2017 Annual Report

P·F·B CORPORATION Better building ideas

PFB Corporation

Letter to shareholders

Net revenues for the year 2017 were $105,557,000 compared with $101,533,000 in 2016 while net cash from operations was $7,799,000 compared with $7,582,000 in the prior year. Earnings per share were $0.34 compared with $0.70 in 2016. Common shares outstanding remained unchanged at 6,716,003 shares. These dramatically divergent figures reflect a year with record sales revenues but greatly reduced earnings as a result of a rapid run up in raw material costs that were only fully metabolized after seven months of operations. The Corporation has modified raw material procurement strategies in an attempt to mitigate the effects of reoccurrences in future.

Expenditures on capital items during the year were exceptionally high as a result of the opportunity to exercise a right of first offer relating to acquisition of the Crossfield manufacturing facility during the year. The cost of acquiring the facility was $18,800,000 which was paid by acquiring $9,152,000 of long term debt and the balance paid from cash in working capital. The result was the elimination of finance lease obligations of $10,982,000. The related security deposit, consisting of 318,421 trust units, was sold for proceeds of $1,883,000. Additionally the Corporation invested $1,482,000 in other plant equipment in the normal course compared with $2,960,000 in 2016. We expect capital expenditures to return to lower levels more in line with regular annual maintenance capital in the year ahead.

Our financial position at year-end continued strong with $33,363,000 in current assets, which included cash of $12,268,000 down from $17,171,000 in cash at the beginning of the year. A more comprehensive disclosure of our operations is available in the management's discussion and analysis document in our filings.

Our core business is to manufacture building insulation and insulating building products in fourteen locations in Canada and the United States that employ about 400 regular employees. We strive for industry leadership with our products and for a corporate culture of sustainable operations that we report transparently on our www.pfbsustainability.com website. Strategically, it is our focus to annually increase revenues and cash flows our operating activities, while maintaining strong balance sheet integrity and providing a reliable stream of dividends to our shareholders.

In that regard the Corporation increased the quarterly dividend to $0.08 per share, with the quarterly payment in November 2017. The previous quarterly dividend increase occurred in the second quarter of 2016 when it was increased to $0.07 per share from $0.06 per share per quarter previously.

We continue to pursue expansion of our USA based operations and the focus to expand our revenue base in the United States continues. The United States economy in general appears to be rejuvenating and we are optimistic that the year ahead will be positively affected by improving business conditions in markets in which we operate.

The Corporation was incorporated as Plasti-Fab Ltd. in 1968. Accordingly we are celebrating our fiftieth year of better building ideas through the manufacturing and selling expanded polystyrene insulation solutions and products.

Thank you to all our customers and our employees for their past and continuing support.

