First Quarter Report 2016

For the three month periods ended March 31, 2016 and 2015

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Management's discussion and analysis (MD&A)

The following discussion and analysis of the consolidated results of operations and financial condition of PFB Corporation ("PFB" or the "Corporation") should be read in conjunction with the Corporation's unaudited condensed interim consolidated financial statements for the three month periods ended March 31, 2016 and 2015 and notes thereto and in conjunction with the Corporation's annual MD&A for the year ended December 31, 2015.

PFB's unaudited condensed interim consolidated financial statements for the three month periods ended March 31, 2016 and 2015 have been prepared in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*.

Management is required to make certain estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses, and related disclosure of contingent assets and liabilities. Management believes that the estimates and assumptions are reasonably based on information available at the time that such estimates and assumptions were made. These estimates and assumptions have been discussed with the Audit Committee of the Board of Directors of the Corporation. Actual results may differ under different assumptions and conditions.

This MD&A has been prepared as of May 5, 2016. All figures in this MD&A are stated in thousands of Canadian dollars except where stated otherwise.

1. Advisory regarding forward looking statements

Securities laws encourage public issuers to disclose forward-looking information in their management's discussion and analysis (MD&A) so that investors can get a better understanding of future prospects and make informed investment decisions. Forward-looking information and statements included in this interim MD&A about PFB's objectives and management's expectations, beliefs, intentions or strategies for the future are not guarantees of future performance and should not be unduly relied upon.

All forward-looking statements reflect management's current views as at May 5, 2016, with respect to future events, and they are subject to certain risks, uncertainties and assumptions that may cause the actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

Such risks, uncertainties and assumptions include, but are not limited to: general economic conditions; the cost and availability of capital; actions by government authorities; actions by regulatory authorities; availability of raw materials; changes in raw materials prices; currency exchange rates; interest rates; competitor activity; industry pricing pressures; seasonality of the construction industry; and weather related factors. A more detailed assessment of the risks that could cause actual results to materially differ from current expectations can be found in the Risk Management and Assessment section of the Corporation's annual MD&A or in the Risk Factors section of the Annual Information Form for the year ended December 31, 2015.

2. Summary of quarterly financial data

	2016	**2015**				**2014**		
	Qtr. 1	**Qtr. 4**	**Qtr. 3**	**Qtr. 2**	**Qtr. 1**	**Qtr. 4**	**Qtr. 3**	**Qtr. 2**
Sales	**$ 19,157**	$ 24,440	$ 29,849	$ 27,316	$ 17,532	$ 25,013	$ 27,414	$ 23,068
Gross profit	**3,843**	5,203	7,366	7,605	3,525	5,574	6,069	3,943
Gross profit margin %	**20.1**	21.3	24.7	27.8	20.1	22.3	22.1	17.1
Operating (loss) income	**(6)**	1,437	3,378	3,402	35	1,956	2,440	554
Net (loss) income	**(155)**	836	2,212	2,120	(80)	1,116	1,549	95
(Loss) earnings per share:								
Basic and diluted	**(0.02)**	0.12	0.33	0.32	(0.01)	0.17	0.23	0.01
EBITDA [1]	**955**	2,426	4,319	4,353	1,053	2,921	3,371	1,470
EBITDA per share [1]	**0.14**	0.36	0.64	0.65	0.16	0.43	0.50	0.22

3. Consolidated statements of loss (unaudited)

	Three month periods ended March 31	
	2016	**2015**
Sales	**$ 19,157**	$ 17,532
Cost of sales	**(15,314)**	(14,007)
Gross profit	**3,843**	3,525
Selling expenses	**(2,543)**	(2,254)
Administrative expenses	**(1,267)**	(1,196)
Other losses	**(39)**	(40)
Operating (loss) income	**(6)**	35
Gain on sale of real estate	**-**	63
Investment income	**66**	59
Finance costs	**(358)**	(360)
Loss before tax	**(298)**	(203)
Income tax recovery	**143**	123
Loss for the period	**$ (155)**	$ (80)
Loss per share - $ per share		
Basic and diluted	**$ (0.02)**	$ (0.01)
Funds flow from operations	**$ 1,222**	$ 932
Funds flow from operations per share	**0.18**	0.14

[1] Non-GAAP financial measures do not have any standardized meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other issuers. Definitions of non-GAAP and additional GAAP measures used in the tables in Sections 2 and Section 3 above, along with relevant other notes, are detailed in Section 19 of this MD&A.

The Corporation's operations follow seasonal patterns in the construction industry which influences the timing of sales and earnings. Sales in the first quarter of each year are typically the lowest in the annual reporting cycle.

4. Consolidated results of operations

Sales

Consolidated sales were $19,157, in the current quarter, an increase of $1,625 or 9.3% from sales of $17,532 in Q1/15. The USA operating segment was the significant contributor to the overall growth in sales.

Gross profit

Consolidated gross profit was $3,843 in the current quarter as compared to $3,525 in Q1/15. Gross profit margin in the current quarter remained constant at 20.1 % of sales as compared to a gross profit margin of 20.1% in Q1/15.

Operating (loss) income

An operating loss of $6 was incurred in the current quarter, contrasted with operating income of $35 reported in Q1/15.

Loss before tax

In the current quarter, a loss before taxes of $298 reflected a negative variance of $95, compared to the the loss before taxes of $203 reported in the comparative quarter of 2015.

Income taxes

Income tax recovery in the current quarter was $143 as compared to income tax recovery of $123 in Q1/15. The effective tax rate for the current period is distorted by corporate tax rate differentials between Canada and the USA applied to the mix of results generated by each operating segment and the filing of the corporate taxes.

Loss and loss per share

A loss of $155 resulted in the current quarter which contrasted with a loss of $80 reported in the comparative quarter of 2015, a negative variance of $75.

Basic and diluted loss per common share in the current quarter was $0.02 as compared to a basic and diluted loss per share of $0.01 in Q1/15, a negative variance of $0.01 per share.

5. Reportable operating segments

The Corporation has two reportable operating segments:

Operating segments	Description of segments
Canada	Manufacturing and sales operations located in Canada for expanded polystyrene (EPS) products and structural insulating panels *Brands*: Plasti-Fab® EPS Product Solutions®; Advantage ICF System®; and Insulspan® SIPS; DuroFoam®
United States of America (USA)	Manufacturing and sales operations located in the USA for EPS products, building systems and structures, design services and installations *Brands*: Plasti-Fab® EPS Product Solutions®; Insulspan® SIPS; DuroSpan™ Riverbend® Timber Framing; Precision Craft® Log & Timber Homes; M.T.N. Design℠; Total Home Solution®; Point Zero™; TimberScape ™

Each operating segment mirrors the Corporation's accounting policies (as described in note 2 to the audited consolidated financial statements for the years ended December 31, 2015 and 2014) and its internal controls and reporting systems.

Segment performance predominantly focuses on the types of goods and services offered and their geographical locations of manufacturing and distribution.

The chief operating decision maker evaluates performance on the basis of operating income or loss, as reported on a periodic basis. This performance measure is considered to be the most relevant in evaluating the results of each operating segment.

5.1 Segment revenues and income

Segment sales represent sales revenues directly attributable to each segment after inter-segment sales have been eliminated (see supplemental disclosures in the other segment information table below). There are varying levels of integration between each segment.

Segment operating income (loss) represents the income or loss as reported by each segment excluding any allocations for corporate income or expenses, and foreign exchange gains or losses arising on an inter-segment loan.

