



## **Condensed Interim Consolidated Financial Statements**

**For the three month periods ended March 31, 2020 and 2019**

## **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, 2020 and 2019**

The accompanying unaudited condensed interim consolidated financial statements of PFB Corporation for the three month periods ended March 31, 2020 and 2019 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 6, 2020

## Condensed Interim Consolidated Statements of Income (Loss)

For the three month periods ended March 31, 2020 and 2019

Thousands of Canadian dollars, except per share amounts



	Note	2020	2019
Sales	5	\$ 24,233	\$ 24,113
Cost of sales	7	(18,496)	(19,384)
<b>Gross profit</b>		<b>5,737</b>	4,729
Selling expenses		(3,144)	(3,009)
Administrative expenses		(1,734)	(1,698)
Other losses	16	(89)	(974)
<b>Operating income (loss)</b>		<b>770</b>	(952)
Investment income		46	23
Finance costs		(290)	(295)
<b>Income (loss) before taxes</b>		<b>526</b>	(1,224)
Income taxes (expense) recovery		(180)	52
<b>Net income (loss) for the period</b>		<b>\$ 346</b>	\$ (1,172)
<b>Earnings (loss) per share - \$ per share</b>			
Basic	6	\$ 0.05	\$ (0.17)
Diluted	6	\$ 0.05	\$ (0.17)
<b>Weighted average number of common shares outstanding</b>			
Basic	6	6,691,003	6,716,003
Diluted	6	6,881,912	6,896,611

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

## Condensed Interim Consolidated Statements of Comprehensive Income (Loss)

For the three month periods ended March 31, 2020 and 2019

Thousands of Canadian dollars



	Note	2020	2019
<b>Net income (loss) for the period</b>		<b>\$ 346</b>	<b>\$ (1,172)</b>
<b>Other comprehensive income (loss):</b>			
<b>Items that may subsequently be reclassified to income:</b>			
Foreign currency translation adjustments			
Exchange differences on translating foreign operations, net of tax		<b>2,407</b>	(469)
Other comprehensive income (loss) for the period		<b>2,407</b>	(469)
<b>Comprehensive income (loss) for the period</b>		<b>\$ 2,753</b>	<b>\$ (1,641)</b>

All comprehensive income (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, 2020 and 2019, and December 31, 2019

Thousands of Canadian dollars



	Note	March 31, 2020	March 31, 2019	December 31, 2019
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	17	\$ 13,489	\$ 11,923	\$ 20,129
Cash - restricted	17	1,057	1,335	924
Trade receivables	17	11,577	11,542	10,746
Inventories	7	16,018	13,462	11,598
Income taxes recoverable		76	387	-
Prepaid expenses		1,236	914	469
Contract costs	8	503	408	487
<b>Total current assets</b>		<b>43,956</b>	<b>39,971</b>	<b>44,353</b>
<b>Non-current assets</b>				
Marketable securities - restricted	17	1,483	1,483	1,483
Property, plant and equipment	11	35,509	36,197	35,030
Right-of-use assets	12	7,146	7,991	7,391
Intangible assets		1,667	1,456	1,540
Goodwill		2,431	2,324	2,275
Accrued defined benefit pension plan		304	10	304
Deferred income tax assets		344	282	327
<b>Total non-current assets</b>		<b>48,884</b>	<b>49,743</b>	<b>48,350</b>
<b>Total assets</b>		<b>\$ 92,840</b>	<b>\$ 89,714</b>	<b>\$ 92,703</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Trade and other payables	17	\$ 9,312	\$ 8,454	\$ 10,324
Contract liabilities	9	5,397	5,810	5,943
Income taxes payable		1,277	603	1,469
Long-term debt	13, 15, 17	364	353	361
Lease obligations	14, 15	1,180	1,110	1,167
<b>Total current liabilities</b>		<b>17,530</b>	<b>16,330</b>	<b>19,264</b>
<b>Non-current liabilities</b>				
Long-term debt	13, 15, 17	7,764	8,129	7,856
Lease obligations	14, 15	8,522	9,246	8,679
Deferred income tax liabilities		1,218	1,222	1,260
<b>Total non-current liabilities</b>		<b>17,504</b>	<b>18,597</b>	<b>17,795</b>
<b>Total liabilities</b>		<b>35,034</b>	<b>34,927</b>	<b>37,059</b>
<b>SHAREHOLDERS' EQUITY</b>				
Common shares		21,012	20,947	21,012
Equity-settled employee benefits reserve		1,025	1,001	1,014
Accumulated other comprehensive income		5,545	3,683	3,138
Retained earnings		30,224	29,156	30,480
<b>Shareholders' equity</b>		<b>57,806</b>	<b>54,787</b>	<b>55,644</b>
<b>Total liabilities and shareholders' equity</b>		<b>\$ 92,840</b>	<b>\$ 89,714</b>	<b>\$ 92,703</b>

