Third Quarter Report 2015

For the three and nine month periods ended September 30, 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 and nine month periods ended September 30, 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 and nine month periods ended September 30, 2015 and 2014 have been prepared in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*. Certain figures for the comparative periods in 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 October 27, 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 October 27, 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. 3	**Qtr. 2**	**Qtr. 1**	**Qtr. 4**	**Qtr. 3**	**Qtr. 2**	**Qtr. 1**	**Qtr. 4**
Sales	**$ 29,849**	$ 27,316	$ 17,532	$ 25,013	$ 27,414	$ 23,068	$ 14,410	$ 21,140
Gross profit	**7,366**	7,605	3,525	5,574	6,069	3,943	925	3,512
Gross profit margin %	**24.7**	27.8	20.1	22.3	22.1	17.1	6.4	16.6
Operating income (loss)	**3,378**	3,402	35	1,956	2,440	554	(2,362)	829
Net income (loss)	**2,212**	2,120	(80)	1,116	1,549	95	(1,843)	460
Earnings (loss) per share:								
Basic and diluted	**0.33**	0.32	(0.01)	0.17	0.23	0.01	(0.27)	0.07
EBITDA[1]	**4,319**	4,353	1,053	2,921	3,371	1,470	(1,447)	1,783
EBITDA per share[1]	**0.64**	0.65	0.16	0.43	0.50	0.22	(0.22)	0.26

3. Consolidated statements of income (loss) (unaudited)

	Three month periods ended September 30		Nine month periods ended September 30	
	2015	**2014**	**2015**	**2014**
Sales	**$ 29,849**	$ 27,414	**$ 74,697**	$ 64,892
Cost of sales	**(22,483)**	(21,345)	**(56,201)**	(53,955)
Gross profit	**7,366**	6,069	**18,496**	10,937
Selling expenses	**(2,582)**	(2,349)	**(7,459)**	(6,734)
Administrative expenses	**(1,333)**	(1,230)	**(4,103)**	(3,514)
Other losses	**(73)**	(50)	**(119)**	(57)
Operating income	**3,378**	2,440	**6,815**	632
Gain on sale of real estate	-	-	**63**	-
Investment income	**55**	44	**161**	148
Finance costs	**(356)**	(359)	**(1,074)**	(1,079)
Income (loss) before taxes	**3,077**	2,125	**5,965**	(299)
Income tax (expense) recovery	**(865)**	(576)	**(1,713)**	100
Net income (loss) for the period	**$ 2,212**	$ 1,549	**$ 4,252**	$ (199)
Earnings (loss) per share - $ per share				
Basic and diluted	**$ 0.33**	$ 0.23	**$ 0.63**	$ (0.03)
Funds flow from operations [1]	**4,266**	3,329	**9,580**	3,410
Funds flow from operations per share [1]	**0.64**	0.50	**1.42**	0.51

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

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

4. Consolidated results of operations

Sales

Consolidated sales were $29,849 in the three month period September 30, 2015, an increase of $2,435 or 8.9% from sales of $27,414 in the comparative three month period of 2014. The improvement in sales in the current quarter is a result of higher sales across both operating segments (see Section 5).

In the nine month period ended September 30, 2015, consolidated sales were $74,697, an increase of $9,805 or 15.1% from sales of $64,892 in the comparative nine month period of 2014. The increased sales reflect the seasonal pattern in the construction industry across both operating segments (see Section 5).

Gross profit

Consolidated gross profit was $7,366 in the three month period ended September 30, 2015, as compared to $6,069 in the comparative three month period of 2014. Gross profit margin improved to 24.7% of sales in the current quarter as compared to a gross profit margin of 22.1% in Q3/14.

Consolidated gross profit was $18,496 in the nine month period ended September 30, 2015, as compared to $10,937 in comparative nine month period of 2014. Gross profit margin of 24.8% of sales in the current nine month period was higher than a gross profit margin of 16.9% reported in the comparative nine month period of 2014. A combination of increased sales and the continued reduction of raw material costs have resulted in improved gross margins from the prior quarters.

Selling and administrative expenses

Selling and administrative expenses have both increased slightly as a result of increased sales but remain broadly aligned with the expenses in the comparative periods of 2014.

Operating income

Operating income of $3,378 in the current quarter compared to operating income of $2,440 reported in Q3/14, a favorable variance of $938.

In the nine month period ended September 30, 2015, operating income of $6,815 compared to operating income of $632 reported in the comparative nine month period of 2014, which is an improvement of $6,183. The combination of increased sales and the reduction in raw material costs, related to the drop in crude oil prices that decreased raw material costs, contributed to improved operating income.

Income (loss) before taxes

In the current quarter, income before taxes of $3,077 was reported as compared to income before taxes of $2,125 in Q3/14. In the nine month period ended September 30, 2015, income before taxes of $5,965 was reported as compared to a loss before taxes of $299 reported in the comparative nine month period of 2014.

Income taxes

Income tax expense in the current period was $865 as compared to income tax expense of $576 in Q3/14. The increased income tax expense is a result of increased profitability and an increase in the corporate tax rate in the province of Alberta. The effective income tax rate of 28.7% applied for the nine month period is reasonably representative of the blended tax rate expected for 2015.

Net income (loss)

Net income of $2,212 in the current quarter compares to net income of $1,549 reported in the comparative quarter of 2014. In the nine month period ended September 30, 2015, net income was $4,252 compared to a net loss of $199 in the comparative nine month period of 2014.