Information for each reportable operating segment for the three month periods ended March 31 is set out below:

	Sales revenues		Operating (loss) income	
	2016	**2015**	**2016**	**2015**
Canada	**$ 12,422**	$ 13,346	**$ 449**	$ 833
USA	**6,735**	4,186	**(355)**	(726)
Total for segments	**$ 19,157**	$ 17,532	**94**	107
Corporate – expense			**(46)**	(65)
Foreign exchange loss on inter-segment loan			**(54)**	(7)
Consolidated operating (loss) income			**$ (6)**	$ 35

(a) Canadian segment

Sales

Sales generated by the Canadian segment decreased from $13,346 in Q1/15 to $12,422 in the current quarter, a decrease of 6.9% or $924. The decrease in sales occurred principally in markets where the regional economy is affected by the decrease in crude oil prices, other markets experienced strength.

Operating (loss) income

The Canadian segment reported an operating income of $449 for the current quarter compared to operating income of $833 in Q1/15, a decrease of $384. On a comparative basis, gross margins generally remained stable and reduced operating income arose from reduced regional sales and from increased selling and administrative expenses during the 2016 period.

(b) USA segment

Sales

As reported in Canadian dollars, USA segment sales in the current quarter increased to $6,735 from $4,186 in Q1/15 an increase of $2,549 or 60.9%. The weaker Canadian dollar throughout Q1/16, compared to Q1/15, created a favorable currency effect when USA segment sales transacted in U.S. dollars are converted for consolidation purposes.

Average foreign exchange rates experienced by the Corporation during the periods reflected the devaluation of the Canadian currency from an average rate of $1.24 per US$1.00 in the 2015 comparative period to an average rate of approximately $1.37 per US$1.00 in the current period. Eliminating the effect of foreign exchange fluctuations, the sales growth rates for the periods expressed in USA dollars were 46.6% in the current quarter.

The Lester Prairie, MN facility acquired in December, 2015 contributed to the Q1/16 sales growth and its integration with the Company continues to progress.

Operating loss

The USA segment reported a reduced operating loss of $355 in the current quarter from a loss of $726 in the comparative quarter of 2015.

The USA segment had increased sales across the entire segment. The operating loss incurred in Q1/16 was mainly attributable to increased selling and marketing costs as compared to in the comparative quarter in 2015. The first quarter in the annual cycle is typically the slowest from a sales perspective whereas the timing of certain product line marketing expenditures continues to be concentrated in the first quarter. In addition, an unrealized foreign exchange loss of $54 was experienced relating to an inter-segment loan to the USA segment.

5.2 Segment assets and liabilities

Management measures capital employed using net segmented assets. The reconciliation of segmented assets and liabilities in relation to consolidated assets and liabilities is set out in the table below:

	As at Mar 31, 2016	**As at Dec 31, 2015**
Assets		
Segmented assets	**$ 55,357**	$ 52,362
Assets not allocated to segments:		
Cash and cash equivalents	**9,180**	16,252
Freehold land and buildings	**7,482**	8,003
Restricted marketable securities	**2,387**	2,192
Corporate – income taxes recoverable	**51**	35
Total assets	**$ 74,457**	$ 78,844
Liabilities		
Segmented liabilities	**$ 12,790**	$ 15,703
Liabilities not allocated to segments:		
Finance lease obligations	**14,370**	14,471
Corporate – deferred income tax liability	**60**	2
Total liabilities	**$ 27,220**	$ 30,176
Net segmented assets		
Canada	**$ 35,230**	$ 27,713
USA	**7,337**	8,946

5.3 Other segment information

	Three month periods ended March 31	
	2016	**2015**
Additions to non-current assets:		
Canada	**$ 1,385**	$ 372
USA	**54**	88
Total	**$ 1,439**	$ 460
Depreciation and amortization:		
Canada	**$ 627**	$ 649
USA	**188**	175
Total	**$ 815**	$ 824
Inter-segment sales	**$ 1,083**	$ 732

6. Liquidity

Sources of liquidity

The Corporation expects its current cash balances, future cash flows generated by operations, and unused credit facilities will be sufficient to fund its ongoing business requirements over the next twelve months, including: working capital; contractual obligations; and payment of regular dividends.

Cash

Cash and cash equivalent balances as at March 31, 2016 and December 31, 2015 were as follows:

	March 31, 2016	**December 31, 2015**
Cash held with banks	**$ 4,672**	$ 5,706
Short-term investments	**4,045**	10,025
Restricted cash	**463**	521
	$ 9,180	$ 16,252

PFB's cash balances typically fluctuate with the seasonality of its business. The reduction in cash balances in the current quarter was primarily used to fund increased non-cash working capital.

Bank credit facilities

There were no changes to the Corporation's bank credit facilities during the current quarter.

Summary of cash flows

A summary of cash flows for the three month periods ended March 31, 2016 and 2015 are shown in the following table.

	2016	**2015**
Net cash flows (used in) generated by:		
Cash used in operating activities after changes in non-cash working capital	**$ (2,804)**	$ (788)
Income taxes paid	**(1,784)**	(691)
Net cash used in operating activities	**(4,588)**	(1,479)
Investing activities	**(1,299)**	(338)
Financing activities	**(866)**	(846)
Effects of exchange rates on cash and cash equivalents held in foreign currency	**(319)**	276
Net decrease in cash and cash equivalents	**$ (7,072)**	$ (2,387)

(a) Operating activities

Cash used in operating activities after changes in non-cash working capital was $2,804 in the current quarter as compared to cash used in operating activities of $788 in the comparative quarter of 2015, an increase of $2,016. The main components making up the $2,804 of cash used in operating activities were funds flow from operations of $1,222 less increases in non-cash working capital of $3,980.

Funds flow from operations in Q1/16 was $1,222 contrasted to funds flow from operations in Q1/15 of $932, a positive net change of $290. Included in the net change was an unrealized foreign exchange loss of $332 as compared with an unrealized foreign exchange gain of $58 in the comparative period.

The changes in non-cash working capital amounts which occurred in the first quarter of 2016 are as follows:

	Mar 31, 2016	**Dec 31, 2015**	**Change**
Trade receivables	**$ 8,027**	$ 7,535	$ 492
Inventories	**11,962**	10,069	1,893
Prepaid expenses	**1,155**	932	223
Trade and other payables	**(6,417)**	(8,903)	2,486
Deferred revenue	**(4,522)**	(3,408)	(1,114)
	$ 10,205	$ 6,225	$ 3,980

Non-cash working capital increased in the current quarter by $3,980.

Inventory values increased in the current quarter, which is a normal occurrence, as operations begin building work-in-process and finished goods inventories ahead of the seasonal upsurge in sales activities. The overall volume of inventory was significantly elevated as we continue to take advantage of lower priced raw materials.

The decrease in trade and other payables of $2,486 since the beginning of the year was reflective of regular payments of normal operating activities. The increase in deferred revenues of $1,114 represents advance deposits collected from customers who have placed orders for custom products, mainly in the USA.

