Interim Condensed Consolidated Financial Statements

INSCAPE CORPORATION

(Unaudited)

July 31, 2019 and 2018

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INSCAPE CORPORATION

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(unaudited, in thousands of Canadian dollars)

	Note	As at July 31, 2019	As at April 30, 2019
ASSETS			
Current assets			
Cash		**$ 2,977**	$ 3,265
Trade and other receivables	3	**13,424**	13,416
Inventories	4	**7,224**	6,577
Income taxes receivable		**-**	9
Prepaid expenses		**1,103**	692
		24,728	23,959
Non-current assets			
Property, plant and equipment		**13,418**	13,800
Right-of-use assets, net		**3,852**	-
Intangible assets		**1,805**	1,768
		19,075	15,568
TOTAL ASSETS		**$ 43,803**	$ 39,527
LIABILITIES			
Current liabilities			
Trade and other payables		**$ 17,086**	$ 15,157
Lease liability		**1,468**	-
Fair value of derivative financial liabilities	5.2	**296**	1,052
Provisions		**388**	387
		19,238	16,596
Non-current liabilities			
Provisions		**1,248**	1,053
Lease liability		**2,692**	-
Fair value of derivative financial liabilities	5.2	**253**	345
Retirement benefit obligation		**3,934**	3,917
Other long-term obligations		**235**	523
		8,362	5,838
TOTAL LIABILITIES		**27,600**	22,434
SHAREHOLDERS' EQUITY			
Shareholders' capital	6	**52,868**	52,868
Contributed surplus		**2,675**	2,675
Accumulated other comprehensive loss		**(724)**	(578)
Deficit		**(38,616)**	(37,872)
TOTAL SHAREHOLDERS' EQUITY		**16,203**	17,093
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$ 43,803**	$ 39,527

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

Approved by the Board of Directors,

(signed)
Bartley Bull
Chairman

(signed)
Eric Ehgoetz
Director

INSCAPE CORPORATION

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
For the first quarter ended July 31
(unaudited)
(in thousands of Canadian dollars, except where indicated and per share amounts)

	Note		2019		2018
Sales	8	**$**	**20,677**	$	21,226
Cost of goods sold	9		**14,899**		15,734
GROSS PROFIT			**5,778**		5,492
EXPENSES					
Selling, general and administrative	9		**7,263**		8,019
Unrealized loss on foreign exchange			**31**		316
Unrealized (gain) loss on derivatives	5.2		**(848)**		668
Loss (gain) on disposal of capital assets & intangibles			**28**		(295)
Investment income			**(5)**		(11)
			6,469		8,697
Loss before taxes			**(691)**		(3,205)
Income tax	12				
Current			**53**		-
			53		-
NET LOSS		**$**	**(744)**	$	(3,205)
Net loss per share available to shareholders	7				
Basic		**$**	**(0.05)**	$	(0.22)
Diluted		**$**	**(0.05)**	$	(0.22)

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

INSCAPE CORPORATION

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
For the first quarter ended July 31
(unaudited, in thousands of Canadian dollars)

	Note		2019		2018
NET LOSS		**$**	**(744)**	$	(3,205)
OTHER COMPREHENSIVE LOSS					
Items that may be reclassified to earnings					
Exchange (loss) gain on translating foreign operations			**(146)**		146
Other comprehensive (loss) gain			**(146)**		146
TOTAL COMPREHENSIVE LOSS		**$**	**(890)**	$	(3,059)

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

INSCAPE CORPORATION

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(unaudited, in thousands of Canadian dollars)

	Share Capital	Contributed Surplus	Cumulative Remeasurement of Defined Benefit Liabilities	Cumulative Translation Gain (Loss)	Deficit	Total Shareholders' Equity
Balance, April 30, 2019	**$ 52,868**	**$ 2,675**	**$ (1,844)**	**$ 1,266**	**$ (37,872)**	**$ 17,093**
Net loss	-	-	-	-	(744)	(744)
Other Comprehensive loss	-	-	-	(146)	-	(146)
Balance, July 31, 2019	**$ 52,868**	**$ 2,675**	**$ (1,844)**	**$ 1,120**	**$ (38,616)**	**$ 16,203**
Balance, April 30, 2018	$ 52,868	$ 2,675	$ (979)	$ 889	$ (29,126)	$ 26,327
Net loss	-	-	-	-	(3,205)	(3,205)
Other Comprehensive income	-	-	-	146	-	146
Balance, July 31, 2018	$ 52,868	$ 2,675	$ (979)	$ 1,035	$ (32,331)	$ 23,268

