



## **Condensed Interim Consolidated Financial Statements**

**For the three and six month periods ended June 30, 2020 and 2019**

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

### **Notice of non-auditor review of condensed interim consolidated financial statements for the three and six month periods ended June 30, 2020 and 2019**

The accompanying unaudited condensed interim consolidated financial statements of PFB Corporation for the three and six month periods ended June 30, 2020 and 2019 are the responsibility of the Corporation's management.

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

Dated: July 30, 2020

## Condensed Interim Consolidated Statements of Income

For the three and six month periods ended June 30, 2020 and 2019

Thousands of Canadian dollars, except per share amounts



	Note	Three month periods ended June 30		Six month periods ended June 30	
		2020	2019	2020	2019
<b>Sales</b>	5	<b>\$ 31,518</b>	\$ 35,421	<b>\$ 55,751</b>	\$ 59,534
Cost of sales	7	<b>(21,987)</b>	(25,985)	<b>(40,483)</b>	(45,369)
<b>Gross profit</b>		<b>9,531</b>	9,436	<b>15,268</b>	14,165
Selling expenses		<b>(2,733)</b>	(3,151)	<b>(5,877)</b>	(6,160)
Administrative expenses		<b>(1,905)</b>	(2,012)	<b>(3,639)</b>	(3,710)
Other gains (losses)	16	<b>195</b>	(18)	<b>106</b>	(992)
<b>Operating income</b>		<b>5,088</b>	4,255	<b>5,858</b>	3,303
Insurance claim – gain		<b>65</b>	-	<b>65</b>	-
Investment income		<b>4</b>	5	<b>50</b>	28
Finance costs		<b>(282)</b>	(293)	<b>(572)</b>	(588)
<b>Income before taxes</b>		<b>4,875</b>	3,967	<b>5,401</b>	2,743
Income taxes expense		<b>(1,125)</b>	(906)	<b>(1,305)</b>	(854)
<b>Net income for the period</b>		<b>\$ 3,750</b>	\$ 3,061	<b>\$ 4,096</b>	\$ 1,889
<b>Earnings per share - \$ per share</b>					
Basic	6	<b>\$ 0.56</b>	\$ 0.45	<b>\$ 0.61</b>	\$ 0.28
Diluted	6	<b>\$ 0.55</b>	\$ 0.44	<b>\$ 0.60</b>	\$ 0.27
<b>Weighted average number of common shares outstanding</b>					
Basic		<b>6,691,003</b>	6,740,170	<b>6,691,003</b>	6,728,020
Diluted		<b>6,863,296</b>	6,928,266	<b>6,876,010</b>	6,908,698

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

# Condensed Interim Consolidated Statements of Comprehensive Income

For the three and six month periods ended June 30, 2020 and 2019

Thousands of Canadian dollars



	Note	Three month periods ended June 30		Six month periods ended June 30	
		2020	2019	2020	2019
<b>Net income for the period</b>		<b>\$ 3,750</b>	<b>\$ 3,061</b>	<b>\$ 4,096</b>	<b>\$ 1,889</b>
<b>Other comprehensive (loss) income:</b>					
<b>Items that may subsequently be reclassified to income:</b>					
Foreign currency translation adjustments					
Exchange differences on translating foreign operations, net of tax		<b>(1,128)</b>	<b>(473)</b>	<b>1,279</b>	<b>(942)</b>
Other comprehensive (loss) income for the period		<b>(1,128)</b>	<b>(473)</b>	<b>1,279</b>	<b>(942)</b>
<b>Comprehensive income for the period</b>		<b>\$ 2,622</b>	<b>\$ 2,588</b>	<b>\$ 5,375</b>	<b>\$ 947</b>