The increase in non-cash working capital in the current quarter of $3,980 compared to an increase of $1,778 in Q1/15, a difference of $2,202. Management decided to increase inventories of finished goods during the slower Q1 2016 period to provide operating flexibility during the busier summer periods. Additionally, raw material inventories were increased as a result of the favorable lower feedstock prices experienced during the period, resulting in an increase in inventories of $1,893 more than in Q1/15. The change of non-cash working capital related to trade and other payables balances in Q1/16 increased by $2,486 more than the corresponding increase in Q1/15, as a result of payments for increased operating activities and capital projects undertaken in some manufacturing facilities. Deferred revenue increased by $1,114 during the period representing increased deposits from customers paid to secure their future deliveries of custom products, reflecting strengthening of the order book for certain products, mainly in the USA segment.

(b) Investing activities

Cash flows used in investing activities in the current quarter were $1,299 as compared to cash flows used in investing activities of $338 in Q1/15. Purchases of tangible and intangible assets in Q1/16 amounted to $1,439 as compared to purchases of $460 in Q1/15. The larger increase in purchases of property, plant and equipment was attributed to upgrading manufacturing equipment in certain plants.

(c) Financing activities

Cash flows used in financing activities in the current quarter were $866, compared to cash flows of $846 used in financing activities in Q1/15. The main activities in each quarter were the payment of scheduled principal amounts and finance costs pertaining to various finance lease obligations along with a regular quarterly dividends paid to shareholders.

7. Capital resources

Capital structure

The Corporation's capital structure as at March 31, 2016 and December 31, 2015, consisted of shareholder's equity in the amounts of $47,237 and $48,668, respectively.

Share capital

A summary of the Corporation's share capital position as at March 31, 2016 and December 31, 2015, is set forth in the following table:

	March 31, 2016 (Three Months)		**December 31, 2015 (Twelve Months)**	
	No. of Shares	**Amount**	**No. of Shares**	**Amount**
Balance, beginning of period	**6,716,003**	**$ 20,947**	6,716,003	$ 20,947
Balance, end of period	**6,716,003**	**$ 20,947**	6,716,003	$ 20,947

Share-based options

The Corporation does not have any outstanding share-based options.

Dividends

During the first quarter of 2016, the Corporation's board of directors declared a regular quarterly dividend of $0.06 (2015 - $0.06) per common share which was paid on February 26, 2016.

Dividends paid by the Corporation qualify as eligible dividends and satisfy the enhanced gross-up and dividend tax credit enacted under Canadian tax law.

Normal course issuer bid

In the three month periods ended March 31, 2016 and 2015, the Corporation did not purchase any shares under the Normal Course Issuer Bid.

Comprehensive income (loss)

Comprehensive income consists of net income or loss, together with certain other economic gains and losses which, collectively, are described as "other comprehensive income" and those items are excluded from the consolidated statements of income.

A summary of comprehensive (loss) income for the three month periods ended March 31, 2016 and 2015 is as follows:

	2016	**2015**
Loss for the period	**$ (155)**	$ (80)
Other comprehensive (loss) income	**(873)**	1,511
Comprehensive (loss) income for the period	**$ (1,028)**	$ 1,431

In the first quarter of 2016, other comprehensive loss was $873 as compared to other comprehensive income of $1,511 in the comparative quarter of 2015. Other comprehensive loss of $873 in the current quarter consisted losses of $1,015 (2015 – gain of $1,282) attributed to foreign currency translation when consolidating PFB's USA operations, and income of $142 (2015 - $229) representing an unrealized gains on restricted marketable securities, net of tax.

Included in accumulated comprehensive income at March 31, 2016, were foreign currency translation adjustments totaling $2,770, losses from marking to market available securities for sale of $(113) and $(31) of defined benefit valuation changes, net of tax, for total accumulated other comprehensive income of $2,626.

Long-term debt

The Corporation had no long-term debt as at March 31, 2016.

8. Commitments and contractual obligations

8.1 Lease obligations and commitments for PP&E and intangible assets

PFB's contractual obligations and commitments as at March 31, 2016 and December 31, 2015, are as outlined in the following table:

Contractual obligations (Payment due periods)	**Total**	**Within 1 year**	**2–3 years**	**4–5 years**	**Over 5 years**
As at March 31, 2016					
Finance lease obligations	**$ 30,890**	**$ 1,770**	**$ 3,387**	**$ 3,374**	**$ 22,359**
Operating lease obligations	**16,620**	**1,900**	**2,999**	**1,849**	**9,872**
Commitments for PP&E and intangible assets	**983**	**983**	**-**	**-**	**-**
Total contractual obligations	**$ 48,493**	**$ 4,683**	**$ 6,386**	**$ 5,223**	**$ 32,231**
As at December 31, 2015					
Finance lease obligations	$ 31,347	$ 1,803	$ 3,387	$ 3,384	$ 22,773
Operating lease obligations	16,239	1,587	2,655	1,892	10,105
Commitments for PP&E and intangible assets	2,250	2,250	-	-	-
Total contractual obligations	$ 49,836	$ 5,640	$ 6,042	$ 5,276	$ 32,878

Finance lease obligations in the above table represent the aggregate outstanding principal amounts and related finance costs.

8.2 Performance bonds

As at March 31, 2016, the Canadian segment did not have any contracts secured by a performance bonds (December 31, 2015 - $nil). In the USA, performance bonds in the amount of $642 were pledged to various government agencies as at March 31, 2016 (December 31, 2015 - $608).

9. Financial instruments

The Corporation holds marketable securities in the form of units of a Canadian REIT which is the landlord of certain buildings being leased. The units are restricted as they were pledged, at inception of the leases, as security for minimum rent obligations for a period of ten years during which time they will be held in an escrow account. The units have been classified as long-term restricted marketable securities on the consolidated balance sheet as at March 31, 2016. The units are marked-to-market based on the quoted price of the units at the end of each accounting period with unrealized gains or losses recorded in other comprehensive income.

The Canadian REIT currently pays monthly distributions on the units and the distributions flow to the Corporation as they are paid. The distributions have been included in investment income in the consolidated statements of loss.

10. Current Outlook

Increased sales for the first quarter in 2016 reflect improved USA Segment sales as compared to the results reported in the comparative quarter of 2015. The increase in USA Segment sales reflects general improvement in all markets. The Lester Prairie plant, located in Minnesota, acquired at the end of 2015, is performing satisfactorily and the integration of its operations with the Company is proceeding as expected.

Sales in the oil producing regions of Canada in the first quarter of 2016 softened compared with the corresponding quarter of 2015; however gross margins throughout the Canadian Segment remain unaffected. The effects of economic change in Canada resulting from foreign exchange volatility remain unclear at this time for the remainder of this year but it is expected that the economies of the oil producing regions of Canada will continue to be negatively impacted as the year progresses. Currently, our orders on hand, the pace of quoting and new order intake remain firm. In addition, order books in the USA operations continue to demonstrate year-over-year growth.

Following the course of crude oil price declines in the fourth quarter of 2014, input costs of our main raw material decreased. Raw material costs have traded in a narrow range subsequently but began trending upwards during the first quarter of 2016 and it remains unclear whether this trend will continue or stabilize. Gross margins, as a percentage of sales, fluctuate seasonally and are generally at the lowest levels during the first and fourth quarters. Our manufacturing operations remain focused on delivering operational efficiencies over the course of the year to build on the successful outcomes achieved from this first quarter. Minor equipment upgrades are being implemented in several plants but normal rates of capital spending are planned for the balance of the year.

PFB's balance sheet remains strong with good liquidity and our focus is to maintain financial strength.

