



## **Condensed Interim Consolidated Financial Statements**

**For the three and six month periods ended June 30, 2019 and 2018**

## **Condensed Interim Consolidated Financial Statements (Unaudited)**

### **Notice of non-auditor review of condensed interim consolidated financial statements for the three and six month periods ended June 30, 2019 and 2018**

The accompanying unaudited condensed interim consolidated financial statements of PFB Corporation for the three and six month periods ended June 30, 2019 and 2018 are the responsibility of the Corporation's management.

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

Dated: July 25, 2019

## Condensed Interim Consolidated Statements of Income

For the three and six month periods ended June 30, 2019 and 2018

Thousands of Canadian dollars, except per share amounts



	Note	Three month periods ended June 30		Six month periods ended June 30	
		2019	2018	2019	2018
<b>Sales</b>	5	<b>\$ 35,421</b>	\$ 32,640	<b>\$ 59,534</b>	\$ 53,688
Cost of sales	7	<b>(25,985)</b>	(25,120)	<b>(45,369)</b>	(42,417)
<b>Gross profit</b>		<b>9,436</b>	7,520	<b>14,165</b>	11,271
Selling expenses		<b>(3,151)</b>	(3,187)	<b>(6,160)</b>	(6,020)
Administrative expenses		<b>(2,012)</b>	(1,761)	<b>(3,710)</b>	(3,313)
Other losses	16	<b>(18)</b>	(91)	<b>(992)</b>	(139)
<b>Operating income</b>		<b>4,255</b>	2,481	<b>3,303</b>	1,799
Investment income		<b>5</b>	13	<b>28</b>	45
Finance costs		<b>(293)</b>	(354)	<b>(588)</b>	(664)
<b>Income before taxes</b>		<b>3,967</b>	2,140	<b>2,743</b>	1,180
Income taxes expense		<b>(906)</b>	(604)	<b>(854)</b>	(350)
<b>Net income for the period</b>		<b>\$ 3,061</b>	\$ 1,536	<b>\$ 1,889</b>	\$ 830
<b>Earnings per share - \$ per share</b>					
Basic		<b>\$ 0.45</b>	\$ 0.23	<b>\$ 0.28</b>	\$ 0.13
Diluted		<b>\$ 0.44</b>	\$ 0.23	<b>\$ 0.27</b>	\$ 0.13
<b>Weighted average number of common shares outstanding</b>					
Basic		<b>6,740,170</b>	6,716,003	<b>6,728,020</b>	6,716,003
Diluted		<b>6,928,266</b>	6,716,176	<b>6,908,698</b>	6,716,098

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

# Condensed Interim Consolidated Statements of Comprehensive Income

For the three and six month periods ended June 30, 2019 and 2018

Thousands of Canadian dollars



	Note	Three month periods ended June 30		Six month periods ended June 30	
		2019	2018	2019	2018
<b>Net income for the period</b>		<b>\$ 3,061</b>	\$ 1,536	<b>\$ 1,889</b>	\$ 830
<b>Other comprehensive (loss) income:</b>					
<b>Items that may subsequently be reclassified to income:</b>					
Foreign currency translation adjustments					
Exchange differences on translating foreign operations, net of tax		(473)	393	(942)	871
<b>Items that may not be subsequently reclassified to income:</b>					
Restricted financial assets					
Unrealized gain on restricted financial assets, net of tax	17	-	8	-	177
Other comprehensive (loss) income for the period		(473)	401	(942)	1,048
<b>Comprehensive income for the period</b>		<b>\$ 2,588</b>	\$ 1,937	<b>\$ 947</b>	\$ 1,878

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

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

# Condensed Interim Consolidated Balance Sheets

As at June 30, 2019 and 2018, and December 31, 2018

Thousands of Canadian dollars



	Note	June 30, 2019	June 30, 2018	December 31, 2018
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	17	\$ 14,360	\$ 7,109	\$ 16,944
Cash - restricted	17	1,906	1,114	1,347
Trade receivables	17	14,387	14,750	13,082
Inventories	7	13,732	15,518	11,638
Income taxes recoverable		9	210	193
Prepaid expenses		1,038	1,127	374
Contract costs	8	480	556	475
<b>Total current assets</b>		<b>45,912</b>	<b>40,384</b>	<b>44,053</b>
<b>Non-current assets</b>				
Marketable securities - restricted	17	1,483	1,483	1,483
Property, plant and equipment	11	35,560	37,302	36,694
Right-of-use assets	12	7,675	8,778	8,305
Intangible assets		1,466	1,459	1,447
Goodwill		2,288	2,298	2,360
Accrued defined benefit pension plan		10	91	10
Deferred income tax assets		264	268	270
<b>Total non-current assets</b>		<b>48,746</b>	<b>51,679</b>	<b>50,569</b>
<b>Total assets</b>		<b>\$ 94,658</b>	<b>\$ 92,063</b>	<b>\$ 94,622</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Bank indebtedness		\$ -	\$ 3,364	\$ -
Trade and other payables	17	9,152	8,972	10,894
Contract liabilities	9	8,654	7,894	6,464
Income taxes payable		182	-	681
Long-term debt	13, 15, 17	355	344	350
Lease obligations	14, 15	1,099	1,015	1,122
<b>Total current liabilities</b>		<b>19,442</b>	<b>21,589</b>	<b>19,511</b>
<b>Non-current liabilities</b>				
Long-term debt	13, 15, 17	8,038	8,394	8,218
Lease obligations	14, 15	8,996	9,841	9,487
Deferred income tax liabilities		1,201	1,165	1,397
<b>Total non-current liabilities</b>		<b>18,235</b>	<b>19,400</b>	<b>19,102</b>
<b>Total liabilities</b>		<b>37,677</b>	<b>40,989</b>	<b>38,613</b>
<b>SHAREHOLDERS' EQUITY</b>				
Common shares		21,169	20,947	20,947
Equity-settled employee benefits reserve		992	30	44
Accumulated other comprehensive income		3,210	3,496	4,152
Retained earnings		31,610	26,601	30,866
<b>Shareholders' equity</b>		<b>56,981</b>	<b>51,074</b>	<b>56,009</b>
<b>Total liabilities and shareholders' equity</b>		<b>\$ 94,658</b>	<b>\$ 92,063</b>	<b>\$ 94,622</b>

