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

	October 31 2010	April 30 2010
ASSETS		
CURRENT		
Cash and cash equivalents	**$ 4,646**	$ 2,675
Short-term investments	**14,678**	17,073
Accounts receivable	**15,795**	11,180
Inventory (Note 3)	**5,578**	4,550
Derivative assets	**4,333**	7,537
Income taxes receivable	**210**	539
Prepaid expenses	**836**	775
	46,076	44,329
CAPITAL ASSETS	**25,252**	25,309
INTANGIBLE ASSETS	**859**	871
DERIVATIVE ASSETS	**222**	381
DEFERRED PENSION ASSETS	**1,813**	1,933
FUTURE INCOME TAX ASSETS	**1,547**	2,658
	$ 75,769	$ 75,481
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	**$ 10,705**	$ 8,175
OTHER LONG-TERM OBLIGATIONS	**404**	261
FUTURE INCOME TAX LIABILITIES	**4,398**	5,488
	15,507	13,924
SHAREHOLDERS' EQUITY		
SHARE CAPITAL (Note 4)	**54,431**	57,059
CONTRIBUTED SURPLUS (Note 4)	**1,825**	84
ACCUMULATED OTHER COMPREHENSIVE INCOME	**2,427**	4,992
RETAINED EARNINGS (DEFICIT)	**1,579**	(578)
	60,262	61,557
	$ 75,769	$ 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,

M Bhayana

Director
Madan Bhayana

Director
Robert G. Long

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

	Three Months Ended October 31,		Year-to-date Ended October 31,	
	2010	2009	**2010**	2009
SALES	**$ 25,066**	$ 16,783	**$ 42,760**	$ 34,180
COST OF GOODS SOLD including amortization of $1,524 (2009 - $1,540)	**17,248**	12,690	**29,518**	25,700
GROSS MARGIN	**7,818**	4,093	**13,242**	8,480
EXPENSES				
Selling, general and administrative including amortization of $374 (2009 - $430)	**5,605**	4,812	**10,449**	9,758
Unrealized loss on foreign exchange	**30**	9	**27**	581
Unrealized gain on derivatives	**(146)**	-	**(298)**	-
Interest income	**(67)**	(153)	**(204)**	(245)
	5,422	4,668	**9,974**	10,094
INCOME (LOSS) BEFORE TAXES	**2,396**	(575)	**3,268**	(1,614)
INCOME TAXES (RECOVERY)	**845**	(100)	**1,111**	(177)
NET INCOME (LOSS)	**$ 1,551**	$ (475)	**$ 2,157**	$ (1,437)
BASIC AND DILUTED INCOME (LOSS) PER SHARE (Note 4)	**$ 0.11**	$ (0.03)	**$ 0.15**	$ (0.10)

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

	Three Months Ended October 31,		Year-to-date Ended October 31,	
	2010	2009	**2010**	2009
NET INCOME (LOSS)	**$ 1,551**	$ (475)	**$ 2,157**	$ (1,437)
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAXES				
Unrealized gains on derivatives designated as cash flow hedges, (three-month net of taxes of $88, 2009 - $408, year-to-date net of taxes of $8, 2009 - $1,645)	**211**	(922)	**(20)**	3,721
Reclassification of losses (gains) on derivatives designated as cash flow hedges to income, (three-month net of taxes of $506, 2009 - $162, year-to-date net of taxes of $1,065, 2009-$368)	**(1,281)**	356	**(2,545)**	808
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAXES	**(1,070)**	(566)	**(2,565)**	4,529
COMPREHENSIVE INCOME (LOSS) , NET OF TAXES	**$ 481**	$ (1,041)	**$ (408)**	$ 3,092

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 October 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, 2010	$ 57,059	$ 84	$ 4,992	$ (578)	$ 4,414	$ 61,557
Share Buy-back (Note 4)	(2,628)	1,741	-	-	-	(887)
Net Income	-	-	-	2,157	2,157	2,157
Other Comprehensive Loss	-	-	(2,565)	-	(2,565)	(2,565)
BALANCE - October 31, 2010	$ 54,431	$ 1,825	$ 2,427	$ 1,579	$ 4,006	$ 60,262