C. Alan Smith
Executive Chairman

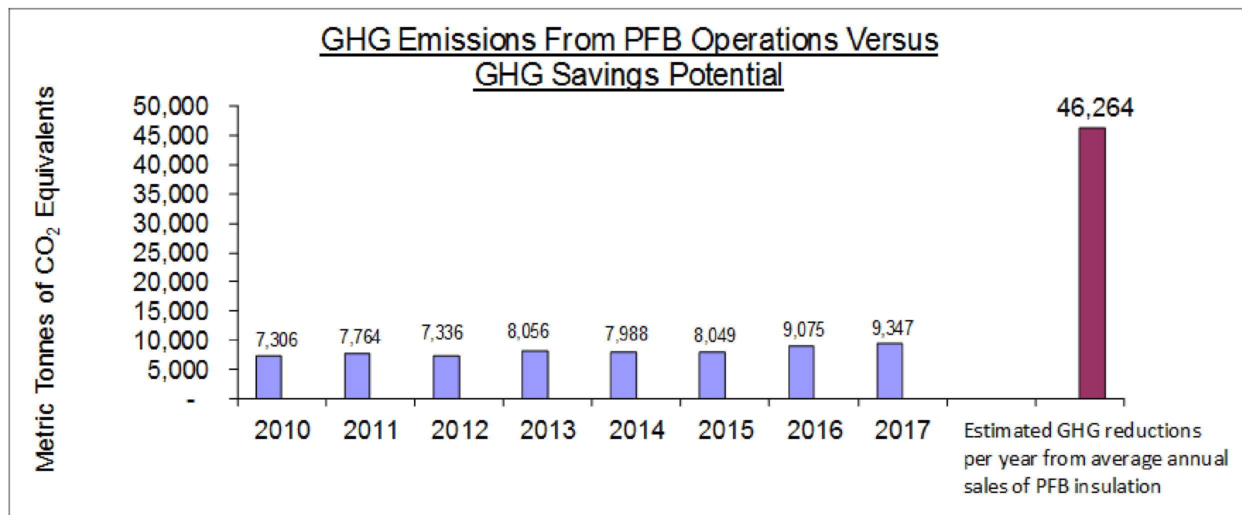
PFB's Commitment to Sustainability

At PFB Corporation, we are concerned with the future of the planet and the effects that modern life styles may be having on climate change. PFB Corporation is committed to conducting its operations responsibly, mindful of the **economic**, **environmental** and **social** impacts of its operations. In 2017, PFB Corporation focused its efforts on improving the Health and Safety performance of our operations by implementing several new safety initiatives and focusing on improving our safety culture.

Environmental

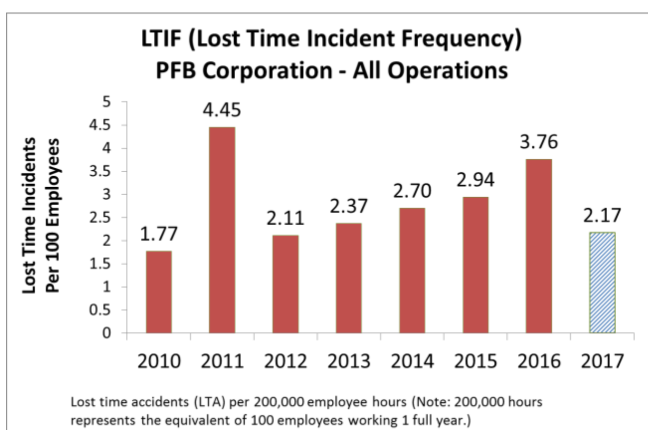
PFB Corporation has taken a transparent approach and reports its performance metrics in the annual report. PFB measures and reports inputs including raw materials, energy and water and our outputs; GHG, VOC's and waste. More detailed information is available on our web site devoted to sustainability at the following address: www.pfbsustainability.com.

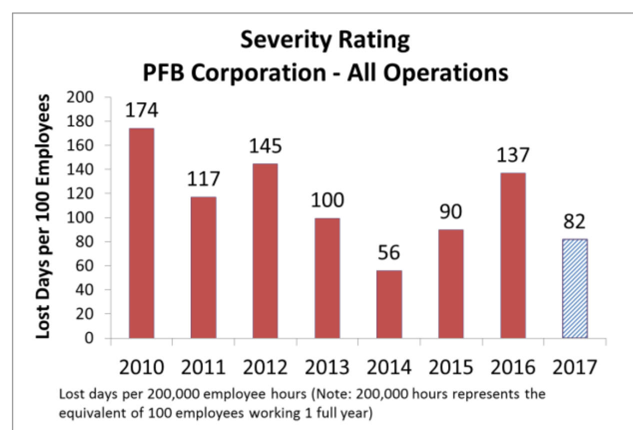
The following extracts are a brief summary of some of the key metrics that we use to track our performance.



Health and Safety

Health and Safety is of paramount importance at PFB Corporation. Starting in 2016 and continuing in 2017 a significant effort was made to introduce several new safety initiatives to reduce our injury rates and severity. PFB's mission is called 'Goal Zero'. Through this safety program, improvements were recognized in 2017 over previous year's performance. Our objective is to establish a sustainable safety culture by encouraging all employees to be active in our safety program and take responsibility for their safety and the safety of others. PFB's call to action and challenge to all our employees continues to be "*See It · Own It · Make It Safer*".