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

## Condensed Interim Consolidated Statements of Changes in Equity

As at June 30, 2019 and 2018, and December 31, 2018

Thousands of Canadian dollars, except number of shares



	Note	Common shares		Equity-settled employee benefits reserve	Accumulated other comprehensive income			Retained earnings	Total
		Number of shares	Share capital		Foreign currency translation adjustments, net of taxes	Unrealized gain on financial assets, net of taxes	Defined benefit pension plan valuation change, net of taxes		
<b>Balances at January 1, 2018</b>		<b>6,716,003</b>	<b>\$ 20,947</b>	<b>\$ -</b>	<b>\$ 2,151</b>	<b>\$ 229</b>	<b>\$ 68</b>	<b>\$ 27,430</b>	<b>\$ 50,825</b>
IFRS 16, impact of change in accounting policy	3	-	-	-	-	-	-	(584)	(584)
<b>Restated balance at January 1, 2018</b>		<b>6,716,003</b>	<b>20,947</b>	<b>-</b>	<b>2,151</b>	<b>229</b>	<b>68</b>	<b>26,846</b>	<b>50,241</b>
Restated net income for the period		-	-	-	-	-	-	830	830
Restated other comprehensive income for the period, net of tax		-	-	-	871	177	-	-	1,048
Restated total comprehensive income for the period		-	-	-	871	177	-	830	1,878
Payment of dividends	16	-	-	-	-	-	-	(1,075)	(1,075)
Share-based payment		-	-	30	-	-	-	-	30
<b>Restated Balance at June 30, 2018</b>		<b>6,716,003</b>	<b>20,947</b>	<b>30</b>	<b>3,022</b>	<b>406</b>	<b>68</b>	<b>26,601</b>	<b>51,074</b>
Restated net income for the period		-	-	-	-	-	-	5,340	5,340
Restated other comprehensive income (loss) for the period, net of tax		-	-	-	794	-	(138)	-	656
Restated total comprehensive income (loss) for the period		-	-	-	794	-	(138)	5,340	5,996
Payment of dividends		-	-	-	-	-	-	(1,075)	(1,075)
Share-based payment		-	-	14	-	-	-	-	14
<b>Restated Balance at December 31, 2018</b>		<b>6,716,003</b>	<b>20,947</b>	<b>44</b>	<b>3,816</b>	<b>406</b>	<b>(70)</b>	<b>30,866</b>	<b>56,009</b>
Net income for the period		-	-	-	-	-	-	1,889	1,889
Other comprehensive loss for the period, net of tax		-	-	-	(942)	-	-	-	(942)
Total comprehensive income for the period		-	-	-	(942)	-	-	1,889	947
Payment of dividends	16	-	-	-	-	-	-	(1,145)	(1,145)
Share-based payment		-	-	968	-	-	-	-	968
Shares issued on exercise of stock options		25,000	222	(20)	-	-	-	-	202
<b>Balance at June 30, 2019</b>		<b>6,741,003</b>	<b>\$ 21,169</b>	<b>\$ 992</b>	<b>\$ 2,874</b>	<b>\$ 406</b>	<b>\$ (70)</b>	<b>\$ 31,610</b>	<b>\$ 56,981</b>

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

# Condensed Interim Consolidated Statements of Cash Flows

For the three and six month periods ended June 30, 2019 and 2018

Thousands of Canadian dollars



	Note	Three month periods ended June 30		Six month periods ended June 30	
		2019	2018	2019	2018
<b>CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES</b>					
Net income for the period		\$ 3,061	\$ 1,536	\$ 1,889	\$ 830
Adjustments for:					
Depreciation expense	11,12	1,119	1,150	2,225	2,318
Amortization expense		36	35	67	71
Gain on disposal of assets		(16)	(14)	(16)	(42)
Finance costs		293	354	588	664
Investment income		(5)	(13)	(28)	(45)
Income tax expense		906	604	854	350
Share-based payment expense		11	27	968	30
Unrealized foreign exchange (gain) loss		(15)	639	93	-
Changes in non-cash working capital	20	231	(230)	(3,620)	(8,172)
Unrealized foreign exchange (gain) loss relating to non-cash working capital		(15)	6	(1)	48
Cash from (used in) operating activities, before income taxes		5,606	4,094	3,019	(3,948)
Income taxes paid, net		(938)	(112)	(1,333)	(273)
<b>Net cash from (used in) operating activities</b>		<b>4,668</b>	<b>3,982</b>	<b>1,686</b>	<b>(4,221)</b>
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>					
Increase in restricted cash balance		(571)	(830)	(559)	(1,026)
Purchase of property, plant and equipment	11	(323)	(339)	(785)	(1,089)
Purchase of intangible assets		(74)	-	(143)	(62)
Proceeds from disposal of assets		16	15	16	55
Interest received		5	8	28	26
Distributions received from marketable securities		-	5	-	19
<b>Net cash used in investing activities</b>		<b>(947)</b>	<b>(1,141)</b>	<b>(1,443)</b>	<b>(2,077)</b>
<b>CASH FLOWS (USED IN) FROM FINANCING ACTIVITIES</b>					
Repayment of lease obligations	14	(275)	(251)	(526)	(518)
Changes in long-term debt	13, 15	(88)	(84)	(174)	(168)
Changes in bank indebtedness, net		-	(1,252)	-	3,364
Finance costs		(293)	(354)	(588)	(664)
Proceeds from exercise of stock options		202	-	202	-
Dividends paid to shareholders	16	(607)	(537)	(1,145)	(1,075)
<b>Net cash (used in) from financing activities</b>		<b>(1,061)</b>	<b>(2,478)</b>	<b>(2,231)</b>	<b>939</b>
Effects of exchange rate changes on cash and cash equivalents, and restricted cash held in foreign currencies		(223)	(479)	(596)	288
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>2,437</b>	<b>(116)</b>	<b>(2,584)</b>	<b>(5,071)</b>
Cash and cash equivalents at the beginning of the period		11,923	7,225	16,944	12,180
<b>Cash and cash equivalents at the end of the period</b>		<b>\$ 14,360</b>	<b>\$ 7,109</b>	<b>\$ 14,360</b>	<b>\$ 7,109</b>

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

# Notes to the Condensed Interim Consolidated Financial Statements

For the three and six month periods ended June 30, 2019 and 2018

Thousands of Canadian dollars, except per share amounts



## 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 300, 2891 Sunridge Way NE, Calgary, Alberta, Canada T1Y 7K7. The Corporation’s shares are publicly traded on the Toronto Stock Exchange (“TSX”) under the symbol PFB. 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 condensed interim consolidated financial statements for the three and six month periods ended June 30, 2019 and 2018, 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 condensed interim consolidated financial statements should be read in conjunction with the Corporation’s audited consolidated financial statements for the years ended December 31, 2018 and 2017.

These condensed interim consolidated financial statements were approved and authorized for issue by the board of directors of the Corporation at a meeting held on July 25, 2019.

## 3. Significant accounting policies

### 3.1 Presentation

These condensed interim consolidated financial statements have been prepared in accordance with the significant accounting policies and methods of computation as set out in the audited annual consolidated financial statements of the Corporation as at and for the years ended December 31, 2018 and 2017, with the exception of the adoption of IFRS 16, with a date of initial application of January 1, 2019. The Corporation’s significant accounting policies and effects of adoption for leases are further described below.

Certain comparative figures have been reclassified to conform to the presentation adopted in the current year.

