Condensed Interim Consolidated Financial Statements

For the three month periods ended March 31, 2019 and 2018

Condensed Interim Consolidated Financial Statements (Unaudited)

Notice of non-auditor review of condensed interim consolidated financial statements for the three month periods ended March 31, 2019 and 2018

The accompanying unaudited condensed interim consolidated financial statements of PFB Corporation for the three month periods ended March 31, 2019 and 2018 are the responsibility of the Corporation's management.

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

Dated: May 9, 2019

Condensed Interim Consolidated Statements of Loss

For the three month periods ended March 31, 2019 and 2018
Thousands of Canadian dollars, except per share amounts

	Note	2019	2018
Sales	5	**$ 24,113**	$ 21,048
Cost of sales	7	**(19,384)**	(17,297)
Gross profit		**4,729**	3,751
Selling expenses		**(3,009)**	(2,833)
Administrative expenses		**(1,698)**	(1,552)
Other losses	16	**(974)**	(48)
Operating loss		**(952)**	(682)
Investment income		**23**	32
Finance costs		**(295)**	(310)
Loss before taxes		**(1,224)**	(960)
Income taxes recovery		**52**	254
Loss for the period		**$ (1,172)**	$ (706)
Loss per share - $ per share			
Basic	6	**$ (0.17)**	$ (0.10)
Diluted	6	**$ (0.17)**	$ (0.10)
Weighted average number of common shares outstanding			
Basic	6	**6,716,003**	6,716,003
Diluted	6	**6,896,611**	6,716,003

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

Condensed Interim Consolidated Statements of Comprehensive Loss

For the three month periods ended March 31, 2019 and 2018
Thousands of Canadian dollars

	Note	2019	2018
Loss for the period		**$ (1,172)**	$ (706)
Other comprehensive (loss) income:			
Items that may subsequently be reclassified to income:			
Foreign currency translation adjustments			
Exchange differences on translating foreign operations, net of tax		**(469)**	478
Restricted financial assets			
Unrealized gain on restricted financial assets, net of tax	17	**-**	169
Other comprehensive (loss) income for the period		**(469)**	647
Comprehensive loss for the period		**$ (1,641)**	$ (59)

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

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

Condensed Interim Consolidated Balance Sheets

As at March 31 2019 and 2018, December 31, 2018 and January 1, 2018
Thousands of Canadian dollars

	Note	Mar 31, 2019	Mar 31, 2018	Dec 31, 2018	Jan 1, 2018
ASSETS					
Current assets					
Cash and cash equivalents	17	**$ 11,923**	$ 7,225	$ 16,944	$ 12,180
Cash - restricted	17	**1,335**	284	1,347	88
Trade receivables	17	**11,542**	11,144	13,082	9,809
Inventories	7	**13,462**	14,399	11,638	9,998
Income taxes recoverable		**387**	436	193	287
Prepaid expenses		**914**	1,064	374	474
Contract costs	8	**408**	560	475	527
Total current assets		**39,971**	35,112	44,053	33,363
Non-current assets					
Marketable securities - restricted	17	**1,483**	1,472	1,483	1,239
Property, plant and equipment	11	**36,197**	37,597	36,694	37,427
Right-of-use assets	12	**7,991**	9,082	8,305	9,328
Intangible assets		**1,456**	1,465	1,447	1,405
Goodwill		**2,324**	2,262	2,360	2,217
Accrued defined benefit pension plan		**10**	91	10	91
Deferred income tax assets		**282**	497	270	451
Total non-current assets		**49,743**	52,466	50,569	52,158
Total assets		**$ 89,714**	$ 87,578	$ 94,622	$ 85,521
LIABILITIES					
Current Liabilities					
Bank indebtedness		**$ -**	$ 4,616	$ -	$ -
Trade and other payables	17	**8,454**	6,410	10,894	8,737
Contract liabilities	9	**5,810**	5,902	6,464	5,158
Income taxes payable		**603**	28	681	39
Long-term debt	13, 15, 17	**353**	341	350	339
Lease obligations	14, 15	**1,110**	1,018	1,122	1,011
Total current liabilities		**16,330**	18,315	19,511	15,284
Non-current liabilities					
Long-term debt	13, 15, 17	**8,129**	8,481	8,218	8,567
Lease obligations	14, 15	**9,246**	10,042	9,487	10,180
Deferred income tax liabilities		**1,222**	1,093	1,397	1,249
Total non-current liabilities		**18,597**	19,616	19,102	19,996
Total liabilities		**34,927**	37,931	38,613	35,280
SHAREHOLDERS' EQUITY					
Common shares		**20,947**	20,947	20,947	20,947
Equity-settled employee benefits reserve		**1,001**	3	44	-
Accumulated other comprehensive income		**3,683**	3,095	4,152	2,448
Retained earnings		**29,156**	25,602	30,866	26,846
Shareholders' equity		**54,787**	49,647	56,009	50,241
Total liabilities and shareholders' equity		**$ 89,714**	$ 87,578	$ 94,622	$ 85,521