P·F·B CORPORATION Better building ideas

PFB Corporation

Management's discussion and analysis for 2017

1. Advisory regarding forward-looking statements

Securities laws encourage public issuers to disclose forward-looking information in their management's discussion and analysis (MD&A) so that investors can get a better understanding of the company's future prospects and make informed investment decisions.

Forward-looking information and statements included in this MD&A about PFB's objectives and management's expectations, beliefs, intentions or strategies for the future are not guarantees of future performance and should not be unduly relied upon.

All forward-looking statements reflect management's current views as at March 8, 2018, with respect to future events, and they are subject to certain risks, uncertainties and assumptions that may cause the actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

Such risks, uncertainties and assumptions include, but are not limited to: general economic conditions; the cost and availability of capital; actions by government authorities; actions by regulatory authorities; availability of raw materials; changes in raw materials prices; currency exchange rates; interest rates; competitor activity; industry pricing pressures; seasonality of the construction industry; and weather related factors.

You will find a more detailed assessment of the risks that could cause actual results to materially differ from our current expectations in the Risk Management and Assessment section of this MD&A.

2. Other advisories regarding this MD&A

The following MD&A of the operating results and financial condition of PFB Corporation ("PFB" or the "Corporation") for the years ended December 31, 2017 and 2016 should be read in conjunction with PFB's audited consolidated financial statements and related notes which is available on SEDAR at www.sedar.com and on PFB's website at www.pfbcorp.com. Additionally, PFB maintains a website at www.pfbsustainability.com that provides our measurement and reporting of sustainable development data in accordance with the Global Reporting Initiative.

The audited consolidated financial statements of PFB, for the years ended December 31, 2017 and 2016, have been prepared in accordance with International Financial Reporting Standards ("IFRS" or "GAAP") as issued by the International Accounting Standards Board ("IASB").

This MD&A was reviewed by the Audit Committee and approved by PFB's Board of Directors on March 8, 2018. Any events occurring after that date may affect the usefulness of the information contained in this document.

The currency presented in this MD&A is Canadian dollars ($ thousands) unless otherwise stated.

3. Business overview

PFB Corporation is a Canadian publicly-traded company incorporated under the Alberta Business Corporations Act. PFB's corporate office is located at 300, 2891 Sunridge Way NE, Calgary, Alberta, Canada T1Y 7K7. The principal business activity of PFB is manufacturing insulating building products made from expanded polystyrene materials and marketing those products in North America. We report our results of operations under two segments; Canada and the United States of America ("USA").

Plasti-Fab Ltd., the Corporation's Canadian wholly-owned subsidiary, operates manufacturing and sales facilities in the provinces of British Columbia, Alberta, Saskatchewan, Manitoba, and Ontario in Canada. PFB America Corporation, the Corporation's wholly-owned subsidiary in the USA, operates manufacturing and sales facilities in the states of Minnesota, Michigan, Ohio, and Idaho.

Our operations are vertically-integrated in that expandable polystyrene resin is manufactured at PFB's polymer plant located in Crossfield, Alberta, for use exclusively in our downstream expanded polystyrene ("EPS") manufacturing operations. Expandable polystyrene resin is also sourced from other suppliers to supplement internally produced raw

materials. Plasti-Fab® EPS Product Solutions® supplies EPS foam cores used to manufacture Insulspan® SIPS (Structural Insulating Panel Systems). The PFB Custom Homes Group provides a complete design, supply and installation capability for Point Zero ® Homes, Precision Craft Log & Timber Homes® and Riverbend® Timber Framing structures which are typically sold with an accompanying Insulspan® SIPS enclosure package and Advantage ICF Systems® (Insulating Concrete Forming System) foundation. Complete design services are provided by M.T.N. Design℠ to compliment the product offering.

Plasti-Fab EPS Product Solutions are products manufactured using EPS as base raw materials, that are delivered to customers' in five market categories: rigid insulation board; insulating building systems; geotechnical engineered applications; buoyancy, and products for packaging and display applications.

Advantage ICF Systems® are insulating concrete forming systems which, by incorporating concrete and steel, are employed to build insulated foundations and walls in both residential and commercial construction markets. Insulspan SIPS are used to create a building's structural wall frame and to replace trusses on roof systems to form an energy-efficient structural envelope.