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 condensed interim 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 Corporation has adopted the following accounting standards effective for annual periods beginning on or after January 1, 2019:

- **IFRS 16 - Leases**

The Corporation applied IFRS 16 using the retrospective approach by restatement of each prior reporting period presented in accordance with IAS 8 - *Accounting Policies, Changes in Accounting Estimates and Errors*.

Under IFRS 16, at inception of a contract, the Corporation assesses whether a contract is a lease or contains a lease. A contract is a lease or contains a lease if the contract conveys the right to control the use of an identified asset for a



# Notes to the Condensed Interim Consolidated Financial Statements

For the three and six month periods ended June 30, 2019 and 2018

Thousands of Canadian dollars, except per share amounts



period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Corporation considers the following:

- The Corporation has the right to obtain substantially all of the economic benefits; and
- The Corporation has the right to direct the use of the identified asset.

The Corporation recognizes a right-of-use asset and the corresponding finance lease obligation at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease prepayments less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term.

The finance lease obligation is initially measured at the date of the transition as the present value of the remaining lease payments discounted using the rate implicit in the lease when readily available, otherwise Corporation's incremental borrowing rate.

The Corporation recorded a right of use asset for certain property and other leases, and a corresponding lease obligation. The previously recorded rent and operating lease expense will now be included in the Statement of Income (Loss) as depreciation and finance costs. As at January 1, 2019, the Corporation recognized right-of-use assets in the amount of \$6,656, net of accumulated depreciation, and an additional lease liability of \$7,958 upon initial adoption using the retrospective approach.

On transition to IFRS 16, the Corporation elected not to separate non-lease components from lease components for vehicles, truck and trailers and office equipment, and instead account for each lease component and any associated non-lease component as a single lease component. The Corporation has also elected not to recognize right-of-use assets and lease liabilities for short-term leases with duration of less than twelve months and leases of low-value assets. The Corporation expenses the lease payments associated with these leases over the lease term.

## Impacts to previously reported results

Select adjusted financial statement information, which reflects the adoption of IFRS 16, is presented below. Line items that were not affected have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The following tables present the impact of adoption to IFRS 16 on the Corporation's condensed interim consolidated financial statements.

Balance Sheets	As at January 1, 2018			As at June 30, 2018			As at December 31, 2018		
	As reported	Effect of IFRS 16	Adjusted	As reported	Effect of IFRS 16	Adjusted	As reported	Effect of IFRS 16	Adjusted
<b>ASSETS</b>									
<b>Non-current assets</b>									
Property, plant and equipment	\$ 40,099	\$ (2,672)	\$ 37,427	\$ 39,861	\$ (2,559)	\$ 37,302	\$ 39,209	\$ (2,515)	\$ 36,694
Right-of-use assets	-	9,328	9,328	-	8,778	8,778	-	8,305	8,305
Deferred income tax assets	357	94	451	241	27	268	270	-	270
	\$ 40,456	\$ 6,750	\$ 47,206	\$ 40,102	\$ 6,246	\$ 46,348	\$ 39,479	\$ 5,790	\$ 45,269
<b>LIABILITIES</b>									
<b>Current Liabilities</b>									
Lease obligations	\$ 249	\$ 762	\$ 1,011	\$ 254	\$ 761	\$ 1,015	\$ 255	\$ 867	\$ 1,122
<b>Non-current liabilities</b>									
Lease obligations	2,983	7,197	10,180	2,934	6,907	9,841	2,984	6,503	9,487
Deferred operating lease obligations	506	(506)	-	615	(615)	-	719	(719)	-
Deferred income tax liabilities	1,368	(119)	1,249	1,359	(194)	1,165	1,631	(234)	1,397
	4,857	6,572	11,429	4,908	6,098	11,006	5,334	5,550	10,884
<b>SHAREHOLDERS' EQUITY</b>									
Accumulated other comprehensive income	2,448	-	2,448	3,511	(15)	3,496	4,176	(24)	4,152
Retained earnings	27,430	(584)	26,846	27,199	(598)	26,601	31,469	(603)	30,866
	29,878	(584)	29,294	30,710	(613)	30,097	35,645	(627)	35,018
	\$ 34,984	\$ 6,750	\$ 41,734	\$ 33,872	\$ 6,246	\$ 42,118	\$ 41,234	\$ 5,790	\$ 47,024

# Notes to the Condensed Interim Consolidated Financial Statements

For the three and six month periods ended June 30, 2019 and 2018

Thousands of Canadian dollars, except per share amounts



Income Statements	Three month period ended June 30, 2018			Six month period ended June 30, 2018			Twelve month period ended December 31, 2018		
	As reported	Effect of IFRS 16	Adjusted	As reported	Effect of IFRS 16	Adjusted	As reported	Effect of IFRS 16	Adjusted
	Sales	\$ 32,640	\$ -	\$ 32,640	\$ 53,688	\$ -	\$ 53,688	\$ 128,345	\$ -
Cost of sales	(25,212)	92	(25,120)	(42,601)	184	(42,417)	(99,544)	370	(99,174)
<b>Gross profit</b>	7,428	92	7,520	11,087	184	11,271	28,801	370	29,171
Selling expenses	(3,191)	4	(3,187)	(6,027)	7	(6,020)	(11,985)	11	(11,974)
Administrative expenses	(1,785)	24	(1,761)	(3,365)	52	(3,313)	(7,452)	104	(7,348)
Other losses	(91)	-	(91)	(139)	-	(139)	(152)	-	(152)
<b>Operating income</b>	2,361	120	2,481	1,556	243	1,799	9,212	485	9,697
Investment income	13	-	13	45	-	45	67	-	67
Finance costs	(224)	(130)	(354)	(403)	(261)	(664)	(766)	(515)	(1,281)
<b>Income before taxes</b>	2,150	(10)	2,140	1,198	(18)	1,180	8,513	(30)	8,483
Income taxes expense	(605)	1	(604)	(354)	4	(350)	(2,324)	11	(2,313)
<b>Income for the period</b>	\$ 1,545	\$ (9)	\$ 1,536	\$ 844	\$ (14)	\$ 830	\$ 6,189	\$ (19)	\$ 6,170

Statements of Comprehensive Income	Three month period ended June 30, 2018			Six month period ended June 30, 2018			Twelve month period ended December 31, 2018		
	As reported	Effect of IFRS 16	Adjusted	As reported	Effect of IFRS 16	Adjusted	As reported	Effect of IFRS 16	Adjusted
	<b>Items that may subsequently be reclassified to income:</b>								
Exchange differences on translating foreign operations, net	\$ 403	\$ (10)	\$ 393	\$ 886	\$ (15)	\$ 871	\$ 1,689	\$ (24)	\$ 1,665
Unrealized gain on restricted financial assets, net	-	-	-	-	-	-	177	-	177
<b>Items that will not be subsequently reclassified to income:</b>									
Unrealized income (loss) on valuation change, net	8	-	8	177	-	177	(138)	-	(138)
Other comprehensive income for the period	411	(10)	401	1,063	(15)	1,048	1,728	(24)	1,704
<b>Comprehensive income for the period</b>	<b>\$ 1,956</b>	<b>\$ (19)</b>	<b>\$ 1,937</b>	<b>\$ 1,907</b>	<b>\$ (29)</b>	<b>\$ 1,878</b>	<b>\$ 7,917</b>	<b>\$ (43)</b>	<b>\$ 7,874</b>

