First Quarter Report 2015

For the three month periods ended March 31, 2015 and 2014

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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, 2015 and 2014 and notes thereto and in conjunction with the Corporation's annual MD&A for the year ended December 31, 2014.

PFB's unaudited condensed interim consolidated financial statements for the three month periods ended March 31, 2015 and 2014 have been prepared in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*. Certain comparative figures for the first quarter of 2014 have been reclassified to conform to the presentation adopted in the current period.

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 7, 2015. 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 7, 2015, 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, 2014.

2. Summary of quarterly financial data

	2015	**2014**				**2013**		
	Qtr. 1	**Qtr. 4**	**Qtr. 3**	**Qtr. 2**	**Qtr. 1**	**Qtr. 4**	**Qtr. 3**	**Qtr. 2**
Sales	**$ 17,532**	$ 25,013	$ 27,414	$ 23,068	$ 14,410	$ 21,140	$ 25,504	$ 22,698
Gross profit	**3,525**	5,574	6,069	3,943	925	3,512	5,211	3,641
Gross profit margin %	**20.1**	22.3	22.1	17.1	6.4	16.6	20.4	16.0
Operating income (loss)	**35**	1,956	2,440	554	(2,362)	829	1,494	663
(Loss) net income	**(80)**	1,116	1,549	95	(1,843)	460	933	311
(Loss) earnings per share:								
Basic and diluted	**(0.01)**	0.17	0.23	0.01	(0.27)	0.07	0.14	0.05
EBITDA [1]	**1,053**	2,921	3,371	1,470	(1,447)	1,783	2,424	1,598
EBITDA per share [1]	**0.16**	0.43	0.50	0.22	(0.22)	0.26	0.38	0.25

3. Consolidated statements of loss (unaudited)

	Three month periods ended March 31	
	2015	**2014**
Sales	**$ 17,532**	$ 14,410
Cost of sales	**(14,007)**	(13,485)
Gross profit	**3,525**	925
Selling expenses	**(2,254)**	(2,185)
Administrative expenses	**(1,196)**	(1,082)
Other losses	**(40)**	(20)
Operating income (loss)	**35**	(2,362)
Gain on sale of real estate	**63**	-
Investment income	**59**	60
Finance costs	**(360)**	(358)
Loss before tax	**(203)**	(2,660)
Income tax recovery	**123**	817
Loss for the period	**$ (80)**	$ (1,843)
Loss per share - $ per share		
Basic and diluted	**(0.01)**	(0.27)
Funds flow from operations	**$ 932**	$ (1,402)
Funds flow from operations per share	**0.14**	(0.21)

[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 the 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 $17,532 in the current quarter, an increase of $3,122 or 21.7% from sales of $14,410 in Q1/14. Both the Canadian and USA operating segments contributed to the overall growth in sales.

Gross profit

Consolidated gross profit was $3,525 in the current quarter as compared to $925 in Q1/14. Gross profit margin in the current quarter improved to 20.1% of sales as compared to a gross profit margin of 6.4% in Q1/14. Many factors contributed to the increase in gross profit in the current quarter including increased sales, a significant decrease in raw materials input costs net of foreign exchange effects, lower transportation costs for shipping products, and plant operating cost efficiencies.

Operating income (loss)

Operating income of $35 in the current quarter contrasted with an operating loss of $2,362 reported in Q1/14, an improvement of $2,397 and driven by the increase in gross profit.

Loss before tax

In the current quarter, a loss before taxes of $203 reflected an improvement of $2,457 in the loss before taxes of $2,660 reported in the comparative quarter of 2014.

Income taxes

Income tax recovery in the current quarter was $123 as compared to income tax recovery of $817 in Q1/14. 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. A small capital gain on the sale of land further contributed to the rate distortion in the period.

Loss and loss per share

A loss of $80 resulted in the current quarter which contrasted with a loss of $1,843 reported in the comparative quarter of 2014, an improvement of $1,763.

