



Condensed Interim Consolidated Financial Statements

For the three and nine month periods ended September 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 nine month periods ended September 30, 2020 and 2019

The accompanying unaudited condensed interim consolidated financial statements of PFB Corporation for the three and nine month periods ended September 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: October 29, 2020

Condensed Interim Consolidated Statements of Income

For the three and nine month periods ended September 30, 2020 and 2019

Thousands of Canadian dollars, except per share amounts



	Note	Three month periods ended September 30		Nine month periods ended September 30	
		2020	2019	2020	2019
Sales	5	\$ 41,986	\$ 36,874	\$ 97,737	\$ 96,408
Cost of sales	7	(26,569)	(26,672)	(67,052)	(72,041)
Gross profit		15,417	10,202	30,685	24,367
Selling expenses		(3,118)	(3,146)	(8,995)	(9,306)
Administrative expenses		(2,317)	(2,060)	(5,956)	(5,770)
Other (losses) gains	16	(7)	(56)	99	(1,048)
Operating income		9,975	4,940	15,833	8,243
Insurance claim - gain		-	-	65	-
Investment income		5	44	55	72
Finance costs		(278)	(288)	(850)	(876)
Income before taxes		9,702	4,696	15,103	7,439
Income taxes expense		(2,371)	(1,254)	(3,676)	(2,108)
Net income for the period		\$ 7,331	\$ 3,442	\$ 11,427	\$ 5,331
Earnings per share - \$ per share					
Basic	6	\$ 1.09	\$ 0.51	\$ 1.70	\$ 0.79
Diluted	6	\$ 1.08	\$ 0.50	\$ 1.68	\$ 0.77
Weighted average number of common shares outstanding					
Basic	6	6,752,166	6,736,629	6,711,539	6,730,921
Diluted	6	6,855,796	6,923,452	6,807,121	6,911,646

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 nine month periods ended September 30, 2020 and 2019

Thousands of Canadian dollars



	Note	Three month periods ended September 30		Nine month periods ended September 30	
		2020	2019	2020	2019
Net income for the period		\$ 7,331	\$ 3,442	\$ 11,427	\$ 5,331
Other comprehensive (loss) income:					
Items that may subsequently be reclassified to income:					
Foreign currency translation adjustments					
Exchange differences on translating foreign operations, net of tax		(596)	267	683	(675)
Other comprehensive (loss) income for the period		(596)	267	683	(675)
Comprehensive income for the period		\$ 6,735	\$ 3,709	\$ 12,110	\$ 4,656

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 September 30, 2020 and 2019, and December 31, 2019

Thousands of Canadian dollars



	Note	September 30, 2020	September 30, 2019	December 31, 2019
ASSETS				
Current assets				
Cash and cash equivalents	17	\$ 29,345	\$ 20,584	\$ 20,129
Cash - restricted	17	3,216	1,629	924
Trade receivables	17	15,427	15,255	10,746
Inventories	7	11,244	12,658	11,598
Prepaid expenses		899	805	469
Contract costs	8	403	590	487
Total current assets		60,534	51,521	44,353
Non-current assets				
Marketable securities - restricted	17	1,483	1,483	1,483
Property, plant and equipment	11	34,187	35,074	35,030
Right-of-use assets	12	6,498	7,457	7,391
Intangible assets		1,510	1,612	1,540
Goodwill		2,320	2,308	2,275
Accrued defined benefit pension plan		304	10	304
Deferred income tax assets		355	284	327
Total non-current assets		46,657	48,228	48,350
Total assets		\$ 107,191	\$ 99,749	\$ 92,703
LIABILITIES				
Current Liabilities				
Trade and other payables	17	\$ 10,871	\$ 9,364	\$ 10,324
Contract liabilities	9	9,719	10,072	5,943
Income taxes payable		2,311	1,324	1,469
Long-term debt	13, 15, 17	370	358	361
Lease obligations	14, 15	1,153	1,089	1,167
Total current liabilities		24,424	22,207	19,264
Non-current liabilities				
Long-term debt	13, 15, 17	7,577	7,948	7,856
Lease obligations	14, 15	7,959	8,815	8,679
Deferred income tax liabilities		1,196	1,209	1,260
Total non-current liabilities		16,732	17,972	17,795
Total liabilities		41,156	40,179	37,059
SHAREHOLDERS' EQUITY				
Common shares		22,014	21,012	21,012
Equity-settled employee benefits reserve		108	1,003	1,014
Accumulated other comprehensive income		3,821	3,477	3,138
Retained earnings		40,092	34,078	30,480
Shareholders' equity		66,035	59,570	55,644
Total liabilities and shareholders' equity		\$ 107,191	\$ 99,749	\$ 92,703