Earnings (loss) per share

Basic earnings per share in the current quarter were $0.33 as compared to earnings per share of $0.23 reported in Q3/14. In the nine month period ended September 30, 2015, earnings per share of $0.63 compares to a loss per share of $0.03 reported in the comparative nine month period of 2014.

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). There are varying levels of integration between each segment.

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

Information regarding each reportable operating segment for the three and nine month periods ended September 30, 2015 and 2014, is set out below:

Three month periods ended September 30	**Sales revenues**		**Operating income**	
	2015	**2014**	**2015**	**2014**
Canada	**$ 21,505**	$ 20,744	**$ 2,874**	$ 2,156
USA	**8,344**	6,670	**484**	352
Totals for segments	**$ 29,849**	$ 27,414	**3,358**	2,508
Corporate – income (expense), net			**16**	(67)
Foreign exchange gain (loss) on inter-segment loan			**4**	(1)
Consolidated operating income			**$ 3,378**	$ 2,440

Nine month periods ended September 30	**Sales revenues**		**Operating income (loss)**	
	2015	**2014**	**2015**	**2014**
Canada	**$ 56,438**	$ 51,108	**$ 7,079**	$ 1,333
USA	**18,259**	13,784	**(210)**	(610)
Totals for segments	**$ 74,697**	$ 64,892	**6,869**	723
Corporate – expense, net			**(50)**	(91)
Foreign exchange loss on inter-segment loan			**(4)**	-
Consolidated operating income			**$ 6,815**	$ 632

(a) Canada

Sales

Sales generated by the Canadian segment increased from $20,744 in Q3/14 to $21,505 in the current quarter, an increase of 3.7% or $761, which contributed to year-to-date sales growing by $5,330 or 10.4% over the corresponding nine month period of 2014 to $56,438 for the first nine months of 2015.

Operating income (loss)

The Canadian segment reported operating income of $2,874 in the current quarter, an increase of $718 as compared to operating income of $2,156 reported in Q3/14.

In the nine month period ended September 30, 2015, the Canadian segment reported operating income of $7,079 as compared to operating income of $1,333 in the comparative nine month period of 2014. Results in the three and nine periods continue to reflect the relative price stability of our key raw materials following their decrease in the first quarter of 2015. Certain raw materials, priced in USA dollars, erode the full benefits of a decrease in raw material costs as a result of devaluation of the Canadian dollar in USA dollar terms.

(b) USA

Sales

As reported in Canadian dollars, sales in the USA segment increased from $6,670 in Q3/14 to $8,344 in the current quarter, an increase of $1,674 or 25.1%. The average foreign exchange rates experienced by the Corporation reflected the devaluation of the Canadian currency from an average rate of $1.09 per US$1.00 in the 2014 comparative quarter to an average rate of approximately $1.31 per US$1.00 in the current quarter, an approximate currency devaluation of about 20.2%. Eliminating the effect of foreign exchange fluctuations, the sales growth rates for the periods, expressed in USA dollars, were 4.2% in the current quarter.

In the nine month period ended September 30, 2015, USA segment sales were $18,259 and $13,784 in the comparative nine month period of 2014, an increase of 32.5%. The average foreign exchange rates experienced by the Corporation reflected the devaluation of the Canadian currency from an average rate of $1.09 per US$1.00 in the 2014 comparative nine month period to an average rate of approximately $1.26 per US$1.00 in the current nine month period, an approximate currency devaluation of about 15.1%. Eliminating the effect of foreign exchange fluctuations, the sales growth rates for the periods expressed in USA dollars were 14.0% for the nine month period, ended September 30, 2015.

Operating income (loss)

The USA segment reported operating income of $484 in the current quarter as compared to operating income of $352 in the comparative quarter of 2014. This represents an improvement of $132. In the nine month period ended September 30, 2015, the USA segment reported an operating loss of $210 as compared to an operating loss of $610 in the comparative nine month period of 2014, an improvement of $400.

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 Sep 30, 2015	**As at Dec 31, 2014**
Assets		
Segmented assets	**$ 56,365**	$ 51,413
Assets not allocated to segments:		
Cash and cash equivalents	**13,057**	8,933
Freehold land and buildings	**6,944**	6,642
Restricted marketable securities	**2,227**	2,227
Corporate – income taxes recoverable	**9**	32
Total assets	**$ 78,602**	$ 69,247
Liabilities		
Segmented liabilities	**$ 16,606**	$ 12,210
Liabilities not allocated to segments:		
Finance lease obligations	**14,234**	14,416
Corporate – deferred income tax liability	**4**	-
Total liabilities	**$ 30,844**	$ 26,626
Net segmented assets		
Canada	**$ 32,569**	$ 32,002
USA	**7,190**	7,201

5.3 Other segment information

	Three month periods ended September 30		Nine month periods ended September 30	
	2015	**2014**	**2015**	**2014**
Additions to non-current assets:				
Canada	**$ 574**	$ 641	**$ 1,216**	$ 1,676
USA	**103**	50	**436**	50
Total	**$ 677**	$ 691	**$ 1,652**	$ 1,726
Depreciation and amortization:				
Canada	**$ 614**	$ 641	**$ 1,911**	$ 1,918
USA	**192**	165	**542**	490
Total	**$ 806**	$ 806	**$ 2,453**	$ 2,408
Inter-segment sales	**$ 1,211**	$ 574	**$ 3,050**	$ 1,046

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 September 30, 2015 and December 31, 2014 were as follows:

	September 30, 2015	**December 31, 2014**
Cash held with banks	**$ 5,762**	$ 5,038
Short-term investments	**6,011**	3,503
Restricted cash	**1,284**	392
	$ 13,057	$ 8,933

PFB's cash balances typically fluctuate with the seasonality of its business. The increase in cash in the nine month period ended September 30, 2015, was primarily attributed to increased sales, managing non-cash working capital requirements and restricted cash collected from the USA segment.

