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

		April 30 2011		April 30 2010
ASSETS				
CURRENT				
Cash and cash equivalents	$	7,545	$	2,675
Short-term investments		19,022		17,073
Trade and other receivables		9,099		11,180
Inventory (Note 3)		4,010		4,550
Derivative assets (Note 8)		2,101		7,537
Income taxes receivable		206		539
Prepaid expenses		815		775
		42,798		44,329
CAPITAL ASSETS		25,209		25,309
INTANGIBLE ASSETS		912		871
DERIVATIVE ASSETS		-		381
DEFERRED PENSION ASSETS		1,690		1,933
FUTURE INCOME TAX ASSETS		1,447		2,658
	$	72,056	$	75,481
LIABILITIES				
CURRENT				
Accounts payable and accrued liabilities	$	9,191	$	8,175
OTHER LONG-TERM OBLIGATIONS		978		261
FUTURE INCOME TAX LIABILITIES		3,369		5,488
		13,538		13,924
SHAREHOLDERS' EQUITY				
SHARE CAPITAL (Note 4)		54,166		57,059
CONTRIBUTED SURPLUS (Note 4)		1,946		84
ACCUMULATED OTHER COMPREHENSIVE INCOME		129		4,992
RETAINED EARNINGS (DEFICIT)		2,277		(578)
		58,518		61,557
	$	72,056	$	75,481

See accompanying notes to the financial statements

Approved by the Board of Directors,

Chairman and Chief Executive Officer
Madan Bhayana

Director
Robert G. Long

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

	Three Months Ended April 30,		Year Ended April 30,	
	2011	2010	**2011**	2010
SALES	**$ 19,855**	$ 17,719	**$ 87,405**	$ 71,129
COST OF GOODS SOLD including amortization (three-month $850, 2010 - $808, year-to-date $3,163, 2010 - $3,144)	**14,722**	12,466	**62,139**	52,181
GROSS MARGIN	**5,133**	5,253	**25,266**	18,948
EXPENSES				
Selling, general and administrative including amortization (three-month $252, 2010 - $240, year-to-date $803, 2010 - $904)	**5,687**	5,400	**22,103**	20,299
Unrealized loss on foreign exchange	**216**	107	**365**	730
Unrealized gain on derivatives (Note 8)	**(408)**	(200)	**(1,081)**	(200)
Interest income	**(171)**	(174)	**(525)**	(586)
	5,324	5,133	**20,862**	20,243
INCOME (LOSS) BEFORE TAXES	**(191)**	120	**4,404**	(1,295)
INCOME TAX EXPENSE (RECOVERY)	**15**	(121)	**1,549**	(206)
NET INCOME (LOSS)	**$ (206)**	$ 241	**$ 2,855**	$ (1,089)
BASIC AND DILUTED INCOME (LOSS) PER SHARE (Note 10)	**$ (0.01)**	$ 0.02	**$ 0.19**	$ (0.07)

See accompanying notes to the financial statements

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

	Three Months Ended April 30,		Year Ended April 30,	
	2011	2010	**2011**	2010
NET INCOME (LOSS)	**$ (206)**	$ 241	**$ 2,855**	$ (1,089)
OTHER COMPREHENSIVE (LOSS) INCOME, NET OF TAXES				
Unrealized gains on derivatives designated as cash flow hedges, (three-month net of taxes of $41, 2010 - $187, year-to-date $20, 2010 - $1,726)	**(87)**	653	**58**	4,136
Reclassification of (gains) losses on derivatives designated as cash flow hedges to income, (three-month net of taxes of $404, 2010 - $53, year-to-date $2,059, 2010-$380)	**(965)**	(116)	**(4,921)**	833
OTHER COMPREHENSIVE (LOSS) INCOME, NET OF TAXES	**(1,052)**	537	**(4,863)**	4,969
COMPREHENSIVE (LOSS) INCOME , NET OF TAXES	**$ (1,258)**	$ 778	**$ (2,008)**	$ 3,880