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

Condensed Interim Consolidated Statements of Changes in Equity

As at September 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	
Restated balance at January 1, 2019		6,716,003	\$ 20,947	\$ 44	\$ 3,816	\$ 406	\$ (70)	\$ 30,866	\$ 56,009
Net income for the period		-	-	-	-	-	-	5,331	5,331
Other comprehensive (loss) for the period, net of tax		-	-	-	(675)	-	-	-	(675)
Total comprehensive income for the period		-	-	-	(675)	-	-	5,331	4,656
Payment of dividends	16	-	-	-	-	-	-	(1,751)	(1,751)
Share-based payment		-	-	979	-	-	-	-	979
Shares repurchased pursuant to normal course issuer bid	16	(50,000)	(157)	-	-	-	-	(368)	(525)
Shares issued on exercise of stock options		25,000	222	(20)	-	-	-	-	202
Balance at September 30, 2019		6,691,003	21,012	1,003	3,141	406	(70)	34,078	59,570
Net income for the period		-	-	-	-	-	-	3,695	3,695
Other comprehensive (loss) income for the period, net of tax		-	-	-	(505)	-	166	-	(339)
Total comprehensive (loss) income for the period		-	-	-	(505)	-	166	3,695	3,356
Payment of dividends		-	-	-	-	-	-	(7,293)	(7,293)
Share-based payment		-	-	11	-	-	-	-	11
Balance at December 31, 2019		6,691,003	21,012	1,014	2,636	406	96	30,480	55,644
Net income for the period		-	-	-	-	-	-	11,427	11,427
Other comprehensive income for the period, net of tax		-	-	-	683	-	-	-	683
Total comprehensive income for the period		-	-	-	683	-	-	11,427	12,110
Payment of dividends	16	-	-	-	-	-	-	(1,815)	(1,815)
Share-based payment		-	-	45	-	-	-	-	45
Shares issued on exercise of restricted share units	16	100,000	950	(950)	-	-	-	-	-
Shares issued on exercise of stock options	16	6,000	52	(1)	-	-	-	-	51
Balance at September 30, 2020		6,797,003	\$ 22,014	\$ 108	\$ 3,319	\$ 406	\$ 96	\$ 40,092	\$ 66,035

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 nine month periods ended September 30, 2020 and 2019

Thousands of Canadian dollars



	Note	Three month periods ended September 30		Nine month periods ended September 30	
		2020	2019	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES					
Net income for the period		\$ 7,331	\$ 3,442	\$ 11,427	\$ 5,331
Adjustments for:					
Depreciation expense	11,12	1,053	1,095	3,244	3,320
Amortization expense		37	45	110	112
Loss (gain) on disposal of assets		1	4	(20)	(12)
Finance costs		278	288	850	876
Investment income		(5)	(44)	(55)	(72)
Income tax expense		2,371	1,254	3,676	2,108
Share-based payment expense		17	11	45	979
Insurance claim - gain		-	-	(65)	-
Unrealized foreign exchange (gain) loss		(77)	(19)	78	74
Changes in non-cash working capital	20	2,721	1,959	(350)	(1,661)
Unrealized foreign exchange loss (gain) relating to non-cash working capital		14	(11)	(191)	(12)
Cash from operating activities, before income taxes		13,741	8,024	18,749	11,043
Income taxes paid, net		(2,212)	(127)	(2,962)	(1,460)
Net cash from operating activities		11,529	7,897	15,787	9,583
CASH FLOWS USED IN INVESTING ACTIVITIES					
(Decrease) increase in restricted cash balance		(1,606)	277	(2,292)	(282)
Purchase of property, plant and equipment	11	(132)	(360)	(1,188)	(1,145)
Purchase of intangible assets		-	-	(45)	(143)
Proceeds from disposal of assets		10	7	31	23
Interest received		5	44	55	72
Net cash used in investing activities		(1,723)	(32)	(3,439)	(1,475)
CASH FLOWS USED IN FINANCING ACTIVITIES					
Repayment of lease obligations	14	(285)	(314)	(848)	(840)
Changes in long-term debt	13, 15	(91)	(88)	(270)	(262)
Finance costs		(278)	(288)	(850)	(876)
Proceeds from insurance		-	-	65	-
Proceeds from exercise of stock options		51	-	51	202
Payment for buy-back of common shares		-	(525)	-	(525)
Dividends paid to shareholders	16	(611)	(606)	(1,815)	(1,751)
Net cash used in financing activities		(1,214)	(1,821)	(3,667)	(4,052)
Effects of exchange rate changes on cash and cash equivalents, and restricted cash held in foreign currencies		(326)	180	535	(416)
Net increase in cash and cash equivalents		8,266	6,224	9,216	3,640
Cash and cash equivalents at the beginning of the period		21,079	14,360	20,129	16,944
Cash and cash equivalents at the end of the period		\$ 29,345	\$ 20,584	\$ 29,345	\$ 20,584