11. Off-balance sheet arrangements

The Corporation does not believe it has any off-balance sheet arrangements (other than what has been reported in this MD&A) that have, or are reasonably likely to have, a current or future material effect on the Corporation's financial condition, results of operations, or liquidity.

12. Disclosure controls and procedures

The Corporation's disclosure controls and procedures have been designed to provide reasonable assurance that all material information relating to PFB and its operations is identified and communicated to the Chief Executive Officer (CEO) and Chief Financial Officer (CFO), as it becomes known so that appropriate decisions can be made regarding public disclosures, as required under the continuous disclosure requirements of securities legislation.

An evaluation of the effectiveness of the design and operation of the Corporation's disclosure controls and procedures was conducted as of March 31, 2016, under the supervision of the CEO and CFO. Based on this evaluation, the CEO and CFO have concluded that the Corporation's disclosure controls and procedures, as defined in National Instrument 52-109, *Certification of Disclosure in Issuers' Annual and Interim Filings*, have been designed to provide reasonable assurance that material information relating to the Corporation, including its consolidated subsidiaries, is made known to them by others in those entities, and to provide reasonable assurance that accurate and complete disclosures in annual and interim filings is completed within the time periods specified.

Limitation scope of design

The Company has limited the scope of its DC&P and ICFR to exclude controls, policies and procedures of the Poly Foam operations acquired not more than 365 days before the last day of the period covered by the annual filing. The company elected to exclude it from the scope of certification as allowed by NI 52-109. The Company intends to perform such testing within one year of acquisition.

Notwithstanding the foregoing, no absolute assurances can be made that the Corporation's controls over disclosure will detect or prevent all failures of individuals within the organization to disclose material information otherwise required to be set forth in reports or news releases issued by the Corporation.

13. Internal controls over financial reporting

Management is responsible for establishing and maintaining adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial reports for external reporting purposes in accordance with GAAP.

All control systems contain inherent limitations, no matter how well designed and operated. As a result, management acknowledges that the Corporation's internal controls over financial reporting will not prevent or detect all misstatements due to error or fraud. In addition, management's evaluation of controls can provide only reasonable, not absolute, assurance that all control issues that may result in material misstatements, if any, have been detected.

As at March 31, 2016, the CEO and CFO assessed the effectiveness of the Corporation's internal control over financial reporting and concluded that it was effective and that no material weaknesses in the Corporation's internal control over financial reporting had been identified.

14. Critical accounting policies and estimates

The Corporation prepares its financial statements in accordance with IFRS, which requires assumptions and estimates to be made. The assumptions and estimates require certain judgments to be made which are based on historical experience, current trends, and all information deemed relevant at the time financial statements are prepared.

The Corporation's annual audited consolidated financial statements for the year ended December 31, 2015 and its 2015 annual MD&A outlined the accounting policies and estimates that are critical to the understanding of the Corporation's results of operations and its businesses.

15. Subsequent event

On May 5, 2016, the Corporation's board of directors declared an increase to the regular quarterly dividend to $0.07 per common share. The dividend will be paid on May 31, 2016, to shareholders of record at the close of business on May 17, 2016.

16. Related party transactions

There have been no material changes in related party transactions in the first quarter of 2016.

17. Risk management and assessment

Detailed descriptions of the Corporation's risk management and assessment can be found in the Corporation's annual MD&A for 2015. There have been no material changes in the uncertainties and material risk factors facing the Corporation since December 31, 2015.

18. Application of new and revised International Financial Reporting Standards (IFRSs)

New and revised IFRSs effective for annual periods starting on January 1, 2016:

The following amendments to certain accounting standards were effective for annual periods beginning on or after January 1, 2016 and have been adopted by the Corporation, as applicable:

- **Amendments to IAS 1 *Presentation of Financial Statements***
  The amendments clarify guidance on materiality and aggregation, use of subtotals, aggregation and disaggregation of financial statement line items, the order of the notes to the financial statements and disclosure of significant accounting policies.

- **Amendments to IFRS 7 *Financial Instrument: Disclosures***
  The amendments clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of determining the disclosures required and the applicability of the amendments to IFRS 7 on offsetting disclosures to condensed interim financial statements.

- **Amendments to IAS 34 *Interim Financial Reporting***
  The amendments clarify the requirement relating to information required by IAS 34 that is presented elsewhere within the interim financial report but outside the interim financial statements.

- **Amendments to IFRS 14 *Regulatory Deferral Accounts***
  The amendments are applicable to first-time adopters of IFRS with rate-regulated activities.

- **Amendments to IFRS 10 *Consolidated Financial Statements*; IFRS 12 *Disclosure of Interest in Other Entities*; IAS 28 *Investments in Associates and Joint Ventures***
  The amendments address issues in applying the consolidation exception for investment entities.

- **Amendments to IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*; IFRS 7 *Financial Instruments: Disclosures*; IAS 19 *Employee Benefits*; IFRS 34 *Interim Financial Reporting***
  The minor amendments are related to the Annual Improvement to IFRSs 2012-2014 Cycle.

- **Amendments to IAS 27 *Equity Method in Separate Financial Statements***
  The amendments reinstate the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements.

- **Amendments to IAS 16 *Property, Plant and Equipment*; IAS 41 *Agriculture***
  The amendments clarify to include bearer plants within the scope of IAS 16 rather than IAS 41.

- **Amendments to IAS 16 *Property, Plant and Equipment*; IAS 38 *Intangible Assets***
  The amendments clarify that revenue-based methods to calculate depreciation of an asset are not appropriate, except in two limited circumstances.

- **Amendments to IFRS 11 *Joint Arrangements: Accounting for Acquisition of Interest in Joint Operations***
  The amendments clarify to add new guidance to IFRS 11 on accounting for the acquisition of an interest in a joint operation.

The Corporation has determined that the amendments had no material impact on the disclosures or on amounts recognized in the condensed interim consolidated financial statements.

New and revised IFRSs issued in 2016 but not yet effective:

- **IAS 16 *Leases***
  In January 2016, the IASB issued IFRS 16 *Leases*, effective for the annual period beginning on or after January 1, 2019. The new standard on lease accounting will result in substantially all lessee leases being recognized on the statement of financial position.

- **Amendments to IAS 12 *Income Taxes***
  In January 2016, the IASB issued amendments to IAS 12 *Income Taxes*, effective for the annual period beginning on or after January 1, 2017. The amendments clarify the recognition of deferred tax assets for unrealized losses.

- **Amendments to IAS 7 *Statement of Cash Flows***
  In January 2016, the IASB issued amendments to IAS 12 *Statement of Cash Flows*, effective for the annual period beginning on or after January 1, 2017. The amendments clarify certain amendments to disclose changes in liabilities arising from financing activities.

- **Amendments to IFRS 15 *Revenue from Contracts with Customers***
  In April 2016, the IASB issued amendments to IFRS 15 *Revenue from Contracts with Customers*, effective for the annual period beginning on or after January 1, 2018. The amendments clarify certain aspects of the standard and provide some transition relief for modified and completed contracts.

Management has not yet evaluated the impact of these new standards on the Corporation's consolidated financial statement measurements and disclosures. The Corporation does not anticipate early adoption.

19. Non-GAAP and additional GAAP measures

PFB uses measurements primarily based on IFRS as issued by the International Accounting Standards Board and also certain secondary non-GAAP measurements.

The non-GAAP measures used by PFB are considered to be useful as complimentary measures in assessing PFB's financial performance. Non-GAAP measurements do not have a standardized meaning prescribed by IFRS and, as such, are unlikely to be comparable in definition to similar measures presented by other companies.