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

INSCAPE CORPORATION

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the first quarter ended July 31

(unaudited, in thousands of Canadian dollars)

	Note	2019	2018
Net inflow (outflow) of cash related to the following activities:			
OPERATING			
Net loss		**$ (744)**	$ (3,205)
Items not affecting cash			
Amortization and depreciation		**840**	488
Non cash pension expense		**-**	142
Unrealized (gain) loss on derivatives	5.2	**(848)**	668
Share based compensation		**(288)**	35
Unrealized loss on foreign exchange		**31**	312
Loss (gain) on disposal of capital assets & intangibles		**28**	(295)
Pension fund movement		**18**	(131)
Cash used for operating activities before non-cash working capital		**(963)**	(1,986)
Movements in non-cash working capital			
Trade and other receivables		**(100)**	70
Inventories		**(692)**	446
Prepaid expenses		**(420)**	(282)
Trade and other payables		**2,014**	(815)
Lease liability		**4,160**	-
Provisions		**213**	263
Income tax receivables and payables		**14**	3
Cash generated (used) for operating activities		**4,226**	(2,301)
INVESTING			
Short-term investments held for trading		**-**	497
Additions to capital assets & intangibles		**(4,492)**	(635)
Cash used for investing activities		**(4,492)**	(138)
Unrealized foreign exchange loss on cash		**(22)**	(28)
Net cash outflow		**(288)**	(2,467)
Cash, beginning of period		**3,265**	5,380
Cash, end of period		**$ 2,977**	$ 2,913

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

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 (TSX). The Company's registered office is at 67 Toll Road, Holland Landing, Ontario, Canada.

The Company is an office furniture manufacturer with production at two facilities in Canada and the United States in approximately 438,000 square feet of space. Inscape serves its clients through a network of dealers and representatives supported by showrooms across North America.

The Company reports in two business segments, Office Furniture and Walls. The Office Furniture segment includes storage, benching, systems, seating solutions and West Elm Workspace products. The Walls segment includes architectural and movable walls. The West Elm Workspace business ceased operations on June 29, 2018. Currently the Company's head office is located in Holland Landing, Ontario. Inscape's products are manufactured in two facilities: a 306,000 square foot plant in Holland Landing, Ontario, and a 132,000 square foot plant in Falconer, New York.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance with IFRS

These unaudited interim condensed consolidated financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB") using the same accounting policies as those used in the Company's most recent audited annual consolidated financial statements, except for the application of new and revised IFRSs described below under section 2.3. These consolidated financial statements were prepared on a going concern assumption using the historical cost basis except for financial instruments. These consolidated financial statements were approved and authorized for issuance by the Board of Directors of the Company on September 12, 2019.

The interim consolidated financial statements are presented in Canadian dollars, the functional currency of Inscape, and all values are rounded to the nearest thousands, except where indicated. Certain comparative amounts have been restated to conform to the presentation adopted in the current period.

2.2 Basis of preparation

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

2.3 Application of new and revised IFRS

The Company applied, for the first time, IFRS 16 Leases ("IFRS 16") which requires assessment and potential restatement of previous financial statements, where transition adjustments exist.

IFRS 16 supersedes IAS 17 Leases ("IAS 17"), IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

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

As required by IAS 34, the nature and effect of these changes are disclosed below.

Impact of application of IFRS 16

Effective May 1, 2019, the Company adopted IFRS 16 using the modified retrospective approach and accordingly the information presented for 2018 has not been restated. It remains as previously reported under IAS 17 and related interpretations.

IFRS 16 introduces changes to the lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset ("ROU asset") and a lease liability at the lease commencement for all leases, except for short-term leases (lease terms of twelve months or less) and leases of low value assets (a lease of an asset that, when new is less than US$5,000). In applying IFRS 16, the Company recognizes the ROU assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of future lease payments; recognizes the depreciation of ROU assets and interest on lease liabilities in the consolidated statements of operations and comprehensive loss; and separates the total amount of cash paid into a principal portion (presented in financing activities) and interest (presented within operating activities) in the consolidated statements of cash flows. For short-term leases and leases of low value assets, the Company has opted to recognize a lease expense on a straight-line basis, and this expense is presented within selling, general and administrative expenses in the consolidated statements of operations and comprehensive loss.