4. Financial information

4.1 Financial highlights summary – quarterly

Years ended December 31, 2017 and 2016

$ thousands, except per share amounts

	2017 Q4	**2017 Q3**	**2017 Q2**	**2017 Q1**	2016 Q4	2016 Q3	2016 Q2	2016 Q1
Sales	**$ 28,045**	**$ 28,649**	**$ 29,376**	**$ 19,487**	$ 25,058	$ 28,838	$ 28,480	$ 19,157
Gross profit	**6,266**	**6,645**	**5,473**	**2,944**	5,932	7,434	7,466	3,843
Gross profit margin %[1]	**22.3**	**23.2**	**18.6**	**15.1**	23.7	25.8	26.2	20.1
Operating income (loss)	**1,712**	**2,273**	**745**	**(1,212)**	2,039	3,104	3,130	(6)
Net income (loss)	**1,240**	**1,519**	**412**	**(890)**	1,145	1,936	1,762	(155)
Earnings (loss) per share:								
Basic and diluted	**0.18**	**0.23**	**0.06**	**(0.13)**	0.17	0.29	0.26	(0.02)
Adjusted EBITDA [1]	**2,659**	**3,240**	**1,762**	**32**	2,996	4,066	4,088	955
Adjusted EBITDA per share [1]	**0.40**	**0.48**	**0.26**	**-**	0.44	0.61	0.61	0.14

[1] Non-IFRS financial measures do not have any standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. Definitions of non-IFRS measures used in the above table along with relevant other notes are detailed in Section 20 of this MD&A.

PFB's operations exhibit seasonal variations concurrent with those that generally influence the construction industry, including variability in weather patterns. Typically, sales revenues are lowest in the first and fourth quarters and highest in the second and third quarters of the fiscal cycle.

4.2 Selected annual financial information for years ended December 31, 2017, 2016, and 2015

$ thousands except where indicated	**2017**	2016	2015
Operating results			
Consolidated results:			
Sales	**$ 105,557**	$ 101,533	$ 99,137
Gross profit	**21,328**	24,675	23,699
Operating income	**3,518**	8,267	8,252
Net income	**2,281**	4,688	5,088
Adjusted EBITDA [1]	**7,693**	12,105	12,151
Sales by operating segment:			
Canada	**68,970**	64,962	72,857
USA	**36,587**	36,571	26,280
Operating income (loss) by segment:			
Canada	**1,746**	5,725	8,543
USA	**1,319**	2,672	(179)
Per common share data			
Earnings per share – Basic and diluted	**0.34**	0.70	0.76
Dividend paid per share – Regular	**0.29**	0.27	0.24
Adjusted EBITDA per share - Basic [1]	**1.14**	1.80	1.81
Book value [1]	**7.57**	7.69	7.25
Financial condition			
Total assets	**78,771**	78,837	78,844
Current assets	**33,363**	36,440	34,823
Current liabilities	**14,522**	11,520	14,192
Non-cash working capital [1]	**6,913**	7,560	6,225
Property, plant and equipment (net)	**40,099**	35,041	36,022
Intangible assets (net)	**1,405**	1,496	1,521
Goodwill	**2,217**	2,332	2,385
Finance lease obligations including current portion	**3,232**	14,220	14,471
Long-term debt including current portion	**8,906**	-	-
Other long-term liabilities	**1,874**	1,767	1,897
Shareholders' equity	**50,825**	51,646	48,668
Financial ratios			
Gross profit margin [1]	**20.2%**	24.3%	23.9%
Operating margin [1]	**3.3%**	8.1%	8.3%
Net income margin [1]	**2.2%**	4.6%	5.1%
Current ratio [1]	**2.30x**	3.16x	2.45x
Return on equity [1]	**4.4%**	9.1%	10.5%

[1] Non-IFRS financial measures do not have any standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. Definitions of non-IFRS measures used in the above table along with relevant other notes are detailed in Section 20 of this MD&A.

5. Consolidated results of operations

The results of PFB's operations in the United States of America are translated into Canadian dollars on a periodic basis for inclusion in the consolidated financial statements.