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

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

# Condensed Interim Consolidated Balance Sheets

As at June 30, 2020 and 2019, and December 31, 2019

Thousands of Canadian dollars



	Note	June 30, 2020	June 30, 2019	December 31, 2019
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	17	\$ 21,079	\$ 14,360	\$ 20,129
Cash - restricted	17	1,610	1,906	924
Trade receivables	17	15,021	14,387	10,746
Inventories	7	13,239	13,732	11,598
Income taxes recoverable		-	9	-
Prepaid expenses		1,251	1,038	469
Contract costs	8	503	480	487
<b>Total current assets</b>		<b>52,703</b>	<b>45,912</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	34,984	35,560	35,030
Right-of-use assets	12	6,790	7,675	7,391
Intangible assets		1,576	1,466	1,540
Goodwill		2,358	2,288	2,275
Accrued defined benefit pension plan		304	10	304
Deferred income tax assets		357	264	327
<b>Total non-current assets</b>		<b>47,852</b>	<b>48,746</b>	<b>48,350</b>
<b>Total assets</b>		<b>\$ 100,555</b>	<b>\$ 94,658</b>	<b>\$ 92,703</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Trade and other payables	17	\$ 11,510	\$ 9,152	\$ 10,324
Contract liabilities	9	8,400	8,654	5,943
Income taxes payable		2,191	182	1,469
Long-term debt	13, 15, 17	367	355	361
Lease obligations	14, 15	1,129	1,099	1,167
<b>Total current liabilities</b>		<b>23,597</b>	<b>19,442</b>	<b>19,264</b>
<b>Non-current liabilities</b>				
Long-term debt	13, 15, 17	7,671	8,038	7,856
Lease obligations	14, 15	8,250	8,996	8,679
Deferred income tax liabilities		1,194	1,201	1,260
<b>Total non-current liabilities</b>		<b>17,115</b>	<b>18,235</b>	<b>17,795</b>
<b>Total liabilities</b>		<b>40,712</b>	<b>37,677</b>	<b>37,059</b>
<b>SHAREHOLDERS' EQUITY</b>				
Common shares		21,012	21,169	21,012
Equity-settled employee benefits reserve		1,042	992	1,014
Accumulated other comprehensive income		4,417	3,210	3,138
Retained earnings		33,372	31,610	30,480
<b>Shareholders' equity</b>		<b>59,843</b>	<b>56,981</b>	<b>55,644</b>
<b>Total liabilities and shareholders' equity</b>		<b>\$ 100,555</b>	<b>\$ 94,658</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 June 30, 2020 and 2019, and December 31, 2019

Thousands of Canadian dollars, except number of shares



	Common shares			Accumulated other comprehensive income					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	Retained earnings	
<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 income for the period		-	-	-	-	-	-	1,889	1,889
Other comprehensive loss for the period, net of tax		-	-	-	(942)	-	-	-	(942)
Total comprehensive income for the period		-	-	-	(942)	-	-	1,889	947
Payment of dividends	16	-	-	-	-	-	-	(1,145)	(1,145)
Share-based payment		-	-	968	-	-	-	-	968
Shares issued on exercise of stock options		25,000	222	(20)	-	-	-	-	202
<b>Balance at June 30, 2019</b>		<b>6,741,003</b>	<b>21,169</b>	<b>992</b>	<b>2,874</b>	<b>406</b>	<b>(70)</b>	<b>31,610</b>	<b>56,981</b>
Net income for the period		-	-	-	-	-	-	7,137	7,137
Other comprehensive income (loss) for the period, net of tax		-	-	-	(238)	-	166	-	(72)
Total comprehensive income (loss) for the period		-	-	-	(238)	-	166	7,137	7,065
Payment of dividends		-	-	-	-	-	-	(7,899)	(7,899)
Share-based payment		-	-	22	-	-	-	-	22
Shares repurchased pursuant to normal course issuer bid		(50,000)	(157)	-	-	-	-	(368)	(525)
<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		-	-	-	-	-	-	4,096	4,096
Other comprehensive income for the period, net of tax		-	-	-	1,279	-	-	-	1,279
Total comprehensive income for the period		-	-	-	1,279	-	-	4,096	5,375
Payment of dividends	16	-	-	-	-	-	-	(1,204)	(1,204)
Share-based payment		-	-	28	-	-	-	-	28
<b>Balance at June 30, 2020</b>		<b>6,691,003</b>	<b>\$ 21,012</b>	<b>\$ 1,042</b>	<b>\$ 3,915</b>	<b>\$ 406</b>	<b>\$ 96</b>	<b>\$ 33,372</b>	<b>\$ 59,843</b>