See accompanying notes to the financial statements

INSCAPE CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Unaudited)(in thousands)
Year Ended April 30, 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 Repurchase (Note 8)	(2,893)	1,862	-	-	-	(1,031)
Net Income	-	-	-	2,855	2,855	2,855
Other Comprehensive Loss	-	-	(4,863)	-	(4,863)	(4,863)
BALANCE - April 30, 2011	$ 54,166	$ 1,946	$ 129	$ 2,277	$ 2,406	$ 58,518

Year Ended April 30, 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	-	-	-	(1,089)	(1,089)	(1,089)
Other Comprehensive Income	-	-	4,969	-	4,969	4,969
BALANCE - April 30, 2010	$ 57,059	$ 84	$ 4,992	$ (578)	$ 4,414	$ 61,557

See accompanying notes to the financial statements

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

	Three Months Ended April 30,		Year Ended April 30,	
	2011	2010	**2011**	2010
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:				
OPERATING ACTIVITIES				
Net income (loss)	**$ (206)**	$ 241	**$ 2,855**	$ (1,089)
Items not affecting cash:				
Amortization	**1,102**	1,208	**3,966**	4,048
Pension expense	**233**	150	**987**	696
Unrealized (gain) loss on short-term investments held for trading	**48**	151	**(25)**	273
Unrealized gain on derivatives	**(408)**	(200)	**(1,081)**	(200)
Future income taxes	**(260)**	(121)	**1,095**	(206)
Derivative assets and liabilities	**246**	(437)	**64**	(1,285)
Deferred expenses and other expenses	**-**	(86)	**(13)**	(191)
Stock based compensation	**(190)**	7	**370**	84
Unrealized loss on foreign exchange	**216**	107	**365**	730
Loss (Gain) on sale of capital assets	**(6)**	36	**80**	51
Employer's contribution to pension funds	**(204)**	(166)	**(760)**	(732)
Changes in non-cash operating working capital items	**4,507**	(1,272)	**3,822**	(2,302)
Cash generated from (used for) operating activities	**5,078**	(382)	**11,725**	(123)
FINANCING ACTIVITIES				
Share repurchase (Note 4)	**(43)**	-	**(1,031)**	-
INVESTING ACTIVITIES				
Short-term investments held for trading	**(2,110)**	(2,123)	**(1,924)**	(6,076)
Additions to capital assets and intangible assets	**(1,199)**	(673)	**(4,058)**	(4,952)
Proceeds from sale of capital assets	**6**	6	**60**	8
Cash used for investing activities	**(3,303)**	(2,790)	**(5,922)**	(11,020)
Unrealized foreign exchange gain (loss) on cash and cash equivalents	**25**	30	**98**	(39)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**1,757**	(3,142)	**4,870**	(11,182)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	**5,788**	5,817	**2,675**	13,857
CASH AND CASH EQUIVALENTS, END OF PERIOD	**$ 7,545**	$ 2,675	**$ 7,545**	$ 2,675
CASH AND CASH EQUIVALENTS CONSIST OF:				
Cash	**$ 3,010**	$ 735	**$ 3,010**	$ 735
Cash equivalents	**4,535**	1,940	**4,535**	1,940
	$ 7,545	$ 2,675	**$ 7,545**	$ 2,675
SUPPLEMENTAL INFORMATION				
Income taxes paid net of refund received	**$ 442**	$ (3)	**$ 111**	$ 1

See accompanying notes to the financial statements

Unaudited (in thousands except share and per share amounts)

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, fair value of share-based compensation and defined benefit pension amounts. Actual results could differ from those estimates.

2. ACCOUNTING POLICIES

Future Accounting Policy Changes

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 first mandatory filing under IFRS, which will be the first quarter of fiscal year 2012, will contain IFRS compliant information on a comparative basis, as well as reconciliations for that quarter and as of the May 1, 2010 transition date. Although IFRS uses a conceptual framework similar to the Canadian GAAP, there are significant differences in recognition, measurement and disclosure. The Company is in the process of finalizing the impact to its consolidated financial statements.