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 nine month periods ended September 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 nine month periods ended September 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 October 29, 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.

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.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine month periods ended September 30, 2020 and 2019

Thousands of Canadian dollars, except per share amounts



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 the three and nine month periods ended September 30, 2020 and 2019 are set out below:

Three month periods ended September 30	Sales revenues		Operating income	
	2020	2019	2020	2019
Canada	\$ 26,550	\$ 22,801	\$ 6,848	\$ 3,138
USA	15,436	14,073	2,909	1,634
Totals for segments	\$ 41,986	\$ 36,874	9,757	4,772
Corporate – income			219	166
Foreign exchange (loss) gain on inter-segment settlements			(1)	2
Consolidated operating income			\$ 9,975	\$ 4,940

Nine month periods ended September 30	Sales revenues		Operating income	
	2020	2019	2020	2019
Canada	\$ 60,759	\$ 60,012	\$ 10,954	\$ 6,492
USA	36,978	36,396	4,365	2,210
Totals for segments	\$ 97,737	\$ 96,408	15,319	8,702
Corporate – income (expense)			520	(464)
Foreign exchange (loss) gain on inter-segment settlements			(6)	5
Consolidated operating income			\$ 15,833	\$ 8,243

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine month periods ended September 30, 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 Sept 30, 2020	As at Dec 31, 2019
Assets		
Segmented assets	\$ 55,084	\$ 49,198
Assets not allocated to segments:		
Cash and cash equivalents	29,345	20,129
Restricted marketable securities	1,483	1,483
Freehold land and buildings	20,924	21,567
Corporate taxes ¹	355	326
Total assets	\$ 107,191	\$ 92,703
Liabilities		
Segmented liabilities	\$ 24,097	\$ 18,996
Liabilities not allocated to segments:		
Lease obligations	9,112	9,846
Long term debt	7,947	8,217
Total liabilities	\$ 41,156	\$ 37,059
Net segmented assets		
Canada	\$ 24,854	\$ 22,889
USA	6,133	7,313

¹Deferred taxes.

5.3 Other segment information

	Three month periods ended September 30		Nine month periods ended September 30	
	2020	2019	2020	2019
Additions to non-current assets:				
Canada	\$ 58	\$ 241	\$ 545	\$ 726
USA	74	119	678	562
Corporate	-	-	10	-
Total	\$ 132	\$ 360	\$ 1,233	\$ 1,288
	Three month periods ended September 30		Nine month periods ended September 30	
	2020	2019	2020	2019
Additions to right-of-use assets:				
Canada	\$ 44	\$ 44	\$ 69	\$ 93
USA	-	59	-	96
Total	\$ 44	\$ 103	\$ 69	\$ 189

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine month periods ended September 30, 2020 and 2019

Thousands of Canadian dollars, except per share amounts



Depreciation and amortization:

Canada	\$ 599	\$ 631	\$ 1,834	\$ 1,905
USA	229	244	730	729
Corporate	262	265	790	798
Total	\$ 1,090	\$ 1,140	\$ 3,354	\$ 3,432
Inter-segment sales	\$ 1,792	\$ 2,186	\$ 4,089	\$ 6,451