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

Condensed Interim Consolidated Statements of Changes in Equity

As at March 31, 2019 and 2018, and December 31, 2018

Thousands of Canadian dollars, except number of shares

		Common shares			Accumulated other comprehensive income				
	Note	Number of shares	Share capital	Equity-settled employee benefits reserve	Foreign currency translation adjustments, net of taxes	Unrealized gain on financial assets, net of taxes	Defined benefit pension plan valuation change, net of taxes	Retained earnings	Total
Balances at January 1, 2018		**6,716,003**	**$ 20,947**	**-**	**$ 2,151**	**$ 229**	**$ 68**	**$ 27,430**	**$ 50,825**
IFRS 16, impact of change in accounting policy	3	-	-	-	-	-	-	(584)	(584)
Restated balance at January 1, 2018		**6,716,003**	**20,947**	**-**	**2,151**	**229**	**68**	**26,846**	**50,241**
Restated loss for the period		-	-	-	-	-	-	(706)	(706)
Other comprehensive income for the period, net of tax		-	-	-	478	169	-	-	647
Restated total comprehensive income (loss) for the period		-	-	-	478	169	-	(706)	(59)
Payment of dividends	16	-	-	-	-	-	-	(538)	(538)
Share-based payment		-	-	3	-	-	-	-	3
Restated Balance at March 31, 2018		**6,716,003**	**20,947**	**3**	**2,629**	**398**	**68**	**25,602**	**49,647**
Restated net income for the period		-	-	-	-	-	-	6,876	6,876
Other comprehensive income (loss) for the period, net of tax		-	-	-	1,187	8	(138)	-	1,057
Restated total comprehensive income (loss) for the period		-	-	-	1,187	8	(138)	6,876	7,933
Payment of dividends		-	-	-	-	-	-	(1,612)	(1,612)
Share-based payment		-	-	41	-	-	-	-	41
Restated Balance at December 31, 2018		**6,716,003**	**20,947**	**44**	**3,816**	**406**	**(70)**	**30,866**	**56,009**
Loss for the period		-	-	-	-	-	-	(1,172)	(1,172)
Other comprehensive loss for the period, net of tax		-	-	-	(469)	-	-	-	(469)
Total comprehensive loss for the period		-	-	-	(469)	-	-	(1,172)	(1,641)
Payment of dividends	16	-	-	-	-	-	-	(538)	(538)
Share-based payment		-	-	957	-	-	-	-	957
Balance at March 31, 2019		**6,716,003**	**$ 20,947**	**$ 1,001**	**$ 3,347**	**$ 406**	**$ (70)**	**$ 29,156**	**$ 54,787**

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

Condensed Interim Consolidated Statements of Cash Flows

For the three month periods ended March 31, 2019 and 2018
Thousands of Canadian dollars

	Note	2019	2018
CASH FLOWS USED IN OPERATING ACTIVITIES			
Loss for the period		**$ (1,172)**	$ (706)
Adjustments for:			
Depreciation expense	11, 12	**1,106**	1,168
Amortization expense		**31**	36
Gain on disposal of property, plant and equipment		**-**	(28)
Finance costs		**295**	310
Investment income		**(23)**	(32)
Income tax recovery		**(52)**	(254)
Share-based payment expense		**957**	3
Unrealized foreign exchange loss (gain)		**108**	(639)
Changes in non-cash working capital	20	**(3,851)**	(7,942)
Unrealized foreign exchange loss relating to non-cash working capital		**14**	42
Cash used in operating activities, before income taxes		**(2,587)**	(8,042)
Income taxes paid, net		**(395)**	(161)
Net cash used in operating activities		**(2,982)**	(8,203)
CASH FLOWS USED IN INVESTING ACTIVITIES			
Decrease (increase) in restricted cash balance		**12**	(196)
Purchase of property, plant and equipment	11	**(462)**	(750)
Purchase of intangible assets		**(69)**	(62)
Proceeds from disposal of property, plant and equipment		**-**	40
Interest received		**23**	18
Distributions received on marketable securities		**-**	14
Net cash used in investing activities		**(496)**	(936)
CASH FLOWS (USED IN) FROM FINANCING ACTIVITIES			
Repayment of lease obligations	14	**(251)**	(267)
Changes in long-term debt	13, 15	**(86)**	(84)
Proceeds from bank indebtedness		**-**	4,616
Finance costs		**(295)**	(310)
Dividends paid to shareholders	16	**(538)**	(538)
Net cash (used in) from financing activities		**(1,170)**	3,417
Effects of exchange rate changes on cash and cash equivalents, and restricted cash held in foreign currencies		**(373)**	767
Net decrease in cash and cash equivalents		**(5,021)**	(4,955)
Cash and cash equivalents at the beginning of the period		**16,944**	12,180
Cash and cash equivalents at the end of the period		**$ 11,923**	$ 7,225

The accompanying notes are an integral part of these condensed interim 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 300, 2891 Sunridge Way NE, Calgary, Alberta, Canada T1Y 7K7. The Corporation's shares are publicly traded on the Toronto Stock Exchange ("TSX") under the symbol PFB. The principal business activity of the Corporation is manufacturing insulating building products made from expanded polystyrene materials and marketing these products in North America.