The definitions of non-GAAP and additional GAAP measurements used in this MD&A are stated below:

Measure	**Definition**
Funds flow from operations	Net cash flows generated by operating activities before changes in non-cash working capital, changes in deferred operating lease obligations, unrealized foreign exchange gain or loss relating to non-cash working capital, and income taxes paid or recovered.
EBITDA	Represents earnings before interest, taxes, depreciation and amortization. EBITDA is an absolute measure of our operating performance and provides an indication of the results generated by our business activities prior to how the activities are financed, how assets are depreciated and amortized, or how results are taxed.
Funds flow from operations per share	Funds flow from operations divided by the weighted average number of shares issued and outstanding for the year.
EBITDA per share	EBITDA divided by the basic weighted average number of shares outstanding in the period.
Gross profit	Gross profit represents sales less cost of sales.
Operating income	Operating income shows us how we have performed before the effects of certain non-operating expenses, financing decisions and taxes.
Gross profit margin	Gross profit divided by sales expressed as a percentage.

The following table shows the reconciliation of quarterly net (loss) income to quarterly EBITDA and related per share amounts for the current quarter and previous seven quarters:

	2016 Q1	2015 Q4	2015 Q3	2015 Q2	2015 Q1	2014 Q4	2014 Q3	2014 Q2
Net (loss) income (As per financial statements)	**$ (155)**	$ 836	$ 2,212	$ 2,120	$ (80)	$ 1,116	$ 1,549	$ 95
Add back (deduct):								
Income taxes	**(143)**	308	865	971	(123)	532	576	141
Finance costs	**358**	356	356	358	360	359	359	362
Investment income	**(66)**	(63)	(55)	(47)	(59)	(51)	(44)	(44)
Depreciation	**942**	951	902	898	897	898	882	868
Amortization	**19**	38	39	53	58	67	49	48
EBITDA	**955**	2,426	4,319	4,353	1,053	2,921	3,371	1,470
EBITDA per share	**0.14**	0.36	0.64	0.65	0.16	0.43	0.50	0.22

Condensed Consolidated Financial Statements (Unaudited)

Notice of non-auditor review of condensed consolidated financial statements for the three month periods ended March 31, 2016 and 2015

The accompanying unaudited condensed consolidated financial statements of PFB Corporation for the three month periods ended March 31, 2016 and 2015 are the responsibility of the Corporation's management.

The Corporation's independent auditor, Deloitte LLP, has not performed a review of these condensed consolidated financial statements.

Dated: May 5, 2016

Condensed Interim Consolidated Statements of Loss

For the three month periods ended March 31, 2016 and 2015
Thousands of Canadian dollars, except per share amounts

	Note	2016	2015
Sales		**$ 19,157**	$ 17,532
Cost of sales	6	**(15,314)**	(14,007)
Gross profit		**3,843**	3,525
Selling expenses		**(2,543)**	(2,254)
Administrative expenses		**(1,267)**	(1,196)
Other losses		**(39)**	(40)
Operating (loss) income		**(6)**	35
Gain on sale of real estate		**-**	63
Investment income		**66**	59
Finance costs		**(358)**	(360)
Loss before tax		**(298)**	(203)
Income tax recovery		**143**	123
Loss for the period		**$ (155)**	$ (80)
Loss per share - $ per share			
Basic and diluted		**$ (0.02)**	$ (0.01)
Weighted average number of common shares outstanding			
Basic and diluted		**6,716,003**	6,716,003

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

Consolidated Statements of Comprehensive (Loss) Income

For the three month periods ended March 31, 2016 and 2015
Thousands of Canadian dollars

	Note	2016	2015
Loss for the period		**$ (155)**	$ (80)
Other comprehensive (loss) income:			
Items that may subsequently be reclassified to income:			
Foreign currency translation adjustments			
Exchange differences on translating foreign operations, net of tax		**(1,015)**	1,282
Restricted available for sale financial assets			
Unrealized gain on available for sale financial assets, net of tax	10	**142**	229
Other comprehensive (loss) income for the period		**(873)**	1,511
Comprehensive (loss) income for the period		**$ (1,028)**	$ 1,431

All comprehensive (loss) income for the periods is attributable to the shareholders of the Corporation.

Condensed Interim Consolidated Balance Sheets

As at March 31, 2016 and 2015, and December 31, 2015
Thousands of Canadian dollars

	Note	March 31, 2016	March 31, 2015	December 31, 2015
ASSETS				
Current assets				
Cash and cash equivalents		**$ 9,180**	$ 6,546	$ 16,252
Trade receivables	10	**8,027**	9,221	7,535
Inventories	6	**11,962**	10,542	10,069
Income taxes recoverable		**224**	17	35
Prepaid expenses		**1,155**	934	932
Total current assets		**30,548**	27,260	34,823
Non-current assets				
Marketable securities - restricted	10	**2,387**	2,533	2,192
Property, plant and equipment	7	**35,909**	34,712	36,022
Intangible assets		**1,437**	1,406	1,521
Goodwill		**2,274**	2,233	2,385
Deferred income tax assets		**1,902**	1,998	1,901
Total non-current assets		**43,909**	42,882	44,021
Total assets		**$ 74,457**	$ 70,142	$ 78,844
LIABILITIES				
Current Liabilities				
Trade and other payables	10	**$ 6,417**	$ 6,723	$ 8,903
Deferred revenue		**4,522**	3,413	3,408
Income taxes payable		**-**	94	1,497
Finance lease obligations	8, 10	**357**	324	384
Total current liabilities		**11,296**	10,554	14,192
Non-current liabilities				
Finance lease obligations	8, 10	**14,013**	14,024	14,087
Deferred operating lease obligations	10	**415**	277	341
Accrued defined benefit pension plan		**180**	56	180
Deferred income tax liabilities		**1,316**	1,582	1,376
Total non-current liabilities		**15,924**	15,939	15,984
Total liabilities		**27,220**	26,493	30,176
SHAREHOLDERS’ EQUITY				
Common shares		**20,947**	20,947	20,947
Accumulated other comprehensive income		**2,626**	2,439	3,499
Retained earnings		**23,664**	20,263	24,222
Shareholders’ equity		**47,237**	43,649	48,668
Total liabilities and shareholders’ equity		**$ 74,457**	$ 70,142	$ 78,844

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

Consolidated Statements of Changes in Equity

As at March 31, 2016 and 2015, and December 31, 2015
Thousands of Canadian dollars, except number of shares