6. Earnings per share

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

	Three month periods ended September 30		Nine month periods ended September 30	
	2020	2019	2020	2019
Net income for the period	\$ 7,331	\$ 3,442	\$ 11,427	\$ 5,331
Weighted average number of common shares outstanding – basic	6,752,166	6,736,629	6,711,539	6,730,921
Effect of:				
Dilutive stock options and restricted share units	103,630	186,823	95,582	180,725
Weighted average number of common shares outstanding - diluted	6,855,796	6,923,452	6,807,121	6,911,646
Earnings per share:				
Basic	\$ 1.09	\$ 0.51	\$ 1.70	\$ 0.79
Diluted	\$ 1.08	\$ 0.50	\$ 1.68	\$ 0.77

7. Inventories

	As at Sept 30, 2020	As at Dec 31, 2019
Raw materials	\$ 5,217	\$ 6,046
Work in progress	2,932	2,156
Finished goods	3,095	3,396
	\$ 11,244	\$ 11,598

The cost of inventories recognized as an expense in cost of sales during the three and nine month periods ended September 30, 2020 was \$22,854 and \$58,115 (2019 - \$23,341 and \$63,351), respectively.

The cost of inventories recognized as an expense during the three and nine month periods ended September 30, 2020, includes \$133 and \$411, respectively, (2019 - \$244 and \$736) in respect of write-downs of inventory to net realizable value.

There were no reversals of any cost to net realizable value write-downs in the three and nine month periods ended September 30, 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 September 30, 2020 and December 31, 2019.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine month periods ended September 30, 2020 and 2019

Thousands of Canadian dollars, except per share amounts



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 nine month periods ended September 30, 2020 was \$143 and \$255 (2019- \$89 and \$249), 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 \$403 (2019 - \$590).

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				Balance, end of period
	Balance, beginning of period ¹	Current period ²	Current period deposits ³	Beginning of period deposits ⁴	Rebates, net ⁵	Foreign exchange	
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
Jul 1- Sep 30	8,400	10,086	(4,622)	(4,535)	467	(77)	9,719
2019							
Jan 1- Mar 31	\$ 6,464	\$ 5,540	\$ (2,502)	\$ (2,503)	\$ (1,166)	\$ (23)	\$ 5,810
Apr 1- Jun 30	5,810	8,657	(3,226)	(3,075)	569	(81)	8,654
Jul 1- Sep 30	8,654	9,495	(4,115)	(4,522)	412	148	10,072

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

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

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

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

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

10. Remaining performance obligations

Performance obligations for certain goods manufactured, construction and design contracts generally include deposits which are initially recorded as contract liabilities and represent obligations of work that has not yet been completed. Revenue from unsatisfied performance obligations is recognized when services are rendered and control of the goods is transferred to the customers. For contracts that include deposits, the total remaining performance obligations, as at September 30, 2020 were \$21,031 (2019 - \$20,233). The Corporation estimates it will recognize approximately \$16,022 of revenue from the unsatisfied performance obligations upon completion of those performance obligations over the next twelve months and \$5,009 after twelve months.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine month periods ended September 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
Balance at January 1, 2019	\$ 8,612	\$ 26,491	\$ 44,547	\$ 448	\$ 80,098
Additions	-	-	107	1,038	1,145
Disposal of PP&E assets	-	-	(124)	-	(124)
Transfers between asset classes	-	153	919	(1,246)	(174)
Effect of foreign currency changes	(56)	(211)	(254)	(5)	(526)
Balance at September 30, 2019	8,556	26,433	45,195	235	80,419
Additions	-	-	-	740	740
Disposal of PP&E assets	-	-	(1,145)	-	(1,145)
Transfers of right-of-use assets	-	-	-	-	-
Transfers between asset classes	-	-	134	40	174
Effect of foreign currency changes	(36)	(136)	(171)	(6)	(349)
Balance at December 31, 2019	8,520	26,297	44,013	1,009	79,839
Additions	-	-	8	1,179	1,187
Disposal of PP&E assets	-	-	(714)	-	(714)
Transfers between asset classes	-	214	1,034	(1,248)	-
Effect of foreign currency changes	49	187	231	8	475
Balance at September 30, 2020	\$ 8,569	\$ 26,698	\$ 44,572	\$ 948	\$ 80,787