## Earnings per share - \$

Basic	\$ 0.23	\$ -	\$ 0.23	\$ 0.13	\$ -	\$ 0.13	\$ 0.92	\$ -	\$ 0.92
Diluted	\$ 0.23	\$ -	\$ 0.23	\$ 0.13	\$ -	\$ 0.13	\$ 0.92	\$ -	\$ 0.92

# Notes to the Condensed Interim Consolidated Financial Statements

For the three and six month periods ended June 30, 2019 and 2018

Thousands of Canadian dollars, except per share amounts



Statements of Cash Flows	Three month period ended June 30, 2018			Six month period ended June 30, 2018			Twelve month period ended December 31, 2018		
	As reported	Effect of IFRS 16	Adjusted	As reported	Effect of IFRS 16	Adjusted	As reported	Effect of IFRS 16	Adjusted
<b>CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES</b>									
Net income for the period	\$ 1,545	\$ (9)	\$ 1,536	\$ 844	\$ (14)	\$ 830	\$ 6,189	\$ (19)	\$ 6,170
Adjustments for:									
Depreciation expense	913	237	1,150	1,813	505	2,318	3,634	978	4,612
Amortization expense	35	-	35	71	-	71	132	-	132
Gain on disposal of assets	(14)	-	(14)	(42)	-	(42)	(58)	-	(58)
Defined benefit pension plan	-	-	-	-	-	-	(79)	-	(79)
Finance costs	224	130	354	403	261	664	766	515	1,281
Investment income	(13)	-	(13)	(45)	-	(45)	(67)	-	(67)
Income tax expense	605	(1)	604	354	(4)	350	2,324	(12)	2,312
Share-based payment expense	27	-	27	30	-	30	44	-	44
Unrealized foreign exchange loss (gain)	637	2	639	(2)	2	-	(69)	13	(56)
Changes in non-cash working capital	(230)	-	(230)	(8,172)	-	(8,172)	(1,298)	-	(1,298)
Changes in deferred operating lease obligations	50	(50)	-	109	(109)	-	214	(214)	-
Unrealized foreign exchange loss relating to non-cash working capital	6	-	6	48	-	48	17	-	17
Cash from operating activities, before income taxes	3,785	309	4,094	(4,589)	641	(3,948)	11,749	1,261	13,010
Income taxes paid, net	(112)	-	(112)	(273)	-	(273)	(1,312)	-	(1,312)
<b>Net cash from (used in) operating activities</b>	<b>3,673</b>	<b>309</b>	<b>3,982</b>	<b>(4,862)</b>	<b>641</b>	<b>(4,221)</b>	<b>10,437</b>	<b>1,261</b>	<b>11,698</b>
<b>CASH FLOWS (USED IN) FROM FINANCING ACTIVITIES</b>									
Repayment of lease obligations	(72)	(179)	(251)	(138)	(380)	(518)	(279)	(746)	(1,025)
Changes in long-term debt	(84)	-	(84)	(168)	-	(168)	(338)	-	(338)
Changes in bank indebtedness, net	(1,252)	-	(1,252)	3,364	-	3,364	-	-	-
Finance costs	(224)	(130)	(354)	(403)	(261)	(664)	(766)	(515)	(1,281)
Dividends paid to shareholders	(537)	-	(537)	(1,075)	-	(1,075)	(2,150)	-	(2,150)
<b>Net cash (used in) from financing activities</b>	<b>\$ (2,169)</b>	<b>\$ (309)</b>	<b>\$ (2,478)</b>	<b>\$ 1,580</b>	<b>\$ (641)</b>	<b>\$ 939</b>	<b>\$ (3,533)</b>	<b>\$ (1,261)</b>	<b>\$ (4,794)</b>

## 4. Critical accounting estimates and judgments

The preparation of financial statements in accordance with IFRS requires management to make estimates and judgments that affect the application of accounting policies and the reported carrying amounts of assets and liabilities and the results of operations. Except for the changes below, the Corporation has consistently applied the accounting estimates and judgements to all periods presented in these consolidated financial statements.

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

# Notes to the Condensed Interim Consolidated Financial Statements

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Thousands of Canadian dollars, except per share amounts



## Leases

IFRS 16 requires management to make judgements and estimates in order to determine the value of the right-of-use assets and the lease liabilities. Judgements may relate to the identification of a lease in a contract and the determination of the lease term and whether an extension or termination option in a lease will be exercised.

Estimates may relate to the lease term, separation of lease and non-lease components and the determination of the appropriate discount rates.

## 5. Segment information

The Corporation operates individual legal entities in Canada and the USA which are reported as operating segments and revenue is reported in accordance with that segmentation.

The Corporation has two reportable operating segments, Canada and the USA, and each segment applies the same accounting policies, internal controls and reporting systems. Segments are based on the way management organizes the operations. Segments are identified and managed by the geographic and regulatory environment they operate within because they require compliance with different regulations. Segment performance predominantly focuses on operating results and the manner in which resources are allocated based on Canadian and USA operations respectively.

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 sales and operating 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 Corporation operates individual legal entities in Canada and the USA which are reported as operating segments and revenue is reported in accordance with that segmentation.

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 which typically include design and installation services that together provide the basis for a bundled sale of its manufactured products.

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

Prior period segment information has been restated for the application of IFRS 16 – *Leases*; see Note 3.

Information regarding each reportable operating segment for three and six month periods ended June 30, 2019 and 2018 are set out below:

Three month periods ended June 30	Sales revenues		Operating income	
	2019	2018	2019	2018
Canada	\$ 21,925	\$ 21,206	\$ 2,927	\$ 1,580
USA	13,496	11,434	1,139	766
Totals for segments	\$ 35,421	\$ 32,640	4,066	2,346
Corporate – income			186	131
Foreign exchange gain on inter-segment settlements			3	4
Consolidated operating income			\$ 4,255	\$ 2,481

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Six month periods ended June 30	Sales revenues		Operating income	
	2019	2018	2019	2018
Canada	\$ 37,211	\$ 34,939	\$ 3,354	\$ 1,172
USA	22,323	18,749	576	364
Totals for segments	\$ 59,534	\$ 53,688	3,930	1,536
Corporate – (expense) income			(630)	260
Foreign exchange gain on inter-segment settlements			3	3
Consolidated operating income			\$ 3,303	\$ 1,799

### 5.2 Segment assets and liabilities

Management measures capital employed using net segmented assets. The location of the capital assets and liabilities determines the geographic areas. 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 Jun 30, 2019	As at Dec 31, 2018
<b>Assets</b>		
Segmented assets	\$ 56,471	\$ 53,156
Assets not allocated to segments:		
Cash and cash equivalents	14,360	16,944
Restricted marketable securities	1,483	1,483
Freehold land and buildings	22,080	22,750
Corporate taxes <sup>1</sup>	264	289
<b>Total assets</b>	<b>\$ 94,658</b>	<b>\$ 94,622</b>
<b>Liabilities</b>		
Segmented liabilities	\$ 19,189	\$ 19,436
Liabilities not allocated to segments:		
Lease obligations	10,095	10,609
Long term debt	8,393	8,568
<b>Total liabilities</b>	<b>\$ 37,677</b>	<b>\$ 38,613</b>
<b>Net segmented assets</b>		
Canada	\$ 29,575	\$ 25,341
USA	7,707	8,379

<sup>1</sup>Deferred taxes.