For leases that were classified as operating leases under IAS 17, lease liabilities at transition have been measured at the present value of remaining lease payments, discounted at the related incremental borrowing rate as at May 1, 2019. The rate applied is the US treasury rate or Canadian benchmark bond rate (depending on the location of the ROU asset and remaining lease term) adjusted for the Company's interest rate spread and the LIBOR spread (for ROU assets in the US) or CDOR spread (for ROU assets in Canada). Generally, ROU assets at transition have been measured at an amount equal to the corresponding lease liabilities, adjusted for any prepaid or accrued rent and deferred rent relating to that lease, with no net impact on retained earnings.

The Company has made use of the following practical expedients available on transition to IFRS 16:

- applied the recognition exemptions for low value leases and leases that end within twelve months of the date of initial application, and account for them as low value and short-term leases respectively;
- has not reassessed, under IFRS 16, contracts that were identified as leases under the previous accounting standard (IAS 17);
- excluded the initial direct costs in the measurement of the right-of-use asset; and
- used hindsight in determining the lease term where the lease contracts contain options to extend or terminate the lease.

The cumulative effect of the changes made to the May 1, 2019 consolidated statement of financial position for the adoption of IFRS 16 is as follows:

	Balance as at April 30, 2019 (as reported)	IFRS 16 adjustments	Balance as at May 1, 2019
Assets			
Right-of-use-assets, net	$ -	4,169	**$ 4,169**
Liabilities			
Accrued liabilities	$ 6,634	(336)	**$ 6,298**
Lease liabilities	$ -	4,455	**$ 4,455**

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

The operating lease arrangements as at April 30, 2019 are reconciled as follows to the recognized lease liabilities as at May 1, 2019:

	Balance as at May 1, 2019
Operating lease obligation as at April 30, 2019	$ 5,100
Effect from discounting at the incremental borrowing rate as at May 1, 2019	(645)
Lease liabilities due to initial application of IFRS 16 as at May 1, 2019	**$ 4,455**

New accounting policy for leases under IFRS 16

The Company assesses whether a contract is or contains a lease, at inception of a contract. The Company recognizes a ROU asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, at the commencement of the lease. The Company has elected not to recognize ROU assets and liabilities for leases where the total lease term is less than or equal to twelve months, or for leases of low value. The Company currently has three low-value assets, for which the lease payments associated with these leases are recognized as an expense on a straight-line basis over the lease term.

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

The ROU asset is depreciated over the shorter of the lease term or the useful life of the underlying asset. The ROU asset is subject to testing for impairment if there is an indicator of impairment.

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

As most of the Company’s operating lease contracts do not provide the implicit interest rate, nor can the implicit interest rate be readily determined, the Company uses its incremental borrowing rate as the discount rate for determining the present value of lease payments. The Company's incremental borrowing rate for a lease is the rate that the Company would pay to borrow an amount necessary to obtain an asset of a similar value to the right-of-use asset on a collateralized basis over a similar term.

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

3. TRADE AND OTHER RECEIVABLES

	As at July 31, 2019	As at April 30, 2019
Trade account receivables, gross	**$ 13,449**	$ 13,576
Provision for bad and doubtful debts	**(294)**	(333)
	13,155	13,243
Other receivables	**269**	173
	$ 13,424	$ 13,416

An aging analysis of trade receivables past due is as follows:

	As at July 31, 2019	As at April 30, 2019
1-30 days	**$ 3,155**	$ 1,736
31-60 days	**1,105**	2,070
61-90 days	**640**	1,134
> 90 days	**2,222**	2,020
	$ 7,122	$ 6,960

4. INVENTORIES

	As at July 31, 2019	As at April 30, 2019
Raw materials	**$ 5,742**	$ 5,505
Work-in-progress	**312**	287
Finished goods	**1,170**	785
	$ 7,224	$ 6,577

During the quarter, there was an inventory write-down of $2 (2018 - $15).

5. FINANCIAL INSTRUMENTS

5.1 Capital risk management

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

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

	As at July 31, 2019	As at April 30, 2019
Shareholders' capital	**$ 52,868**	$ 52,868
Contributed surplus	**2,675**	2,675
Deficit	**(38,616)**	(37,872)
	$ 16,927	$ 17,671

The Company manages its capital structure and makes modifications in response to changes in economic conditions and the risks associated with the underlying strategic initiatives. In order to maintain or adjust the capital structure, the Company may return capital to shareholders, or draw on its line of credit.

See note 10-Credit Facility for a description of the Company's externally imposed covenants.