3. INVENTORY

	2011	2010
Raw materials	**$ 2,994**	$ 3,502
Work-in-progress	**378**	360
Finished goods	**638**	688
	$ 4,010	$ 4,550

For the three-month period ended April 30, 2011, inventories of $14,292 were expensed and included in cost of goods sold (2010 - $12,050). For the twelve-month period ended April 30, 2011, inventories of $60,537 were expensed and included in cost of goods sold (2010 - $50,742).

Unaudited (in thousands except share and per share amounts)

4. SHARE CAPITAL

On July 9, 2010, the Company repurchased 441,317 Class B subordinated voting shares from a former officer of the Company at $1.88 per share. The shares were returned to treasury for cancellation on July 21, 2010.

In September 2010 the Company received approval from the Toronto Stock Exchange to launch a one-year share buy-back program - Normal Course Issuer Bid ("NCIB"). Under the NCIB, the Company can repurchase from the market for cancellation up to a maximum of 465,481 Class B subordinated voting shares at prevailing market prices over a twelve month period ending in September 2011. As at April 30, 2011, 56,340 Class B subordinated voting shares have been repurchased at an average of $2.91 per share. 51,829 of the shares were cancelled as at April 30, 2011 with the remaining 4,511 shares cancelled in May 2011.

At the beginning of the fiscal year, 5,345,881 Class A multiple voting shares and 9,750,936 Class B subordinated voting shares were outstanding. As at April 30, 2011, 5,345,881 Class A multiple voting shares and 9,253,279 Class B subordinated voting shares were outstanding. The Class A multiple voting shares carries ten votes each. The Class B subordinated voting shares carries one vote each.

The following is reconciliation of the share capital and contributed surplus as a result of the repurchase from the ex-officer and the NCIB:

Authorized
7,670,881 Class A multiple voting shares, 10 votes per share
Unlimited Class B subordinated voting shares, 1 vote per share

Issued	May 1, 2010 Opening	Repurchase	April 30, 2011 Ending
Class A multiple voting	5,345,881		5,345,881
Class B subordinated voting	9,750,936	(497,657)	9,253,279
Total number of shares	15,096,817	(497,657)	14,599,160
Class A multiple voting	$ 375	$ -	$ 375
Class B subordinated voting	56,684	(2,893)	53,791
	$ 57,059	$ (2,893)	$ 54,166
Contributed surplus	$ 84	$ 1,862	$ 1,946

Unaudited (in thousands except share and per share amounts)

5. EARNINGS PER SHARE

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

	Three Months Ended April 30,	
Numerator	**2011**	2010
Net (loss) income for the quarter for basic and diluted earnings per share	**$ (206)**	$ 241
Denominator		
Weighted average number of shares outstanding for basic earnings per share	**14,609,145**	15,096,817
Weighted average number of shares outstanding for diluted earnings per share	**14,798,142**	15,096,817

	Twelve Months Ended April 30,	
Numerator	**2011**	2010
Net income (loss) for the year for basic and diluted earnings per share	**$ 2,855**	$ (1,089)
Denominator		
Weighted average number of shares outstanding for basic earnings per share	**14,721,144**	15,096,817
Weighted average number of shares outstanding for diluted earnings per share	**14,790,753**	15,132,323

Stock options for 60,000 shares were not included in the computation of basic income per share for the three-month period ended April 30, 2011 (2010 – 270,000) as they are anti-dilutive for the period. Stock options for 187,500 shares were not included in the computation of basic income per share for the twelve-month period ended April 30, 2011 (2010 – 232,500) 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 April 30,		**2011**		2010
Sales from				
United States	**$**	**17,163**	$	15,564
Canada		**1,863**		2,139
Other		**829**		16
	$	**19,855**	$	17,719

Twelve Months Ended April 30,		**2011**		2010
Sales from				
United States	**$**	**75,549**	$	62,426
Canada		**10,115**		8,390
Other		**1,741**		313
	$	**87,405**	$	71,129

		April 30, 2011		April 30, 2010
Capital Assets				
Canada	**$**	**20,579**	$	21,096
United States		**4,630**		4,213
	$	**25,209**	$	25,309

7. PENSION EXPENSE

Total pension expense relating to the various defined benefit plans is $233 for the three-month period ended April 30, 2011 (2010 - $150). Total pension expense relating to the various defined benefit plans is $987 for the twelve-month period ended April 30, 2011 (2010 - $696).