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

## Condensed Interim Consolidated Statements of Changes in Equity

As at March 31, 2020 and 2019, and December 31, 2019

Thousands of Canadian dollars, except number of shares



	Common shares			Accumulated other comprehensive income			Retained earnings	Total	
	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
<b>Restated balance at January 1, 2019</b>		<b>6,716,003</b>	<b>\$ 20,947</b>	<b>\$ 44</b>	<b>\$ 3,816</b>	<b>\$ 406</b>	<b>\$ (70)</b>	<b>\$ 30,866</b>	<b>\$ 56,009</b>
Net 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
<b>Balance at March 31, 2019</b>		<b>6,716,003</b>	<b>20,947</b>	<b>1,001</b>	<b>3,347</b>	<b>406</b>	<b>(70)</b>	<b>29,156</b>	<b>54,787</b>
Net income for the period		-	-	-	-	-	-	10,198	10,198
Other comprehensive (loss) income for the period, net of tax		-	-	-	(711)	-	166	-	(545)
Total comprehensive (loss) income for the period		-	-	-	(711)	-	166	10,198	9,653
Payment of dividends		-	-	-	-	-	-	(8,506)	(8,506)
Share-based payment		-	-	33	-	-	-	-	33
Shares repurchased pursuant to normal course issuer bid		(50,000)	(157)	-	-	-	-	(368)	(525)
Shares issued on exercise of stock options		25,000	222	(20)	-	-	-	-	202
<b>Balance at December 31, 2019</b>		<b>6,691,003</b>	<b>21,012</b>	<b>1,014</b>	<b>2,636</b>	<b>406</b>	<b>96</b>	<b>30,480</b>	<b>55,644</b>
Net income for the period		-	-	-	-	-	-	346	346
Other comprehensive income for the period, net of tax		-	-	-	2,407	-	-	-	2,407
Total comprehensive income for the period		-	-	-	2,407	-	-	346	2,753
Payment of dividends	16	-	-	-	-	-	-	(602)	(602)
Share-based payment		-	-	11	-	-	-	-	11
<b>Balance at March 31, 2020</b>		<b>6,691,003</b>	<b>\$ 21,012</b>	<b>\$ 1,025</b>	<b>\$ 5,043</b>	<b>\$ 406</b>	<b>\$ 96</b>	<b>\$ 30,224</b>	<b>\$ 57,806</b>

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

# Condensed Interim Consolidated Statements of Cash Flows

For the three month periods ended March 31, 2020 and 2019

Thousands of Canadian dollars



	Note	2020	2019
<b>CASH FLOWS USED IN OPERATING ACTIVITIES</b>			
Net income (loss) for the period		\$ 346	\$ (1,172)
Adjustments for:			
Depreciation expense	11, 12	1,102	1,106
Amortization expense		37	31
Gain on disposal of property, plant and equipment		(13)	-
Finance costs		290	295
Investment income		(46)	(23)
Income tax expense (recovery)		180	(52)
Share-based payment expense		11	957
Unrealized foreign exchange loss		774	108
Changes in non-cash working capital	20	(7,592)	(3,851)
Unrealized foreign exchange loss relating to non-cash working capital		100	14
Cash used in operating activities, before income taxes		(4,811)	(2,587)
Income taxes paid, net		(643)	(395)
Net cash used in operating activities		(5,454)	(2,982)
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>			
(Decrease) increase in restricted cash balance		(133)	12
Purchase of property, plant and equipment	11	(486)	(462)
Purchase of intangible assets		(45)	(69)
Proceeds from disposal of property, plant and equipment		13	-
Interest received		46	23
Net cash used in investing activities		(605)	(496)
<b>CASH FLOWS USED IN FINANCING ACTIVITIES</b>			
Repayment of lease obligations	14	(274)	(251)
Changes in long-term debt	13, 15	(89)	(86)
Finance costs		(290)	(295)
Dividends paid to shareholders	16	(602)	(538)
Net cash used in financing activities		(1,255)	(1,170)
Effects of exchange rate changes on cash and cash equivalents, and restricted cash held in foreign currencies		674	(373)
<b>Net decrease in cash and cash equivalents</b>		<b>(6,640)</b>	<b>(5,021)</b>
Cash and cash equivalents at the beginning of the period		20,129	16,944
<b>Cash and cash equivalents at the end of the period</b>		<b>\$ 13,489</b>	<b>\$ 11,923</b>

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

# Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2020 and 2019

Thousands of Canadian dollars, except per share amounts

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## 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 Nevada, Minnesota, Michigan, Idaho and Ohio, USA.