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

5.2 Foreign currency risk management

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

As at July 31, 2019, the Company had outstanding US dollar hedge contracts with settlement dates from August 2019 to October 2020. The total notional amounts under the contracts are US $37,000 to $46,350 (2018 - $36,000 to $45,150). Dependent on the spot CAD/USD rate on each settlement date, the Company can sell US dollars at rates ranging from $1.27 CAD/USD to $1.41 CAD/USD (2018 - $1.24 CAD/USD to $1.45 CAD/USD). These contracts had a mark-to-market unrealized loss of $549 (US $417) as at July 31, 2019 (2018 – unrealized loss of $316 or US $245), which was recognized on the consolidated statement of financial position as derivative assets and liabilities. Any changes in the net gain or loss from the prior reporting period due to addition of forward contracts, movements in the US currency exchange rate, reclassification of the unrealized gains or losses to realized income or loss are recognized on the consolidated statement of operations as unrealized gain or loss on derivatives of the year.

There was nil realized gains (losses) on the settlement of contracts during the first quarter ended July 31, 2019 (2018- realized loss of $90).

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

	As at July 31, 2019	As at July 31, 2018
Fair value of derivative (liabilities) assets, beginning of period	**$ (1,397)**	$ 349
Changes in fair value during the period:		
Decrease in fair value of new contracts added	**(548)**	(532)
Reversal of derivative liabilities (assets) of contracts	**202**	(90)
Increase (decrease) in fair values of outstanding	**1,194**	(46)
Net increase (decrease) in fair value of derivative liabilities (assets)	**848**	(668)
Fair value of derivative liabilities, end of period	**$ (549)**	$ (319)
Current	**$ (296)**	$ (155)
Long-term	**(253)**	(164)
	$ (549)	$ (319)

5.3 Foreign currency sensitivity analysis

Based on the existing average US currency hedge contract rates and the mix of US dollar denominated sales and expenses for the first quarter ended July 31, 2019, a 1% change in the Canadian dollar against the US dollar would have an impact of approximately $49 on the Company's pre-tax earnings (2018 – $62).

Based on the US dollar denominated assets and liabilities as at July 31, 2019, a 1% change in the Canadian dollar against the US dollar would have an impact of $93 on the unrealized exchange gain or loss reported in the Consolidated Statements of Operations (2018 - $113) and an impact of $347 on the Consolidated Statements of Comprehensive Loss (2018 - $232).

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

5.4 Credit risk management

The Company's cash, 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. As at July 31, 2019, the Company's maximum direct exposure to credit risk is $16,401 (April 30, 2019 - $16,681).

The Company's investment policy specifies the types of permissible investments, the credit ratings required and the maximum balances allowed. The purchase of any securities carrying a credit rating below BBB for bonds or R1-High for commercial paper is prohibited. On a quarterly basis, management reviews the Company's investment portfolio with the Audit Committee to demonstrate compliance with the investment policy. The credit risk on liquid funds and derivative financial instruments is limited as 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 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 July 31, 2019, the allowance for doubtful accounts was $294 (April 30, 2019 - $333).

5.5 Liquidity risk management

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities as they fall due.

The Company is debt-free and has access to financing facilities which were unused at the end of the reporting period (2018 - unused). The Company expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets.

5.6 Fair value hierarchy

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

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

The following table illustrates the classification of financial (liabilities) assets in the fair value hierarchy as at July 31, 2019

	Level 1	Level 2	Level 3
Derivative financial liabilities	-	(549)	-
Total net financial liabilities	**$ -**	**$ (549)**	**$ -**

The following table illustrates the classification of financial (liabilities) assets in the fair value hierarchy as at April 30, 2019:

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

	Level 1	Level 2	Level 3
Derivative financial liabilities	$ -	$ (1,397)	$ -
Total net financial liabilities	$ -	$ (1,397)	$ -

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

6. ISSUED CAPITAL

Authorized
3,345,881 Class A multiple voting shares, 10 votes per share
Unlimited Class B subordinated voting shares, 1 vote per share

Issued and outstanding	**As at July 31, 2019**	As at April 30, 2019
Class A multiple voting	**3,345,881**	3,345,881
Class B subordinated voting	**11,034,820**	11,034,820
	14,380,701	14,380,701

On July 11, 2018 one of the Company's shareholders, Bhayana Management Ltd., converted 2,000,000 Class A Multiple Voting Shares into Class B Subordinated Voting Shares on a one for one basis. Post conversion there are 3,345,881 Class A Multiple Voting Shares and 11,034,820 Class B Subordinated Voting Shares of Inscape Corporation issued and outstanding.

