

Interim Condensed Consolidated Financial Statements

INSCAPE CORPORATION

(Unaudited)

July 31, 2020 and 2019

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	2020		2019	
SALES	8	\$	11,370	\$	20,677
COST OF GOODS SOLD	9		7,940		14,899
GROSS PROFIT			3,430		5,778
EXPENSES					
Selling, general and administrative	9		4,645		7,263
Unrealized loss on foreign exchange			334		31
Other income	11		(2,193)		-
Unrealized gain on derivatives, net	5.2		(2,738)		(848)
Loss on disposal of property, plant & equipment and intangibles			-		28
Investment income			-		(5)
			48		6,469
Income (loss) before taxes			3,382		(691)
Income taxes					
Current	13		2		53
			2		53
NET PROFIT (LOSS)		\$	3,380	\$	(744)

Net earnings (loss) per share available to shareholders

Basic		\$	0.24	\$	(0.05)
Diluted		\$	0.24	\$	(0.05)

The accompanying notes are an integral part of these interim consolidated condensed 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	2020	2019
NET PROFIT (LOSS)		\$ 3,380	\$ (744)
OTHER COMPREHENSIVE LOSS			
Items that may be reclassified to earnings			
Exchange loss on translating foreign operations		(97)	(146)
Other comprehensive loss		(97)	(146)
TOTAL COMPREHENSIVE INCOME (LOSS)		\$ 3,283	\$ (890)

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

INSCAPE CORPORATION

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(unaudited)

(in thousands of Canadian dollars)

	Note	As at July 31, 2020	As at April 30, 2020
ASSETS			
Current assets			
Cash		\$ 6,033	\$ 5,885
Trade and other receivables	3	6,597	10,255
Inventories	4	4,737	5,785
Prepaid expenses		701	690
		18,068	22,615
Non-current assets			
Property, plant and equipment		9,627	9,915
Right-of-use assets		3,066	3,637
Intangible assets		1,569	1,637
Derivative financial assets		16	-
		14,278	15,189
TOTAL ASSETS		\$ 32,346	\$ 37,804
LIABILITIES			
Current liabilities			
Trade and other payables		\$ 7,964	\$ 11,923
Lease liabilities		1,517	2,035
Derivative financial liabilities	5.2	407	2,122
Forgivable government loan		-	1,199
Provisions		247	203
		10,135	17,482
Non-current liabilities			
Retirement benefit obligation		7,329	7,340
Lease liabilities		1,682	1,856
Derivative financial liabilities	5.2	262	1,269
Provisions		884	1,057
Other long-term obligations		94	123
		10,251	11,645
TOTAL LIABILITIES		20,386	29,127
SHAREHOLDERS' EQUITY			
Shareholders' capital	6	52,868	52,868
Contributed surplus		2,675	2,675
Accumulated other comprehensive loss		(3,685)	(3,588)
Deficit		(39,898)	(43,278)
TOTAL SHAREHOLDERS' EQUITY		11,960	8,677
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ 32,346	\$ 37,804

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

Approved by the Board of Directors,
(signed)

Bartley Bull
Chair

(signed)

Eric Ehgoetz
Director & Chief Executive Officer

INSCAPE CORPORATION

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(unaudited)

(in thousands of Canadian dollars)

	Share Capital	Contributed Surplus	Cumulative Remeasurement of Retirement Benefit Obligation	Cumulative Translation Gain	Deficit	Total Shareholders' Equity
Balance, April 30, 2020	\$ 52,868	\$ 2,675	\$ (4,984)	\$ 1,396	\$ (43,278)	\$ 8,677
Net Income	-	-	-	-	3,380	3,380
Other comprehensive loss	-	-	-	(97)	-	(97)
Balance, July 31, 2020	\$ 52,868	\$ 2,675	\$ (4,984)	\$ 1,299	\$ (39,898)	\$ 11,960
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