Basic and diluted loss per common share in the current quarter was $0.01 as compared to a basic and diluted loss per share of $0.27 in Q1/14, an improvement of $0.26 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, 2014 and 2013) 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 income (loss)	
	2015	**2014**	**2015**	**2014**
Canada	**$ 13,346**	$ 11,917	**$ 833**	$ (1,582)
USA	**4,186**	2,493	**(726)**	(771)
Total for segments	**$ 17,532**	$ 14,410	**107**	(2,353)
Corporate – expense			**(65)**	(12)
Foreign exchange (loss) gain on inter-segment loan			**(7)**	3
Consolidated operating income (loss)			**$ 35**	$ (2,362)

(a) **Canadian segment**

Sales

Sales generated by the Canadian segment increased from $11,917 in Q1/14 to $13,346 in the current quarter, an increase of 12.0% or $1,429. Winter weather patterns, particularly in western Canada, were considered to be more favourable than those experienced in the prior year period, which was positive for the construction sector. Sales order intake has remained resilient throughout the current period despite the potential adverse economic effects of depressed oil prices.

Operating income (loss)

The Canadian segment reported operating income of $833 for the current quarter in contrast to the segment reporting an operating loss of $1,582 in Q1/14, an improvement of $2,415.

Results in the current quarter benefited from a meaningful decrease in the input cost of our key raw material the pricing of which has shadowed the recent declines in crude oil prices. Raw materials are generally priced in USA dollars; and consequently, the weaker Canadian dollar versus the U.S. dollar partially eroded the full benefits to lower input costs. However, recent pricing of raw materials has already begun an upwards trend but remains below that of a year ago. In conjunction with lower priced raw materials and increased sales volumes, our manufacturing operations focused on achieving operational improvements which successfully resulted in decreases in unit costs of labour and production overheads in the period. Transportation costs per sales dollar decreased in the current quarter through efficiencies gained from increased shipping volumes and lower fuel costs.

(b) **USA segment**

Sales

Sales in the USA segment increased from $2,493 in Q1/14 to $4,186 in the current quarter, an increase of $1,693 or 67.9%. All of the operations within the USA segment reported increased sales expressed in their functional currency of USD which, in aggregate, represented an increase of 48.8% in the current quarter over comparable sales in Q1/14. A further uplift to USA sales was provided by a favourable currency movement when translating the USA segment’s functional currency to PFB’s presentation currency of CAD for consolidation purposes.

Various internal and external indicators continue to support sales trend improvement over the balance of the year. The Lebanon, Ohio, facility continues to improve its customer base for its EPS products.

Operating loss

The USA segment reported a small improvement in operating loss in the amount of $45 reducing a loss of $771 in the comparative quarter of 2014 to a loss of $726 in the current quarter.

Despite increased sales across the entire segment, the incremental gross profit was mostly offset by increased SG&A costs as compared to in the comparative quarter in 2014. The first quarter in PFB’s annual cycle is typically the slowest from a sales perspective whereas the timing of certain marketing expenditures are concentrated in the first quarter. Additionally, the USA sales organization was expanded during 2014 which resulted in incremental selling expenses in the current quarter which were not present in the previous year.

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, 2015	As at Dec 31, 2014
Assets		
Segmented assets	**$ 54,099**	$ 51,413
Assets not allocated to segments:		
Cash and cash equivalents	**6,546**	8,933
Freehold land and buildings	**6,947**	6,642
Restricted marketable securities	**2,533**	2,227
Corporate – income taxes recoverable	**17**	32
Total assets	**$ 70,142**	$ 69,247
Liabilities		
Segmented liabilities	**$ 12,078**	$ 12,210
Liabilities not allocated to segments:		
Finance lease obligations	**14,348**	14,416
Corporate – deferred income tax liability	**67**	-
Total liabilities	**$ 26,493**	$ 26,626
Net segmented assets		
Canada	**$ 34,059**	$ 32,002
USA	**7,962**	7,201

5.3 Other segment information

	Three month periods ended March 31	
	2015	**2014**
Additions to non-current assets:		
Canada	**$ 372**	$ 100
USA	**88**	-
Total	**$ 460**	$ 100
Depreciation and amortization:		
Canada	**$ 649**	$ 636
USA	**175**	165
Total	**$ 824**	$ 801
Inter-segment sales	**$ 732**	$ 142

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, 2015 and December 31, 2014 were as follows:

	March 31, 2015	December 31, 2014
Cash held with banks	**$ 5,097**	$ 5,038
Short-term investments	**1,000**	3,503
Restricted cash	**449**	392
	$ 6,546	$ 8,933

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, 2015 and 2014 are shown in the following table.