		Common shares		Accumulated other comprehensive income				
	Note	Number of shares	Share capital	Foreign currency translation adjustments, net of taxes	Unrealized gain (loss) on available for sale assets, net of taxes	Defined benefit pension plan valuation change, net of taxes	Retained earnings	Total
Balances at January 1, 2015		**6,716,003**	**$ 20,947**	**$ 1,083**	**$ (229)**	**$ 74**	**$ 20,746**	**$ 42,621**
Loss for the period		-	-	-	-	-	(80)	(80)
Other comprehensive income for the period, net of tax		-	-	1,282	229	-	-	1,511
Total comprehensive income (loss) for the period		-	-	1,282	229	-	(80)	1,431
Payment of dividends	9	-	-	-	-	-	(403)	(403)
Balances at March 31, 2015		**6,716,003**	**20,947**	**2,365**	**-**	**74**	**20,263**	**43,649**
Net income for the period		-	-	-	-	-	5,168	5,168
Other comprehensive income (loss) for the period, net of tax		-	-	1,420	(255)	(105)	-	1,060
Total comprehensive income (loss) for the period		-	-	1,420	(255)	(105)	5,168	6,228
Payment of dividends		-	-	-	-	-	(1,209)	(1,209)
Balances at December 31, 2015		**6,716,003**	**20,947**	**3,785**	**(255)**	**(31)**	**24,222**	**48,668**
Loss for the period		-	-	-	-	-	(155)	(155)
Other comprehensive (loss) income for the period, net of tax		-	-	(1,015)	142	-	-	(873)
Total comprehensive (loss) income for the period		-	-	(1,015)	142	-	(155)	(1,028)
Payment of dividends	9	-	-	-	-	-	(403)	(403)
Balances at March 31, 2016		**6,716,003**	**$ 20,947**	**$ 2,770**	**$ (113)**	**$ (31)**	**$ 23,664**	**$ 47,237**

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

Condensed Interim Consolidated Statement of Cash Flows

For the three month periods ended March 31, 2016 and 2015
Thousands of Canadian dollars

	Note	2016	2015
CASH FLOWS USED IN OPERATING ACTIVITIES			
Loss for the period		**$ (155)**	$ (80)
Adjustments for:			
Depreciation expense	7	**942**	897
Amortization expense		**19**	58
Gain on disposal of plant and equipment		**(65)**	-
Gain on sale of real estate		**-**	(63)
Finance costs		**358**	360
Investment income		**(66)**	(59)
Income tax recovery		**(143)**	(123)
Unrealized foreign exchange loss (gain)		**332**	(58)
Funds flow from operations		**1,222**	932
Changes in non-cash working capital	12	**(3,980)**	(1,778)
Changes in deferred operating lease obligations		**74**	99
Unrealized foreign exchange (loss) gain relating to non-cash working capital		**(120)**	(41)
Cash used in operating activities		**(2,804)**	(788)
Income taxes paid		**(1,784)**	(691)
Net cash used in operating activities		**(4,588)**	(1,479)
CASH FLOWS USED IN BY INVESTING ACTIVITIES			
Purchase of property, plant and equipment	7	**(1,418)**	(401)
Purchase of intangible assets		**(21)**	(59)
Proceeds from disposal of property, plant and equipment		**74**	-
Proceeds from sale of real estate		**-**	63
Interest received		**27**	20
Distributions received on marketable securities		**39**	39
Net cash used in generated by investing activities		**(1,299)**	(338)
CASH FLOWS USED IN FINANCING ACTIVITIES			
Repayment of finance lease obligations		**(105)**	(83)
Finance costs paid		**(358)**	(360)
Dividends paid to shareholders	9	**(403)**	(403)
Net cash used in financing activities		**(866)**	(846)
Effects of exchange rate changes on cash and cash equivalents held in foreign currencies		**(319)**	276
Net decrease in cash and cash equivalents		**(7,072)**	(2,387)
Cash and cash equivalents at the beginning of the period		**16,252**	8,933
Cash and cash equivalents at the end of the period		**$ 9,180**	$ 6,546

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

1. General information

PFB Corporation ("PFB" or the "Corporation") is a Canadian public company incorporated under the Alberta Business Corporations Act and has its head office in Calgary, Alberta, Canada. The Corporation's corporate office is located at 100, 2886 Sunridge Way NE, Calgary, Alberta, Canada T1Y 7H9. The principal business activity of the Corporation is manufacturing insulating building products made from expanded polystyrene materials and marketing these products in North America.

The Corporation's wholly-owned subsidiaries operate manufacturing facilities and sales operations in the provinces of British Columbia, Alberta, Saskatchewan, Manitoba, and Ontario in Canada, and in the States of Minnesota, Michigan, Idaho and Ohio, USA.

2. Statement of compliance

These interim condensed consolidated financial statements for the three month periods ended March 31, 2016 and 2015, have been prepared in accordance with International Accounting Standard (IAS) 34, *Interim Financial Reporting*. Accordingly, certain information and footnote disclosure normally included in annual financial statements prepared in accordance with International Financial Reporting Standards (IFRS) have been omitted. These interim condensed consolidated financial statements should be read in conjunction with the Corporation's audited consolidated financial statements for the years ended December 31, 2015 and 2014.

These interim condensed consolidated financial statements were approved and authorized for issue by the board of directors of the Corporation at a meeting held on May 5, 2016.

3. Significant accounting policies

3.1 Presentation

These interim condensed consolidated financial statements have been prepared in accordance with the significant accounting policies set out in the Corporation's audited consolidated financial statements for the years ended December 31, 2015 and 2014.

The Corporation's business is subject to seasonal variations and uncertainties. Sales of the Corporation's products are driven by consumer and industrial demand for insulation and building products. The timing of our customers' construction projects can be influenced by a number of factors including the prevailing economic climate and weather. Seasonality in the construction sector usually results in demand for the Corporation's products being stronger in the second and third quarters and less strong in the first and fourth quarters of its fiscal cycle. Accordingly, the results of operations for this reporting period are not necessarily indicative of the results of operations over a full year cycle.

3.2 Consolidation

The interim condensed consolidated financial statements incorporate the accounts of the Corporation and its subsidiaries (entities controlled by the Corporation). All subsidiaries are wholly-owned by the Corporation.

All intra-group transactions, balances, income and expenses have been eliminated in full upon consolidation.

3.3 Application of new and revised International Financial Reporting Standards (IFRSs)

The following amendments to certain accounting standards were effective for annual periods beginning on or after January 1, 2016 and have been adopted by the Corporation, as applicable:

- **Amendments to IAS 1 *Presentation of Financial Statements***
  The amendments clarify guidance on materiality and aggregation, use of subtotals, aggregation and disaggregation of financial statement line items, the order of the notes to the financial statements and disclosure of significant accounting policies.

- **Amendments to IFRS 7 *Financial Instrument: Disclosures***
  The amendments clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of determining the disclosures required and the applicability of the amendments to IFRS 7 on offsetting disclosures to condensed interim financial statements.

- **Amendments to IAS 34 *Interim Financial Reporting***
  The amendments clarify the requirement relating to information required by IAS 34 that is presented elsewhere within the interim financial report but outside the interim financial statements.

- **Amendments to IFRS 14 *Regulatory Deferral Accounts***
  The amendments are applicable to first-time adopters of IFRS with rate-regulated activities.

- **Amendments to IFRS 10 *Consolidated Financial Statements*; IFRS 12 *Disclosure of Interest in Other Entities*; IAS 28 *Investments in Associates and Joint Ventures***
  The amendments address issues in applying the consolidation exception for investment entities.

- **Amendments to IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*; IFRS 7 *Financial Instruments: Disclosures*; IAS 19 *Employee Benefits*; IFRS 34 *Interim Financial Reporting***
  The minor amendments are related to the Annual Improvement to IFRSs 2012-2014 Cycle.

- **Amendments to IAS 27 *Equity Method in Separate Financial Statements***
  The amendments reinstate the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements.

- **Amendments to IAS 16 *Property, Plant and Equipment*; IAS 41 *Agriculture***
  The amendments clarify to include bearer plants within the scope of IAS 16 rather than IAS 41.