### 5.3 Other segment information

	Three month periods ended June 30		Six month periods ended June 30	
	2019	2018	2019	2018
<b>Additions to non-current assets:</b>				
Canada	\$ 182	\$ 95	\$ 485	\$ 397
USA	215	244	443	754
Total	\$ 397	\$ 339	\$ 928	\$ 1,151

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For the three and six month periods ended June 30, 2019 and 2018

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	Three month periods ended June 30		Six month periods ended June 30	
	2019	2018	2019	2018
<b>Additions to right-of-use assets:</b>				
Canada	\$ 49	\$ -	\$ 49	\$ 65
USA	-	-	37	29
Total	\$ 49	\$ -	\$ 86	\$ 94
<b>Depreciation and amortization:</b>				
Canada	\$ 643	\$ 686	\$ 1,274	\$ 1,406
USA	245	229	485	445
Corporate	267	270	533	538
Total	\$ 1,155	\$ 1,185	\$ 2,292	\$ 2,389
<b>Inter-segment sales</b>	\$ 2,298	\$ 1,906	\$ 4,265	\$ 3,241

## 6. Earnings per share

The following table sets forth the reconciliation of basic and diluted earnings per share:

	Three month periods ended June 30		Six month periods ended June 30	
	2019	2018	2019	2018
Net income for the period	\$ 3,061	\$ 1,536	\$ 1,889	\$ 830
Weighted average number of common shares outstanding – basic	6,740,170	6,716,003	6,728,020	6,716,003
Effect of:				
Dilutive stock options and restricted share units	188,096	173	180,678	95
Weighted average number of common shares outstanding - diluted	6,928,266	6,716,176	6,908,698	6,716,098
Earnings per share:				
Basic	\$ 0.45	\$ 0.23	\$ 0.28	\$ 0.13
Diluted	\$ 0.44	\$ 0.23	\$ 0.27	\$ 0.13

## 7. Inventories

	As at June 30, 2019	As at Dec 31, 2018
Raw materials	\$ 6,926	\$ 5,907
Work in progress	2,622	2,404
Finished goods	4,184	3,327
	\$ 13,732	\$ 11,638

The cost of inventories recognized as an expense in cost of sales during the three and six month periods ended June 30, 2019 was \$22,700 and \$40,010 (2018 - \$22,489 and \$38,111), respectively.

The cost of inventories recognized as an expense during the three and six month periods ended June 30, 2019, includes \$295 and \$492, respectively, (2018 - \$172 and \$289) in respect of write-downs of inventory to net realizable value.

# Notes to the Condensed Interim Consolidated Financial Statements

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There were no reversals of any cost to net realizable value write-downs in the three and six month periods ended June 30, 2019 or 2018.

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 Canadian and USA revolving credit facilities were unused as at June 30, 2019 and December 31, 2018.

## 8. Contract costs

Contract costs represent the incremental costs of obtaining a contract with a customer on the expectation these costs will be recovered. Contract costs are comprised of sales commissions paid or payable to obtain certain contracts. These costs are amortized on a proportionate basis as a selling expense over the life of the contract, as this reflects the period over which goods or services are transferred to the customer. Amortization recognized in selling expenses during the three and six month periods ended June 30, 2019 was \$73 and \$155, (2018- \$43 and \$50), respectively. Amortization of contract costs follows the seasonality of operations and is typically higher in the second and third quarter upon completion of performance obligations. Contract costs remaining to be amortized as selling expenses are \$480 (2018 - \$556).

## 9. Contract liabilities

The Corporation enters into contracts to sell its products and services in the normal course of its operations. When the customer's payment precedes performance, the Corporation recognizes a contract liability. A contract liability is also recognized for the estimated rebates payable to customers associated with recognized sales at the end of the period. Contract liabilities are reduced as performance obligations are achieved and rebates paid. The changes in contract liabilities are set out below:

2019	Contract liabilities		Revenue related to			Foreign exchange	Balance, end of period
	Balance, beginning of period <sup>1</sup>	Current period <sup>2</sup>	Current period deposits <sup>3</sup>	Beginning of period deposits <sup>4</sup>	Rebates, net <sup>5</sup>		
Jan 1- Mar 31	\$ 6,464	\$ 5,540	\$ (2,502)	\$ (2,503)	\$ (1,166)	\$ (23)	\$ 5,810
Apr 1- Jun 30	5,810	8,657	(3,226)	(3,075)	569	(81)	8,654
<b>2018</b>							
Jan 1- Mar 31	\$ 5,158	\$ 4,070	\$ (736)	\$ (1,857)	\$ (772)	\$ 39	\$ 5,902
Apr 1- Jun 30	5,902	6,402	(1,607)	(3,357)	452	102	7,894

<sup>1</sup> Contract liabilities for customer deposits the Corporation has received for outstanding performance obligations and unpaid customer rebates earned and payable by the Corporation.

<sup>2</sup> Customer deposits that the Corporation has received during the period from new contracts with customers or additional customer deposits on existing contracts with customers, in advance of the Corporation's performance.

<sup>3</sup> Revenue recognized through the completion of performance obligations related only to the extent new customer deposits are received in the same period, excluding any amounts recognized as revenue from beginning balances. The decrease in contract liabilities is constrained to revenue recognized from customer deposits applied to performance obligations achieved in the current period.

<sup>4</sup> Revenue recognized through the completion of performance obligations related to either new or existing contracts, for customer deposits on hand from prior periods, that was included in the beginning balance and excludes amounts recognized during the period in the note above.

<sup>5</sup> Customer rebates payable by the Corporation or amounts (paid) to customers.

## 10. Remaining performance obligations

Performance obligations for certain goods manufactured, construction and design contracts generally include deposits which are initially recorded as contract liabilities and represent obligations of work that has not yet been completed. Revenue from unsatisfied performance obligations is recognized when services are rendered and control of the goods is transferred to the customers. For contracts that include deposits, the total remaining performance obligations, as at June 30, 2019 were \$19,202. The Corporation estimates it will recognize approximately \$15,037 of revenue from the unsatisfied performance obligations upon completion of those performance obligations over the next twelve months and \$4,165 after twelve months.