The accompanying notes are an integral part of these interim condensed 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	2020	2019
Net inflow (outflow) of cash related to the following activities:			
OPERATING			
Net income (loss)		\$ 3,380	\$ (744)
Items not affecting cash			
Amortization and depreciation		1,012	840
Interest expense on lease liabilities		42	-
Unrealized gain on derivatives, net	5.2	(2,738)	(848)
Share-based compensation		(10)	(288)
Unrealized loss on foreign exchange		334	31
Non-cash portion of Other income	11	(1,187)	-
Disposal of property, plant and equipment & intangibles		-	28
Retirement benefit obligation (recovery) expense net of employer contributions		(11)	18
Cash generated from (used in) operating activities before non-cash working capital		822	(963)
Movements in non-cash working capital			
Trade and other receivables		3,542	(100)
Inventories		972	(692)
Prepaid expenses		(28)	(420)
Accounts payable and accrued liabilities		(3,833)	2,014
Lease liabilities		(101)	4,160
Provisions		(100)	213
Income tax receivables and payables		-	14
Changes in non-cash operating items		452	5,189
Interest payment on lease liabilities		(46)	-
Restricted shares settled		(9)	-
Cash generated from operating activities		1,219	4,226
INVESTING			
Additions to property, plant and equipment		(133)	(4,492)
Cash used in investing activities		(133)	(4,492)
FINANCING			
Payment of principal portion of lease liabilities		(586)	-
Cash used in financing activities		(586)	-
Unrealized foreign exchange loss on cash		(352)	(22)
Net cash inflow (outflow)		148	(288)
Cash, beginning of year		5,885	3,265
Cash, end of year		\$ 6,033	\$ 2,977
Cash consists of:			
Cash		\$ 6,033	\$ 2,977
		\$ 6,033	\$ 2,977

INSCAPE CORPORATION

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the first quarter ended July 31, 2020 and 2019

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

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 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 416,000 square feet of space. Inspace serves its clients through a network of dealers and representatives supported by showrooms across North America.

The Company reports in two business segments. The Office Furniture segment includes storage, benching, systems and seating solutions products. The Walls segment includes architectural and movable walls. Inspace’s products are manufactured in two facilities: a 306,000 square foot plant in Holland Landing, Ontario, and approximately 110,000 square foot plant in Falconer, New York. During the third quarter of fiscal 2020, the latter facility was sold and leased back by Inspace for its manufacturing operations.

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 interim consolidated financial statements were approved and authorized for issuance by the Board of Directors of the Company on September 10, 2020.

The interim consolidated financial statements are presented in Canadian dollars, the functional currency of Inspace, 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 Inspace and its two wholly owned US subsidiaries, Inspace Inc. and Inspace (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. Inspace controls an entity when Inspace 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.

Government grant

The Company recognizes government grants when there is reasonable assurance that the Company will comply with the conditions of the grant and the grant will be received. Government grants receivable are recorded in accounts receivable on the consolidated statement of financial position. The Company recognizes government grants in the consolidated statement of operations as other income, in the same period as the expenses for which the grant is intended to compensate. In cases where a government grant becomes receivable as compensation for expenses already incurred in prior periods, the grant is recognized in profit or loss as other income in the period in which it becomes receivable, as an account receivable in the consolidated statement of financial position and as an adjustment to operating activities in the consolidated statement of cash flow.

A portion of the Small Business Administration (“SBA”) loan received from the US government is forgivable subject to the terms of the Paycheck Protection Program (“PPP”) - all employees are kept on the payroll for eight weeks and the money is used for payroll, rent, mortgage interest, or utilities.

INSCAPE CORPORATION

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the first quarter ended July 31, 2020 and 2019

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When a government loan is issued to the Company at a below-market rate of interest, the loan is initially recorded at its net present value and accreted to its face value over the period of the loan. The benefit of the below-market rate of interest is accounted for as a government grant. It is measured as the difference between the initial carrying value of the loan and the cash proceeds received.

2.3 Application of new and revised IFRS

Amendment to IFRS 16

On 28 May 2020, the IASB issued *Covid-19-Related Rent Concessions - Amendment to IFRS 16 Leases* (the amendment). The Board amended the standard to provide optional relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the coronavirus pandemic. As a practical expedient, a lessee may elect not to assess whether a coronavirus-pandemic related lease concession from a lessor is a lease modification.

The Company has elected to apply the practical expedient and not to assess whether lease payment extensions received from lessors were in fact lease modifications. The Company had one lease payment deferral by four months which was accounted for by applying the practical expedient. The impact was not material.

3. TRADE AND OTHER RECEIVABLES

	As at July 31, 2020	As at April 30, 2020
Trade account receivables, gross	\$ 6,525	\$ 9,754
Loss allowance for expected credit losses	(139)	(216)
	6,386	9,538
Other receivables	211	717
	\$ 6,597	\$ 10,255

An aging analysis of trade receivables:

	As at July 31, 2020	As at April 30, 2020
Current	\$ 2,093	\$ 3,892
1-30 days	1,029	1,987
31-60 days	720	1,438
61-90 days	972	472
> 90 days	1,711	1,965
	\$ 6,525	\$ 9,754

4. INVENTORIES

	As at July 31, 2020	As at April 30, 2020
Raw materials	\$ 4,341	\$ 5,004
Work-in-progress	172	219
Finished goods	224	562
	\$ 4,737	\$ 5,785

During the quarter, there was an inventory write-down of \$87 (2019 - \$2).