	2015	2014
Net cash flows (used in) generated by:		
Cash used in operating activities after changes in non-cash working capital	**$ (788)**	$ (4,776)
Income taxes paid	**(691)**	(1,341)
Net cash used in operating activities	**(1,479)**	(6,117)
Investing activities	**(338)**	22
Financing activities	**(846)**	(862)
Effects of exchange rates on cash and cash equivalents held in foreign currency	**276**	(73)
Net decrease in cash and cash equivalents	**$ (2,387)**	$ (7,030)

(a) Operating activities

Cash used in operating activities after changes in non-cash working capital was $788 in the current quarter as compared to cash used in operating activities of $4,776 in the comparative quarter of 2014, a decrease of $3,988. The main components making up the $788 of cash used in operating activities were funds flow from operations of $932 less increases in non-cash working capital of $1,778.

Funds flow from operations was $932 which contrasted to funds flow used in operations in Q1/14 of $1,402, a positive net change of $2,334. The main source of improvement was a significant reduction in loss reported in the current quarter versus the loss in Q1/14.

The increase in non-cash working capital in the current quarter was $1,778 as compared to an increase of $3,382 in Q1/14, a difference of $1,604. The increase in trade receivables was $643 less than the corresponding increase in Q1/14 and an increase in inventories was also $486 less than in Q1/14. The smaller increase in trade receivables was attributed to the timing of when sales were recognized in the current quarter and the smaller increase in inventory values in Q1/15 was mainly reflective of lower priced raw materials. Trade and other payables balances in Q1/15 decreased by $749 less than the corresponding decrease in Q1/14 as a result of significantly increased operating activities offsetting the reduced payables attributed to lower priced raw material supplies.

(b) Investing activities

Cash flows used in investing activities in the current quarter were $338 as compared to cash flows generated by investing activities of $22 in Q1/14. Purchases of tangible assets (PP&E) and intangible assets in Q1/15 amounted to $460 as compared to purchases of $100 in Q1/14. In addition, an amount of $63 was realized in the current quarter on the sale of a small parcel of land.

(c) Financing activities

Cash flows used in financing activities in the current quarter were $846, similar in amount to cash flows of $862 used in financing activities in Q1/14. 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.

The changes in non-cash working capital amounts which occurred in the first quarter of 2015 are as follows:

	Mar 31, 2015	Dec 31, 2014	Change
Trade receivables	**$ 9,221**	$ 8,931	$ 290
Inventories	**10,542**	8,894	1,648
Prepaid expenses	**934**	763	171
Trade and other payables	**(6,723)**	(7,089)	366
Deferred revenue	**(3,413)**	(2,716)	(697)
	$ 10,561	$ 8,783	$ 1,778

Non-cash working capital increased in the current quarter by $1,778.

As at March 31, 2015, the trade receivables balance was free of any contractual holdbacks as the amount of $245 that was outstanding at the end of 2014 was collected in full.

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. Overall, the overall volume of inventory was slightly elevated as we sought to take advantage of lower priced raw materials.

The decrease in trade and other payables of $366 since the beginning of the year was reflective of the influence of lower priced raw materials. The increase in deferred revenues of $697 represents advance deposits collected from customers who have placed orders for custom products, mainly in the USA.

7. Capital resources

Capital structure

The Corporation's capital structure as at March 31, 2015 and December 31, 2014, consisted of shareholder's equity in the amounts of $43,649 and $42,621, respectively.

Share capital

A summary of the Corporation's share capital position as at March 31, 2015 and December 31, 2014, is set forth in the following table:

	March 31, 2015 (Three Months)		December 31, 2014 (Twelve Months)	
	No. of Shares	Amount	No. of Shares	Amount
Balance, beginning of period	**6,716,003**	**$ 20,947**	6,724,403	$ 20,973
Repurchased pursuant to normal course issuer bid	-	-	(8,400)	(26)
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 2015, the Corporation's board of directors declared a regular quarterly dividend of $0.06 (2014 - $0.06) per common share which was paid on February 27, 2015.

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 period ended March 31, 2015, the Corporation did not purchase any shares under the Normal Course Issuer Bid. In the three month period ended March 31, 2014, the Corporation purchased 4,700 of its common shares for cancellation for an aggregate price of $23, of which $9 was charged to retained earnings as a premium on redemption of the shares.