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

# Condensed Interim Consolidated Statements of Cash Flows

For the three and six month periods ended June 30, 2020 and 2019

Thousands of Canadian dollars



	Note	Three month periods ended June 30		Six month periods ended June 30	
		2020	2019	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Net income for the period		\$ 3,750	\$ 3,061	\$ 4,096	\$ 1,889
Adjustments for:					
Depreciation expense	11,12	1,089	1,119	2,191	2,225
Amortization expense		36	36	73	67
Gain on disposal of assets		(8)	(16)	(21)	(16)
Finance costs		282	293	572	588
Investment income		(4)	(5)	(50)	(28)
Income tax expense		1,125	906	1,305	854
Share-based payment expense		17	11	28	968
Insurance claim – gain		(65)	-	(65)	-
Unrealized foreign exchange (gain) loss		(619)	(15)	155	93
Changes in non-cash working capital	20	4,521	231	(3,071)	(3,620)
Unrealized foreign exchange (gain) loss relating to non-cash working capital		(305)	(15)	(205)	(1)
Cash from operating activities, before income taxes		9,819	5,606	5,008	3,019
Income taxes paid, net		(107)	(938)	(750)	(1,333)
<b>Net cash from operating activities</b>		<b>9,712</b>	<b>4,668</b>	<b>4,258</b>	<b>1,686</b>
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>					
Increase in restricted cash balance		(553)	(571)	(686)	(559)
Purchase of property, plant and equipment	11	(570)	(323)	(1,056)	(785)
Purchase of intangible assets		-	(74)	(45)	(143)
Proceeds from disposal of assets		8	16	21	16
Interest received		4	5	50	28
<b>Net cash used in investing activities</b>		<b>(1,111)</b>	<b>(947)</b>	<b>(1,716)</b>	<b>(1,443)</b>
<b>CASH FLOWS USED IN FINANCING ACTIVITIES</b>					
Repayment of lease obligations	14	(289)	(275)	(563)	(526)
Changes in long-term debt	13,15	(90)	(88)	(179)	(174)
Finance costs		(282)	(293)	(572)	(588)
Proceeds from insurance		65	-	65	-
Proceeds from exercise of stock options		-	202	-	202
Dividends paid to shareholders	16	(602)	(607)	(1,204)	(1,145)
<b>Net cash used in financing activities</b>		<b>(1,198)</b>	<b>(1,061)</b>	<b>(2,453)</b>	<b>(2,231)</b>
Effects of exchange rate changes on cash and cash equivalents, and restricted cash held in foreign currencies		187	(223)	861	(596)
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>7,590</b>	<b>2,437</b>	<b>950</b>	<b>(2,584)</b>
Cash and cash equivalents at the beginning of the period		13,489	11,923	20,129	16,944
<b>Cash and cash equivalents at the end of the period</b>		<b>\$ 21,079</b>	<b>\$ 14,360</b>	<b>\$ 21,079</b>	<b>\$ 14,360</b>

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

# Notes to the Condensed Interim Consolidated Financial Statements

For the three and six month periods ended June 30, 2020 and 2019

Thousands of Canadian dollars, except per share amounts



## 1. General information

PFB Corporation (“PFB” or the “Corporation”) is a Canadian public company incorporated under the Alberta Business Corporations Act and has its head office in Calgary, Alberta, Canada. The Corporation’s corporate office is located at 300, 2891 Sunridge Way NE, Calgary, Alberta, Canada T1Y 7K7. The Corporation’s shares are publicly traded on the Toronto Stock Exchange (“TSX”) under the symbol PFB. The principal business activity of the Corporation is manufacturing insulating building products made from expanded polystyrene materials and marketing these products in North America.

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

## 2. Statement of compliance

These condensed interim consolidated financial statements for the three and six month periods ended June 30, 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 July 30, 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 on amounts recognized in the condensed interim consolidated financial statements.



# Notes to the Condensed Interim Consolidated Financial Statements

For the three and six month periods ended June 30, 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 judgements, 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 assumptions are reviewed on an ongoing basis. Actual results could differ from those estimates.