7. EARNINGS (LOSS) PER SHARE

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

	Three months ended July 31	
	2019	2018
Net loss	**$ (744)**	$ (3,205)
Weighted average number of shares outstanding basic	**14,380,701**	14,380,701
Dilution impact of stock options	**-**	11,204
Weighted average number of shares outstanding diluted	**14,380,701**	14,391,905
Basic and diluted loss per share	**$ (0.05)**	$ (0.22)

8. SEGMENTED REPORTING

Inscape's reportable segments include Furniture and Walls. Aggregated in the Furniture segment are Systems, Benching, Storage and Seating, including such products sold by Inscape as well as West Elm Workspace with Inscape. The West Elm Workspace business ceased operations on June 29, 2018. The aggregation is based on the similarity in those products' functionalities, production or procurement process and method of distribution. Walls is a separate segment on its own due to the different nature of movable walls compared to furniture, the production process and the installation services involved in the selling of movable walls.

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

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

	Three months ended July 31	
	2019	2018
Segmented Sales		
Furniture	**$ 15,310**	$ 14,570
Walls	**5,367**	6,656
	$ 20,677	$ 21,226

	Three months ended July 31	
	2019	2018
Segmented Loss		
Furniture	**$ (83)**	$ (1,552)
Walls	**(1,402)**	(975)
	(1,485)	(2,527)
Unrealized loss on foreign exchange	**(31)**	(316)
Unrealized gain (loss) on derivatives	**848**	(668)
(Loss) gain on disposal of capital assets & intangibles	**(28)**	295
Investment income	**5**	11
Net loss before taxes	**(691)**	(3,205)
Income taxes	**(53)**	-
Net loss	**$ (744)**	$ (3,205)

9. SUPPLEMENTAL INFORMATION

9.1 Salaries, wages and benefits

	Three months ended July 31	
	2019	2018
Included in:		
Cost of goods sold	**$ 4,108**	$ 3,740
Selling, general and administrative	**4,245**	4,118
	$ 8,353	$ 7,858

9.2 Amortization and depreciation

	Three months ended July 31	
	2019	2018
Included in:		
Cost of goods sold	**$ 163**	$ 244
Selling, general and administrative	**677**	244
	$ 840	$ 488

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

10. CREDIT FACILITY

The Company has a demand credit facility for foreign exchange contracts of US $8 million and a demand operating credit facility of the lesser of $5 million, or the borrowing base limit with its bank. The interest rate on the demand operating credit facility is Prime Rate plus 1.00% for Canadian dollar loans, US Base Rate plus 1.00% for US dollar loans and 2.5% for Canadian dollar Banker's Acceptance. The agreement is secured by the Company's assets, including property.

The credit facility agreement has the following covenants:

1. The ratio of "total liabilities less postponed debt, non-cash provisions up to $1,000 and lease liabilities" to "shareholders' equity less intangible assets" does not exceed 1.60 to 1.0 at any time, measured quarterly.

2. Current ratio, excluding any derivative assets and liabilities, not to be less than 1.25 to 1.0, measured quarterly.

The Company is in compliance with these covenants as at July 31, 2019 (2018 – in compliance).

As at July 31, 2019, the Company has not drawn on the demand operating credit facility (2018 – not drawn).

11. RELATED PARTY TRANSACTIONS

The following was the remuneration of directors and other members of key management personnel, including Chief Executive Officer, Chief Financial Officer, Chief Commercial Officer, Chief Brand Officer, VP Operations, VP Product Design & Development and VP Human Resources. Compensation of the Chief Executive Officer and two directors are paid through companies they control.

	Three months ended July 31	
	2019	2018
Salaries and short-term benefits	**$ 547**	$ 533
Post-employment benefits	**12**	12
Share-based compensation	**270**	57
	$ 829	$ 602

12. INCOME TAXES

	Three months ended July 31	
	2019	2018
Current Income Tax Expense	**$ 53**	$ -
	$ 53	$ -

As of July 31, 2019, the Company recorded $53 of income tax expense related to State and miscellaneous tax.

13. CONTINGENT LIABILITY

In the ordinary course of business, the Company may be contingently liable for litigation and claims with customers, suppliers and former employees. On an ongoing basis, the Company assesses the likelihood of any adverse judgments or outcomes to these matters as well as potential ranges of probable costs and losses and a determination of the provision required, if any, for these contingencies is made after analysis of each individual issue. There are no material contingent liabilities as at July 31, 2019 (2018 – none).

14. COMPARATIVE FINANCIAL STATEMENTS

Certain figures in the comparative Financial Statements have been reclassified from statements previously presented to conform to the presentation of the current period's Financial Statements.