Significant one-time events occurring in the year ended December 31, 2017

In addition to PFB's normal operations in the year ended December 31, 2017, the following one-time events are more fully explained in later sections of this MD&A:

- On February 28, 2017, PFB purchased, under a Right of First Offer ("ROFO") a property which was previously leased from a Canadian real estate income trust; and
- On March 16, 2017, PFB disposed of 318,421 marketable securities.

Sales

Consolidated sales in 2017 increased by 4.0% or $4,024 to $105,557 as compared to sales of $101,533 in 2016. This was a record high of consolidated sales for the Corporation. Sales in the first half of the year showed significant geographical dispersion with slight growth in non-oil producing regions and a decline in sales within oil-producing regions. During the latter half of the year, sales in oil-producing regions recovered to levels above the comparable 2016 second half of the year. The majority of the year-over-year improvement in consolidated sales was predominately attributed to increased EPS foam sales in Canada where most regions in which the Corporation operated reporting increased EPS foam sales as compared to sales in 2016.

As described in the reportable operating segments section which follows, both the Canadian and USA segments reported increased sales in 2017 as compared to sales in 2016.

Gross profit

Consolidated gross profit in 2017 was $21,328, a decrease of 13.6% or $3,347 as compared to gross profit of $24,675 reported in 2016. The gross profit margin of 20.2% of sales in 2017 was lower than a gross profit margin of 24.3% of sales reported in 2016. The decrease in gross profit margin in the current year was predominantly influenced by elevated raw material input costs used in manufacturing, along with year-over-year variations of sales product mix in certain regional markets. The cost of inventories recognized as an expense in cost of sales during the year was $68,263, and contrasted with $62,222 in the prior year. The increased COGS of $6,041 over the course of the year exceeded an increase in sales of $4,024, resulting in decreased gross profit. The decrease in gross profit margin began early in the year was occasioned by elevated raw material costs, the effects of which persisted until the end of July. By the end of July the majority of inventory affected by these higher costs had been sold. The balance of the year experienced more normal levels of material costs.

Selling expenses

Consolidated selling expenses increased to $11,424 in 2017 from $10,351 in 2016, an increase of $1,073. The expense increases were mainly related to additional commissioned sales staff, commissions and marketing expenses.

Administrative expenses

Consolidated administrative expenses increased to $6,399 in 2017 from expenses of $6,059 reported in 2016, an increase of $340. One-time administrative expenses related to significant one-time events occurring in 2017 contributed to the increased administrative expenses.

Other gains and losses

In 2017, other gains in the amount of $13 included foreign exchange losses of $38 offset by a gain on the disposal of property, plant and equipment of $51. In 2016, other gains in the amount of $2 included foreign exchange losses of $95 offset by a gain on the disposal of property, plant and equipment of $97.

Gain on sale of marketable securities

During the first quarter, 318,421 restricted trust units were released from escrow and were sold in the open market for proceeds of $1,883, resulting in a gain of $275.

Investment income

Investment income reported in 2017 was $114 versus $234 in 2016. Investment income consisted of $74 (2016 - $157) received in distributions on restricted marketable securities, $17 (2016 - $56) for interest earned on bank balances, and $23 (2016 - $21) of interest collected from customers on past due trade receivables. The decreased trust units held resulted in a decrease of monthly trust distributions, which resulted in $83 less investment income in 2017 compared to 2016. Interest earned on bank balances decreased $39 as a result of decreased cash and cash equivalents held in 2017 compared to 2016.

Finance costs

Finance costs in 2017 were $832 as compared to $1,421 reported in 2016, a decrease of $589. Overall, finance costs on lease obligations, mostly for buildings, decreased from $1,390 in 2016 to $545 in 2017 as a result of finance leases for certain buildings being extinguished in March 2017. Accordingly finance costs in fiscal 2017 included two months of lease costs compared to twelve months in 2016. These eliminated finance lease costs amounting to $835 were replaced by finance costs in the amount of $225 attributable to a mortgage on the purchased property.