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 income (loss) for the three month periods ended March 31, 2015 and 2014 is as follows:

	2015	**2014**
Loss for the period	**$ (80)**	$ (1,843)
Other comprehensive income	**1,511**	509
Comprehensive income (loss) for the period	**$ 1,431**	$ (1,334)

In the first quarter of 2015, other comprehensive income was $1,511 as compared to other comprehensive income of $509 in the comparative quarter of 2014. Other comprehensive income of $1,511 in the current quarter consisted of income of $1,282 (2014 - $501) attributed to foreign currency translation when consolidating PFB's USA operations, and income of $229 (2014 - $8) representing an unrealized gain on restricted marketable securities, net of tax.

Included in accumulated comprehensive income as at March 31, 2015, were foreign currency translation adjustments totaling $2,365, and $74 of defined benefit valuation changes, net of tax, for total accumulated other comprehensive income of $2,439.

Long-term debt

The Corporation had no long-term debt as at March 31, 2015.

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, 2015 and December 31, 2014, 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, 2015					
Finance lease obligations	**32,253**	**1,741**	**3,180**	**3,318**	**24,014**
Operating lease obligations	**17,005**	**1,503**	**2,642**	**2,064**	**10,796**
Commitments for PP&E and intangible assets	**671**	**671**	**-**	**-**	**-**
Total contractual obligations	**$ 49,929**	**$ 3,915**	**$ 5,822**	**$ 5,382**	**$ 34,810**
As at December 31, 2014					
Finance lease obligations	$ 32,677	$ 1,743	$ 3,219	$ 3,287	$ 24,428
Operating lease obligations	17,249	1,471	2,624	2,127	11,027
Commitments for PP&E and intangible assets	612	612	-	-	-
Total contractual obligations	$ 50,538	$ 3,826	$ 5,843	$ 5,414	$ 35,455

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, 2015, the estimated aggregate value of shipments required to satisfy Canadian contracts secured by a performance bond was $750 (December 31, 2014 - $1,600). In the USA, performance bonds in the amount of $671 were pledged to various government agencies as at March 31, 2015 (December 31, 2014 - $614).

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, 2015. 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

The results for the first quarter in 2015 were improved as compared to the results reported in the comparative quarter of 2014. 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 began trending upwards again during the first quarter and it remains unclear whether this trend will continue or reverse. This will affect continued margin recovery.

Sales in many regions of Canada in the first quarter of 2015 outpaced sales in the corresponding quarter of 2014. The effects of economic change remain unclear at this time for the remainder of this year. Currently, our orders on hand and the pace of quoting and new order intake remain firm. In addition, order books in USA operations continue to demonstrate year-over-year growth.

Our manufacturing operations remain focused on delivering operational efficiencies over the course of the year to build on the successful outcomes achieved in the first quarter.

PFB's balance sheet remains strong with good liquidity.

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, 2015, 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.

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, 2015, 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, 2014 and its 2014 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 1, 2015, the Corporation's board of directors declared a regular quarterly dividend of $0.06 per common share. The dividend will be paid on May 29, 2015, to shareholders of record at the close of business on May 14, 2015.

16. Related party transactions

There have been no material changes in related party transactions in the first quarter of 2015.

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 2014. There have been no material changes in the uncertainties and material risk factors facing the Corporation since December 31, 2014.

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

There have been no previously announced new accounting standards required to be adopted by the Corporation in its current financial year. The following amendments to certain accounting standards were effective for annual periods beginning on or after July 1, 2014:

- **Annual Improvements to IFRSs 2010-2012 & 2011-2013 Cycle**

  The IASB issued its Annual Improvements Cycles for years 2010-2012 and years 2011-2013 during 2014.

- **Amendment to IAS 19 *Employee Benefits***

  IAS 19 was amended to clarify how contributions from employees or third parties should be apportioned to the period of employee service. A practical expedient permits contributions to be recognized as a reduction in the service costs if the contributions are independent of the years of service.

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.

In the three month period ended March 31, 2015, no new IFRSs were issued.

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	Cash flows generated by operating activities before changes in non-cash working capital, unrealized foreign exchange gain (loss) relating to non-cash working capital, and changes in long-term trade receivables.
EBITDA	Represents earnings or loss before interest, taxes, depreciation and amortization. EBITDA is a measure of our operating performance and provides an indication of the results generated by our business activities prior to how activities are financed, how assets are depreciated and amortized, and 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 in the period.
EBITDA per share	EBITDA or 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 taxation.
Gross profit margin	Gross profit divided by sales expressed as a percentage.