Accumulated Depreciation

Balance at January 1, 2019	\$ -	\$ 11,351	\$ 32,053	\$ -	\$ 43,404
Depreciation expense	-	896	1,432	-	2,328
Disposal of PP&E assets	-	-	(114)	-	(114)
Effect of foreign currency changes	-	(118)	(155)	-	(273)
Balance at September 30, 2019	-	12,129	33,216	-	45,345
Depreciation expense	-	295	451	-	746
Disposal of PP&E assets	-	-	(1,097)	-	(1,097)
Effect of foreign currency changes	-	(80)	(105)	-	(185)
Balance at December 31, 2019	-	12,344	32,465	-	44,809
Depreciation expense	-	876	1,370	-	2,246
Disposal of PP&E assets	-	-	(703)	-	(703)
Effect of foreign currency changes	-	108	140	-	248
Balance at September 30, 2020	\$ -	\$ 13,328	\$ 33,272	\$ -	\$ 46,600

Net book values

September 30, 2019	\$ 8,556	\$ 14,304	\$ 11,979	\$ 235	\$ 35,074
December 31, 2019	8,520	13,953	11,548	1,009	35,030
September 30, 2020	8,569	13,370	11,300	948	34,187

Assets under construction as at September 30, 2020 are expected to be available for use in 2021.

Notes to the Condensed Interim Consolidated Financial Statements

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Thousands of Canadian dollars, except per share amounts



Depreciation expense for the three and nine month periods ended September 30, 2020, in the amounts of \$696 and \$2,090 (2019 - \$707 and \$2,139) is included in cost of sales, with amounts of \$28 and \$84 (2019 - \$24 and \$84) included in selling expenses, and amounts of \$14 and \$72 (2019 - \$33 and \$105) included in administrative expenses, respectively.

12. Right-of-use assets

Cost	Property	Vehicles	Truck and trailers	Office equipment	Machinery and equipment	Total
Balance at January 1, 2019	\$ 12,266	\$ 798	\$ 249	\$ 362	\$ 25	\$ 13,700
Additions	37	152	-	-	-	189
Disposal of right-of-use assets	-	(78)	-	(14)	-	(92)
Effect of foreign currency changes	(83)	(7)	(3)	(8)	(1)	(102)
Balance at September 30, 2019	12,220	865	246	340	24	13,695
Additions	175	77	-	36	-	288
Disposal of right-of-use assets	-	(47)	-	-	-	(47)
Effect of foreign currency changes	(56)	(7)	(3)	(5)	-	(71)
Balance at December 31, 2019	12,339	888	243	371	24	13,865
Additions	-	69	-	-	-	69
Disposal of right-of-use assets	-	(97)	-	(19)	-	(116)
Effect of foreign currency changes	75	10	3	7	1	96
Balance at September 30, 2020	\$ 12,414	\$ 870	\$ 246	\$ 359	\$ 25	\$ 13,914

Accumulated Depreciation

Balance at January 1, 2019	\$ 4,616	\$ 512	\$ 61	\$ 185	\$ 21	\$ 5,395
Depreciation expense	750	133	33	73	3	992
Disposal of right-of-use assets	-	(79)	-	(12)	-	(91)
Effect of foreign currency changes	(50)	(2)	(1)	(4)	(1)	(58)
Balance at September 30, 2019	5,316	564	93	242	23	6,238
Depreciation expense	252	49	10	23	-	334
Disposal of right-of-use assets	-	(48)	-	-	-	(48)
Effect of foreign currency changes	(41)	(5)	(2)	(3)	1	(50)
Balance at December 31, 2019	5,527	560	101	262	24	6,474
Depreciation expense	760	152	33	53	-	998
Disposal of right-of-use assets	-	(97)	-	(18)	-	(115)
Effect of foreign currency changes	47	5	2	4	1	59
Balance at September 30, 2020	\$ 6,334	\$ 620	\$ 136	\$ 301	\$ 25	\$ 7,416

Net book values

September 30, 2019	\$ 6,904	\$ 301	\$ 153	\$ 98	\$ 1	\$ 7,457
December 31, 2019	6,812	328	142	109	-	7,391
September 30, 2020	6,080	250	110	58	-	6,498

Depreciation expense for the three and nine month periods ended September 30, 2020, in the amounts of \$214 and \$668 (2019 - \$223 and \$669) is included in cost of sales, with amounts of \$65 and \$221 (2019 - \$71 and \$213) included in selling expenses, and amounts of \$36 and \$109 (2019 - \$37 and \$110) included in administrative expenses, respectively.