During the first quarter the operating line was drawn to fund working capital requirements in the Canadian segment and resulted in finance costs of $39 (2016 - $nil) over the course of the year. The operating line was fully repaid during the third quarter of 2017.

Income before taxes

Income before taxes in 2017 was $3,075 as compared to income before taxes of $7,080 in 2016, an unfavourable variance of $4,005 primarily attributable to reduced gross margin from higher raw material costs and certain one-time occurrences.

Income taxes

Income tax expense in the current year was $794 as compared to income tax expense of $2,392 in 2016. The effective tax rate in 2017 was 25.8% (2016 – 33.8%) and is distorted downwards by the combined impact of non-taxable permanent differences on a significant capital gain arising on the sale of marketable securities and prior period adjustments. The current tax expense decreased from $1,613 in 2016 to $401 in 2017 from decreased profitability, the non-taxable portion of the capital gains exemption and prior period adjustments. The deferred tax expense decreased by $386 from an expense of $779 in 2016 to an expense of $393 in 2017, as a result of changes in temporary tax differences from significant one-time events.

On December 22, 2017 the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act. The reduction of the U.S. corporate rate caused an adjustment to the USA segment's deferred tax assets and liabilities to the lower base rate of 21%. Based on the Corporation's current understanding of the Tax Act, the impact of enacted tax changes in the USA segment resulted in a tax expense of $1 for enacted rate changes. The lower US corporate tax rate and additional deductions for bonus depreciation, is expected to have a positive effect on future earnings in the USA.

Net income and earnings per share

Consolidated net income in 2017 was $2,281 as compared to consolidated net income of $4,688 in 2016. Basic and diluted earnings per share of $0.34 in 2017 compared to basic and diluted earnings per share of $0.70 in 2016. Elevated raw material costs over the course of 2017 had a negative effect of decreasing net income. However, net income in 2017 was positively affected by significant one-time events related to the sale marketable securities and the reduced finance costs associated with the extinguishment of certain finance leases.

The weighted average number of basic and diluted common shares outstanding in the current year was unchanged at 6,716,003 common shares.

6. Reportable operating segments

The Corporation has two reportable operating segments. 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:

Operating segments	Description of segments
Canada	Manufacturing and sales operations located in Canada for expanded polystyrene (EPS) products and structural insulating panels *Brands*: Plasti-Fab® EPS Product Solutions®; Advantage ICF System®; Insulspan® SIPS; DuroFoam®
United States of America (USA)	Manufacturing and sales operations located in the USA for EPS products, building systems and structures, design services and installations *Brands*: Plasti-Fab® EPS Product Solutions®; DuroSpan; Insulspan® SIPS; Riverbend® Timber Framing; Precision Craft® Log & Timber Homes; M.T.N. Design℠; Total Home Solution®; Point Zero™; TimberScape ™

Each operating segment mirrors the Corporation's accounting policies (as described in note 2 to the audited consolidated financial statements for the years ended December 31, 2017 and 2016) and its internal controls and reporting systems.

Segment performance predominantly focuses on the types of goods and services offered and their geographical locations of manufacturing and distribution. The 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.

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.

6.1 Segment sales revenues and operating income

Segment sales represent sales revenues directly attributable to each segment after inter-segment sales have been eliminated (see supplemental disclosures in the other segment information table). There are varying levels of integration between each segment.

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

Information regarding each reportable operating segment for years ended December 31, 2017 and 2016 is set out below:

	Sales revenues		Operating income	
	2017	**2016**	**2017**	**2016**
Canada	**$ 68,970**	$ 64,962	**$ 1,746**	$ 5,725
USA	**36,587**	36,571	**1,319**	2,672
Total for segments	**$ 105,557**	$ 101,533	**3,065**	8,397
Corporate – income (expense)			**452**	(140)
Foreign exchange gain on inter-segment settlements			**1**	10
Consolidated operating income			**$ 3,518**	$ 8,267

Canada

Sales

Sales reported by the Canadian operating segment increased to $68,970 in 2017 from $64,962 in 2016, an increase of $4,008 or 6.2%. In the three-month period ended December 31, 2017, the Canadian segment sales were $17,230 compared to $15,020 in the three-month period of 2016, an increase of 14.7%. The sales gains mostly came in the second half of the year. The Canadian segment exhibited regional differences throughout 2017. In markets affected by crude oil prices, the first half of the year generally stabilized and the second half of the year sales advanced to levels above the comparable period of 2016.