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

2. Statement of compliance

These condensed interim consolidated financial statements for the three month periods ended March 31, 2019 and 2018, have been prepared in accordance with International Accounting Standard (IAS) 34, *Interim Financial Reporting*. Accordingly, certain information and footnote disclosure normally included in annual financial statements prepared in accordance with International Financial Reporting Standards (IFRS) have been omitted. These condensed interim consolidated financial statements should be read in conjunction with the Corporation's audited consolidated financial statements for the years ended December 31, 2018 and 2017.

These condensed interim consolidated financial statements were approved and authorized for issue by the board of directors of the Corporation at a meeting held on May 9, 2019.

3. Significant accounting policies

3.1 Presentation

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

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

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

3.2 Consolidation

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

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

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

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

- **IFRS 16 - *Leases***

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

  Under IFRS 16, at inception of a contract, the Corporation assesses whether a contract is a lease or contains a lease. A contract is a lease or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Corporation considers the following:

Thousands of Canadian dollars, except per share amounts

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

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

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

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

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

Impacts to previously reported results

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

	As at January 1, 2018			As at March 31, 2018			As at December 31, 2018		
Balance Sheets	**As reported**	**Effect of IFRS 16**	**Adjusted**	**As reported**	**Effect of IFRS 16**	**Adjusted**	**As reported**	**Effect of IFRS 16**	**Adjusted**
ASSETS									
Non-current assets									
Property, plant and equipment	$ 40,099	$ (2,672)	$ 37,427	$ 40,253	$ (2,656)	$ 37,597	$ 39,209	$ (2,515)	$ 36,694
Right-of-use assets	-	9,328	9,328	-	9,082	9,082	-	8,305	8,305
Deferred income tax assets	357	94	451	400	97	497	270	-	270
	$ 40,456	$ 6,750	$ 47,206	$ 40,653	$ 6,523	$ 47,176	$ 39,479	$ 5,790	$ 45,269
LIABILITIES									
Current Liabilities									
Lease obligations	$ 249	$ 762	$ 1,011	$ 270	$ 748	$ 1,018	$ 255	$ 867	$ 1,122
Non-current liabilities									
Lease obligations	2,983	7,197	10,180	2,986	7,056	10,042	2,984	6,503	9,487
Deferred operating lease obligations	506	(506)	-	565	(565)	-	719	(719)	-
Deferred income tax liabilities	1,368	(119)	1,249	1,215	(122)	1,093	1,631	(234)	1,397
	4,857	6,572	11,429	4,766	6,369	11,135	5,334	5,550	10,884
SHAREHOLDERS' EQUITY									
Accumulated other comprehensive income	2,448	-	2,448	3,100	(5)	3,095	4,176	(24)	4,152
Retained earnings	27,430	(584)	26,846	26,191	(589)	25,602	31,469	(603)	30,866
	29,878	(584)	29,294	29,291	(594)	28,697	35,645	(627)	35,018
	$ 34,984	$ 6,750	$ 41,734	$ 34,327	$ 6,523	$ 40,850	$ 41,234	$ 5,790	$ 47,024

Thousands of Canadian dollars, except per share amounts

	Three month period ended March 31, 2018			Twelve month period ended December 31, 2018		
Income Statements	**As reported**	**Effect of IFRS 16**	**Adjusted**	**As reported**	**Effect of IFRS 16**	**Adjusted**
Sales	$ 21,048	$ -	$ 21,048	$ 128,345	$ -	$ 128,345
Cost of sales	(17,389)	92	(17,297)	(99,544)	370	(99,174)
Gross profit	3,659	92	3,751	28,801	370	29,171
Selling expenses	(2,836)	3	(2,833)	(11,985)	11	(11,974)
Administrative expenses	(1,580)	28	(1,552)	(7,452)	104	(7,348)
Other losses	(48)	-	(48)	(152)	-	(152)
Operating (loss) income	(805)	123	(682)	9,212	485	9,697
Investment income	32	-	32	67	-	67
Finance costs	(179)	(131)	(310)	(766)	(515)	(1,281)
(Loss) income before taxes	(952)	(8)	(960)	8,513	(30)	8,483
Income taxes recovery (expense)	251	3	254	(2,324)	11	(2,313)
(Loss) income for the period	$ (701)	$ (5)	$ (706)	$ 6,189	$ (19)	$ 6,170