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13. Long-term debt

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

	Sept 30, 2020	Dec 31, 2019
Balance at beginning of period	\$ 8,217	\$ 8,568
Repayments	(270)	(351)
Balance at end of period	\$ 7,947	\$ 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:

	Sept 30, 2020
Current within 12 months	\$ 370
Due within 12 to 24 months	382
Due within 25 to 36 months	395
Due within 37 to 48 months	408
Due within 49 to 60 months	421
Due after 60 months	5,971
Total	\$ 7,947

14. Lease obligations

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

	Minimum lease payments	
	Sept 30, 2020	Dec 31, 2019
No later than one year	\$ 1,972	\$ 2,024
Later than one year and not later than five years	6,397	6,683
Later than five years	6,925	7,965
Total minimum lease payments	15,294	16,672
Less: amounts representing finance cost	(6,182)	(6,826)
Present value of minimum lease payments	\$ 9,112	\$ 9,846

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

	Sept 30, 2020	Dec 31, 2019
Current	\$ 1,153	\$ 1,167
Long-term	7,959	8,679
Total	\$ 9,112	\$ 9,846

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14.2 Lease obligations

	Property	Vehicles	Truck and trailers	Office equipment	Machinery and equipment	Total
Balance at January 1, 2019	\$ 9,929	\$ 304	\$ 191	\$ 182	\$ 3	\$ 10,609
Additions	37	152	-	-	-	189
Repayments	(592)	(141)	(30)	(74)	(3)	(840)
Disposal	-	-	-	(2)	-	(2)
Effect of foreign currency changes	(42)	(4)	(2)	(4)	-	(52)
Balance at September 30, 2019	9,332	311	159	102	-	9,904
Additions	174	78	-	36	-	288
Repayments	(233)	(49)	(11)	(24)	-	(317)
Disposal	-	-	-	-	-	-
Effect of foreign currency changes	(22)	(4)	(1)	(2)	-	(29)
Balance at December 31, 2019	9,251	336	147	112	-	9,846
Additions	-	69	-	-	-	69
Repayments	(613)	(150)	(31)	(54)	-	(848)
Disposal	-	-	-	(1)	-	(1)
Effect of foreign currency changes	37	5	1	3	-	46
Balance at September 30, 2020	\$ 8,675	\$ 260	\$ 117	\$ 60	-	\$ 9,112
Current	939	136	43	35	-	1,153
Long-term	7,736	124	74	25	-	7,959
Total	\$ 8,675	\$ 260	\$ 117	\$ 60	-	\$ 9,112

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 September 30, 2020 were between 1.2% and 18.1%, depending on the duration of the lease.

Expenses related to short-term leases during the three and nine month periods ended September 30, 2020 were \$11 and \$30 (2019 - \$9 and \$27), respectively. Expense related to low value leases during the three and nine month periods ended September 30, 2020 were \$nil and \$1 (2019 - \$nil and \$1), respectively.

Total cash outflows for lease payments during the three and nine month periods ended September 30, 2020 were \$496 and \$1,494 (2019 - \$534 and \$1,509), respectively.

Finance costs paid relating to lease obligations during the three and nine month periods ended September 30, 2020 were \$212 and \$646 (2019 - \$220 and \$669), 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			Sept 30, 2020
		Borrowings	Repayments	Additions	Disposal	Foreign exchange	
Long-term debt	\$ 8,217	\$ -	\$ (270)	\$ -	\$ -	\$ -	\$ 7,947
Lease obligations	9,846	-	(848)	69	(1)	46	\$ 9,112
	\$ 18,063	\$ -	\$ (1,118)	\$ 69	\$ (1)	\$ 46	\$ 17,059

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16. Issued capital

16.1 Normal course issuer bid

In September 2020, the Corporation obtained approval from the Toronto Stock Exchange (“TSX”) to renew its Normal Course Issuer Bid (the “Bid”) program for a 12-month period which commenced on September 3, 2020, and ends no later than September 2, 2021. The renewal allows the Corporation to purchase, up to a maximum of 50,000 of its common shares representing 0.74% of the Corporation’s 6,791,003 issued and outstanding common shares as at August 24, 2020, subject to daily maximum purchases of 1,000 common shares. The Corporation may also make one block purchase per calendar week which exceeds such daily restriction, subject to the rules of the TSX. The Corporation will purchase from time-to-time its common shares at market prices by means of open market transactions on the Toronto Stock Exchange.