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

	2015 Q1	2014 Q4	2014 Q3	2014 Q2	2014 Q1	2013 Q4	2013 Q3	2013 Q2
(Loss) net income	**$ (80)**	$ 1,116	$ 1,549	$ 95	$ (1,843)	$ 460	$ 933	$ 311
Add back (deduct):								
Income taxes	**(123)**	532	576	141	(817)	77	270	48
Finance costs	**360**	359	359	362	358	359	342	360
Investment income	**(59)**	(51)	(44)	(44)	(60)	(67)	(51)	(56)
Depreciation	**897**	898	882	868	863	869	869	878
Amortization	**58**	67	49	48	52	85	61	57
EBITDA	**1,053**	2,921	3,371	1,470	(1,447)	1,783	2,424	1,598
EBITDA per share	**0.16**	0.43	0.50	0.22	(0.22)	0.26	0.38	0.25

Condensed Consolidated Financial Statements (Unaudited)

Notice of non-auditor review of condensed consolidated financial statements for the three month periods ended March 31, 2015 and 2014

The accompanying unaudited condensed consolidated financial statements of PFB Corporation for the three month periods ended March 31, 2015 and 2014 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 7, 2015

Thousands of Canadian dollars, except per share amounts

	Note	2015	2014
Sales		**$ 17,532**	$ 14,410
Cost of sales	6	**(14,007)**	(13,485)
Gross profit		**3,525**	925
Selling expenses		**(2,254)**	(2,185)
Administrative expenses		**(1,196)**	(1,082)
Other losses		**(40)**	(20)
Operating income (loss)		**35**	(2,362)
Gain on sale of real estate		**63**	-
Investment income		**59**	60
Finance costs		**(360)**	(358)
Loss before tax		**(203)**	(2,660)
Income tax recovery		**123**	817
Loss for the period		**$ (80)**	$ (1,843)
Loss per share - $ per share			
Basic and diluted		**$ (0.01)**	$ (0.27)
Weighted average number of common shares outstanding			
Basic and diluted		**6,716,003**	6,720,396

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

Consolidated Statements of Comprehensive Income (Loss) (Unaudited)

For the three month periods ended March 31
Thousands of Canadian dollars

	Note	2015	2014
Loss for the period		**$ (80)**	$ (1,843)
Other comprehensive income (loss):			
Items that may subsequently be reclassified to income:			
Foreign currency translation adjustments			
Exchange differences on translating foreign operations, net of tax		**1,282**	501
Restricted available for sale financial assets			
Unrealized gain on available for sale financial assets, net of tax	10	**229**	8
Other comprehensive income for the period		**1,511**	509
Comprehensive income (loss) for the period		**$ 1,431**	$ (1,334)

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

Condensed Interim Consolidated Statements of Financial Position (Unaudited)

As at March 31, 2015, March 31, 2014 and December 31, 2014
Thousands of Canadian dollars

	Note	March 31, 2015	March 31, 2014	December 31, 2014
ASSETS				
Current assets				
Cash and cash equivalents		**$ 6,546**	$ 1,908	$ 8,933
Trade receivables	10	**9,221**	9,718	8,931
Inventories	6	**10,542**	10,455	8,894
Income taxes recoverable		**17**	457	25
Prepaid expenses		**934**	690	763
Total current assets		**27,260**	23,228	27,546
Non-current assets				
Marketable securities - restricted	10	**2,533**	2,402	2,227
Property, plant and equipment	7	**34,712**	34,514	34,484
Intangible assets		**1,406**	1,367	1,298
Goodwill		**2,233**	2,022	2,093
Deferred income tax assets		**1,998**	1,875	1,599
Total non-current assets		**42,882**	42,180	41,701
Total assets		**$ 70,142**	$ 65,408	$ 69,247
LIABILITIES				
Current Liabilities				
Trade and other payables	10	**$ 6,723**	$ 5,897	$ 7,089
Deferred revenue		**3,413**	2,670	2,716
Income taxes payable		**94**	-	474
Finance lease obligations	8, 10	**324**	271	321
Total current liabilities		**10,554**	8,838	10,600
Non-current liabilities				
Finance lease obligations	8, 10	**14,024**	14,169	14,095
Deferred operating lease obligations	10	**277**	-	178
Accrued defined benefit pension plan		**56**	76	56
Deferred income tax liabilities		**1,582**	1,708	1,697
Total non-current liabilities		**15,939**	15,953	16,026
Total liabilities		**26,493**	24,791	26,626
SHAREHOLDERS' EQUITY				
Common shares		**20,947**	20,959	20,947
Accumulated other comprehensive income		**2,439**	459	928
Retained earnings		**20,263**	19,199	20,746
Shareholders' equity		**43,649**	40,617	42,621
Total liabilities and shareholders' equity		**$ 70,142**	$ 65,408	$ 69,247