There were no significant changes in how accounting estimates or judgements 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

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

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

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

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

Information regarding each reportable operating segment for three and six month periods ended June 30, 2020 and 2019 are set out below:

Three month periods ended June 30	Sales revenues		Operating income	
	2020	2019	2020	2019
Canada	\$ 19,419	\$ 21,925	\$ 3,481	\$ 2,927
USA	12,099	13,496	1,394	1,139
Totals for segments	\$ 31,518	\$ 35,421	4,875	4,066
Corporate – income			215	186
Foreign exchange (loss) gain on inter-segment settlements			(2)	3
Consolidated operating income			\$ 5,088	\$ 4,255

# Notes to the Condensed Interim Consolidated Financial Statements

For the three and six month periods ended June 30, 2020 and 2019

Thousands of Canadian dollars, except per share amounts



Six month periods ended June 30	Sales revenues		Operating income	
	2020	2019	2020	2019
Canada	\$ 34,209	\$ 37,211	\$ 4,106	\$ 3,354
USA	21,542	22,323	1,456	576
Totals for segments	\$ 55,751	\$ 59,534	5,562	3,930
Corporate – income (expense)			301	(630)
Foreign exchange (loss) gain on inter-segment settlements			(5)	3
Consolidated operating income			\$ 5,858	\$ 3,303

## 5.2 Segment assets and liabilities

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

	As at Jun 30, 2020	As at Dec 31, 2019
<b>Assets</b>		
Segmented assets	\$ 56,350	\$ 49,198
Assets not allocated to segments:		
Cash and cash equivalents	21,079	20,129
Restricted marketable securities	1,483	1,483
Freehold land and buildings	21,286	21,567
Corporate taxes <sup>1</sup>	357	326
<b>Total assets</b>	<b>\$ 100,555</b>	<b>\$ 92,703</b>
<b>Liabilities</b>		
Segmented liabilities	\$ 23,295	\$ 18,996
Liabilities not allocated to segments:		
Lease obligations	9,379	9,846
Long term debt	8,038	8,217
<b>Total liabilities</b>	<b>\$ 40,712</b>	<b>\$ 37,059</b>
<b>Net segmented assets</b>		
Canada	\$ 27,260	\$ 22,889
USA	5,795	7,313

<sup>1</sup>Deferred taxes.

## 5.3 Other segment information

	Three month periods ended June 30		Six month periods ended June 30	
	2020	2019	2020	2019
<b>Additions to non-current assets:</b>				
Corporate	\$ 10	\$ -	\$ 10	\$ -
Canada	68	182	487	485
USA	492	215	604	443
Total	\$ 570	\$ 397	\$ 1,101	\$ 928

## Notes to the Condensed Interim Consolidated Financial Statements

For the three and six month periods ended June 30, 2020 and 2019

Thousands of Canadian dollars, except per share amounts



	Three month periods ended June 30		Six month periods ended June 30	
	2020	2019	2020	2019
<b>Additions to right-of-use assets:</b>				
Canada	\$ 25	\$ 49	\$ 25	\$ 49
USA	-	-	-	37
Total	\$ 25	\$ 49	\$ 25	\$ 86
<b>Depreciation and amortization:</b>				
Canada	\$ 611	\$ 643	\$ 1,235	\$ 1,274
USA	249	245	501	485
Corporate	265	267	528	533
Total	\$ 1,125	\$ 1,155	\$ 2,264	\$ 2,292
<b>Inter-segment sales</b>	<b>\$ 1,392</b>	<b>\$ 2,298</b>	<b>\$ 2,297</b>	<b>\$ 4,265</b>

## 6. Earnings per share

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

	Three month periods ended June 30		Six month periods ended June 30	
	2020	2019	2020	2019
Net income for the period	\$ 3,750	\$ 3,061	\$ 4,096	\$ 1,889
Weighted average number of common shares outstanding – basic	6,691,003	6,740,170	6,691,003	6,728,020
Effect of:				
Dilutive stock options and restricted share units	172,293	188,096	185,007	180,678
Weighted average number of common shares outstanding - diluted	6,863,296	6,928,266	6,876,010	6,908,698
Earnings per share:				
Basic	\$ 0.56	\$ 0.45	\$ 0.61	\$ 0.28
Diluted	\$ 0.55	\$ 0.44	\$ 0.60	\$ 0.27

## 7. Inventories

	As at June 30, 2020	As at Dec 31, 2019
Raw materials	\$ 6,655	\$ 6,046
Work in progress	2,979	2,156
Finished goods	3,605	3,396
	<b>\$ 13,239</b>	<b>\$ 11,598</b>

The cost of inventories recognized as an expense in cost of sales during the three and six month periods ended June 30, 2020 was \$18,982 and \$35,261 (2019 - \$22,700 and \$40,010), respectively.