Restricted cash comprises of cash collected from certain customers of the USA segment which is contractually segregated from other cash as it is held for making disbursements to suppliers and service providers specific to those customer's contracts.

Bank credit facilities

There were no changes to the Corporation's bank credit facilities during the current quarter. The Company maintains a ten million dollar working capital facility with a Canadian chartered bank.

Summary of cash flows

A summary of cash flows for the three and nine month periods ended September 30, 2015 and 2014 are shown in the following table:

	Three month periods ended September 30		Nine month periods ended September 30	
	2015	**2014**	**2015**	**2014**
Net cash flows from (used in):				
Operating activities	**$ 5,685**	$ 3,843	**$ 7,648**	$ 255
Investing activities	**(612)**	(615)	**(1,410)**	(1,523)
Financing activities	**(849)**	(845)	**(2,539)**	(2,542)
Effect of foreign exchange on cash held in foreign currency – gain (loss)	**196**	28	**425**	(37)
Net increase (decrease) in cash and cash equivalents	**$ 4,420**	$ 2,411	**$ 4,124**	$ (3,847)
Cash and cash equivalents – beginning of period	**8,637**	2,680	**8,933**	8,938
Cash and cash equivalents – end of period	**$ 13,057**	$ 5,091	**$ 13,057**	$ 5,091

(a) Operating activities

Net cash from operating activities was $5,685 in the current quarter as compared to $3,843 in the comparative quarter of 2014, an increase of $1,842. In the nine month period ended September 30, 2015, net cash from operating activities was $7,648 versus net cash from operating activities of $255 in the comparative nine month period of 2014, a variance of $7,393. Improved net income contributed to the improved cash from operating activities.

(b) Investing activities

Net cash used in investing activities was $612 in the current quarter as compared to net cash used in investing activities of $615 in Q3/14. In the nine month period ended September 30, 2015, net cash used in investing activities was $1,410 versus net cash used in investing activities of $1,523 in the comparative nine month period of 2014. Investing activities for the nine month period include capital expenditures of $1,652 for tangible and intangible assets, which were $76 lower than capital expenditures for the same nine month period in 2014 of $1,728.

(c) Financing activities

Net cash used in financing activities in the current quarter was $849 as compared to net cash used in financing activities of $845 in the comparative quarter of 2014.

In the nine month period ended September 30, 2015, net cash flows used in financing activities were $2,539 versus $2,542 in the comparative nine month period of 2014.

The changes in non-cash working capital amounts which occurred in the nine month period ended September 30, 2015 are:

	Sep 30, 2015	Dec 31, 2014	Change
Trade receivables	**$ 11,711**	$ 8,931	$ 2,780
Inventories	**10,685**	8,894	1,791
Prepaid expenses	**739**	763	(24)
Trade and other payables	**(8,901)**	(7,089)	(1,812)
Deferred revenue	**(4,497)**	(2,716)	(1,781)
	$ 9,737	$ 8,783	$ 954

Non-cash working capital increased in the nine month period ended September 30, 2015 by $954 to $9,737.

The increased trade receivables balance is reflective of higher sales and the seasonality of the sales cycle.

Inventory levels have increased since the beginning of the year to $10,685, which is normal in the operating cycle, and are comparable to Q3/14 inventory levels of $10,391. Inventory of raw materials at Q3/15 of $5,475 are more than at Q3/14 of $5,368, have increased as a result of obtaining additional raw materials due to the force majeure.

The increase in trade and other payables of $1,812 since the beginning of the year is reflective of seasonal increases in operating activities and the timing of when receipts and payments for raw materials occur.

Deferred revenue has increased in the current nine month period by an aggregate amount of $1,781, reflective of customer deposits received from a strengthening order backlog in the USA segment.

7. Capital resources

Capital structure

The Corporation's capital structure as at September 30, 2015 and December 31, 2014, consisted of shareholder's equity in the amounts of $47,758 and $42,621, respectively.

Share capital

The Corporation has one class of publicly traded voting common shares. A summary of the Corporation's share capital position as at September 30, 2015 and December 31, 2014, is set forth in the following table:

	September 30, 2015 (Nine Months)		December 31, 2014 (Twelve Months)	
	Number of Common Shares	**Amount**	**Number of Common 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

In 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 in the month of February in each year, respectively. The dividend payment in February 2015 amounted to $403 (2014 - $403).

In the second 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 in the month of May in each year, respectively. The dividend payment in May 2015 amounted to $403 (2014 - $403).

In the third 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 in the month of August in each year, respectively. The dividend payment in August 2015 amounted to $403 (2014 - $402).