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

Consolidated Statements of Changes in Equity (Unaudited)

As at March 31, 2015 and 2014, and December 31, 2014
Thousands of Canadian dollars, except number of shares

	Note	Common shares: Number of shares	Common shares: Share capital	Accumulated other comprehensive income: Foreign currency translation adjustments, net of taxes	Accumulated other comprehensive income: Unrealized (loss) gain on available for sale assets, net of taxes	Accumulated other comprehensive income: Defined benefit pension plan valuation change, net of taxes	Retained earnings	Total
Balances at January 1, 2014		**6,724,403**	**$ 20,973**	**$ (64)**	**$ (105)**	**$ 119**	**$ 21,454**	**$ 42,377**
Loss for the period		-	-	-	-	-	(1,843)	(1,843)
Other comprehensive income for the period, net of tax		-	-	501	8	-	-	509
Total comprehensive income (loss) for the period		-	-	501	8	-	(1,843)	(1,334)
Payment of dividends	9	-	-	-	-	-	(403)	(403)
Repurchased pursuant to normal course issuer bid	9	(4,700)	(14)	-	-	-	(9)	(23)
Balances at March 31, 2014		**6,719,703**	**20,959**	**437**	**(97)**	**119**	**19,199**	**40,617**
Net income for the period		-	-	-	-	-	2,760	2,760
Other comprehensive income (loss) for the period, net of tax		-	-	646	(132)	(45)	-	469
Total comprehensive income (loss) for the period		-	-	646	(132)	(45)	2,760	3,229
Payment of dividends		-	-	-	-	-	(1,210)	(1,210)
Repurchased pursuant to normal course issuer bid		(3,700)	(12)	-	-	-	(3)	(15)
Balances at December 31, 2014		**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**

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

Condensed Interim Consolidated Statements of Cash Flows (Unaudited)

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

	Note	2015	2014
CASH FLOWS USED IN OPERATING ACTIVITIES			
Loss for the period		**$ (80)**	$ (1,843)
Adjustments for:			
Depreciation expense	7	**897**	863
Amortization expense		**58**	52
Gain on disposal of plant and equipment		**-**	(11)
Gain on sale of real estate		**(63)**	-
Finance costs		**360**	359
Investment income		**(59)**	(60)
Income tax recovery		**(123)**	(817)
Unrealized foreign exchange (gain) loss		**(58)**	55
Funds flow from (used in) operations		**932**	(1,402)
Changes in non-cash working capital	12	**(1,778)**	(3,382)
Changes in deferred operating lease obligations		**99**	-
Unrealized foreign exchange (loss) gain relating to non-cash working capital		**(41)**	8
Cash used in operating activities		**(788)**	(4,776)
Income taxes paid		**(691)**	(1,341)
Net cash used in operating activities		**(1,479)**	(6,117)
CASH FLOWS (USED IN) GENERATED BY INVESTING ACTIVITIES			
Purchase of property, plant and equipment	7	**(401)**	(96)
Purchase of intangible assets		**(59)**	(4)
Proceeds from disposal of property, plant and equipment		**-**	23
Proceeds from sale of real estate		**63**	-
Interest received		**20**	60
Distributions received on marketable securities		**39**	39
Net cash (used in) generated by investing activities		**(338)**	22
CASH FLOWS USED IN FINANCING ACTIVITIES			
Repayment of finance lease obligations		**(83)**	(77)
Finance costs paid		**(360)**	(359)
Dividends paid to shareholders	9	**(403)**	(403)
Payment for buy-back of common shares	9	**-**	(23)
Net cash used in financing activities		**(846)**	(862)
Effects of exchange rate changes on cash and cash equivalents held in foreign currencies		**276**	(73)
Net decrease in cash and cash equivalents		**(2,387)**	(7,030)
Cash and cash equivalents at the beginning of the period		**8,933**	8,938
Cash and cash equivalents at the end of the period		**$ 6,546**	$ 1,908

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 Michigan, Idaho and Ohio, USA.