The cost of inventories recognized as an expense during the three and six month periods ended June 30, 2020, includes \$78 and \$278, respectively, (2019 - \$295 and \$492) in respect of write-downs of inventory to net realizable value.

# Notes to the Condensed Interim Consolidated Financial Statements

For the three and six month periods ended June 30, 2020 and 2019

Thousands of Canadian dollars, except per share amounts



There were no reversals of any cost to net realizable value write-downs in the three and six month periods ended June 30, 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 June 30, 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 and six month periods ended June 30, 2020 was \$81 and \$112, (2019- \$73 and \$155), respectively. Amortization of contract costs follows the seasonality of operations and is typically higher in the second and third quarter upon completion of performance obligations. Contract costs remaining to be amortized as selling expenses are \$503 (2019 - \$480).

## 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>		
Jan 1- Mar 31	\$ 5,943	\$ 4,251	\$ (2,099)	\$ (1,836)	\$ (1,202)	\$ 340	\$ 5,397
Apr 1- Jun 30	5,397	8,106	(2,437)	(2,768)	360	(258)	8,400
<b>2019</b>							
Jan 1- Mar 31	\$ 6,464	\$ 5,540	\$ (2,502)	\$ (2,503)	\$ (1,116)	\$ (23)	\$ 5,810
Apr 1- Jun 30	5,810	8,657	(3,226)	(3,075)	569	(81)	8,654

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

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

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

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

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

## 10. Remaining performance obligations

Performance obligations for certain goods manufactured, construction and design contracts generally include deposits which are initially recorded as contract liabilities and represent obligations of work that has not yet been completed. Revenue from unsatisfied performance obligations is recognized when services are rendered and control of the goods is transferred to the customers. For contracts that include deposits, the total remaining performance obligations, as at June 30, 2020 were \$21,226 (2019 - \$19,202). The Corporation estimates it will recognize approximately \$15,144 of revenue from the unsatisfied performance obligations upon completion of those performance obligations over the next twelve months and \$6,082 after twelve months.

# Notes to the Condensed Interim Consolidated Financial Statements

For the three and six month periods ended June 30, 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	-	-	100	685	785
Disposal of PP&E assets	-	-	(62)	-	(62)
Transfers between asset classes	-	67	417	(484)	-
Effect of foreign currency changes	(79)	(294)	(357)	(7)	(737)
<b>Balance at June 30, 2019</b>	<b>8,533</b>	<b>26,264</b>	<b>44,645</b>	<b>642</b>	<b>80,084</b>
Additions	-	-	7	1,093	1,100
Disposal of PP&E assets	-	-	(1,207)	-	(1,207)
Transfers between asset classes	-	86	636	(722)	-
Effect of foreign currency changes	(13)	(53)	(68)	(4)	(138)
<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	-	-	8	1,048	1,056
Disposal of PP&E assets	-	-	(1)	-	(1)
Transfers between asset classes	-	179	765	(944)	-
Effect of foreign currency changes	90	342	430	11	873
<b>Balance at June 30, 2020</b>	<b>\$ 8,610</b>	<b>\$ 26,818</b>	<b>\$ 45,215</b>	<b>\$ 1,124</b>	<b>\$ 81,767</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	-	599	965	-	1,564
Disposal of PP&E assets	-	-	(62)	-	(62)
Effect of foreign currency changes	-	(166)	(216)	-	(382)
<b>Balance at June 30, 2019</b>	<b>-</b>	<b>11,784</b>	<b>32,740</b>	<b>-</b>	<b>44,524</b>
Depreciation expense	-	592	918	-	1,510
Disposal of PP&E assets	-	-	(1,149)	-	(1,149)
Effect of foreign currency changes	-	(32)	(44)	-	(76)
<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	-	586	922	-	1,508
Disposal of PP&E assets	-	-	(1)	-	(1)
Effect of foreign currency changes	-	202	265	-	467
<b>Balance at June 30, 2020</b>	<b>\$ -</b>	<b>\$ 13,132</b>	<b>\$ 33,651</b>	<b>\$ -</b>	<b>\$ 46,783</b>

### Net book values

June 30, 2019	\$ 8,533	\$ 14,480	\$ 11,905	\$ 642	\$ 35,560
December 31, 2019	8,520	13,953	11,548	1,009	35,030
<b>June 30, 2020</b>	<b>8,610</b>	<b>13,686</b>	<b>11,564</b>	<b>1,124</b>	<b>34,984</b>

Assets under construction as at June 30, 2020 are expected to be available for use in 2020.