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

Normal course issuer bid

In September 2015, 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 September 11, 2015 and ends no later than September 10, 2016. The renewal allows the Corporation to purchase, up to a maximum of 50,000 of its common shares representing 0.74% of the Corporation's 6,716,003 issued and outstanding common shares as at September 09, 2015, subject to a daily maximum purchase of 1,000 common shares. The Corporation will purchase from time-to-time its common shares at market prices by mean of open markets of the Toronto Stock Exchange as well as through alternate trading systems in Canada upon which the common shares are traded.

In the three month periods ended September 30, 2015 and 2014, the Corporation did not purchase any of its common shares for cancellation under a Normal Course Issuer Bid.

In the nine month period ended September 30, 2015, the Corporation did not purchase any of its common shares for cancellation under a Normal Course Issuer Bid. In the nine month period ended September 30, 2014, the Corporation purchased for cancellation 4,700 of its common shares under a Normal Course Issuer Bid for an aggregate price of $23, of which $9 was charged to retained earnings as a premium on redemption of the shares.

Comprehensive income

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 (loss).

A summary of comprehensive income for the three and nine month periods ended September 30, 2015 and 2014 is as follows:

	Three month periods ended September 30		Nine month periods ended September 30	
	2015	**2014**	**2015**	**2014**
Net income (loss) for the period	**$ 2,212**	$ 1,549	**$ 4,252**	$ (199)
Other comprehensive income	**917**	553	**2,094**	540
Comprehensive income for the period	**$ 3,129**	$ 2,102	**$ 6,346**	$ 341

In the third quarter of 2015, comprehensive income was $3,129 as compared to a comprehensive income of $2,102 in the comparative quarter of 2014. Other comprehensive income of $917 in the current quarter consisted of income of $1,016 (Q3/14 – income of of $610) attributed to foreign currency translation when consolidating PFB’s USA operations, and a loss of $99 (Q3/14 – loss of $57) representing unrealized losses on restricted marketable securities, net of tax.

Included in accumulated comprehensive income at September 30, 2015, were foreign currency translation adjustments totaling $3,177, marketable securities adjustments of $(229), net of tax, and $74 of defined benefit valuation changes, net of tax, for total accumulated other comprehensive income of $3,022.

Long-term debt

The Corporation had no long-term debt as at September 30, 2015.

8. Commitments and contractual obligations

8.1 Leases and commitments for PP&E and intangible assets

PFB’s contractual obligations and commitments as at September 30, 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 September 30, 2015					
Finance lease obligations	**$ 31,435**	**$ 1,732**	**$ 3,201**	**$ 3,316**	**$ 23,186**
Operating lease obligations	**16,413**	**1,538**	**2,603**	**1,937**	**10,335**
Commitments for PP&E and intangible assets	**941**	**941**	**-**	**-**	**-**
Total contractual obligations	**$ 48,789**	**$ 4,211**	**$ 5,804**	**$ 5,253**	**$ 33,521**
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 September 30, 2015, the Canadian segment did not have any performance bonds outstanding (December 31, 2014 - $1,600). In the USA, performance bonds in the amount of $587 were pledged to various government agencies as at September 30, 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 have been pledged 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 condensed consolidated balance sheet as at September 30, 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, net of tax.

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 statement of income (loss).

10. Current Outlook

The Corporation's two operating segments experienced improved operating results during a seasonally active time of year. At this time, order backlogs are consistent with a continuation of this trend subject to seasonal fluctuations that occur during the second and third quarters, annually. The positive effects of lower raw material costs are expected to continue. The effects of the Canadian currency devaluation as it relates to USA dollar exchange rates, are also expected to continue. These effects are mixed, in that the lower Canadian currency has negative effects on raw material acquisition costs and positive effects on the translation of USA revenues into Canadian dollar equivalents.

Sales in many regions of Canada continue to exhibit regional disparities, and the Corporation continues to evaluate these markets for pricing and competition based on these regional economic conditions. It remains uncertain as to the magnitude of the effect of lower crude oil prices in Canadian regional economies. It is our view that the American general economy is strengthening as well as the housing industry. PFB's balance sheet remains strong with significant cash, no debt, an unused revolving credit facility and 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 (DC&P)

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 the Manager of Financial Reporting & Compliance, 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 the Corporation's DC&P was conducted as of September 30, 2015, under the supervision of the CEO and Manager of Financial Reporting & Compliance. Based on this evaluation, the CEO and Manager of Financial Reporting & Compliance have concluded that the Corporation's DC&P, 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 September 30, 2015, the CEO and Manager of Financial Reporting & Compliance, 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 October 27, 2015, the Corporation's board of directors declared a regular quarterly dividend of $0.06 per common share. The dividend will be paid on November 27, 2015, to shareholders of record at the close of business on November 13, 2015.

16. Related party transactions

There have been no material changes in related party transactions in the three and nine month periods ended September 30, 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 issued or 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 above amendments had no material impact on the disclosures or on amounts recognized in the condensed interim consolidated financial statements.