INSCAPE CORPORATION

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the first quarter ended July 31, 2020 and 2019

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

5. FINANCIAL INSTRUMENTS

5.1 Capital risk management

The Company's objective when managing capital is 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, 2020	As at April 30, 2020
Shareholders' capital	\$ 52,868	\$ 52,868
Contributed surplus	2,675	2,675
Deficit	(39,898)	(43,278)
	<u>\$ 15,645</u>	<u>\$ 12,265</u>

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.

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, 2020, the Company had outstanding US dollar hedge contracts with settlement dates from August 2020 to August 2021. The total notional amounts under the contracts are US \$33,500 to \$41,875 (2019 - \$37,000 to \$46,350). Dependent on the spot CAD/USD rate on each settlement date, the Company can sell US dollars at rates ranging from \$1.275 CAD/USD to \$1.500 CAD/USD (2019 - \$1.270 CAD/USD to \$1.410 CAD/USD). These contracts had a mark-to-market unrealized loss of \$653 (US \$487) as at July 31, 2020 (2019 - unrealized loss of \$549 or US \$417), 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 \$251 realized loss on the settlement of contracts during the first quarter ended July 31, 2020 (2019 - realized loss of \$90).

INSCAPE CORPORATION

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the first quarter ended July 31, 2020 and 2019

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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,	As at July 31,
Fair value of derivative liabilities, beginning of period	<u>\$ (3,391)</u>	<u>\$ (1,397)</u>
Changes in fair value during the period:		
Decrease in fair value of new contracts added	(653)	(548)
Reversal of derivative assets of contracts settled	641	202
Increase in fair values of outstanding contracts	<u>2,750</u>	<u>1,194</u>
Net decrease in fair value of derivative liabilities recognized during the period	<u>2,738</u>	<u>848</u>
Fair value of derivative liabilities, end of period	<u>\$ (653)</u>	<u>\$ (549)</u>
<hr/>		
Assets		
Long-term	<u>\$ 16</u>	<u>\$ -</u>
	<u>16</u>	<u>-</u>
Liabilities		
Current	(407)	(296)
Long-term	<u>(262)</u>	<u>(253)</u>
	<u>\$ (669)</u>	<u>\$ (549)</u>
	<u>\$ (653)</u>	<u>\$ (549)</u>

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, 2020, a 1% change in the Canadian dollar against the US dollar would have an impact of approximately \$29 on the Company's pre-tax earnings (2019 – \$49).

Based on the US dollar denominated assets and liabilities as at July 31, 2020, a 1% change in the Canadian dollar against the US dollar would have an impact of \$299 on the unrealized exchange gain or loss reported in the Consolidated Statements of Operations (2019 - \$93) and an impact of \$161 on the Consolidated Statements of Comprehensive Loss (2019 - \$347).

5.4 Credit risk management

The Company's cash, trade accounts receivable and derivative assets are subject to the risk that the counterparties may fail to discharge their obligation to pay the Company. As at July 31, 2020, the Company's maximum direct exposure to credit risk is \$12,646 (April 30, 2020 - \$16,140).

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 a loss allowance for expected credit losses 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, 2020, the expected credit loss ("ECL") was \$139 (April 30, 2020 - \$216).

INSCAPE CORPORATION

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the first quarter ended July 31, 2020 and 2019

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

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 (2019 - 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, 2020:

	Level 1	Level 2	Level 3
Derivative financial assets	-	16	-
Derivative financial liabilities	-	(669)	-
Total net financial liabilities	\$ -	\$ (653)	\$ -

The following table illustrates the classification of financial liabilities in the fair value hierarchy as at April 30, 2020:

	Level 1	Level 2	Level 3
Derivative financial liabilities	-	(3,391)	-
Total net financial liabilities	\$ -	\$ (3,391)	\$ -

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

INSCAPE CORPORATION

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the first quarter ended July 31, 2020 and 2019

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

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

	As at July 31, 2020	As at April 30, 2020
Issued and outstanding		
Class A multiple voting	3,345,881	3,345,881
Class B subordinated voting	11,034,820	11,034,820
	<u>14,380,701</u>	<u>14,380,701</u>

7. EARNINGS (LOSS) PER SHARE

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

	Three months ended July 31	
	2020	2019
Net income (loss)	\$ 3,380	\$ (744)
Weighted average number of shares outstanding basic	14,380,701	14,380,701
Dilution impact of stock options	-	-
Weighted average number of shares outstanding diluted	<u>14,380,701</u>	<u>14,380,701</u>
Basic and diluted earnings (loss) per share	<u>\$ 0.24</u>	<u>\$ (0.05)</u>

8. SEGMENTED REPORTING

Inscape's reportable segments include Furniture and Walls. Aggregated in the Furniture segment are Systems, Benching, Storage and Seating. 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.