Statements of Comprehensive (Loss) Income

Items that may subsequently be reclassified to income:						
Exchange differences on translating foreign operations, net	483	(5)	478	1,689	(24)	1,665
Unrealized gain on restricted financial assets, net	169	-	169	177	-	177
Items that will not be subsequently reclassified to income:						
Unrealized loss on valuation change, net	-	-	-	(138)	-	(138)
Other comprehensive income (loss) for the period	652	(5)	647	1,728	(24)	1,704
Comprehensive (loss) income for the period	**$ (49)**	**$ (10)**	**$ (59)**	**$ 7,917**	**$ (43)**	**$ 7,874**
(Loss) earnings per share - $ per share						
Basic	$ (0.10)	$ -	$ (0.10)	$ 0.92	$ -	$ 0.92
Diluted	$ (0.10)	$ -	$ (0.10)	$ 0.92	$ -	$ 0.92

Thousands of Canadian dollars, except per share amounts

Statements of Cash Flows	Three month period ended March 31, 2018 As reported	Effect of IFRS 16	Adjusted	Twelve month period ended December 31, 2018 As reported	Effect of IFRS 16	Adjusted
Cash flows (used in) from operating activities						
Net (loss) income for the period	$ (701)	$ (5)	$ (706)	$ 6,189	$ (19)	$ 6,170
Adjustments for:						
Depreciation expense	900	268	1,168	3,634	978	4,612
Amortization expense	36	-	36	132	-	132
Gain on disposal of property, plant and	(28)	-	(28)	(58)	-	(58)
Defined benefit pension plan	-	-	-	(79)	-	(79)
Finance costs	179	131	310	766	515	1,281
Investment income	(32)	-	(32)	(67)	-	(67)
Income tax (recovery) expense	(251)	(3)	(254)	2,324	(12)	2,312
Share-based payment expense	3	-	3	44	-	44
Unrealized foreign exchange loss	(639)	-	(639)	(69)	13	(56)
Changes in non-cash working capital	(7,942)	-	(7,942)	(1,298)	-	(1,298)
Changes in deferred operating lease obligations	59	(59)	-	214	(214)	-
Unrealized foreign exchange loss relating to non-cash working capital	42	-	42	17	-	17
Cash (used in) from operating activities, before income taxes	(8,374)	332	(8,042)	11,749	1,261	13,010
Income taxes paid, net	(161)	-	(161)	(1,312)	-	(1,312)
Net cash (used in) from operating activities	**(8,535)**	**332**	**(8,203)**	**10,437**	**1,261**	**11,698**
Cash flows from (used in) financing activities						
Repayment of lease obligations	(66)	(201)	(267)	(279)	(746)	(1,025)
Changes in long-term debt	(84)	-	(84)	(338)	-	(338)
Proceeds from bank indebtedness	4,616	-	4,616	-	-	-
Finance costs	(179)	(131)	(310)	(766)	(515)	(1,281)
Dividends paid to shareholders	(538)	-	(538)	(2,150)	-	(2,150)
Net cash from (used in) financing activities	**$ 3,749**	**$ (332)**	**$ 3,417**	**$ (3,533)**	**$ (1,261)**	**$ (4,794)**

4. Critical accounting estimates and judgments

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

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

Leases

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

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

Thousands of Canadian dollars, except per share amounts

5. Segment information

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

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

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

5.1 Segment sales and operating income (loss)

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

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

The Canadian segment primarily derives its revenues from the sale of expanded polystyrene (“EPS”) foam products, which it manufactures at its facilities in Canada. The USA segment primarily derives its revenues from the sale of EPS foam products, customized log and timber structures made at its facilities in the United States which typically include design and installation services that together provide the basis for a bundled sale of its manufactured products.

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

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

	Sales revenues		**Operating income (loss)**	
	2019	**2018**	**2019**	**2018**
Canada	**$ 15,287**	$ 13,733	**$ 427**	$ (408)
USA	**8,826**	7,315	**(563)**	(402)
Total for segments	**$ 24,113**	$ 21,048	**(136)**	(810)
Corporate – (expense) income			**(816)**	129
Foreign exchange loss on inter-segment settlements			**-**	(1)
Consolidated operating loss			**$ (952)**	$ (682)

5.2 Segment assets and liabilities

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

Thousands of Canadian dollars, except per share amounts

	As at Mar 31, 2019	As at Dec 31, 2018
Assets		
Segmented assets	**$ 53,646**	$ 53,156
Assets not allocated to segments:		
Cash and cash equivalents	**11,923**	16,944
Restricted marketable securities	**1,483**	1,483
Freehold land and buildings	**22,380**	22,750
Corporate taxes[1]	**282**	289
Total assets	**$ 89,714**	$ 94,622
Liabilities		
Segmented liabilities	**$ 16,089**	$ 19,436
Liabilities not allocated to segments:		
Finance lease obligations	**10,356**	10,609
Long-term debt	**8,482**	8,568
Total liabilities	**$ 34,927**	$ 38,613
Net segmented assets		
Canada	**$ 28,955**	$ 25,341
USA	**8,602**	8,379

[1] Current and deferred taxes.

