. Financial instruments

10.1 Capital risk management

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

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

	January 31, 2012	April 30, 2011
Share Capital	**$ 52,940**	$ 54,166
Contributed Surplus	**2,624**	1,946
Deficit	**(2,563)**	(1,295)
	$ 53,001	$ 54,817

Unaudited (in thousands except share and per share amounts)

10. Financial instruments (continued)

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.

10.2 Foreign currency risk management

The Company's activities expose it primarily to the financial risks of changes in the U.S. dollar exchange rates. The Company enters into a variety of derivative financial instruments to hedge the exchange rate risk arising on the anticipated sales of office furniture to the U.S. The use of financial derivatives is governed by the Company's policies approved by the Board of 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 January 31, 2012, the Company has six U.S. dollar hedge contracts ("Participating Forward") with settlement dates from February 2012 to September 2013. The amount of U.S. dollars the Company can sell and the selling price under each contract is dependent on the spot CAD/USD rate on each settlement date as follows:

Spot CAD/USD rate on each settlement date	Transactions	Rate Parameters for contracts	Amount per contract
Spot < Threshold Rate	No transaction will take place on settlement date	Threshold Rate: $0.935 to $0.94 CAD per USD dependent on contract	Nil
Threshold Rate ≤ Spot ≤ Strike Price	The Company has to sell the contracted amount at the Strike Price	Strike Price: $1.0155 to $1.08 CAD per USD dependent on contract	From US$1 million to $2 million dependent on contract
Strike Price ≤ Spot ≤ Participating Rate	The Company can sell U.S. dollars at spot rate at its own discretion without obligation	Participating Rate: $1.065 to $1.1582 CAD per USD dependent on contract	No limit
Spot > Participating Rate	The Company has to sell the higher contracted amount at the Strike Price		From US$1.35 million to $2.5 million dependent on contract

10. Financial instruments (continued)

Total contracted amounts under the six contracts are US$43,300 if the spot CAD/USD rate on settlement date is between the Threshold Rate and the Participating Rate. Total contracted amount will become US$56,150 if the spot CAD/USD rate on settlement date is higher than the Participating Rate.

As at January 31, 2012, these contracts had a mark-to-market gain of $702, which was recognized on the statement of financial position and the statement of operations.

The Company has another U.S. dollar hedge contract ("Variable Rate Forward") with settlement dates from May 2013 to September 2013. Under the contract, the Company has to sell U.S. $1,000 on each of the five settlement dates at $1.04 Canadian dollar if the spot U.S. exchange rate on the settlement dates is at $1.04 or lower. If on the settlement dates the U.S. spot rate is higher than $1.04 but lower than or equal to $1.149, the Company has no obligation to sell U.S. dollars. If the U.S. spot rate on the settlement dates is higher than $1.149, the Company has to sell US$1,250 at $1.04 Canadian dollars.

As at January 31, 2012, this contract had a mark-to-market gain of $177, which was recognized on the statement of financial position and the statement of operations.

Foreign currency sensitivity analysis

Based on the existing average forward contract exchange rate and the mix of U.S. dollar denominated sales and expenses for the nine-month period ended January 31, 2012, a 5% change in the Canadian dollar against the U.S. dollar would have approximately $940 impact on the Company's pre-tax earnings (2011 – approximately $150).

The Company's sensitivity to foreign currency has increased during the current period mainly due to the substantial decrease in the amount of U.S. dollar hedge contracts.

10.3 Interest rate risk management

The Company's cash equivalents and short-term investments are subject to the risk that investment 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 ended January 31, 2012, each 100 basis point variation in the market interest rate is estimated to result in a change of $98 in the Company's investment income (2011 - $118).

10. Financial instruments (continued)

10.4 Credit risk management

The Company's cash and cash equivalents, short-term investments, trade accounts receivable and derivative assets are subject to the risk that the counter-parties may fail to discharge their obligation to pay the Company. The Company's investment policy specifies the types of permissible investments, the minimum credit ratings required and the maximum balances allowed. The purchase of any securities carrying a credit rating below BBB for bonds or R1-Low for commercial paper is prohibited. Management reports to the Board of Directors quarterly the Company's investment portfolios to show their compliance with the investment policy. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Company has credit policies and procedures to manage trade accounts receivable credit risk by assessing new customers' credit history, reviewing of credit limits, monitoring aging of accounts receivable and establishing an allowance for doubtful accounts based on specific customer information and general historical trends. Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable. As at January 31, 2012, the allowance for doubtful accounts was $156 (April 30, 2011 - $164).

10.5 Liquidity risk management

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 financial liabilities.

The Company is debt-free and has access to financing facilities, which were unused at the end of the reporting period (2011: unused). The Company expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets.

Unaudited (in thousands except share and per share amounts)

10. Financial instruments (continued)

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).

	January 31, 2012		
	Level 1	Level 2	Level 3
Short-term investments	**$ 11,946**	$ -	$ -
Derivative assets	**-**	**880**	-
	$ 11,946	**$ 880**	$ -

	April 30, 2011		
	Level 1	Level 2	Level 3
Short-term investments	$ 19,022	$ -	$ -
Derivative assets	-	2,101	-
	$ 19,022	$ 2,101	$ -

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

11. Other long-term obligations

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

Unaudited (in thousands except share and per share amounts)

12. Related party transactions

12.1 Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

12.2 Compensation of key management personnel

The remuneration of directors and other members of key management personnel during the period was as follows.

	Nine Months Ended January 31,			
		2012		2011
Salaries and short-term benefits	**$**	**1,109**	$	1,556
Post-employment benefits		**21**		13
Share-based payment		**107**		628
	$	**1,237**	$	2,197