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 an absolute 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 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 Q3	2015 Q2	2015 Q1	2014 Q4	2014 Q3	2014 Q2	2014 Q1	2013 Q4
Net income (loss) (As per financial statements)	**$ 2,212**	$ 2,120	$ (80)	$ 1,116	$ 1,549	$ 95	$ (1,843)	$ 460
Add back (deduct):								
Income taxes	**865**	971	(123)	532	576	141	(817)	77
Finance costs	**356**	358	360	359	359	362	358	359
Investment income	**(55)**	(47)	(59)	(51)	(44)	(44)	(60)	(67)
Depreciation	**902**	898	897	898	882	868	863	869
Amortization	**39**	53	58	67	49	48	52	85
EBITDA	**4,319**	4,353	1,053	2,921	3,371	1,470	(1,447)	1,783
EBITDA per share	**0.64**	0.65	0.16	0.43	0.50	0.22	(0.22)	0.26

Condensed Consolidated Financial Statements (Unaudited)

Notice of non-auditor review of condensed consolidated financial statements for the three and nine month periods ended September 30, 2015 and 2014

The accompanying unaudited condensed consolidated financial statements of PFB Corporation for the three and nine month periods ended September 30, 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: October 27, 2015

Thousands of Canadian dollars, except per share amounts

	Note	Three month periods ended September 30		Nine month periods ended September 30	
		2015	**2014**	**2015**	**2014**
Sales		**$ 29,849**	$ 27,414	**$ 74,697**	$ 64,892
Cost of sales	6	**(22,483)**	(21,345)	**(56,201)**	(53,955)
Gross profit		**7,366**	6,069	**18,496**	10,937
Selling expenses		**(2,582)**	(2,349)	**(7,459)**	(6,734)
Administrative expenses		**(1,333)**	(1,230)	**(4,103)**	(3,514)
Other losses		**(73)**	(50)	**(119)**	(57)
Operating income		**3,378**	2,440	**6,815**	632
Gain on sale of real estate		**-**	-	**63**	-
Investment income		**55**	44	**161**	148
Finance costs		**(356)**	(359)	**(1,074)**	(1,079)
Income (loss) before taxes		**3,077**	2,125	**5,965**	(299)
Income taxes (expense) recovery		**(865)**	(576)	**(1,713)**	100
Net income (loss) for the period		**$ 2,212**	$ 1,549	**$ 4,252**	$ (199)
Earnings (loss) per share - $ per share					
Basic and diluted		**$ 0.33**	$ 0.23	**$ 0.63**	$ (0.03)
Weighted average number of common shares outstanding					
Basic and diluted		**6,716,003**	6,719,703	**6,716,003**	6,719,932

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

Consolidated Statements of Comprehensive Income (Loss)

For the three and nine month periods ended September 30, 2015 and 2014
Thousands of Canadian dollars

	Note	Three month periods ended September 30		Nine month periods ended September 30	
		2015	**2014**	**2015**	**2014**
Net income (loss) for the period		**$ 2,212**	$ 1,549	**$ 4,252**	$ (199)
Other comprehensive income:					
Items that may subsequently be reclassified to income:					
Foreign currency translation adjustments					
Exchange differences on translating foreign operations		**1,016**	610	**2,094**	668
Restricted available for sale financial assets	10				
Unrealized losses on available for sale financial assets, net of tax		**(99)**	(57)	**-**	(128)
Other comprehensive income for the period		**917**	553	**2,094**	540
Comprehensive income for the period		**$ 3,129**	$ 2,102	**$ 6,346**	$ 341

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

Condensed Interim Consolidated Balance Sheets
As at September 30, 2015 and 2014, and December 31, 2014
Thousands of Canadian dollars

	Note	September 30, 2015	September 30, 2014	December 31, 2014
ASSETS				
Current assets				
Cash and cash equivalents		**$ 13,057**	**$ 5,091**	$ 8,933
Trade receivables	10	**11,711**	**12,022**	8,931
Inventories	6	**10,685**	**10,391**	8,894
Income taxes recoverable		**9**	**-**	25
Prepaid expenses		**739**	**620**	763
Total current assets		**36,201**	**28,124**	27,546
Non-current assets				
Marketable securities - restricted	10	**2,227**	**2,222**	2,227
Property, plant and equipment	7	**34,556**	**34,613**	34,484
Intangible assets		**1,430**	**1,324**	1,298
Goodwill		**2,321**	**2,041**	2,093
Deferred income tax assets		**1,867**	**1,839**	1,599
Total non-current assets		**42,401**	**42,039**	41,701
Total assets		**$ 78,602**	**$ 70,163**	$ 69,247
LIABILITIES				
Current Liabilities				
Trade and other payables	10	**$ 8,901**	**$ 8,078**	$ 7,089
Deferred revenue		**4,497**	**4,056**	2,716
Income taxes payable		**1,365**	**264**	474
Finance lease obligations	8, 10	**323**	**312**	321
Total current liabilities		**15,086**	**12,710**	10,600
Non-current liabilities				
Finance lease obligations	8, 10	**13,911**	**14,153**	14,095
Deferred operating lease obligations	10	**319**	**-**	178
Accrued defined benefit pension plan		**56**	**76**	56
Deferred income tax liabilities		**1,472**	**1,737**	1,697
Total non-current liabilities		**15,758**	**15,966**	16,026
Total liabilities		**30,844**	**28,676**	26,626
SHAREHOLDERS' EQUITY				
Common shares		**20,947**	**20,959**	20,947
Accumulated other comprehensive income		**3,022**	**490**	928
Retained earnings		**23,789**	**20,038**	20,746
Shareholders' equity		**47,758**	**41,487**	42,621
Total liabilities and shareholders' equity		**$ 78,602**	**$ 70,163**	$ 69,247