5.3 Other segment information

	Three month periods ended March 31	
	2019	2018
Additions to non-current capital assets:		
Canada	**$ 303**	$ 302
USA	**228**	510
Total	**$ 531**	$ 812
Additions to right-of-use assets:		
Canada	**$ -**	$ 65
USA	**37**	29
Total	**$ 37**	$ 94
Depreciation and amortization:		
Canada	**$ 631**	$ 720
USA	**240**	216
Corporate	**266**	268
Total	**$ 1,137**	$ 1,204
Inter-segment sales	**$ 1,967**	$ 1,335

Thousands of Canadian dollars, except per share amounts

6. Loss per share

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

	Three month period ended March 31 2019	2018
Loss for the period	**$ (1,172)**	$ (706)
Weighted average number of common shares outstanding – basic	**6,716,003**	6,716,003
Effect of:		
Dilutive stock options and restricted share units	**180,608**	-
Weighted average number of common shares outstanding - diluted	**6,896,611**	6,716,003
Loss per share:		
Basic	**$ (0.17)**	$ (0.10)
Diluted	**$ (0.17)**	$ (0.10)

7. Inventories

	As at Mar 31, 2019	As at Dec 31, 2018
Raw materials	**$ 6,565**	$ 5,907
Work in progress	**2,598**	2,404
Finished goods	**4,299**	3,327
	$ 13,462	$ 11,638

The cost of inventories recognized as an expense in cost of sales during the three month period ended March 31, 2019 was $17,310 (2018 - $15,622).

The cost of inventories recognized as an expense during the three month period ended March 31, 2019, includes $197 (2018 - $117) 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, 2019 or 2018.

Eligible inventories held by the Corporation's Canadian and USA subsidiaries have been pledged as security with a bank in support of revolving credit facilities. The Canadian revolving credit facilities were unused as at March 31, 2019 and December 31, 2018.

8. Contract costs

Contract costs represent the incremental costs of obtaining a contract with a customer on the expectation these costs will be recovered. Contract costs are comprised of sales commissions paid or payable to obtain certain contracts. These costs are amortized on a proportionate basis as a selling expense over the life of the contract, as this reflects the period over which goods or services are transferred to the customer. Amortization recognized in selling expenses during the three month period ended March 31, 2019 was $82 (2018 - $7). Amortization of contract costs follows the seasonality of operations and is typically higher in the second and third quarter upon completion of performance obligations. Contract costs remaining to be amortized as selling expenses are $408 (2018 - $560).

Thousands of Canadian dollars, except per share amounts

9. Contract liabilities

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

	Contract liabilities		**Revenue related to**				
2019	**Balance, beginning of period [1]**	**Current period [2]**	**Current period deposits [3]**	**Beginning of period deposits [4]**	**Rebates, net [5]**	**Foreign exchange**	**Balance, end of period**
Jan 1- Mar 31	**$ 6,464**	**$ 5,540**	**$ (2,502)**	**$ (2,503)**	**$ (1,166)**	**$ (23)**	**$ 5,810**
2018							
Jan 1- Mar 31	$ 5,158	$ 4,070	$ (736)	$ (1,857)	$ (772)	$ 39	$ 5,902

[1] Contract liabilities for customer deposits the Corporation has received for outstanding performance obligations and unpaid customer rebates earned and payable by the Corporation.

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

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

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

[5] Customer rebates payable by the Corporation or amounts (paid) to customers.

10. Remaining performance obligations

Performance obligations for certain goods manufactured, construction and design contracts generally include deposits which are initially recorded as contract liabilities and represent obligations of work that has not yet been completed. Revenue from unsatisfied performance obligations is recognized when services are rendered and control of the goods is transferred to the customers. For contracts that include deposits, the total remaining performance obligations, as at March 31, 2019 were $16,856. The Corporation expects to recognize approximately $12,642 of revenue from the unsatisfied performance obligations upon completion of those performance obligations over the next twelve months and $4,214 after twelve months.