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## 11. Property, plant and equipment

Cost	Freehold land	Buildings	Plant and equipment	Assets under construction	Total
<b>Balance at January 1, 2018</b>	<b>\$ 8,457</b>	<b>\$ 25,702</b>	<b>\$ 42,197</b>	<b>\$ 698</b>	<b>\$ 77,054</b>
Additions	-	7	24	1,058	1,089
Disposal of PP&E assets	-	-	(267)	-	(267)
Effect of foreign currency changes	88	326	351	24	789
<b>Balance at June 30, 2018</b>	<b>8,545</b>	<b>26,035</b>	<b>42,305</b>	<b>1,780</b>	<b>78,665</b>
Additions	-	-	-	680	680
Disposal of PP&E assets	-	-	(83)	-	(83)
Transfers of right-of-use assets	-	-	217	-	217
Transfers between asset classes	-	213	1,819	(2,032)	-
Effect of foreign currency changes	67	243	289	20	619
<b>Balance at December 31, 2018</b>	<b>8,612</b>	<b>26,491</b>	<b>44,547</b>	<b>448</b>	<b>80,098</b>
Additions	-	-	100	685	785
Disposal of PP&E assets	-	-	(62)	-	(62)
Transfers between asset classes	-	67	417	(484)	-
Effect of foreign currency changes	(79)	(294)	(357)	(7)	(737)
<b>Balance at June 30, 2019</b>	<b>\$ 8,533</b>	<b>\$ 26,264</b>	<b>\$ 44,645</b>	<b>\$ 642</b>	<b>\$ 80,084</b>

### Accumulated Depreciation

<b>Balance at January 1, 2018</b>	<b>\$ -</b>	<b>\$ 9,837</b>	<b>\$ 29,790</b>	<b>\$ -</b>	<b>\$ 39,627</b>
Depreciation expense	-	599	1,005	-	1,604
Disposal of PP&E assets	-	-	(266)	-	(266)
Effect of foreign currency changes	-	173	225	-	398
<b>Balance at June 30, 2018</b>	<b>-</b>	<b>10,609</b>	<b>30,754</b>	<b>-</b>	<b>41,363</b>
Depreciation expense	-	602	1,001	-	1,603
Disposal of PP&E assets	-	-	(84)	-	(84)
Transfers of right-of-use assets	-	-	201	-	201
Effect of foreign currency changes	-	140	181	-	321
<b>Balance at December 31, 2018</b>	<b>-</b>	<b>11,351</b>	<b>32,053</b>	<b>-</b>	<b>43,404</b>
Depreciation expense	-	599	965	-	1,564
Disposal of PP&E assets	-	-	(62)	-	(62)
Effect of foreign currency changes	-	(166)	(216)	-	(382)
<b>Balance at June 30, 2019</b>	<b>\$ -</b>	<b>\$ 11,784</b>	<b>\$ 32,740</b>	<b>\$ -</b>	<b>\$ 44,524</b>

### Net book values

June 30, 2018	\$ 8,545	\$ 15,426	\$ 11,551	\$ 1,780	\$ 37,302
December 31, 2018	8,612	15,140	12,494	448	36,694
<b>June 30, 2019</b>	<b>8,533</b>	<b>14,480</b>	<b>11,905</b>	<b>642</b>	<b>35,560</b>

Assets under construction as at June 30, 2019 are expected to be available for use in 2019.

Depreciation expense for the three and six month periods ended June 30, 2019, in the amounts of \$716 and \$1,432 (2018 - \$735 and \$1,461) is included in cost of sales, with amounts of \$30 and \$60 (2018 - \$36 and \$73) included in selling expenses, and amounts of \$35 and \$72 (2018 - \$37 and \$70) included in administrative expenses, respectively.



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### 12. Right-of-use assets

Cost	Property	Vehicles	Truck and trailers	Office equipment	Machinery and equipment	Total
<b>Balance at January 1, 2018</b>	<b>\$ 13,750</b>	<b>\$ 819</b>	<b>\$ 220</b>	<b>\$ 372</b>	<b>\$ 268</b>	<b>\$ 15,429</b>
Additions	-	94	-	-	-	94
Disposal of right-of-use assets	(1,713)	(161)	-	-	(39)	(1,913)
Effect of foreign currency changes	134	13	6	16	8	177
<b>Balance at June 30, 2018</b>	<b>12,171</b>	<b>765</b>	<b>226</b>	<b>388</b>	<b>237</b>	<b>13,787</b>
Additions	-	74	129	-	-	203
Disposal of right-of-use assets	-	(48)	(109)	(34)	-	(191)
Transfers of PP&E assets	-	-	-	-	(217)	(217)
Effect of foreign currency changes	95	7	3	8	5	118
<b>Balance at December 31, 2018</b>	<b>12,266</b>	<b>798</b>	<b>249</b>	<b>362</b>	<b>25</b>	<b>13,700</b>
Additions	37	49	-	-	-	86
Disposal of right-of-use assets	-	(27)	-	-	-	(27)
Effect of foreign currency changes	(116)	(10)	(5)	(11)	(1)	(143)
<b>Balance at June 30, 2019</b>	<b>\$ 12,187</b>	<b>\$ 810</b>	<b>\$ 244</b>	<b>\$ 351</b>	<b>\$ 24</b>	<b>\$ 13,616</b>

#### Accumulated Depreciation

<b>Balance at January 1, 2018</b>	<b>\$ 5,185</b>	<b>\$ 457</b>	<b>\$ 137</b>	<b>\$ 101</b>	<b>\$ 221</b>	<b>\$ 6,101</b>
Depreciation expense	517	111	15	53	18	714
Disposal of right-of-use assets	(1,713)	(147)	-	-	(39)	(1,899)
Effect of foreign currency changes	72	4	5	6	6	93
<b>Balance at June 30, 2018</b>	<b>4,061</b>	<b>425</b>	<b>157</b>	<b>160</b>	<b>206</b>	<b>5,009</b>
Depreciation expense	491	120	13	52	16	692
Disposal of right-of-use assets	-	(38)	(109)	(31)	-	(178)
Transfers of PP&E assets	-	-	-	-	(201)	(201)
Effect of foreign currency changes	64	5	-	4	-	73
<b>Balance at December 31, 2018</b>	<b>4,616</b>	<b>512</b>	<b>61</b>	<b>185</b>	<b>21</b>	<b>5,395</b>
Depreciation expense	500	85	22	51	3	661
Disposal of right-of-use assets	-	(27)	-	-	-	(27)
Effect of foreign currency changes	(73)	(6)	(2)	(6)	(1)	(88)
<b>Balance at June 30, 2019</b>	<b>\$ 5,043</b>	<b>\$ 564</b>	<b>\$ 81</b>	<b>\$ 230</b>	<b>\$ 23</b>	<b>\$ 5,941</b>

#### Net book values

June 30, 2018	\$ 8,110	\$ 340	\$ 69	\$ 228	\$ 31	\$ 8,778
December 31, 2018	7,650	286	188	177	4	8,305
<b>June 30, 2019</b>	<b>7,144</b>	<b>246</b>	<b>163</b>	<b>121</b>	<b>1</b>	<b>7,675</b>

Depreciation expense for the three and six month periods ended June 30, 2019, in the amounts of \$225 and \$446 (2018 - \$220 and \$443) is included in cost of sales, with amounts of \$77 and \$142 (2018 - \$84 and \$167) included in selling expenses, and amounts of \$36 and \$73 (2018 - \$38 and \$104) included in administrative expenses, respectively.