INSCAPE CORPORATION

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the first quarter ended July 31, 2020 and 2019

(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	
	2020	2019
Segmented Sales		
Furniture	\$ 7,722	\$ 15,310
Walls	3,648	5,367
	<u>\$ 11,370</u>	<u>\$ 20,677</u>

	Three months ended July 31	
	2020	2019
Segmented Income (Loss)		
Furniture	\$ (2,456)	\$ (83)
Walls	1,241	(1,402)
	<u>(1,215)</u>	<u>(1,485)</u>
Unrealized loss on foreign exchange	(334)	(31)
Unrealized gain on derivatives	2,738	848
Other income	2,193	-
Loss on disposal of capital assets & intangibles	-	(28)
Investment income	-	5
Net income (loss) before taxes	<u>3,382</u>	<u>(691)</u>
Income taxes	2	53
Net income (loss)	<u>\$ 3,380</u>	<u>\$ (744)</u>

9. SUPPLEMENTAL INFORMATION

9.1 Salaries, wages and benefits

	Three months ended July 31	
	2020	2019
Included in:		
Cost of goods sold	\$ 2,600	\$ 4,245
Selling, general and administrative	2,643	4,108
	<u>\$ 5,243</u>	<u>\$ 8,353</u>

9.2 Amortization and depreciation

	Three months ended July	
	2020	2019
Included in:		
Cost of goods sold	\$ 358	\$ 163
Selling, general and administrative	654	677
	<u>\$ 1,012</u>	<u>\$ 840</u>

INSCAPE CORPORATION

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the first quarter ended July 31, 2020 and 2019

(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\$8,000 and a demand operating credit facility of the lesser of \$5,000, or the borrowing base limit with its bank. The interest rate on the demand operating credit facility is Prime Rate plus 1.0% for Canadian dollar loans, US Base Rate plus 1.0% for US dollar loans, 2.5% for Canadian dollar Banker's Acceptance and 2.5% for US dollar Libor loans. The agreement is secured by the Company's property based on its accounts receivable and inventory (borrowing base).

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 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, 2020 (2019 – in compliance).

As at July 31, 2020, the Company has not drawn on the demand operating credit facility (2019 – not drawn).

11. OTHER INCOME

Forgivable Government Loan and Government Assistance

In response to the COVID-19 pandemic, the Company received from the US government an unsecured forgivable loan of \$1,808 (US\$1,300) at 1.0% per annum, repayable in 24 months. The indebtedness may be forgiven subject to the terms of the Paycheck Protection Program. The loan is forgivable if all employees are kept on the payroll for eight weeks and the money is used for payroll, rent or utilities. For the period ended July 31, 2020, the Company fully utilized the remaining balance of the forgivable loan on \$1,199 of the qualifying expenditures (2020 - \$517). The latter to be released into income on a systematic basis per IAS 20 - Accounting for Government Grants and Disclosure of Government Assistance.

In addition, the Company applied for and received grants from the Canadian government under the Canadian Emergency Wage Subsidy ("CEWS") program. During the quarter the Company incurred qualifying expenditures of \$919, of which subsidies of \$766 were received and a receivable of \$153 is included in trade and other receivables in the consolidated statements of financial position. Given the extension of this program by the Canadian government, once eligible, the Company will continue to apply for this assistance.

Other income during the period:	Three months ended July 31	
	2020	2019
Forgivable Government Loan / Government Assistance:		
SBA forgivable loan, utilized ¹	\$ (1,292)	\$ -
CEWS received and utilized	(766)	-
CEWS receivable, but utilized	(153)	-
	<u>(2,211)</u>	<u>-</u>
Other	18	-
	<u>\$ (2,193)</u>	<u>\$ -</u>

¹ The qualifying expenditures were executed during the quarter.

INSCAPE CORPORATION

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12. RELATED PARTY TRANSACTIONS

The following was the remuneration of directors and other members of key management personnel, including the Chief Executive Officer, Chief Financial Officer, Chief Operations Officer, Chief Brand Officer, VP Manufacturing & Supply Chain and VP Human Resources. Compensation of one director is paid through a company he controls.

	Three months ended July 31	
	2020	2019
Salaries and short-term benefits	\$ 465	\$ 547
Post-employment benefits	7	12
Share-based compensation	(9)	(270)
	<u>\$ 463</u>	<u>\$ 289</u>

13. INCOME TAXES

	Three months ended July 31	
	2020	2019
Current income tax expense	\$ 2	\$ 53
	<u>\$ 2</u>	<u>\$ 53</u>

As at July 31, 2020, the Company recorded \$2 (2019 - \$53) of income tax expense related to State and miscellaneous tax.

14. 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, 2020 (2019 – none).

15. 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.