Operating income

Operating income generated by the Canadian segment in the current year was $1,746, a decrease of $3,979 or 69.5% from operating income of $5,725 in 2016. Operating income decreased primarily due to elevated material costs. Subsequent to the first quarter, the average input costs of the Corporation's principal raw material were higher than in the comparative period, which increased the cost of sales overall. The full impact of the increased input costs was slightly lessened by a strong Canadian dollar versus the US dollar for most of the year. The net effect of input cost increases and currency appreciation resulted in gross profit margins being weaker in the current year.

During the first quarter of 2017, price increases to customers were initiated, the full effect of which progressed throughout the year.

USA

Sales

As reported in Canadian dollars, sales in the current year were $36,587 versus sales of $36,571 in 2016, a slight increase of $16 over prior year.

Year-over-year comparisons of USD sales revenue when translated into Canadian dollars for reporting purposes are impacted by currency movements. The average foreign exchange rates experienced by the Corporation reflected the change of Canadian currency from an average rate of $1.32 per US$1.00 in the 2016 comparative year to an average rate of approximately $1.30 per US$1.00 in the current year, an approximate currency appreciation of approximately 1.9%. Eliminating the effect of foreign exchange fluctuations, sales, expressed in USA dollars, were $28,247 for the 2017 year or 1.9% higher than sales of $27,728 in the comparative 2016 year.

Despite a relatively flat performance overall during the year, in Q4-2017, USA segment results were favourable with sales of $10,815 compared with $10,038 in the three month period of 2016, an increase of 7.7%. The average foreign exchange rates experienced by the Corporation reflected the appreciation of the Canadian currency from an average rate of $1.33 per US$1.00 in the 2016 comparative three month period to an average rate of $1.27 per US$1.00 in the current three month period. Eliminating the effect of foreign exchange fluctuations, sales, expressed in USA dollars, were $8,501 for Q4-2017 or 12.8% higher than sales of $7,534 in Q4-2016.

Operating income

The USA segment generated operating income in the current year of $1,319, compared to operating income of $2,672 in 2016, a decrease of $1,353 on a year-over-year basis. Operating income decreased primarily due to elevated material costs. Selling expenses increased with additional commissioned sales staff and marketing initiatives.

6.2 Segment assets and liabilities

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

		As at Dec 31, 2017	As at Dec 31, 2016
Assets	Segment assets	**$ 41,570**	$ 51,616
	Assets not allocated to segments:		
	Cash and cash equivalents	**12,268**	17,171
	Freehold land and buildings	**23,386**	7,234
	Restricted marketable securities	**1,239**	2,803
	Corporate taxes [1]	**308**	13
	Total assets	**$ 78,771**	$ 78,837
Liabilities	Segment liabilities	**$ 15,788**	$ 12,803
	Liabilities not allocated to segments:		
	Finance lease obligations	**3,232**	14,220
	Long term debt	**8,906**	-
	Corporate taxes [1]	**20**	168
	Total liabilities	**$ 27,946**	$ 27,191
Net segment assets	Canada	**$ 19,802**	$ 31,359
	USA	**5,980**	7,454

[1] Current and deferred taxes.

6.3 Other segment information

	2017	2016
Additions to non-current assets:		
Canada	**$ 914**	$ 2,738
USA	**648**	328
Corporate	**7,724**	-
Total	**$ 9,286**	$ 3,066
Depreciation and amortization:		
Canada	**$ 2,177**	$ 2,515
USA	**675**	746
Corporate	**1,048**	577
Total	**$ 3,900**	$ 3,838
Inter-segment sales	**$ 5,657**	$ 5,539