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

Consolidated Statements of Changes in Equity

As at September 30, 2015 and 2014, and December 31, 2014

Thousands of Canadian dollars, except number of shares

P·F·B CORPORATION Better building ideas

		Common shares		Accumulated other comprehensive income				
	Note	No. of Shares	Share capital	Foreign currency translation adjustments, net of taxes	Unrealized (loss) gain on available for sale assets, net of taxes	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**
Net loss for the period		-	-	-	-	-	(199)	(199)
Other comprehensive income (loss) for the period, net of tax		-	-	668	(128)	-	-	540
Total comprehensive income (loss) for the period		-	-	668	(128)	-	(199)	341
Payment of dividends	9	-	-	-	-	-	(1,208)	(1,208)
Repurchased pursuant to normal course issuer bid	9	(4,700)	(14)	-	-	-	(9)	(23)
Balances at September 30, 2014		**6,719,703**	**$ 20,959**	**$ 604**	**$ (233)**	**$ 119**	**$ 20,038**	**$ 41,487**
Net income for the period		-	-	-	-	-	1,116	1,116
Other comprehensive income (loss) for the period, net of tax		-	-	479	4	(45)	-	438
Total comprehensive income (loss) for the period		-	-	479	4	(45)	1,116	1,554
Payment of dividends	9	-	-	-	-	-	(405)	(405)
Repurchased pursuant to normal course issuer bid	9	(3,700)	(12)	-	-	-	(3)	(15)
Balances at December 31, 2014		**6,716,003**	**$ 20,947**	**$ 1,083**	**$ (229)**	**$ 74**	**$ 20,746**	**$ 42,621**
Net income for the period		-	-	-	-	-	4,252	4,252
Other comprehensive income for the period, net of tax		-	-	2,094	-	-	-	2,094
Total comprehensive income for the period		-	-	2,094	-	-	4,252	6,346
Payment of dividends	9	-	-	-	-	-	(1,209)	(1,209)
Balances at September 30, 2015		**6,716,003**	**$ 20,947**	**$ 3,177**	**$ (229)**	**$ 74**	**$ 23,789**	**$ 47,758**

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

Condensed Interim Consolidated Statements of Cash Flows

For the three and nine month periods ended September 30, 2015 and 2014
Thousands of Canadian dollars

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	Note	Three month periods ended September 30 2015	2014	Nine month periods ended September 30 2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES					
Net income (loss) for the period		**$ 2,212**	$ 1,549	**$ 4,252**	$ (199)
Adjustments for:					
Depreciation expense	7	**902**	882	**2,697**	2,613
Amortization expense		**39**	49	**150**	149
Gain on disposal of property, plant and equipment		**(4)**	(20)	**(12)**	(31)
Gain on sale of real estate		**-**	-	**(63)**	-
Finance costs		**356**	359	**1,074**	1,079
Investment income		**(55)**	(44)	**(161)**	(148)
Income tax expense (recovery)		**865**	576	**1,713**	(100)
Unrealized foreign exchange (gain) loss		**(49)**	(22)	**(70)**	47
Funds flow from operations		**4,266**	3,329	**9,580**	3,410
Changes in non-cash working capital	12	**1,619**	542	**(954)**	(1,985)
Changes in deferred operating lease obligations		**21**	-	**142**	-
Unrealized foreign exchange (gain) loss relating to non-cash working capital		**(13)**	29	**(65)**	34
Cash from operating activities		**5,893**	3,900	**8,703**	1,459
Income taxes paid		**(208)**	(57)	**(1,055)**	(1,204)
Net cash from operating activities		**5,685**	3,843	**7,648**	255
CASH FLOWS USED IN INVESTING ACTIVITIES					
Purchase of property, plant and equipment	7,12	**(677)**	(676)	**(1,545)**	(1,685)
Purchase of intangible assets		**-**	(17)	**(107)**	(43)
Proceeds from disposal of property, plant and equipment		**10**	34	**18**	57
Proceeds from sale of real estate		**-**	-	**63**	-
Interest received		**16**	5	**44**	31
Distributions received from marketable securities		**39**	39	**117**	117
Net cash used in investing activities		**(612)**	(615)	**(1,410)**	(1,523)
CASH FLOWS USED IN FINANCING ACTIVITIES					
Repayment of finance lease obligations		**(90)**	(84)	**(256)**	(232)
Finance costs paid		**(356)**	(359)	**(1,074)**	(1,079)
Dividends paid to shareholders	9	**(403)**	(402)	**(1,209)**	(1,208)
Payment for buy-back of common shares	9	**-**	-	**-**	(23)
Net cash used in financing activities		**(849)**	(845)	**(2,539)**	(2,542)
Effects of exchange rate changes on the balance of cash held in foreign currencies – gain (loss)		**196**	28	**425**	(37)
Net increase (decrease) in cash and cash equivalents		**4,420**	2,411	**4,124**	(3,847)
Cash and cash equivalents at the beginning of the period		**8,637**	2,680	**8,933**	8,938
Cash and cash equivalents at the end of the period		**$ 13,057**	$ 5,091	**$ 13,057**	$ 5,091

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 and nine month periods ended September 30, 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 October 27, 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 three and nine month periods ended September 30, 2014 have been reclassified to conform to the presentation adopted in the current period.

These interim condensed consolidated financial statements are presented in Canadian dollars.

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 industry 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 these reporting periods 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 and were adopted by the Corporation, where applicable:

- **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.

Thousands of Canadian dollars, except per share amounts

- **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 above amendments had no material impact on the disclosures or on amounts recognized in the interim condensed consolidated financial statements.