In the three month periods ended September 30, 2020 the Corporation did not purchase any of its common shares. In the comparative three month period ended September 30, 2019, the Corporation purchased for cancellation 50,000 of its common shares for an aggregate price of \$525, of which \$368 was charged to retained earnings as a premium on redemption of the 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).

In the third 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 August of each year, respectively. The dividend payment in August 2020 amounted to \$611 (2019 - \$606).

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 \$8.05 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 grant date.

The following table sets forth information concerning the inputs used in this model, share options granted and exercised under the stock option plan as at September 30, 2020:

		Grant date						
Number of options outstanding	Number of options exercisable	Weighted average exercise price	Weighted average remaining life (years)	Weighted average risk-free interest rate (%)	Weighted average expected life (years)	Estimated volatility (%)	Expected annual dividend yield (%)	Weighted average fair value per option
369,000	69,000	\$ 8.50	7.50	2.11	9.69	18.04	3.98	\$ 0.76
100,000	10,000	\$ 11.75	8.50	1.76	10.00	16.91	2.72	\$ 1.56
125,000	-	\$ 11.75	9.50	0.78	10.00	31.37	3.68	\$ 1.87
594,000	79,000	\$ 9.72	8.08					

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

The fair value of options granted with immediate vesting have an aggregate fair value of \$20 or \$0.81 per option, and are reported as a compensation expense in other losses, on the grant date, with a corresponding increase in contributed surplus on the balance sheet. Options with vesting requirements have an aggregate fair value of \$442 or approximately \$0.93 per option and are amortized on a straight-line basis over vesting period with the quarterly amortization amounts reported as compensation expense included as other losses on the income statement with the off-set to equity-settled employee benefits reserves on the balance sheet.

In the three month period ended September 30, 2020, upon the exercise of options, the Corporation issued 6,000 shares through the issuance of common shares from treasury.

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.

In the three month period ended September 30, 2020, the Corporation settled the outstanding RSU through the issuance of common shares from treasury. The accumulated charges related to the RSU recorded in equity-settled employee reserves were transferred to share capital on the issuance of 100,000 common shares in settlement of the exercised RSU award.

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 September 30, 2020 and December 31, 2019, are stated in the following table:

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Financial instrument	Hierarchy	Sept 30, 2020	Dec 31, 2019
		Carrying amount	Carrying amount
Cash and cash equivalents	Level 1	\$ 29,345	\$ 20,129
Cash - restricted	Level 1	3,216	924
Restricted marketable securities	Level 2	1,483	1,483
Trade receivables	N/A	15,427	10,746
Trade and other payables	N/A	(10,871)	(10,324)
Long Term debt	Level 2	(7,947)	(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.

As at September 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 \$636 (December 31, 2019 - \$620) were pledged to various government agencies as at September 30, 2020.

18.2 Expenditures for property, plant and equipment

As at September 30, 2020, the Corporation had commitments of \$676 (September 30, 2019 - \$598) for purchasing property, plant and equipment and commitments of \$nil (September 30, 2019 - \$nil) for purchasing 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 closely approximate fair value. All transactions with related parties have been approved by the Board of Directors.

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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 September 30, 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	\$ 561	\$ 611
Aeonian Capital Corporation	Management services	87	87
		\$ 648	\$ 698

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

Related party	Nature of transactions	2020	2019
E. Carruthers Trucking	Transportation services	\$ 78	\$ 94

20. Supplementary cash flow information

20.1 Changes in non-cash working capital

Increase (decrease)	Three month periods ended September 30		Nine month periods ended September 30	
	2020	2019	2020	2019
Trade receivables	\$ 406	\$ 868	\$ 4,681	\$ 2,173
Inventories	(1,995)	(1,074)	(354)	1,020
Prepaid expenses	(352)	(233)	430	431
Contract costs	(100)	110	(84)	115
Trade and other payables	639	(212)	(547)	1,530
Contract liabilities	(1,319)	(1,418)	(3,776)	(3,608)
	\$ (2,721)	\$ (1,959)	\$ 350	\$ 1,661

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

	Three month period ended September 30		Nine month period ended September 30	
	2020	2019	2020	2019
Right-of-use assets acquired with lease obligations	\$ 44	\$ 103	\$ 69	\$ 189