Period Ended October 31, 2009

	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income ("AOCI")	Retained Earnings	Total AOCI and Retained Earnings	Total Shareholders' Equity
BALANCE - May 1, 2009	$ 57,059	$ 84	$ 23	$ 511	$ 534	$ 57,677
Net Loss	-	-	-	(1,437)	(1,437)	(1,437)
Other Comprehensive Income	-	-	4,529	-	4,529	4,529
BALANCE - October 31, 2009	$ 57,059	$ 84	$ 4,552	$ (926)	$ 3,626	$ 60,769

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 October 31,		Year-to-date Ended October 31,	
	2010	2009	**2010**	2009
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:				
OPERATING ACTIVITIES				
Net income (loss)	**$ 1,551**	$ (475)	**$ 2,157**	$ (1,437)
Items not affecting cash:				
Amortization	**963**	1,005	**1,899**	1,970
Pension expense	**255**	184	**490**	364
Unrealized loss (gain) on short-term investments held for trading	**(88)**	39	**(178)**	84
Unrealized gain on derivatives	**(146)**	-	**(298)**	-
Future income taxes	**845**	(100)	**1,111**	(177)
Derivative assets and liabilities	**(67)**	(34)	**49**	(670)
Deferred expenses and other expenses	**(1)**	(3)	**(13)**	(93)
Stock based compensation	**144**	41	**155**	90
Unrealized loss on foreign exchange	**30**	9	**27**	581
Gain on sale of capital assets	**(26)**	-	**(21)**	-
	3,460	666	**5,378**	712
Employer's contribution to pension funds	**(190)**	(227)	**(367)**	(370)
Changes in non-cash operating working capital items	**(1,678)**	811	**(2,890)**	(519)
Cash generated from (used for) operating activities	**1,592**	1,250	**2,121**	(177)
FINANCING ACTIVITIES				
Share buy-back (Note 4)	**(27)**	-	**(887)**	-
INVESTING ACTIVITIES				
Short-term investments held for trading	**3,639**	(3,706)	**2,573**	(3,957)
Additions to capital assets	**(1,233)**	(279)	**(1,854)**	(580)
Proceeds from sale of capital assets	**27**	-	**34**	-
Cash generated from (used for) investing activities	**2,433**	(3,985)	**753**	(4,537)
Unrealized foreign exchange gain (loss) on cash and cash equivalents	**83**	-	**(16)**	(83)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**4,081**	(2,735)	**1,971**	(4,797)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	**565**	11,795	**2,675**	13,857
CASH AND CASH EQUIVALENTS, END OF PERIOD	**$ 4,646**	$ 9,060	**$ 4,646**	$ 9,060
CASH AND CASH EQUIVALENTS CONSIST OF:				
Cash	**$ 2,934**	$ 1,842	**$ 2,934**	$ 1,842
Cash equivalents	**1,712**	7,218	**1,712**	7,218
	$ 4,646	$ 9,060	**$ 4,646**	$ 9,060
SUPPLEMENTAL INFORMATION				
Income taxes paid (refund received)	**$ (337)**	$ (1)	**$ (337)**	$ (1)

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 is evaluating the impact on the adoption of this standard.

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's conversion to IFRS is progressing as planned and is in the process of estimating the conversion's impact on its financial position and results of operations.

Unaudited (in thousands except share and per share amounts)

3. INVENTORY

	October 31, 2010	April 30, 2009
Raw materials	**$ 3,887**	$ 3,502
Work-in-progress	**496**	360
Finished goods	**1,195**	688
	$ 5,578	$ 4,550

For the three-month period ended October 31, 2010, inventories of $17,468 were expensed and included in cost of goods sold (2009 - $12,732). For the six-month period ended October 31, 2010, inventories of $29,875 were expensed and included in cost of goods sold (2009 - $25,911).

4. SHARE CAPITAL

	October 31, 2010	April 30, 2009
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
9,301,797 Class B subordinated voting shares (April 30, 2010 - 9,750,936)	**54,056**	56,684
	$ 54,431	$ 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 October 31, 2010, 10,822 Class B subordinated shares have been repurchased under the NCIB and 7,822 shares have been cancelled, with the remaining 3,000 shares cancelled in November 2010.