Thousands of Canadian dollars, except per share amounts

11. Property, plant and equipment

Cost	Freehold land	Buildings	Plant and equipment	Assets under construction	Total
Balance at January 1, 2018	**$ 8,457**	**$ 25,702**	**$ 42,197**	**$ 698**	**$ 77,054**
Additions	-	7	8	735	750
Disposal of PP&E assets	-	-	(36)	-	(36)
Effect of foreign currency changes	49	182	191	13	435
Balance at March 31, 2018	**8,506**	**25,891**	**42,360**	**1,446**	**78,203**
Additions	-	-	-	1,026	1,026
Disposal of PP&E assets	-	-	(314)	-	(314)
Transfers of right-of-use assets	-	-	217	-	217
Transfers between asset classes	-	213	1,819	(2,032)	-
Effect of foreign currency exchange	106	387	465	8	966
Balance at December 31, 2018	**8,612**	**26,491**	**44,547**	**448**	**80,098**
Additions	-	-	65	397	462
Effect of foreign currency changes	(39)	(146)	(178)	-	(363)
Balance at March 31, 2019	**$ 8,573**	**$ 26,345**	**$ 44,434**	**$ 845**	**$ 80,197**

Accumulated Depreciation					
Balance at January 1, 2018	**$ -**	**$ 9,837**	**$ 29,790**	**$ -**	**$ 39,627**
Depreciation expense	-	298	498	-	796
Disposal of PP&E assets	-	-	(36)	-	(36)
Effect of foreign currency changes	-	94	125	-	219
Balance at March 31, 2018	**-**	**10,229**	**30,377**	**-**	**40,606**
Depreciation expense	-	903	1,508	-	2,411
Disposal of PP&E assets	-	-	(314)	-	(314)
Transfers of right-of-use assets	-	-	201	-	201
Effect of foreign currency changes	-	219	281	-	500
Balance at December 31, 2018	**-**	**11,351**	**32,053**	**-**	**43,404**
Depreciation expense	-	299	484	-	783
Effect of foreign currency changes	-	(82)	(105)	-	(187)
Balance at March 31, 2019	**$ -**	**$ 11,568**	**$ 32,432**	**$ -**	**$ 44,000**

Net book values					
March 31, 2018	$ 8,506	$ 15,662	$ 11,983	$ 1,446	$ 37,597
December 31, 2018	8,612	15,140	12,494	448	36,694
March 31, 2019	**8,573**	**14,777**	**12,002**	**845**	**36,197**

Assets under construction as at March 31, 2019 are expected to be available for use in 2019.

Depreciation expense for the three month period ended March 31, 2019, in the amount of $716 (2018 - $726) is included in cost of sales, with an amount of $30 (2018 - $37) included in selling expenses, and an amount of $37 (2018 - $33) included in administrative expenses.

Thousands of Canadian dollars, except per share amounts

12. Right-of-use assets

Cost	**Property**	**Vehicles**	**Truck and trailers**	**Office equipment**	**Machinery and equipment**	**Total**
Balance at January 1, 2018	**$ 13,750**	**$ 819**	**$ 220**	**$ 372**	**$ 268**	**$ 15,429**
Additions	-	94	-	-	-	94
Disposal of right-of-use assets	(1,713)	(106)	-	-	-	(1,819)
Effect of foreign currency changes	70	7	3	8	7	95
Balance at March 31, 2018	**12,107**	**814**	**223**	**380**	**275**	**13,799**
Additions	-	74	129	-	-	203
Disposal of right-of-use assets	-	(103)	(109)	(34)	(256)	(502)
Effect of foreign currency changes	159	13	6	16	6	200
Balance at December 31, 2018	**12,266**	**798**	**249**	**362**	**25**	**13,700**
Additions	37	-	-	-	-	37
Disposal of right-of-use assets	-	(27)	-	-	-	(27)
Effect of foreign currency changes	(57)	(5)	(2)	(5)	(1)	(70)
Balance at March 31, 2019	**$ 12,246**	**$ 766**	**$ 247**	**$ 357**	**$ 24**	**$ 13,640**

Accumulated Depreciation						
Balance at January 1, 2018	**$ 5,185**	**$ 457**	**$ 137**	**$ 101**	**$ 221**	**$ 6,101**
Depreciation expense	271	54	9	26	12	372
Disposal of right-of-use assets	(1,713)	(94)	-	-	-	(1,807)
Effect of foreign currency changes	41	4	2	3	1	51
Balance at March 31, 2018	**3,784**	**421**	**148**	**130**	**234**	**4,717**
Depreciation expense	737	177	19	79	22	1,034
Disposal of right-of-use assets	-	(91)	(109)	(31)	(240)	(471)
Effect of foreign currency changes	95	5	3	7	5	115
Balance at December 31, 2018	**4,616**	**512**	**61**	**185**	**21**	**5,395**
Depreciation expense	249	37	11	25	1	323
Disposal of right-of-use assets	-	(27)	-	-	-	(27)
Effect of foreign currency changes	(36)	(3)	(1)	(2)	-	(42)
Balance at March 31, 2019	**$ 4,829**	**$ 519**	**$ 71**	**$ 208**	**$ 22**	**$ 5,649**

Net book values						
March 31, 2018	$ 8,323	$ 393	$ 75	$ 250	$ 41	$ 9,082
December 31, 2018	7,650	286	188	177	4	8,305
March 31, 2019	**7,417**	**247**	**176**	**149**	**2**	**7,991**

Depreciation expense for the three month period ended March 31, 2019, in the amount of $221 (2018 - $223) is included in cost of sales, with an amount of $65 (2018 - $83) included in selling expenses, and an amount of $37 (2018 - $66) included in administrative expenses.