## 2. Statement of compliance

These condensed interim consolidated financial statements for the three month periods ended March 31, 2020 and 2019, 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, 2019 and 2018.

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 6, 2020.

## 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, 2019 and 2018.

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 International Accounting Standards Board (“IASB”) and International Financial Reporting Interpretations Committee (“IFRIC”) have issued amendments to certain accounting standards effective for annual periods beginning on or after January 1, 2020 and have been adopted by the Corporation, as applicable. The Corporation has determined the amendments had no material impact on the disclosures or amount recognized in the condensed interim consolidated financial statements.



# Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2020 and 2019

Thousands of Canadian dollars, except per share amounts



## 4. Critical accounting estimates and judgments

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

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

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

## 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)	
	2020	2019	2020	2019
Canada	\$ 14,790	\$ 15,287	\$ 625	\$ 427
USA	9,443	8,826	62	(563)
Total for segments	\$ 24,233	\$ 24,113	687	(136)
Corporate – income (expenses)			86	(816)
Foreign exchange loss on inter-segment settlements			(3)	-
Consolidated operating income (loss)			\$ 770	\$ (952)

# Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2020 and 2019

Thousands of Canadian dollars, except per share amounts



## 5.2 Segment assets and liabilities

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

	As at Mar 31, 2020	As at Dec 31, 2019
<b>Assets</b>		
Segmented assets	\$ 55,800	\$ 49,198
Assets not allocated to segments:		
Cash and cash equivalents	13,489	20,129
Restricted marketable securities	1,483	1,483
Freehold land and buildings	21,724	21,567
Corporate taxes <sup>1</sup>	344	326
<b>Total assets</b>	<b>\$ 92,840</b>	<b>\$ 92,703</b>
<b>Liabilities</b>		
Segmented liabilities <sup>2</sup>	\$ 17,204	\$ 18,996
Liabilities not allocated to segments:		
Lease obligations	9,702	9,846
Long-term debt	8,128	8,217
<b>Total liabilities</b>	<b>\$ 35,034</b>	<b>\$ 37,059</b>
<b>Net segmented assets</b>		
Canada	\$ 28,335	\$ 22,889
USA	10,261	7,313

<sup>1</sup> Deferred taxes.

<sup>2</sup> Inter-segment loans and interest of \$7,096 eliminated.

## 5.3 Other segment information

	Three month periods ended March 31	
	2020	2019
<b>Additions to non-current capital assets:</b>		
Canada	\$ 419	\$ 303
USA	112	228
Total	<b>\$ 531</b>	<b>\$ 531</b>
<b>Additions to right-of-use assets:</b>		
Canada	\$ -	\$ -
USA	-	37
Total	<b>\$ -</b>	<b>\$ 37</b>
<b>Depreciation and amortization:</b>		
Canada	\$ 623	\$ 631
USA	252	240
Corporate	264	266
Total	<b>\$ 1,139</b>	<b>\$ 1,137</b>
<b>Inter-segment sales</b>	<b>\$ 904</b>	<b>\$ 1,967</b>

# Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2020 and 2019

Thousands of Canadian dollars, except per share amounts



## 6. Earnings (loss) per share

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

	Three month period ended	
	March 31	
	2020	2019
Net income (loss) for the period	\$ 346	\$ (1,172)
Weighted average number of common shares outstanding – basic	6,691,003	6,716,003
Effect of:		
Dilutive stock options and restricted share units	190,909	180,608
Weighted average number of common shares outstanding - diluted	6,881,912	6,896,611
Earnings (loss) per share:		
Basic	\$ 0.05	\$ (0.17)
Diluted	\$ 0.05	\$ (0.17)

## 7. Inventories

	As at	As at
	Mar 31, 2020	Dec 31, 2019
Raw materials	\$ 8,892	\$ 6,046
Work in progress	2,731	2,156
Finished goods	4,395	3,396
	\$ 16,018	\$ 11,598

The cost of inventories recognized as an expense in cost of sales during the three month period ended March 31, 2020 was \$16,279 (2019 - \$17,310).