For the nine month period ended September 30, 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 or loss represents the income or loss as reported by each segment excluding any allocations for corporate income or expenses, and foreign exchange gains or losses arising on an inter-segment loan.

Information regarding each reportable operating segment for three and nine month periods ended September 30, 2015 and 2014 are set out below:

Three month periods ended September 30	**Sales revenues**		**Operating income**	
	2015	**2014**	**2015**	**2014**
Canada	**$ 21,505**	$ 20,744	**$ 2,874**	$ 2,156
USA	**8,344**	6,670	**484**	352
Totals for segments	**$ 29,849**	$ 27,414	**3,358**	2,508
Corporate – income (expense), net			**16**	(67)
Foreign exchange gain (loss) on inter-segment loan			**4**	(1)
Consolidated operating income			**$ 3,378**	$ 2,440

Thousands of Canadian dollars, except per share amounts

Nine month periods ended September 30	Sales revenues		Operating income (loss)	
	2015	**2014**	**2015**	**2014**
Canada	**$ 56,438**	$ 51,108	**$ 7,079**	$ 1,333
USA	**18,259**	13,784	**(210)**	(610)
Totals for segments	**$ 74,697**	$ 64,892	**6,869**	723
Corporate – expense, net			**(50)**	(91)
Foreign exchange loss on inter-segment loan			**(4)**	-
Consolidated operating income			**$ 6,815**	$ 632

5.2 Segment assets and liabilities

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

	As at Sept 30, 2015	As at Dec 31, 2014
Assets		
Segmented assets	**$ 56,365**	$ 51,413
Assets not allocated to segments:		
Cash and cash equivalents	**13,057**	8,933
Freehold land and buildings	**6,944**	6,642
Restricted marketable securities	**2,227**	2,227
Corporate – income taxes recoverable	**9**	32
Total assets	**$ 78,602**	$ 69,247
Liabilities		
Segmented liabilities	**$ 16,606**	$ 12,210
Liabilities not allocated to segments:		
Finance lease obligations	**14,234**	14,416
Corporate – deferred income tax liability	**4**	-
Total liabilities	**$ 30,844**	$ 26,626
Net segmented assets		
Canada	**$ 32,569**	$ 32,002
USA	**7,190**	7,201

5.3 Other segment information

	Three month periods ended September 30		Nine month periods ended September 30	
	2015	**2014**	**2015**	**2014**
Additions to non-current assets:				
Canada	**$ 574**	$ 641	**$ 1,216**	$ 1,676
USA	**103**	50	**436**	50
Total	**$ 677**	$ 691	**$ 1,652**	$ 1,726
Depreciation and amortization:				
Canada	**$ 614**	$ 641	**$ 1,911**	$ 1,918
USA	**192**	165	**542**	490
Total	**$ 806**	$ 806	**$ 2,423**	$ 1,602
Inter-segment sales	**$ 1,211**	$ 574	**$ 3,050**	$ 1,046

Thousands of Canadian dollars, except per share amounts

6. Inventories

	As at Sept 30, 2015	As at Dec 31, 2014
Raw materials	**$ 5,475**	$ 4,978
Work in progress	**2,690**	2,256
Finished goods	**2,520**	1,660
	$ 10,685	$ 8,894

The cost of inventories recognized as an expense in cost of sales during the three and nine month periods ended September 30, 2015 was $20,048 and $50,090 (2014 - $19,076 and $48,288), respectively.

The cost of inventories recognized as an expense during the three and nine month periods ended September 30, 2015, includes $105 and $378, respectively, (2014 - $257 and $535) 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 the three and nine month periods ended September 30, 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 September 30, 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	-	128	3	285	1,554	1,970
Disposal of PP&E assets	-	(28)	(379)	(168)	-	(575)
Transfers between asset classes	-	719	699	-	(1,418)	-
Effect of foreign currency changes	46	284	262	8	-	600
Balance at September 30, 2014	**2,164**	**10,060**	**36,379**	**15,617**	**310**	**64,530**
Additions	-	36	-	25	432	493
Disposal of PP&E assets	-	-	(74)	(42)	-	(116)
Transfers between asset classes	-	191	167	(26)	(332)	-
Effect of foreign currency changes	33	205	185	8	-	431
Balance at December 31, 2014	**2,197**	**10,492**	**36,657**	**15,582**	**410**	**65,338**
Additions	-	-	6	52	1,539	1,597
Disposal of PP&E assets	-	-	(99)	(30)	-	(129)
Transfers between asset classes	-	14	861	-	(875)	-
Effect of foreign currency changes	142	890	813	37	43	1,925
Balance at September 30, 2015	**$ 2,339**	**$ 11,396**	**$ 38,238**	**$ 15,641**	**$ 1,117**	**$ 68,731**