2. Statement of compliance

These interim condensed consolidated financial statements for the three month periods ended March 31, 2015 and 2014, 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, 2014 and 2013.

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 7, 2015.

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, 2014 and 2013.

Certain comparative figures for the first quarter of 2014 have been reclassified to conform to the presentation adopted in the current period.

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)

There were no new previously announced accounting standards required to be adopted by the Corporation in its current financial year. The following amendments to certain accounting standards were effective for annual periods beginning on or after July 1, 2014:

- **Annual Improvements to IFRSs 2010-2012 & 2011-2013 Cycle**

  The IASB issued its Annual Improvements Cycles for years 2010-2012 and years 2011-2013 during 2014.

- **Amendment to IAS 19 *Employee Benefits***

  IAS 19 was amended to clarify how contributions from employees or third parties should be apportioned to the period of employee service. A practical expedient permits contributions to be recognized as a reduction in the service costs if the contributions are independent of the years of service.

Thousands of Canadian dollars, except per share amounts

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.

In the three month period ended March 31, 2015, no new IFRSs have been issued.

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, one-time non-operating 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 income (loss)	
	2015	**2014**	**2015**	**2014**
Canada	**$ 13,346**	$ 11,917	**$ 833**	$ (1,582)
USA	**4,186**	2,493	**(726)**	(771)
Total for segments	**$ 17,532**	$ 14,410	**107**	(2,353)
Corporate – expense			**(65)**	(12)
Foreign exchange (loss) gain on inter-segment loan			**(7)**	3
Consolidated operating income (loss)			**$ 35**	$ (2,362)

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:

Thousands of Canadian dollars, except per share amounts

	As at Mar 31, 2015	As at Dec 31, 2014
Assets		
Segmented assets	**$ 54,099**	$ 51,413
Assets not allocated to segments:		
Cash and cash equivalents	**6,546**	8,933
Freehold land and buildings	**6,947**	6,642
Restricted marketable securities	**2,533**	2,227
Corporate – income taxes recoverable	**17**	32
Total assets	**$ 70,142**	$ 69,247
Liabilities		
Segmented liabilities	**$ 12,078**	$ 12,210
Liabilities not allocated to segments:		
Finance lease obligations	**14,348**	14,416
Corporate – deferred income tax liability	**67**	-
Total liabilities	**$ 26,493**	$ 26,626
Net segmented assets		
Canada	**$ 34,059**	$ 32,002
USA	**7,962**	7,201

5.3 Other segment information

	Three month periods ended March 31	
	2015	**2014**
Additions to non-current assets:		
Canada	**$ 372**	$ 100
USA	**88**	-
Total	**$ 460**	$ 100
Depreciation and amortization:		
Canada	**$ 649**	$ 636
USA	**175**	165
Total	**$ 824**	$ 801
Inter-segment sales	**$ 732**	$ 142

Thousands of Canadian dollars, except per share amounts

6. Inventories

	As at Mar 31, 2015	As at Dec 31, 2014
Raw materials	**$ 5,218**	$ 4,978
Work in progress	**2,482**	2,256
Finished goods	**2,842**	1,660
	$ 10,542	$ 8,894

The cost of inventories recognized as an expense in cost of sales during the three month period ended March 31, 2015 was $12,648 (2014 - $13,244), respectively.

The cost of inventories recognized as an expense during the three month period ended March 31, 2015, includes $114 (2014 - $112) 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, 2015 or 2014.

Eligible inventories held by the Corporation's Canadian subsidiary have been pledged as security with a bank in support of revolving credit facilities. The revolving credit facilities were unused as at March 31, 2015 and 2014.

7. Property, plant and equipment

Cost	Freehold land	Buildings	Plant and equipment	Assets under finance lease	Assets under construction	Total
Balance at January 1, 2014	**$ 2,118**	**$ 8,957**	**$ 35,794**	**$ 15,492**	**$ 174**	**$ 62,535**
Additions	-	-	-	104	96	200
Disposal of PP&E assets	-	-	(9)	(78)	-	(87)
Transfers between asset classes	-	193	7	(27)	(173)	-
Effect of foreign currency changes	35	211	195	-	-	441
Balance at March 31, 2014	**2,153**	**9,361**	**35,987**	**15,491**	**97**	**63,089**
Additions	-	164	3	206	1,890	2,263
Disposal of PP&E assets	-	(28)	(444)	(132)	-	(604)
Transfers between asset classes	-	717	859	1	(1,577)	-
Effect of foreign currency changes	44	278	252	16	-	590
Balance at December 31, 2014	**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**