The cost of inventories recognized as an expense during the three month period ended March 31, 2020, includes \$200 (2019 - \$197) 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, 2020 or 2019.

Eligible inventories held by the Corporation's Canadian and USA subsidiaries have been pledged as security with a bank in support of revolving credit facilities. The Canadian and USA revolving credit facilities were unused as at March 31, 2020 and December 31, 2019.

## 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, 2020 was \$31 (2019 - \$82). 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 \$503 (2019 - \$408).

# Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2020 and 2019

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:

2020	Contract liabilities		Revenue related to			Foreign exchange	Balance, end of period
	Balance, beginning of period <sup>1</sup>	Current period <sup>2</sup>	Current period deposits <sup>3</sup>	Beginning of period deposits <sup>4</sup>	Rebates, net <sup>5</sup>		
<b>Jan 1- Mar 31</b>	\$ 5,943	\$ 4,251	\$ (2,099)	\$ (1,836)	\$ (1,202)	\$ 340	\$ 5,397
<b>2019</b>							
<b>Jan 1- Mar 31</b>	\$ 6,464	\$ 5,540	\$ (2,502)	\$ (2,503)	\$ (1,166)	\$ (23)	\$ 5,810

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

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

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

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

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

## 10. Remaining performance obligations

Performance obligations for certain goods manufactured, construction and design contracts generally include deposits which are initially recorded as contract liabilities and represent obligations of work that has not yet been completed. Revenue from unsatisfied performance obligations is recognized when services are rendered and control of the goods is transferred to the customers. For contracts that include deposits, the total remaining performance obligations, as at March 31, 2020 were \$18,440. The Corporation expects to recognize approximately \$14,579 of revenue from the unsatisfied performance obligations upon completion of those performance obligations over the next twelve months and \$3,861 after twelve months.

# Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2020 and 2019

Thousands of Canadian dollars, except per share amounts



## 11. Property, plant and equipment

Cost	Freehold land	Buildings	Plant and equipment	Assets under construction	Total
<b>Balance at January 1, 2019</b>	<b>\$ 8,612</b>	<b>\$ 26,491</b>	<b>\$ 44,547</b>	<b>\$ 448</b>	<b>\$ 80,098</b>
Additions	-	-	65	397	462
Effect of foreign currency changes	(39)	(146)	(178)	-	(363)
<b>Balance at March 31, 2019</b>	<b>8,573</b>	<b>26,345</b>	<b>44,434</b>	<b>845</b>	<b>80,197</b>
Additions	-	-	42	1,381	1,423
Disposal of PP&E assets	-	-	(1,269)	-	(1,269)
Transfers between asset classes	-	153	1,053	(1,206)	-
Effect of foreign currency exchange	(53)	(201)	(247)	(11)	(512)
<b>Balance at December 31, 2019</b>	<b>8,520</b>	<b>26,297</b>	<b>44,013</b>	<b>1,009</b>	<b>79,839</b>
Additions	-	-	-	486	486
Disposal of PP&E assets	-	-	(1)	-	(1)
Transfers between asset classes	-	158	494	(652)	-
Effect of foreign currency changes	169	639	805	22	1,635
<b>Balance at March 31, 2020</b>	<b>\$ 8,689</b>	<b>\$ 27,094</b>	<b>\$ 45,311</b>	<b>\$ 865</b>	<b>\$ 81,959</b>

### Accumulated Depreciation

<b>Balance at January 1, 2019</b>	<b>\$ -</b>	<b>\$ 11,351</b>	<b>\$ 32,053</b>	<b>\$ -</b>	<b>\$ 43,404</b>
Depreciation expense	-	299	484	-	783
Effect of foreign currency changes	-	(82)	(105)	-	(187)
<b>Balance at March 31, 2019</b>	<b>-</b>	<b>11,568</b>	<b>32,432</b>	<b>-</b>	<b>44,000</b>
Depreciation expense	-	892	1,399	-	2,291
Disposal of PP&E assets	-	-	(1,211)	-	(1,211)
Effect of foreign currency changes	-	(116)	(155)	-	(271)
<b>Balance at December 31, 2019</b>	<b>-</b>	<b>12,344</b>	<b>32,465</b>	<b>-</b>	<b>44,809</b>
Depreciation expense	-	291	465	-	756
Disposal of PP&E assets	-	-	(1)	-	(1)
Effect of foreign currency changes	-	382	504	-	886
<b>Balance at March 31, 2020</b>	<b>\$ -</b>	<b>\$ 13,017</b>	<b>\$ 33,433</b>	<b>\$ -</b>	<b>\$ 46,450</b>