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	(452)	(2,628)	1,772
Share buy-back expenses			(31)
Balance at October 31, 2010	14,645	$ 54,431	$ 1,825

5. EARNINGS PER SHARE

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

Three Months Ended October 31,		
Numerator	**2010**	2009
Net income (loss) for the quarter for basic and diluted earnings per share	**$ 1,551**	$ (475)
Denominator		
Weighted average number of shares outstanding for basic earnings per share	**14,653,768**	15,096,817
Weighted average number of shares outstanding for diluted earnings per share	**14,740,571**	15,096,817

Six Months Ended October 31,		
Numerator	**2010**	2009
Net income (loss) for the period for basic and diluted earnings per share	**$ 2,157**	$ (1,437)
Denominator		
Weighted average number of shares outstanding for basic earnings per share	**14,848,909**	15,096,817
Weighted average number of shares outstanding for diluted earnings per share	**14,862,179**	15,099,966

Stock options for 232,500 shares were not included in the computation of basic income per share for the three-month period ended October 31, 2010 (2009 – 642,500) as they are anti-dilutive for the period. Stock options for 270,000 shares were not included in the computation of basic income per share for the six-month period ended October 31, 2010 (2009 – 642,500) 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 October 31,	2010	2009
Sales from		
United States	**$ 21,941**	$ 14,280
Canada	**3,082**	$ 2,368
Other	**43**	135
	$ 25,066	$ 16,783

Six Months Ended October 31,	2010	2009
Sales from		
United States	**$ 37,287**	$ 29,363
Canada	**4,801**	4,626
Other	**672**	191
	$ 42,760	$ 34,180

	October 31, 2010	April 30, 2010
Capital Assets		
Canada	**$ 20,995**	$ 21,096
United States	**4,257**	4,213
	$ 25,252	$ 25,309

7. PENSION EXPENSE

Total pension expense relating to the various defined benefit plans is $255 for the three-month period ended October 31, 2010 (2009 - $184). Total pension expense relating to the various defined benefit plans is $490 for the six-month period ended October 31, 2010 (2009 - $364).

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 October 31, 2010, the allowance for doubtful accounts was $192 (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:

	October 31, 2010	April 30, 2010
Cash and cash equivalents	**$ 4,646**	$ 2,675
Short-term investments	**14,678**	17,073
Accounts receivable prior to provisions for doubtful accounts	**15,987**	11,397
Derivative assets	**4,555**	7,918
	$ 39,866	$ 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 October 31, 2010, 14 forward contracts totalling $4,200 under the two agreements were accumulated. At the end of October 31, 2010, the agreements had a mark-to-market gain of $516. 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 October 31, 2010, the Company has a series of outstanding forward contracts (including the accumulating forward contracts disclosed above) due from November 2010 to December 2011 to sell a total of U.S. $32,568 (2009 - U.S. $58,000) at an average exchange rate of Canadian $1.16 (2009 - $1.20). The mark-to-market values of the contracts had a net gain of $4,554 as at October 31, 2010 (2009 –$6,735). In accordance with the accounting policy on cash flow hedges for anticipated transactions, $1,083 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 $3,471 ($2,427 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 six-month period ended October 31, 2010, each 100 basis point variation in the market interest rate is estimated to result in a change of $82 in the Company’s interest income (2009 - $92).

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 October 31, 2010.

(e) Fair value hierarchy

The following table presents the fair value hierarchy for the Company's financial instruments measured at fair value at October 31, 2010:

	Level 1	Level 2	Level 3
Cash and cash equivalents	**$ 4,646**	$ -	$ -
Short-term investments	**14,678**	-	-
Derivative assets	**-**	**4,555**	-
	$ 19,324	$ **4,555**	$ -

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:

	October 31, 2010	April 30, 2010
Share Capital	**$ 54,431**	$ 57,059
Contributed Surplus	**1,825**	84
Retained Earnings (Deficit)	**1,579**	(578)
	$ 57,835	$ 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 October 31, 2010, the Company has not drawn on the demand operating credit.

11. SUBSEQUENT EVENT

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 gathering more information on the NYSWC Board's assessment. At this time, the Company is unable to evaluate the merit of the assessment and to estimate with certainty the costs that may be incurred to address this matter.