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, 2014	**$ -**	**$ 4,144**	**$ 22,402**	**$ 1,107**	**$ -**	**$ 27,653**
Depreciation expense	-	138	499	226	-	863
Disposal of PP&E assets	-	-	(8)	(67)	-	(75)
Transfers between asset classes	-	79	72	(151)	-	-
Effect of foreign currency changes		51	83	-	-	134
Balance at March 31, 2014	**-**	**4,412**	**23,048**	**1,115**	**-**	**28,575**
Depreciation expense	-	439	1,503	706	-	2,648
Disposal of PP&E assets	-	(28)	(437)	(126)	-	(591)
Transfers between asset classes	-	(1)	(124)	125	-	-
Effect of foreign currency changes	-	89	129	4	-	222
Balance at December 31, 2014	**-**	**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**

Net book values						
March 31, 2014	$ 2,153	$ 4,949	$ 12,939	$ 14,376	$ 97	$ 34,514
December 31, 2014	2,197	5,581	12,538	13,758	410	34,484
March 31, 2015	**2,284**	**5,789**	**12,399**	**13,538**	**702**	**34,712**

Assets under construction as at March 31, 2015 are expected to be available for use in 2015.

Depreciation expense for the three month period ended March 31, 2015, in the amount of $788 (2014 - $764) is included in cost of sales, with an amount of $69 (2014 - $65) included in selling expenses, and an amount of $40 (2014 - $34) 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, 2015, and December 31, 2014, are as stated in the following table:

	Minimum lease payments	
	Mar 31, 2015	**Dec 31, 2014**
No later than one year	**$ 1,741**	$ 1,743
Later than one year and not later than five years	**6,498**	6,506
Later than five years	**24,014**	24,428
Total minimum lease payments	**32,253**	32,677
Less: amounts representing finance costs	**17,905**	18,261
Present value of minimum lease payments	**$ 14,348**	$ 14,416

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

	Mar 31, 2015	**Dec 31, 2014**
Current	**$ 324**	$ 321
Long-term	**14,024**	14,095
Total	**$ 14,348**	$14,416

9. Issued capital

9.1 Normal Course Issuer Bid

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

In the three month period ended March 31, 2014, the Corporation purchased for cancellation 4,700 of its common shares for an aggregate price of $23, of which $9 was charged to retained earnings as a premium on redemption of the common shares.

9.2 Dividends

In the three month periods ended March 31, 2015 and 2014, 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 2015 amounted to $403 (2014 - $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, 2015 and December 31, 2014, are stated in the following table:

Financial instrument	Category	Measurement	Hierarchy	Mar 31, 2015 Carrying Amount	Dec 31, 2014 Carrying Amount
Cash and cash equivalents	FVTPL	Fair value	Level 1	**$ 6,546**	$ 8,933
Restricted marketable securities	Available for sale	Fair value	Level 1	**2,533**	2,227
Trade receivables	Loans and receivables	Amortized cost	N/A	**9,221**	8,931
Trade and other payables	Other financial liabilities	Amortized cost	N/A	**(6,723)**	(7,089)
Finance lease obligations	Other financial liabilities	Amortized cost	N/A	**(14,348)**	(14,416)
Deferred operating lease obligations	Other financial liabilities	Amortized cost	Level 2	**(277)**	(178)

During the first quarter of 2015, 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, 2015, the estimated aggregate value of shipments required to satisfy Canadian contracts secured by performance bonds was $750 (December 31, 2014 - $1,600). In the USA, performance bonds in the amount of $671 (December 31, 2014 - $614) were pledged to various government agencies as at March 31, 2015.

11.2 Expenditures for property, plant and equipment

As at March 31, 2015, the Corporation had commitments of $671 (March 31, 2015 - $506) 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):	**2015**	**2014**
Trade receivables	**$ 290**	$ 933
Inventories	**1,648**	2,134
Prepaid expenses	**171**	18
Trade and other payables	**366**	1,115
Deferred revenue	**(697)**	(818)
	$ 1,778	$ 3,382

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

	Three month periods ended March 31	
	2015	**2014**
Property, plant and equipment acquired with finance lease obligations	**$ -**	$ 104

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