### Net book values

March 31, 2019	\$ 8,573	\$ 14,777	\$ 12,002	\$ 845	\$ 36,197
December 31, 2019	8,520	13,953	11,548	1,009	35,030
<b>March 31, 2020</b>	<b>8,689</b>	<b>14,077</b>	<b>11,878</b>	<b>865</b>	<b>35,509</b>

Assets under construction as at March 31, 2020 are expected to be available for use in 2020.

Depreciation expense for the three month period ended March 31, 2020, in the amount of \$696 (2019 - \$716) is included in cost of sales, with an amount of \$28 (2019 - \$30) included in selling expenses, and an amount of \$32 (2019 - \$37) included in administrative expenses.

# Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2020 and 2019

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
<b>Balance at January 1, 2019</b>	<b>\$ 12,266</b>	<b>\$ 798</b>	<b>\$ 249</b>	<b>\$ 362</b>	<b>\$ 25</b>	<b>\$ 13,700</b>
Additions	37	-	-	-	-	37
Disposal of right-of-use assets	-	(27)	-	-	-	(27)
Effect of foreign currency changes	(57)	(5)	(2)	(5)	(1)	(70)
<b>Balance at March 31, 2019</b>	<b>12,246</b>	<b>766</b>	<b>247</b>	<b>357</b>	<b>24</b>	<b>13,640</b>
Additions	175	229	-	36	-	440
Disposal of right-of-use assets	-	(98)	-	(14)	-	(112)
Effect of foreign currency changes	(82)	(9)	(4)	(8)	-	(103)
<b>Balance at December 31, 2019</b>	<b>12,339</b>	<b>888</b>	<b>243</b>	<b>371</b>	<b>24</b>	<b>13,865</b>
Disposal of right-of-use assets	-	(51)	-	-	-	(51)
Effect of foreign currency changes	256	29	11	23	2	321
<b>Balance at March 31, 2020</b>	<b>\$ 12,595</b>	<b>\$ 866</b>	<b>\$ 254</b>	<b>\$ 394</b>	<b>\$ 26</b>	<b>\$ 14,135</b>

### Accumulated Depreciation

<b>Balance at January 1, 2019</b>	<b>\$ 4,616</b>	<b>\$ 512</b>	<b>\$ 61</b>	<b>\$ 185</b>	<b>\$ 21</b>	<b>\$ 5,395</b>
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)
<b>Balance at March 31, 2019</b>	<b>4,829</b>	<b>519</b>	<b>71</b>	<b>208</b>	<b>22</b>	<b>5,649</b>
Depreciation expense	753	145	32	71	2	1,003
Disposal of right-of-use assets	-	(100)	-	(12)	-	(112)
Effect of foreign currency changes	(55)	(4)	(2)	(5)	-	(66)
<b>Balance at December 31, 2019</b>	<b>5,527</b>	<b>560</b>	<b>101</b>	<b>262</b>	<b>24</b>	<b>6,474</b>
Depreciation expense	254	56	11	25	-	346
Disposal of right-of-use assets	-	(51)	-	-	-	(51)
Effect of foreign currency changes	176	18	7	17	2	220
<b>Balance at March 31, 2020</b>	<b>\$ 5,957</b>	<b>\$ 583</b>	<b>\$ 119</b>	<b>\$ 304</b>	<b>\$ 26</b>	<b>\$ 6,989</b>

### Net book values

March 31, 2019	\$ 7,417	\$ 247	\$ 176	\$ 149	\$ 2	\$ 7,991
December 31, 2019	6,812	328	142	109	-	7,391
<b>March 31, 2020</b>	<b>6,638</b>	<b>283</b>	<b>135</b>	<b>90</b>	<b>-</b>	<b>7,146</b>

Depreciation expense for the three month period ended March 31, 2020, in the amount of \$230 (2019 - \$221) is included in cost of sales, with an amount of \$79 (2019 - \$65) included in selling expenses, and an amount of \$37 (2019 - \$37) included in administrative expenses.