Thousands of Canadian dollars, except per share amounts

13. Long-term debt

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

	Mar 31, 2019	Dec 31, 2018
Balance at beginning of period	**$ 8,568**	$ 8,906
Repayments	**(86)**	(338)
Balance at end of period	**$ 8,482**	$ 8,568

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

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

	Mar 31, 2019
Current within 12 months	$ 353
Due within 12 to 24 months	364
Due within 25 to 36 months	376
Due within 37 to 48 months	389
Due within 49 to 60 months	401
Due after 60 months	6,599
Total	**$ 8,482**

14. Lease obligations

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

	Minimum lease payments	
	Mar 31, 2019	Dec 31, 2018
No later than one year	**$ 1,986**	$ 2,013
Later than one year and not later than five years	**6,781**	6,910
Later than five years	**9,045**	9,371
Total minimum lease payments	**17,812**	18,294
Less: amounts representing finance cost	**(7,456)**	(7,685)
Present value of minimum lease payments	**$ 10,356**	$ 10,609

Thousands of Canadian dollars, except per share amounts

14.2 Lease obligations

	Property	Vehicles	Truck and trailers	Office equipment	Machinery and equipment	Total
Balance at January 1, 2018	**$ 10,454**	**$ 372**	**$ 84**	**$ 272**	**$ 9**	**$ 11,191**
Additions	-	95	-	-	-	95
Repayments	(169)	(61)	(10)	(26)	(1)	(267)
Disposal	-	(13)	-	-	-	(13)
Effect of foreign currency changes	42	5	2	5	-	54
Balance at March 31, 2018	**10,327**	**398**	**76**	**251**	**8**	**11,060**
Additions	-	75	129	-	-	204
Repayments	(482)	(175)	(19)	(78)	(4)	(758)
Disposal	-	(5)	-	(2)	-	(7)
Effect of foreign currency changes	87	9	4	10	-	110
Balance at December 31, 2018	**9,932**	**302**	**190**	**181**	**4**	**10,609**
Additions	37	-	-	-	-	37
Repayments	(169)	(46)	(10)	(25)	(1)	(251)
Effect of foreign currency changes	(32)	(3)	(1)	(3)	-	(39)
Balance at March 31, 2019	**$ 9,768**	**$ 253**	**$ 179**	**$ 153**	**$ 3**	**$ 10,356**

Current	$ 810	$ 160	$ 41	$ 96	$ 3	$ 1,110
Long-term	8,958	93	138	57	-	9,246
Total	**$ 9,768**	**$ 253**	**$ 179**	**$ 153**	**$ 3**	**$ 10,356**

The Corporation has lease obligations for contracts related to property (land, office space, manufacturing and storage facilities), vehicles, truck and trailers, office equipment and machinery and equipment. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Discount rates during the three months period ended March 31, 2019 were between 3.5% and 18.1%, depending on the duration of the lease.

Expense related to short-term leases during the three month period ended March 31, 2019 was $9 (2018 - $6).

Total cash outflows for lease payments during the three month period ended March 31, 2019 was $477 (2018 - $499).

Finance costs paid relating to lease obligations during the three month period ended March 31, 2019 was $226 (2018 - $232).

15. Reconciliation of liabilities arising from financing activities

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

		Cash changes		Non-cash changes			
	Dec 31, 2018	Borrowings	Repayments	Additions	Disposal	Foreign exchange	Mar 31, 2019
Long-term debt	$ 8,568	$ -	$ (86)	$ -	$ -	$ -	**$ 8,482**
Lease obligations	10,609	-	(251)	37	-	(39)	**10,356**
Total	**$ 19,177**	**$ -**	**$ (337)**	**$ 37**	**$ -**	**$ (39)**	**$ 18,838**

Thousands of Canadian dollars, except per share amounts

16. Issued capital

16.1 Normal course issuer bid

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

16.2 Dividends

In the three-month periods ended March 31, 2019 and 2018, the Corporation's Board of Directors declared a regular quarterly dividend of $538 or $0.08 per common share paid in the month of February in each year, respectively.

The dividend payment in February 2019 amounted to $538 (2018 - $538).