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### 13. Long-term debt

The Corporation's long-term debt position as at June 30, 2019, and December 31, 2018 is stated in the following table:

	Jun 30, 2019	Dec 31, 2018
<b>Balance at beginning of period</b>	<b>\$ 8,568</b>	\$ 8,906
Repayments	(174)	(338)
<b>Balance at end of period</b>	<b>\$ 8,394</b>	\$ 8,568

The Corporation is subject to certain covenants on its long-term debt, one of which is a financial covenant to maintain a Debt Service Coverage Ratio of not less than 1.25:1. The financial covenant ratio is tested on an annual, year-end basis. The Corporation was in compliance with the financial covenant as at the prior annual reporting period. A test of Debt Service Coverage compliance will be performed as at December 31, 2019.

Estimated principal repayments on long-term debt through to maturity are set out in the table below:

	Jun 30, 2019
Current within 12 months	\$ 355
Due within 12 to 24 months	367
Due within 25 to 36 months	379
Due within 37 to 48 months	392
Due within 49 to 60 months	405
Due after 60 months	6,496
<b>Total</b>	<b>\$ 8,394</b>

### 14. Lease obligations

14.1 The Corporation's lease obligations as at June 30, 2019, and December 31, 2018, are as stated in the following table:

	Minimum lease payments	
	Jun 30, 2019	Dec 31, 2018
No later than one year	\$ 1,966	\$ 2,013
Later than one year and not later than five years	6,679	6,910
Later than five years	8,685	9,371
Total minimum lease payments	17,330	18,294
Less: amounts representing finance cost	(7,235)	(7,685)
<b>Present value of minimum lease payments</b>	<b>\$ 10,095</b>	\$ 10,609

Lease obligations are included in the condensed interim consolidated balance sheets as follows:

	Jun 30, 2019	Dec 31, 2018
Current	\$ 1,099	\$ 1,122
Long-term	8,996	9,487
<b>Total</b>	<b>\$ 10,095</b>	\$ 10,609

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### 14.2 Lease obligations

	Property	Vehicles	Truck and trailers	Office equipment	Machinery and equipment	Total
<b>Balance at January 1, 2018</b>	<b>\$ 10,454</b>	<b>\$ 372</b>	<b>\$ 84</b>	<b>\$ 272</b>	<b>\$ 9</b>	<b>\$ 11,191</b>
Additions	-	94	-	-	-	94
Repayments	(329)	(119)	(16)	(52)	(2)	(518)
Disposal	-	(13)	-	-	-	(13)
Effect of foreign currency changes	77	11	4	10	-	102
<b>Balance at June 30, 2018</b>	<b>10,202</b>	<b>345</b>	<b>72</b>	<b>230</b>	<b>7</b>	<b>10,856</b>
Additions	-	74	129	-	-	203
Repayments	(323)	(116)	(13)	(51)	(4)	(507)
Disposal	-	(5)	-	(2)	-	(7)
Effect of foreign currency changes	50	6	3	5	-	64
<b>Balance at December 31, 2018</b>	<b>9,929</b>	<b>304</b>	<b>191</b>	<b>182</b>	<b>3</b>	<b>10,609</b>
Additions	37	49	-	-	-	86
Repayments	(361)	(93)	(20)	(51)	(1)	(526)
Effect of foreign currency changes	(59)	(6)	(3)	(6)	-	(74)
<b>Balance at June 30, 2019</b>	<b>\$ 9,546</b>	<b>\$ 254</b>	<b>\$ 168</b>	<b>\$ 125</b>	<b>\$ 2</b>	<b>\$ 10,095</b>
Current	\$ 811	\$ 160	\$ 41	\$ 85	\$ 2	\$ 1,099
Long-term	8,735	94	127	40	-	8,996
<b>Total</b>	<b>\$ 9,546</b>	<b>\$ 254</b>	<b>\$ 168</b>	<b>\$ 125</b>	<b>\$ 2</b>	<b>\$ 10,095</b>

The Corporation has lease obligations for contracts related to property (land, office space, manufacturing and storage facilities), vehicles, truck and trailers, office equipment and machinery and equipment. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Discount rates during the three months period ended June 30, 2019 were between 3.5% and 18.1%, depending on the duration of the lease.

Expense related to short-term leases during the three and six months period ended June 30, 2019 was \$18 and \$9 (2018 - \$18 and \$12), respectively. Expense related to low value leases during the three and six months period ended June 30, 2019 was \$nil and \$1 (2018 - \$nil and \$1), respectively.

Total cash outflows for lease payments during the three and six month periods ended June 30, 2019 was \$498 and \$975 (2018 - \$482 and \$981), respectively.

Finance costs paid relating to lease obligations during the three and six month periods ended June 30, 2019 was \$223 and \$449 (2018 - \$231 and \$463), respectively.

### 15. Reconciliation of liabilities arising from financing activities

The following table provides a reconciliation between the opening and closing balances for financing activities, including cash and non-cash flows changes:

	Cash changes			Non-cash changes			June 30, 2019
	Dec 31, 2018	Borrowings	Repayments	Additions	Disposal	Foreign exchange	
Long-term debt	\$ 8,568	\$ -	\$ (174)	\$ -	\$ -	\$ -	\$ 8,394
Lease obligations	10,609	-	(526)	86	-	(74)	10,095
	<b>\$ 19,177</b>	<b>\$ -</b>	<b>\$ (700)</b>	<b>\$ 86</b>	<b>\$ -</b>	<b>\$ (74)</b>	<b>\$ 18,489</b>

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## 16. Issued capital

### 16.1 Normal course issuer bid

In January 2018, the Corporation obtained approval from the Toronto Stock Exchange to renew its Normal Course Issuer Bid (the “Bid”) program for a 12-month period, which commenced on January 10, 2018 and ended January 9, 2019. The Normal Course Issuer Bid lapsed on January 11, 2019, without renewal or share repurchases.

### 16.2 Dividends

In the first quarter of 2019, the Corporation’s board of directors declared a regular quarterly dividend of \$0.08 (2018 - \$0.08) per common share which was paid in February of each year, respectively. The dividend payment in February 2019 amounted to \$538 (2018 - \$538).

In the second quarter of 2019, the Corporation’s board of directors declared a regular quarterly dividend of \$0.09 (2018 - \$0.08) per common share which was paid in May of each year, respectively. The dividend payment in May 2019 amounted to \$607 (2018 - \$537).