Depreciation expense for the three and six month periods ended June 30, 2020, in the amounts of \$698 and \$1,394 (2019 - \$716 and \$1,432) is included in cost of sales, with amounts of \$28 and \$56 (2019 - \$30 and \$60) included in selling expenses, and amounts of \$26 and \$58 (2019 - \$35 and \$72) included in administrative expenses, respectively.

## Notes to the Condensed Interim Consolidated Financial Statements

For the three and six month periods ended June 30, 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	49	-	-	-	86
Disposal of right-of-use assets	-	(27)	-	-	-	(27)
Effect of foreign currency changes	(116)	(10)	(5)	(11)	(1)	(143)
<b>Balance at June 30, 2019</b>	<b>12,187</b>	<b>810</b>	<b>244</b>	<b>351</b>	<b>24</b>	<b>13,616</b>
Additions	175	180	-	36	-	391
Disposal of right-of-use assets	-	(98)	-	(14)	-	(112)
Effect of foreign currency changes	(23)	(4)	(1)	(2)	-	(30)
<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>
Additions	-	25	-	-	-	25
Disposal of right-of-use assets	-	(74)	-	(19)	-	(93)
Effect of foreign currency changes	137	17	6	12	1	173
<b>Balance at June 30, 2020</b>	<b>\$ 12,476</b>	<b>\$ 856</b>	<b>\$ 249</b>	<b>\$ 364</b>	<b>\$ 25</b>	<b>\$ 13,970</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	500	85	22	51	3	661
Disposal of right-of-use assets	-	(27)	-	-	-	(27)
Effect of foreign currency changes	(73)	(6)	(2)	(6)	(1)	(88)
<b>Balance at June 30, 2019</b>	<b>5,043</b>	<b>564</b>	<b>81</b>	<b>230</b>	<b>23</b>	<b>5,941</b>
Depreciation expense	502	97	21	45	-	665
Disposal of right-of-use assets	-	(100)	-	(12)	-	(112)
Effect of foreign currency changes	(18)	(1)	(1)	(1)	1	(20)
<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	507	110	22	44	-	683
Disposal of right-of-use assets	-	(74)	-	(19)	-	(93)
Effect of foreign currency changes	93	10	3	9	1	116
<b>Balance at June 30, 2020</b>	<b>\$ 6,127</b>	<b>\$ 606</b>	<b>\$ 126</b>	<b>\$ 296</b>	<b>\$ 25</b>	<b>\$ 7,180</b>

#### Net book values

June 30, 2019	\$ 7,144	\$ 246	\$ 163	\$ 121	\$ 1	\$ 7,675
December 31, 2019	6,812	328	142	109	-	7,391
<b>June 30, 2020</b>	<b>6,349</b>	<b>250</b>	<b>123</b>	<b>68</b>	<b>-</b>	<b>6,790</b>

Depreciation expense for the three and six month periods ended June 30, 2020, in the amounts of \$224 and \$454 (2019 - \$225 and \$446) is included in cost of sales, with amounts of \$77 and \$156 (2019 - \$77 and \$142) included in selling expenses, and amounts of \$36 and \$73 (2019 - \$36 and \$73) included in administrative expenses, respectively.