Thousands of Canadian dollars, except per share amounts

Accumulated Depreciation						
Balance at January 1, 2014	**$ -**	**$ 4,144**	**$ 22,402**	**$ 1,107**	**$ -**	**$ 27,653**
Depreciation expense	-	423	1,496	694	-	2,613
Disposal of PP&E assets	-	(27)	(371)	(151)	-	(549)
Effect of foreign currency changes	-	79	118	3	-	200
Balance at September 30, 2014	**-**	**4,619**	**23,645**	**1,653**	**-**	**29,917**
Depreciation expense	-	154	506	238	-	898
Disposal of PP&E assets	-	(1)	(74)	(42)	-	(117)
Transfers between asset classes	-	78	(52)	(26)	-	-
Effect of foreign currency changes	-	61	94	1	-	156
Balance at December 31, 2014	**-**	**4,911**	**24,119**	**1,824**	**-**	**30,854**
Depreciation expense	-	491	1,498	708	-	2,697
Disposal of PP&E assets	-	-	(99)	(24)	-	(123)
Effect of foreign currency changes	-	303	434	10	-	747
Balance at September 30, 2015	**$ -**	**$ 5,705**	**$ 25,952**	**$ 2,518**	**$ -**	**$ 34,175**
Net book values						
September 30, 2014	$ 2,164	$ 5,441	$ 12,734	$ 13,964	$ 310	$ 34,613
December 31, 2014	2,197	5,581	12,538	13,758	410	34,484
September 30, 2015	**2,339**	**5,691**	**12,286**	**13,123**	**1,117**	**34,556**

Assets under construction as at September 30, 2015 are expected to be available for use in 2015.

Depreciation expense for the three and nine month periods ended September 30, 2015, in the amounts of $804 and $2,384 (2014 - $780 and $2,321) is included in cost of sales, with amounts of $66 and $204 (2014 - $63 and $183) included in selling expenses, and amounts of $32 and $109 (2014 - $39 and $109) included in administrative expenses, respectively.

8. Finance lease obligations

The Corporation's finance lease obligations as at September 30, 2015, and December 31, 2014, are as stated in the following table:

	Minimum lease payments	
	Sept 30, 2015	**Dec 31, 2014**
No later than one year	**$ 1,732**	$ 1,743
Later than one year and not later than five years	**6,517**	6,506
Later than five years	**23,186**	24,428
Total minimum lease payments	**31,435**	32,677
Less: amounts representing finance costs	**17,201**	18,261
Present value of minimum lease payments	**$ 14,234**	$ 14,416

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

	Sept 30, 2015	**Dec 31, 2014**
Current	**$ 323**	$ 321
Long-term	**13,911**	14,095
Total	**$ 14,234**	$14,416

9. Issued capital

9.1 Normal Course Issuer Bid

In September 2015, 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 September 11, 2015 and ends no later than September 10, 2016. The renewal allows the Corporation to purchase, up to a maximum of 50,000 of its common shares representing 0.74% of the Corporation's 6,716,003 issued and outstanding common shares as at September 09, 2015, subject to a daily maximum purchase of 1,000 common shares. The Corporation will purchase from time-to-time its common shares at market prices by mean of open markets of the Toronto Stock Exchange as well as through alternate trading systems in Canada upon which the common shares are traded.

In the three month periods ended September 30, 2015 and 2014, the Corporation did not purchase any of its common shares for cancellation under a Normal Course Issuer Bid.

In the nine month period ended September 30, 2015, the Corporation did not purchase any of its common shares for cancellation under a Normal Course Issuer Bid. In the comparative nine month period ended September 30, 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 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 in February of each year, respectively. The dividend payment in February 2015 amounted to $403 (2014 - $403).

In the second 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 in May of each year, respectively. The dividend payment in May 2015 amounted to $403 (2014 - $403).

In the third 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 in August of each year, respectively. The dividend payment in August 2015 amounted to $403 (2014 - $402).

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.

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 September 30, 2015 and December 31, 2014, are stated in the following table:

Thousands of Canadian dollars, except per share amounts

Financial instrument	Category	Measurement	Hierarchy	Sept 30, 2015 Carrying Amount	Dec 31, 2014 Carrying Amount
Cash and cash equivalents	FVTPL	Fair value	Level 1	**$ 13,057**	$ 8,933
Restricted marketable securities	Available for sale	Fair value	Level 1	**2,227**	2,227
Trade receivables	Loans and receivables	Amortized cost	N/A	**11,711**	8,931
Trade and other payables	Other financial liabilities	Amortized cost	N/A	**(8,901)**	(7,089)
Finance lease obligations	Other financial liabilities	Amortized cost	N/A	**(14,234)**	(14,416)
Deferred operating lease obligations	Other financial liabilities	Amortized cost	Level 2	**(319)**	(178)

During the third 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 should, in the unlikely event, the subsidiary not fulfil its contractual obligations. 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 September 30, 2015, the Canadian segment did not have any performance bonds outstanding (December 31, 2014 - $1,600). In the USA, performance bonds in the amount of $587 were pledged to various government agencies as at September 30, 2015 (December 31, 2014 - $614).

11.2 Expenditures for property, plant and equipment

As at September 30, 2015, the Corporation had commitments of $941 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 September 30		Nine month periods ended September 30	
Increase (decrease) in:	**2015**	2014	**2015**	2014
Trade receivables	**$ (1,496)**	$ 805	**$ 2,780**	$ 3,237
Inventories	**709**	(220)	**1,791**	2,070
Prepaid expenses	**(206)**	(231)	**(24)**	(52)
Trade and other payables	**(522)**	(246)	**(1,812)**	(1,066)
Deferred revenue	**(104)**	(650)	**(1,781)**	(2,204)
	$ (1,619)	$ (542)	**$ 954**	$ 1,985

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

	Three month period ended September 30		Nine month period ended September 30	
	2015	2014	**2015**	2014
Property, plant and equipment acquired with finance lease obligations	**$ -**	$ 69	**$ 52**	$ 285

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