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## 13. Long-term debt

The Corporation's long-term debt position as at March 31, 2020, and December 31, 2019, is stated in the following table:

	Mar 31, 2020	Dec 31, 2019
<b>Balance at beginning of period</b>	<b>\$ 8,217</b>	\$ 8,568
Repayments	(89)	(351)
<b>Balance at end of period</b>	<b>\$ 8,128</b>	\$ 8,217

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, 2020.

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

	Mar 31, 2020
Current within 12 months	\$ 364
Due within 12 to 24 months	376
Due within 25 to 36 months	389
Due within 37 to 48 months	401
Due within 49 to 60 months	415
Due after 60 months	6,183
<b>Total</b>	<b>\$ 8,128</b>

## 14. Lease obligations

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, 2020 were between 1.2% and 18.1%, depending on the duration of the lease.

**14.1** The Corporation's lease obligations as at March 31, 2020, and December 31, 2019, are as stated in the following table:

	Minimum lease payments	
	Mar 31, 2020	Dec 31, 2019
No later than one year	\$ 2,027	\$ 2,024
Later than one year and not later than five years	6,645	6,683
Later than five years	7,645	7,965
Total minimum lease payments	16,317	16,672
Less: amounts representing finance cost	6,615	6,826
<b>Present value of minimum lease payments</b>	<b>\$ 9,702</b>	\$ 9,846

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## 14.2 Lease obligations

	Property	Vehicles	Truck and trailers	Office equipment	Machinery and equipment	Total
<b>Balance at January 1, 2019</b>	<b>\$ 9,929</b>	<b>\$ 304</b>	<b>\$ 191</b>	<b>\$ 182</b>	<b>\$ 3</b>	<b>\$ 10,609</b>
Additions	37	-	-	-	-	37
Repayments	(169)	(46)	(10)	(25)	(1)	(251)
Effect of foreign currency changes	(29)	(5)	(2)	(4)	1	(39)
<b>Balance at March 31, 2019</b>	<b>9,768</b>	<b>253</b>	<b>179</b>	<b>153</b>	<b>3</b>	<b>10,356</b>
Additions	174	230	-	36	-	440
Repayments	(656)	(144)	(31)	(73)	(2)	(906)
Disposal	-	-	-	(2)	-	(2)
Effect of foreign currency changes	(35)	(3)	(1)	(2)	(1)	(42)
<b>Balance at December 31, 2019</b>	<b>9,251</b>	<b>336</b>	<b>147</b>	<b>112</b>	<b>-</b>	<b>9,846</b>
Additions	-	-	-	-	-	-
Repayments	(184)	(54)	(10)	(26)	-	(274)
Effect of foreign currency changes	109	12	4	5	-	130
<b>Balance at March 31, 2020</b>	<b>\$ 9,176</b>	<b>\$ 294</b>	<b>\$ 141</b>	<b>\$ 91</b>	<b>\$ -</b>	<b>\$ 9,702</b>
Current	\$ 927	\$ 162	\$ 44	\$ 47	\$ -	\$ 1,180
Long-term	8,249	132	97	44	-	8,522
<b>Total</b>	<b>\$ 9,176</b>	<b>\$ 294</b>	<b>\$ 141</b>	<b>\$ 91</b>	<b>\$ -</b>	<b>\$ 9,702</b>

Expense related to short-term leases during the three month period ended March 31, 2020 was \$9 (2019 - \$9).

Total cash outflows for lease payments during the three month period ended March 31, 2020 was \$492 (2019 - \$477).

Finance costs paid relating to lease obligations during the three month period ended March 31, 2020 was \$218 (2019 - \$226).

## 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			Mar 31, 2020
	Dec 31, 2019	Borrowings	Repayments	Additions	Disposal	Foreign exchange	
Long-term debt	\$ 8,217	\$ -	\$ (89)	\$ -	\$ -	\$ -	<b>\$ 8,128</b>
Lease obligations	9,846	-	(274)	-	-	130	<b>9,702</b>
<b>Total</b>	<b>\$ 18,063</b>	<b>\$ -</b>	<b>\$ (363)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 130</b>	<b>\$ 17,830</b>

## 16. Issued capital

### 16.1 Normal course issuer bid

In August 2019, 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 3, 2019 and ends no later than September 2, 2020. On March 7, 2020, the Corporation obtained approval from the Toronto Stock Exchange to amend its Bid from 50,000 (or 0.74% of PFB's issued and outstanding shares as of August 26, 2019), to 100,000



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common shares (or 1.48% of PFB's shares as of August 26, 2019). In the quarter ended March 31, 2020, the Corporation did not purchase any of its common shares.