## Notes to the Condensed Interim Consolidated Financial Statements

For the three and six month periods ended June 30, 2020 and 2019

Thousands of Canadian dollars, except per share amounts



### 13. Long-term debt

The Corporation's long-term debt position as at June 30, 2020, and December 31, 2019 is stated in the following table:

	Jun 30, 2020	Dec 31, 2019
<b>Balance at beginning of period</b>	<b>\$ 8,217</b>	\$ 8,568
Repayments	(179)	(351)
<b>Balance at end of period</b>	<b>\$ 8,038</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:

	Jun 30, 2020
Current within 12 months	\$ 367
Due within 12 to 24 months	379
Due within 25 to 36 months	392
Due within 37 to 48 months	405
Due within 49 to 60 months	418
Due after 60 months	6,077
<b>Total</b>	<b>\$ 8,038</b>

### 14. Lease obligations

14.1 The Corporation's lease obligations as at June 30, 2020, and December 31, 2019, are as stated in the following table:

	Minimum lease payments	
	Jun 30, 2020	Dec 31, 2019
No later than one year	\$ 1,962	\$ 2,024
Later than one year and not later than five years	6,534	6,683
Later than five years	7,286	7,965
Total minimum lease payments	15,782	16,672
Less: amounts representing finance cost	(6,403)	(6,826)
<b>Present value of minimum lease payments</b>	<b>\$ 9,379</b>	\$ 9,846

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

	Jun 30, 2020	Dec 31, 2019
Current	\$ 1,129	\$ 1,167
Long-term	8,250	8,679
<b>Total</b>	<b>\$ 9,379</b>	\$ 9,846

## Notes to the Condensed Interim Consolidated Financial Statements

For the three and six month periods ended June 30, 2020 and 2019

Thousands of Canadian dollars, except per share amounts



### 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	49	-	-	-	86
Repayments	(361)	(93)	(20)	(51)	(1)	(526)
Effect of foreign currency changes	(59)	(6)	(3)	(6)	-	(74)
<b>Balance at June 30, 2019</b>	<b>9,546</b>	<b>254</b>	<b>168</b>	<b>125</b>	<b>2</b>	<b>10,095</b>
Additions	174	181	-	36	-	391
Repayments	(464)	(97)	(21)	(47)	(2)	(631)
Disposal	-	-	-	(2)	-	(2)
Effect of foreign currency changes	(5)	(2)	-	-	-	(7)
<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	-	24	-	-	-	24
Repayments	(389)	(109)	(21)	(45)	-	(564)
Effect of foreign currency changes	60	7	2	4	-	73
<b>Balance at June 30, 2020</b>	<b>\$ 8,922</b>	<b>\$ 258</b>	<b>\$ 128</b>	<b>\$ 71</b>	<b>\$ -</b>	<b>\$ 9,379</b>
Current	\$ 911	\$ 139	\$ 43	\$ 36	\$ -	\$ 1,129
Long-term	8,011	119	85	35	-	8,250
<b>Total</b>	<b>\$ 8,922</b>	<b>\$ 258</b>	<b>\$ 128</b>	<b>\$ 71</b>	<b>\$ -</b>	<b>\$ 9,379</b>

The Corporation has lease obligations for contracts related to property (land, office space, manufacturing and storage facilities), vehicles, truck and trailers, office equipment and machinery and equipment. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Discount rates during the three months period ended June 30, 2020 were between 1.2% and 18.1%, depending on the duration of the lease.

Expense related to short-term leases during the three and six months period ended June 30, 2020 was \$10 and \$19 (2019 - \$18 and \$9), respectively. Expense related to low value leases during the three and six months period ended June 30, 2020 was \$1 and \$1 (2019 - \$nil and \$1), respectively.

Total cash outflows for lease payments during the three and six month periods ended June 30, 2020 was \$506 and \$998 (2019 - \$498 and \$975), respectively.

Finance costs paid relating to lease obligations during the three and six month periods ended June 30, 2020 was \$216 and \$434 (2019 - \$223 and \$449), respectively.

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

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

	Dec 31, 2019	Cash changes		Non-cash changes			June 30, 2020
		Borrowings	Repayments	Additions	Disposal	Foreign exchange	
Long-term debt	\$ 8,217	\$ -	\$ (179)	\$ -	\$ -	\$ -	\$ 8,038
Lease obligations	9,846	-	(564)	24	-	73	9,379
	<b>\$ 18,063</b>	<b>\$ -</b>	<b>\$ (743)</b>	<b>\$ 24</b>	<b>\$ -</b>	<b>\$ 73</b>	<b>\$ 17,417</b>



# Notes to the Condensed Interim Consolidated Financial Statements

For the three and six month periods ended June 30, 2020 and 2019

Thousands of Canadian dollars, except per share amounts



## 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 common shares (or 1.48% of PFB’s shares as of August 26, 2019). In the quarter ended June 30, 2020, the Corporation did not purchase any of its common shares.