- **Amendments to IAS 16 *Property, Plant and Equipment*; IAS 38 *Intangible Assets***
  The amendments clarify that revenue-based methods to calculate depreciation of an asset are not appropriate, except in two limited circumstances.

- **Amendments to IFRS 11 *Joint Arrangements: Accounting for Acquisition of Interest in Joint Operations***
  The amendments clarify to add new guidance to IFRS 11 on accounting for the acquisition of an interest in a joint operation.

The Corporation has determined that the amendments had no material impact on the disclosures or on amounts recognized in the interim condensed consolidated financial statements.

3.4 New and revised IFRSs issued in 2016 but not yet effective

- **IAS 16 *Leases***
  In January 2016, the IASB issued IFRS 16 *Leases*, effective for the annual period beginning on or after January 1, 2019. The new standard on lease accounting will result in substantially all lessee leases being recognized on the statement of financial position.

- **Amendments to IAS 12 *Income Taxes***
  In January 2016, the IASB issued amendments to IAS 12 *Income Taxes*, effective for the annual period beginning on or after January 1, 2017. The amendments clarify the recognition of deferred tax assets for unrealized losses.

- **Amendments to IAS 7 *Statement of Cash Flows***
  In January 2016, the IASB issued amendments to IAS 12 *Statement of Cash Flows*, effective for the annual period beginning on or after January 1, 2017. The amendments clarify certain amendments to disclose changes in liabilities arising from financing activities.

- **Amendments to IFRS 15 *Revenue from Contracts with Customers***
  In April 2016, the IASB issued amendments to IFRS 15 *Revenue from Contracts with Customers*, effective for the annual period beginning on or after January 1, 2018. The amendments clarify certain aspects of the standard and provide some transition relief for modified and completed contracts.

Management has not yet evaluated the impact of these new standards on the Corporation's consolidated financial statement measurements and disclosures. The Corporation does not anticipate early adoption.

Thousands of Canadian dollars, except per share amounts

4. Critical accounting estimates and judgments

The preparation of financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported carrying amounts of assets and liabilities and the results of operations.

Estimates and underlying assumptions are reviewed on an ongoing basis. Actual results could differ from those estimates.

There were no significant changes in how accounting estimates or judgments have been determined in the interim periods presented.

5. Segment information

The Corporation has two reportable operating segments, Canada and the USA, and each segment applies the same accounting policies, internal controls and reporting systems. Segment performance predominantly focuses on the types of goods and services provided and their geographical locations of manufacturing and distribution.

The chief operating decision maker evaluates performance on the basis of operating income or loss, as reported on a periodic basis. This performance measure is considered to be the most relevant in evaluating the results of each operating segment.

5.1 Segment revenues and income

Segment sales represent sales revenues directly attributable to each segment. Inter-segment sales have been eliminated. There are varying levels of integration between each segment.

The Canadian segment primarily derives its revenues from the sale of expanded polystyrene (“EPS”) foam products, which it manufactures at its facilities in Canada. The USA segment primarily derives its revenues from the sale of EPS foam products, customized log and timber structures made at its facilities in the United States, along with providing design and installation services for its manufactured products.

Segment operating income (loss) represents the income or loss as reported by each segment excluding any allocations for corporate income or expenses and foreign exchange gains or losses arising on an inter-segment loan.

Information regarding each reportable operating segment for three month periods ended March 31 are set out below:

	Sales revenues		Operating (loss) income	
	2016	**2015**	**2016**	**2015**
Canada	**$ 12,422**	$ 13,346	**$ 449**	$ 833
USA	**6,735**	4,186	**(355)**	(726)
Total for segments	**$ 19,157**	$ 17,532	**94**	107
Corporate – expense			**(46)**	(65)
Foreign exchange loss on inter-segment loan			**(54)**	(7)
Consolidated operating (loss) income			**$ (6)**	$ 35

Thousands of Canadian dollars, except per share amounts

5.2 Segment assets and liabilities

Management measures capital employed using net segmented assets. The reconciliation of segmented assets and segmented liabilities in relation to total consolidated assets and liabilities is set out in the table below:

	As at Mar 31, 2016	**As at Dec 31, 2015**
Assets		
Segmented assets	**$ 55,357**	$ 52,362
Assets not allocated to segments:		
Cash and cash equivalents	**9,180**	16,252
Freehold land and buildings	**7,482**	8,003
Restricted marketable securities	**2,387**	2,192
Corporate – income taxes recoverable	**51**	35
Total assets	**$ 74,457**	$ 78,844
Liabilities		
Segmented liabilities	**$ 12,790**	$ 15,703
Liabilities not allocated to segments:		
Finance lease obligations	**14,370**	14,471
Corporate – deferred income tax liability	**60**	2
Total liabilities	**$ 27,220**	$ 30,176
Net segmented assets		
Canada	**$ 35,230**	$ 27,713
USA	**7,337**	8,946

5.3 Other segment information

	Three month periods ended March 31	
	2016	**2015**
Additions to non-current assets:		
Canada	**$ 1,385**	$ 372
USA	**54**	88
Total	**$ 1,439**	$ 460
Depreciation and amortization:		
Canada	**$ 627**	$ 649
USA	**188**	175
Total	**$ 815**	$ 824
Inter-segment sales	**$ 1,083**	$ 732

Thousands of Canadian dollars, except per share amounts

6. Inventories

	As at Mar 31, 2016	**As at Dec 31, 2015**
Raw materials	**$ 5,484**	$ 4,834
Work in progress	**2,684**	2,580
Finished goods	**3,794**	2,655
	$ 11,962	$ 10,069

The cost of inventories recognized as an expense in cost of sales during the three month period ended March 31, 2016 was $13,855 (2015 - $12,648), respectively.

The cost of inventories recognized as an expense during the three month period ended March 31, 2016, includes $128 (2015 - $114) in respect of write-downs of inventory to net realizable value. There were no reversals of any cost to net realizable value write-downs in each of the three month periods ended March 31, 2016 or 2015.

Eligible inventories held by the Corporation's Canadian and USA subsidiaries have been pledged as security with a bank in support of revolving credit facilities. The revolving credit facilities were unused as at March 31, 2016 and 2015.

7. Property, plant and equipment

Cost	**Freehold land**	**Buildings**	**Plant and equipment**	**Assets under finance lease**	**Assets under construction**	**Total**
Balance at January 1, 2015	**$ 2,197**	**$ 10,492**	**$ 36,657**	**$ 15,582**	**$ 410**	**$ 65,338**
Additions	-	-	-	-	401	401
Disposal of PP&E assets	-	-	(21)	-	-	(21)
Transfers between asset classes	-	1	118	-	(119)	-
Effect of foreign currency changes	87	543	495	21	10	1,156
Balance at March 31, 2015	**2,284**	**11,036**	**37,249**	**15,603**	**702**	**66,874**
Additions	-	-	6	364	1,759	2,129
Business combination	822	184	148	-	-	1,154
Disposal of PP&E assets	-	-	(99)	(30)	-	(129)
Transfers between asset classes	-	446	1,380	-	(1,826)	-
Effect of foreign currency changes	102	602	569	33	35	1,341
Balance at December 31, 2015	**3,208**	**12,268**	**39,253**	**15,970**	**670**	**71,369**
Additions	-	-	13	25	1,405	1,443
Disposal of PP&E assets	-	-	(9)	(219)	-	(228)
Transfers between asset classes	-	9	226	-	(235)	-
Effect of foreign currency changes	(121)	(448)	(443)	(26)	-	(1,038)
Balance at March 31, 2016	**$ 3,087**	**$ 11,829**	**$ 39,040**	**$ 15,750**	**$ 1,840**	**$ 71,546**