16.3 Stock options

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

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

The following table sets forth information concerning the inputs used in this model, share options granted and vested under the stock option plan as at March 31, 2019:

				Grant date				
Number of options outstanding	Number of options exercisable	Weighted average exercise price	Weighted average remaining life	Weighted average risk-free interest	Weighted average expected life	Estimated volatility (%)	Expected annual dividend yield (%)	Calculated weighted average fair value
375,000	-	$ 8.50	9.00	2.11	9.69	18.04	3.98	$ 0.76
100,000	-	$ 11.75	10.00	1.76	10.00	16.91	2.72	$ 1.56
25,000	25,000	$ 8.05	4.17	2.11	4.92	18.04	3.98	$ 0.81
500,000	**25,000**	**$ 9.13**	**8.96**					

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

The fair value of options granted with immediate vesting have an aggregate fair value of $20 or $0.81 per option, and are reported as a compensation expense in other losses, on the grant date, with a corresponding increase in contributed surplus on the balance sheet. Options with vesting requirements have an aggregate fair value of $442 or approximately $0.93 per option and are amortized on a straight-line basis over vesting period with the quarterly amortization amounts reported as compensation expense included as other losses on the income statement with the off-set to equity-settled employee benefits reserves on the balance sheet. During the period ended March 31, 2019, no options were exercised or expired. There were 100,000 options granted on March 13, 2019, resulting in 500,000 options outstanding as at March 31, 2019.

Thousands of Canadian dollars, except per share amounts

16.4 Restricted Share Units

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

17. Financial instruments

Fair Value Hierarchy

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

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

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

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

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

The carrying amounts of the financial instruments are a reasonable approximation of their fair value. A summary of the classifications and carrying values of financial instruments held by the Corporation as at March 31, 2019 and December 31, 2018, are stated in the following table:

		Mar 31, 2019	**Dec 31, 2018**
Financial instrument	**Hierarchy**	**Carrying amount**	**Carrying amount**
Cash and cash equivalents	Level 1	**$ 11,923**	$ 16,944
Cash - restricted	Level 1	**1,335**	1,347
Restricted marketable securities	Level 2	**1,483**	1,483
Trade receivables	N/A	**11,542**	13,082
Trade and other payables	N/A	**(8,454)**	(10,894)
Long Term debt	Level 2	**(8,482)**	(8,568)

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

- The carrying amount of cash and cash equivalents, restricted cash, trade receivables and trade and other payables approximate fair value due to the short-term maturity of those instruments.
- Marketable securities – restricted, consist of units of a Canadian REIT which are priced at $8.10 per unit based on a plan of arrangement and remain in escrow.
- Long-term debt is carried at amortized cost. The estimated fair value of long-term borrowings has been estimated to approximate the amortized cost.

Thousands of Canadian dollars, except per share amounts

18. Commitments and contingencies

18.1 Performance bonds

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

As at March 31, 2019, the Canadian segment did not have any contracts secured by performance bonds (December 31, 2018 - $nil). In the USA, performance bonds in the amount of $637 (December 31, 2018 - $651) were pledged to various government agencies as at March 31, 2019.

18.2 Expenditures for property, plant and equipment

As at March 31, 2019, the Corporation had commitments of $450 (March 31, 2018 - $310) for purchasing property, plant and equipment and intangible assets.

18.3 Letters of credit

As at March 31, 2019, letters of credit for $701 (2018 - $2,891) were outstanding for inventory purchases expected to settle in the second quarter of 2019. The Corporation did not post any cash to collateralize its letter of credit.

19. Related party transactions

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

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

Trading transactions

Related party transactions are constituted in the ordinary business and they have been measured at the agreed to exchange amounts which closely approximate fair value.

In the three months ended March 31, 2019 and 2018, the Corporation had the following trading transactions with related parties:

Related party	Nature of transactions	2019	2018
E. Carruthers Trucking	Transportation services	**$ 363**	$ 337
Aeonian Capital Corporation	Management services	**87**	87
		$ 450	$ 424

The following related party balances were outstanding at the end of the reporting periods:

Related party	Nature of transactions	2019	2018
E. Carruthers Trucking	Transportation services	**$ 72**	$ 45

Thousands of Canadian dollars, except per share amounts

20. Supplementary cash flow information

20.1 Changes in non-cash working capital

	Three month periods ended March 31	
	2019	**2018**
Trade receivables	**$ (1,540)**	$ 1,335
Inventories	**1,824**	4,401
Prepaid expenses	**540**	590
Contract costs	**(67)**	33
Trade and other payables	**2,440**	2,327
Contract liabilities	**654**	(744)
	$ 3,851	$ 7,942

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

	Three month periods ended March 31	
	2019	**2018**
Right-of-use assets	**$ 37**	$ 94

21. Subsequent events

Letters of credit

As at May 9, 2019, all outstanding letters of credit as at March 31, 2019 settled and additional letters of credit were issued and remain outstanding as guarantee payments for inventory purchases in the amount of $1,045.