### 16.2 Dividends

In the first quarter of 2020, the Corporation’s board of directors declared a regular quarterly dividend of \$0.09 (2019 - \$0.08) per common share which was paid in February of each year, respectively. The dividend payment in February 2020 amounted to \$602 (2019 - \$538).

In the second quarter of 2020, the Corporation’s board of directors declared a regular quarterly dividend of \$0.09 (2019 - \$0.09) per common share which was paid in May of each year, respectively. The dividend payment in May 2020 amounted to \$602 (2019 - \$607).

### 16.3 Share-based payments

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

Under PFB’s stock option plan, 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 June 30, 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 (%)	Weighted average fair value per option
375,000	75,000	\$ 8.50	7.75	2.11	9.69	18.04	3.98	\$ 0.76
100,000	10,000	\$ 11.75	8.75	1.76	10.00	16.91	2.72	\$ 1.56
125,000	-	\$ 11.75	9.25	0.78	10.00	31.37	3.68	\$ 1.87
<b>600,000</b>	<b>85,000</b>	<b>\$ 9.72</b>	<b>8.33</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.

# Notes to the Condensed Interim Consolidated Financial Statements

For the three and six month periods ended June 30, 2020 and 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. During the period ended June 30, 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 June 30, 2020 and December 31, 2019, are stated in the following table:

Financial instrument	Hierarchy	Jun 30, 2020	Dec 31, 2019
		Carrying amount	Carrying amount
Cash and cash equivalents	Level 1	\$ 21,079	\$ 20,129
Cash - restricted	Level 1	1,610	924
Restricted marketable securities	Level 2	1,483	1,483
Trade receivables	N/A	15,021	10,746
Trade and other payables	N/A	(11,510)	(10,324)
Long Term debt	Level 2	(8,038)	(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.

# Notes to the Condensed Interim Consolidated Financial Statements

For the three and six month periods ended June 30, 2020 and 2019

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 June 30, 2020, the Canadian segment did not have any performance bonds outstanding (December 31, 2019 - \$nil). In the USA, performance bonds in the amount of \$650 (December 31, 2019 - \$620) were pledged to various government agencies as at June 30, 2020.

### 18.2 Expenditures for property, plant and equipment

As at June 30, 2020, the Corporation had commitments of \$474 (June 30, 2019 - \$666) for purchasing property, plant and equipment and intangible assets.

## 19. Related party transactions

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

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

### Trading transactions

In the three months ended June 30, 2020 and 2019, the Corporation had the following trading transactions with related parties:

<b>Related party</b>	<b>Nature of transactions</b>	<b>2020</b>	<b>2019</b>
E. Carruthers Trucking	Transportation services	\$ 399	\$ 678
Aeonian Capital Corporation	Management services	88	88
		<b>\$ 487</b>	<b>\$ 766</b>

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

<b>Related party</b>	<b>Nature of transactions</b>	<b>2020</b>	<b>2019</b>
E. Carruthers Trucking	Transportation services	\$ 31	\$ 79

## Notes to the Condensed Interim Consolidated Financial Statements

For the three and six month periods ended June 30, 2020 and 2019

Thousands of Canadian dollars, except per share amounts



### 20. Supplementary cash flow information

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

Increase (decrease)	Three month periods ended June 30		Six month periods ended June 30	
	2020	2019	2020	2019
Trade receivables	\$ 3,444	\$ 2,845	\$ 4,275	\$ 1,305
Inventories	(2,779)	270	1,641	2,094
Prepaid expenses	15	124	782	664
Contract costs	-	72	16	5
Trade and other payables	(2,198)	(698)	(1,186)	1,742
Contract liabilities	(3,003)	(2,844)	(2,457)	(2,190)
	\$ (4,521)	\$ (231)	\$ 3,071	\$ 3,620

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

	Three month period ended June 30		Six month period ended June 30	
	2020	2019	2020	2019
Right-of-use assets acquired with lease obligations	\$ 25	\$ 49	\$ 25	\$ 86