Thousands of Canadian dollars, except per share amounts

Accumulated Depreciation	Freehold land	Buildings	Plant and equipment	Assets under finance lease	Assets under construction	Total
Balance at January 1, 2015	**$ -**	**$ 4,911**	**$ 24,119**	**$ 1,824**	**$ -**	**$ 30,854**
Depreciation expense	-	163	498	236	-	897
Disposal of PP&E assets	-	-	(21)	-	-	(21)
Transfers between asset classes	-	-	-	-	-	-
Effect of foreign currency changes	-	173	254	5	-	432
Balance at March 31, 2015	**-**	**5,247**	**24,850**	**2,065**	**-**	**32,162**
Depreciation expense	-	507	1,528	716	-	2,751
Disposal of PP&E assets	-	-	(99)	(24)	-	(123)
Transfers between asset classes	-	-	-	-	-	-
Effect of foreign currency changes	-	229	318	10	-	557
Balance at December 31, 2015	**-**	**5,983**	**26,597**	**2,767**	**-**	**35,347**
Depreciation expense	-	185	508	249	-	942
Disposal of PP&E assets	-	-	(7)	(212)	-	(219)
Transfers between asset classes	-	-	-	-	-	-
Effect of foreign currency changes	-	(179)	(245)	(9)	-	(433)
Balance at March 31, 2016	**$ -**	**$ 5,989**	**$ 26,853**	**$ 2,795**	**$ -**	**$ 35,637**

Net book values						
March 31, 2015	$ 2,284	$ 5,789	$ 12,399	$ 13,538	$ 702	$ 34,712
December 31, 2015	3,208	6,285	12,656	13,203	670	36,022
March 31, 2016	**3,087**	**5,840**	**12,187**	**12,955**	**1,840**	**35,909**

Assets under construction as at March 31, 2016 are expected to be available for use in 2016.

Depreciation expense for the three month period ended March 31, 2016, in the amount of $825 (2015 - $788) is included in cost of sales, with an amount of $86 (2015 - $69) included in selling expenses, and an amount of $31 (2015 - $40) included in administrative expenses.

Thousands of Canadian dollars, except per share amounts

8. Finance lease obligations

The Corporation's finance lease obligations as at March 31, 2016, and December 31, 2015, are as stated in the following table:

	Minimum lease payments	
	Mar 31, 2016	**Dec 31, 2015**
No later than one year	**$ 1,770**	$ 1,803
Later than one year and not later than five years	**6,761**	6,771
Later than five years	**22,359**	22,773
Total minimum lease payments	**30,890**	31,347
Less: amounts representing finance costs	**16,520**	16,876
Present value of minimum lease payments	**$ 14,370**	$ 14,471

Finance lease obligations are included in the condensed consolidated balance sheets as follows:

	Mar 31, 2016	**Dec 31, 2015**
Current	**$ 357**	$ 384
Long-term	**14,013**	14,087
Total	**$ 14,370**	$ 14,471

9. Issued capital

9.1 Normal Course Issuer Bid

In the three month period ended March 31, 2016 and 2015, the Corporation did not purchase any of its common shares for cancellation.

9.2 Dividends

In the three month periods ended March 31, 2016 and 2015, the Corporation's Board of Directors declared a regular quarterly dividend of $0.06 per common share paid in the month of February in each year, respectively.

The dividend payment in February 2016 amounted to $403 (2015 - $403).

10. Financial instruments

10.1 Fair Value Hierarchy

The Corporation, through its financial assets and liabilities, is exposed to a variety of risks that may affect the fair value of its financial instruments with each carrying varying degrees of significance which could affect the Corporation's ability to achieve its strategic objectives of growing its operations and increasing shareholder returns.

The following fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value of financial instruments classified as FVTPL. The three levels of the fair value hierarchy are described below:

Level 1: Fair value based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.

Level 2: Fair value based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.

Level 3: Fair value based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

Thousands of Canadian dollars, except per share amounts

The carrying amounts of the financial instruments are a reasonable approximation of their fair value. A summary of the classifications and carrying values of financial instruments held by the Corporation as at March 31, 2016 and December 31, 2015, are stated in the following table:

Financial instrument	Category	Measurement	Hierarchy	Mar 31, 2016 Carrying Amount	Dec 31, 2015 Carrying Amount
Cash and cash equivalents	FVTPL	Fair value	Level 1	**$ 9,180**	$ 16,252
Restricted marketable securities	Available for sale	Fair value	Level 1	**2,387**	2,192
Trade receivables	Loans and receivables	Amortized cost	N/A	**8,027**	7,535
Trade and other payables	Other financial liabilities	Amortized cost	N/A	**(6,417)**	(8,903)
Finance lease obligations	Other financial liabilities	Amortized cost	N/A	**(14,370)**	(14,471)
Deferred operating lease obligations	Other financial liabilities	Amortized cost	Level 2	**(415)**	(341)

During the first quarter of 2016, there were no transfers between level 1 and level 2 fair value measurements.

The estimated fair value of each class of financial instruments, the methods and assumptions that were used to determine it are as follows:

- The carrying amount of cash and cash equivalents, trade receivables, and trade and other payables approximate fair value due to the short-term maturity of those instruments.
- Marketable securities – restricted, consist of units of a publicly-traded Canadian REIT which are marked-to-market based on the quoted price of the units on the Toronto Stock Exchange at the end of each reporting period.
- The fair value of the obligations related to buildings and equipment under finance leases is comparable to their carrying amount given that rent is generally at market value.
- Deferred operating lease obligations consist of contracts that specify certain lease incentives and reflect timing differences between amounts expensed on a straight-line basis and when amounts are contractually paid to the lessors. The liability approximates the undiscounted, fair value of lease incentives reversing in the future.

11. Commitments and contingencies

11.1 Performance bonds

From time to time, under the terms of certain sales contracts, the Corporation's subsidiaries may be required to provide a performance bond as security. Performance bonds are considered normal practice for suppliers and contractors participating in larger construction projects, usually of a public nature. In the USA, government agencies in certain states have requirements for bonds to be posted when certain types of licensing applications are made in any of those states.

As at March 31, 2016, the Canadian segment did not have any contracts secured by performance bonds (December 31, 2015 - $nil). In the USA, performance bonds in the amount of $642 (December 31, 2015 - $608) were pledged to various government agencies as at March 31, 2016.

11.2 Expenditures for property, plant and equipment

As at March 31, 2016, the Corporation had commitments of $983 (March 31, 2015 - $671) for purchasing property, plant and equipment.

Thousands of Canadian dollars, except per share amounts

12. Supplementary cash flow information

12.1 Changes in non-cash working capital

	Three month periods ended March 31	
Increase (decrease):	**2016**	**2014**
Trade receivables	**$ 492**	$ 290
Inventories	**1,893**	1,648
Prepaid expenses	**223**	171
Trade and other payables	**2,486**	366
Deferred revenue	**(1,114)**	(697)
	$ 3,980	$ 1,778

12.2 Non-cash transactions excluded from the consolidated statement of cash flows

	Three month periods ended March 31	
	2016	**2015**
Property, plant and equipment acquired with finance lease obligations	**$ 25**	$ -

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