### 16.3 Share-based payments

The Corporation has a stock option plan under which the maximum number of shares issuable is equal to 10% of the number of issued and outstanding common shares. A stock option allows the grantee of the option to acquire common shares of the Corporation, at the strike price established at the time of grant. Options may be exercised at any time from the vesting date to the date of expiry. The strike price of each stock option is determined with reference to the market price of the Corporation’s common shares. Each share option converts into one ordinary common share of the Corporation upon exercising. No amounts are paid or payable by the recipient on initial receipt of the option. The options carry neither rights to dividends nor voting rights.

Under PFB’s stock option plan, 500,000 stock options were granted to certain directors and senior management with an exercise price ranging from \$8.05 to \$11.75 per share. Options granted to directors vest immediately and expire on May 10, 2023. Options granted to senior management commence to vest on a graduated schedule and expire ten years subsequent to the grant date. The exercise price of the options was determined with reference to the price of PFB’s stock on the Toronto Stock Exchange on the grant date.

The following table sets forth information concerning the inputs used in this model, share options granted and exercised under the stock option plan as at June 30, 2019:

Number of options outstanding	Number of options exercised	Weighted average exercise price	Weighted average remaining life (years)	Grant date				
				Weighted average risk-free interest rate (%)	Weighted average expected life (years)	Estimated volatility (%)	Expected annual dividend yield (%)	Weighted average fair value per option
375,000	-	\$ 8.50	8.75	2.11	9.69	18.04	3.98	\$ 0.76
100,000	-	\$ 11.75	9.75	1.76	10.00	16.91	2.72	\$ 1.56
-	25,000	\$ 8.05	-	2.11	4.92	18.04	3.98	\$ 0.81
<b>475,000</b>	<b>25,000</b>	<b>\$ 9.13</b>	<b>8.96</b>					

At the grant date, each option is measured at the fair value determined using the Black-Scholes option pricing model. The risk-free interest rate is based on Government of Canada bonds with similar duration, at the grant date. The weighted average expected life is based from the grant date to the date on which the option is expected to be exercised. Expected volatility is estimated by considering historic share price volatility over the most recently completed annual reporting period.

The fair value of options granted with immediate vesting have an aggregate fair value of \$20 or \$0.81 per option, and are reported as a compensation expense in other losses, on the grant date, with a corresponding increase in contributed surplus on the balance sheet. Options with vesting requirements have an aggregate fair value of \$442 or approximately \$0.93 per option and are amortized on a straight-line basis over vesting period with the quarterly amortization amounts reported as compensation expense included as other losses on the income statement with the off-set to equity-settled

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employee benefits reserves on the balance sheet. During the period ended June 30, 2019, 25,000 options were exercised and none expired.

## 16.4 Restricted Share Units

On January 1, 2019, 100,000 Restricted Share Units (“RSU”) were awarded to the Corporation’s former Chief Operating Officer and current Director. Each restricted share unit gives the holder the right to receive one common share of the Corporation. The rights to acquire 100,000 common shares of the Corporation, at the election of the Director, vested immediately on the date of grant and will be payable, at the holder’s option, in common shares. The share-based remuneration expense of the RSU is based on the fair value of the common shares on the date of grant using the closing market share price on the date prior to the grant, and the expected vesting conditions. The Corporation recorded a share-based remuneration expense for an amount of \$950 as a compensation expense in other losses in the income statement, with an offset to equity-settled employee benefits reserves, until the award becomes exercised, and will subsequently be reclassified as an increase in common shares. The RSU award is not remeasured subsequent to the initial grant date. The RSUs expire at the end of a three-year period, or on December 31, 2021.

## 17. Financial instruments

### 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.

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 June 30, 2019 and December 31, 2018, are stated in the following table:

Financial instrument	Hierarchy	Jun 30, 2019	Dec 31, 2018
		Carrying amount	Carrying amount
Cash and cash equivalents	Level 1	\$ 14,360	\$ 16,944
Cash - restricted	Level 1	1,906	1,347
Restricted marketable securities	Level 2	1,483	1,483
Trade receivables	N/A	14,387	13,082
Trade and other payables	N/A	(9,152)	(10,894)
Long Term debt	Level 2	(8,393)	(8,568)

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, restricted cash, 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 Canadian REIT which are priced at \$8.10 per unit based on a plan of arrangement and remain in escrow.
- Long-term debt is carried at amortized cost. The estimated fair value of long-term borrowings has been estimated to approximate the amortized cost.

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## 18. Commitments and contingencies

### 18.1 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 June 30, 2019, the Canadian segment did not have any performance bonds outstanding (December 31, 2018 - \$nil). In the USA, performance bonds in the amount of \$624 (December 31, 2018 - \$651) were pledged to various government agencies as at June 30, 2019.

### 18.2 Expenditures for property, plant and equipment

As at June 30, 2019, the Corporation had commitments of \$666 (June 30, 2018 - \$468) for purchasing property, plant and equipment and intangible assets.

## 19. Related party transactions

All related party transactions are constituted in the ordinary course of business and they have been measured at the agreed to exchange amounts which closely approximate fair value. All transactions with related parties have been approved by the Board of Directors.

Balances and transactions between the Corporation and its subsidiaries, which are related parties of the Corporation, have been eliminated on consolidation and are not disclosed in this note (see Note 5.3). Details of transactions between the Corporation and other related parties are disclosed below.

### Trading transactions

In the three months ended June 30, 2019 and 2018, the Corporation had the following trading transactions with related parties:

<b>Related party</b>	<b>Nature of transactions</b>	<b>2019</b>	<b>2018</b>
E. Carruthers Trucking	Transportation services	\$ 678	\$ 574
Aeonian Capital Corporation	Management services	88	88
		<b>\$ 766</b>	<b>\$ 662</b>

Related party balances outstanding at the end of the reporting periods, are:

<b>Related party</b>	<b>Nature of transactions</b>	<b>2019</b>	<b>2018</b>
E. Carruthers Trucking	Transportation services	\$ 79	\$ 54

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### 20. Supplementary cash flow information

#### 20.1 Changes in non-cash working capital

Increase (decrease)	Three month periods ended June 30		Six month periods ended June 30	
	2019	2018	2019	2018
Trade receivables	\$ 2,845	\$ 3,606	\$ 1,305	\$ 4,941
Inventories	270	1,119	2,094	5,520
Prepaid expenses	124	63	664	653
Contract costs	72	(4)	5	29
Trade and other payables	(698)	(2,562)	1,742	(235)
Contract liabilities	(2,844)	(1,992)	(2,190)	(2,736)
	\$ (231)	\$ 230	\$ 3,620	\$ 8,172

#### 20.2 Non-cash transactions excluded from the consolidated statement of cash flows

	Three month period ended June 30		Six month period ended June 30	
	2019	2018	2019	2018
Right-of-use assets acquired with lease obligations	\$ 49	\$ -	\$ 86	\$ 94