## 16.2 Dividends

In the three-month periods ended March 31, 2020 and 2019, the Corporation's Board of Directors declared a regular quarterly dividend of \$0.09 (2019 - \$0.08) per common share which was paid in the month of February in each year, respectively.

The dividend payment in February 2020 amounted to \$602 (2019 - \$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, 600,000 stock options were granted to certain directors and senior management with an exercise price ranging from \$8.50 to \$11.75 per share. 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 respective 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, 2020:

Number of options outstanding	Number of options exercisable	Weighted average exercise price	Weighted average remaining life (years)	Grant date				
				Weighted average risk-free interest rate (%)	Weighted average expected life (years)	Estimated volatility (%)	Expected annual dividend yield (%)	Calculated weighted average fair value per option
375,000	75,000	\$ 8.50	8.00	2.11	9.69	18.04	3.98	\$ 0.76
100,000	-	\$ 11.75	9.00	1.76	10.00	16.91	2.72	\$ 1.56
125,000	-	\$ 11.75	10.00	0.78	10.00	31.37	3.68	\$ 1.87
<b>600,000</b>	<b>75,000</b>	<b>\$ 9.72</b>	<b>8.58</b>					

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

The fair value of options with vesting requirements have an aggregate fair value of \$676 or weighted average value of approximately \$1.12 per option and are amortized on a straight-line basis over the ten year 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.

## 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

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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. During the period ended March 31, 2020, there were no units exercised.

## 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, 2020 and December 31, 2019, are stated in the following table:

Financial instrument	Hierarchy	Mar 31, 2020	Dec 31, 2019
		Carrying amount	Carrying amount
Cash and cash equivalents	Level 1	\$ 13,489	\$ 20,129
Cash - restricted	Level 1	1,057	924
Restricted marketable securities	Level 2	1,483	1,483
Trade receivables	N/A	11,577	10,746
Trade and other payables	N/A	(9,312)	(10,324)
Long Term debt	Level 2	(8,128)	(8,217)

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.

## 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.

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As at March 31, 2020, the Canadian segment did not have any contracts secured by performance bonds (December 31, 2019 - \$nil). In the USA, performance bonds in the amount of \$677 (December 31, 2019 - \$620) were pledged to various government agencies as at March 31, 2020.

## 18.2 Expenditures for property, plant and equipment

As at March 31, 2020, the Corporation had commitments of \$1,068 (March 31, 2019 - \$450) for purchasing property, plant and equipment and intangible assets.

## 18.3 Utility contracts

The Corporation has entered into physical supply, fixed-price utility contracts with a third party supplier for its own usage as follows:

Utility contract	Region	Usage coverage	Cost	Annual minimum purchase	Term
Electricity	Alberta	100%	\$ 0.06/Kilowatt-hour	3,746,000 Kilowatt-hour	July 1, 2019 - June 30, 2024
Gas	Alberta	100%	\$ 1.69/Gigajoule	80,100 Gigajoule	July 1, 2019 - June 30, 2022

## 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, 2020 and 2019, the Corporation had the following trading transactions with related parties:

Related party	Nature of transactions	2020	2019
E. Carruthers Trucking	Transportation services	\$ 312	\$ 363
Aeonian Capital Corporation	Management services	87	87
		\$ 399	\$ 450

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

Related party	Nature of transactions	2020	2019
E. Carruthers Trucking	Transportation services	\$ 55	\$ 72

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## 20. Supplementary cash flow information

### 20.1 Changes in non-cash working capital

<b>Increase (decrease) in:</b>	<b>Three month periods ended March 31</b>	
	<b>2020</b>	<b>2019</b>
Trade receivables	\$ (831)	\$ 1,540
Inventories	(4,420)	(1,824)
Prepaid expenses	(767)	(540)
Contract costs	(16)	67
Trade and other payables	(1,012)	(2,440)
Contract liabilities	(546)	(654)
	<b>\$ (7,592)</b>	<b>\$ (3,851)</b>

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

	<b>Three month periods ended March 31</b>	
	<b>2020</b>	<b>2019</b>
Right-of-use assets	\$ -	\$ 37