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 obligations 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 strictly prohibited. Management reports to the Board of Directors quarterly the Company's investment portfolios.

The counterparty of the Company's derivatives is a major Canadian bank.

The Company has credit policies and procedures in place to manage trade accounts receivable credit risk through assessment of new customers' credit history, periodical review of credit limits, analysis of the aging of accounts receivable and provisions 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 April 30, 2011, the provision for doubtful accounts was $164 (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:

		2011		2010
Cash and cash equivalents	**$**	**7,545**	$	2,675
Short-term investments		**19,022**		17,073
Accounts receivable prior to provisions for doubtful accounts		**9,264**		11,397
Derivative assets		**2,101**		7,918
	$	**37,932**	$	39,063

(b) Currency risk – The Company's U.S. dollar ("USD") 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 U.S. dollar exchange rates 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.

As at April 30, 2011, the Company has a series of outstanding forward contracts to be settled from May to June 2011 to sell a total of U.S. $4,000 at an average exchange rate of Canadian $1.15 per USD (2010 – U.S. $44,100 at $1.20). The mark-to-market values of the contracts had a gain of $818 (2010 –$7,717). In accordance with the accounting policy applicable to cash flow hedge of anticipated transactions, $611 of the gain (2010 – $608) was accrued in current year's earnings and the remaining $207($129 after tax) was recorded in accumulated other comprehensive income (2010 – $7,109,$4,922 after tax). The full amount of $207 is expected to be reclassified to net income within the next 12 months.

The Company has entered 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 from March 2010 to October 2011 under the February agreement and to accumulate another U.S. $300 per month from 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 April 30, 2011, 25 forward contracts totalling U.S. $7,500 under these two agreements were accumulated, with a mark-to-market gain of $1,273 recorded as derivative asset on the balance sheet and an unrealized derivative gain of $1,020 recognized in the current year's statement of operations.

Based on the existing average forward contract exchange rate and the mix of U.S. dollar denominated sales and expenses for the year ended April 30,2011, variation in the U.S. dollar spot exchange rate has no material impact on the Company's net earnings because the unhedged U.S. dollar sales almost offset U.S. dollar expenses. Net earnings for the year ended April 30, 2010 had similar sensitivity to variation in the U.S. dollar spot exchange rate.

(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 year ended April 30,2011, each 100 basis point variation in the market interest rate is estimated to result in a change of $155 in the Company's interest income (2010 - $120).

(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 financial liabilities. The Company has no debt outstanding and has a line of credit of $10,000 which remained unused as at April 30, 2011 (see Note 9).

Unaudited (in thousands except share and per share amounts)

(e) Fair value hierarchy

The fair value hierarchy that reflects the significance of the inputs used in making the measurements has the following levels:

(i) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);

(ii) inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and

(iii) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The following table presents the fair value hierarchy for the Company's financial instruments measured at fair value at April 30, 2011:

	Level 1	Level 2	Level 3
Cash and cash equivalents	**$ 7,545**	$ -	$ -
Short-term investments	**19,022**	-	-
Derivative assets	**-**	**2,101**	-
	$ 26,567	**$ 2,101**	$ -

During the year, there has been no transfer of amounts between the levels.

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:

	2011	2010
Share Capital	**$ 54,166**	$ 57,059
Contributed Surplus	**1,946**	84
Retained Earnings (Deficit)	**2,277**	(578)
	$ 58,389	$ 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 for the Company's externally imposed covenants.

10. CREDIT FACILITY

The Company has a demand operating line of 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 year.

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 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 statements of operations.