7. Results of operations - fourth quarters ended December 31, 2017 and 2016

$ thousands except where indicated	**2017**	**2016**
Consolidated results:		
Sales	**$ 28,045**	$ 25,058
Gross profit	**6,266**	5,932
Operating income	**1,712**	2,039
Net income	**1,240**	1,145
Earnings per share – basic	**0.18**	0.17
Weighted average number of shares outstanding – basic	**6,716,003**	6,716,003
Sales by operating segment:		
Canada	**17,230**	15,020
USA	**10,815**	10,038
Operating income by segment:		
Canada	**544**	1,265
USA	**922**	762

Sales

Consolidated sales in the fourth quarter of 2017 were $28,045, an increase of $2,987 or 11.9% as compared to sales of $25,058 reported in the fourth quarter of 2016. The increase in fourth quarter sales was attributed to both the Canadian and USA operating segments, which both delivered robust sales in the final quarter of the year. Mild weather in the Canadian segment and the resumption of construction schedules in the USA segment, were a positive factors on sales.

Gross profit

Gross profit, expressed as a percentage of sales was 22.3% in the current year quarter, a decrease from 23.7% in the fourth quarter of 2016. The lower gross profit in the fourth quarter of 2017 is reflective of the trend experienced throughout the year, impacted by elevated raw material costs compared to the previous year and the sales mix of products in certain regional markets.

Operating income

Operating income was $1,712 in the current quarter as compared to $2,039 in Q4/16, an unfavourable variance of $327.

Net income and earnings per share

Net income in the current quarter was $1,240 as compared to a net income of $1,145 in the comparative quarter of 2016, a favourable variance of $95.

Basic earnings per share in the current quarter were $0.18 as compared to $0.17 reported for the fourth quarter of 2016.

8. Liquidity and capital resources

Sources of liquidity

PFB ended 2017 with cash and cash equivalents of $12,268. PFB's liquidity position decreased from the beginning of the current year reflecting cash used to purchase property previously leased. Net cash from operating activities increased by $217 compared to the prior year. Future liquidity depends on PFB being able to sustain cash flows from operating activities; additionally the Corporation maintains availability of bank credit facilities. The Corporation's credit facilities and long-term debt contain certain covenants, with which the Corporation was in compliance as at December 31, 2017 and 2016. PFB anticipates that future liquidity will be adequate to fund its ongoing business activities including anticipated changes in non-cash working capital, capital expenditures, payment of financial obligations, and payment of regular dividends over the next twelve months.

PFB's revolving credit facility in Canada and the USA were unused as at December 31, 2017.

Cash and cash equivalents

Cash and cash equivalent balances as at December 31, 2017 and 2016 were as follows:

	December 31, 2017	December 31, 2016
Cash	**$ 12,180**	$ 10,067
Short-term investments	**-**	7,067
Restricted cash	**88**	37
	$ 12,268	$ 17,171

As at December 31, 2017, PFB held net cash balances of $12,268, a decrease from the cash position as at December 31, 2016, which was $17,171. Restricted cash amounted to $88, an increase of $51 from $37 in 2016. Restricted cash comprises cash collected from certain customers of the USA segment that is contractually segregated from other cash and not comingled, as it is held exclusively for disbursements to suppliers and service providers specific to those individual customer contracts.

PFB's cash balances typically fluctuate throughout the year in line with the seasonality of its business.

Borrowings

During 2017, the Corporation obtained long-term debt in a form of a mortgage in the amount of $9,152 from a Canadian bank to fund the purchase of a real estate transaction. The terms of the debt are a fixed interest rate of 3.25% for a 5-year period, with a 20-year amortization.

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 Debt Service Coverage Ratio is defined as adjusted EBITDA for the current year, less dividends, divided by the sum of all principal and interest payments during the course of the year. The calculated Debt Service Coverage Ratio at December 31, 2017 of 4.41:1 exceeded the minimum requirement of 1.25:1.

Total balance of current and non-current portions of long-term debt was $8,906 as at December 31, 2017, which has decreased by $246 for principal repayments.

Bank credit facilities

Canada

The Corporation's Canadian subsidiary has a $10,000 revolving facility secured by a first ranking security interest in trade receivables and inventories of the Canadian subsidiary. The Corporation provides a guarantee and postponement of claim to the bank in the amount of $10,000.

The interest rate applicable on draws made against the facility is the Canadian bank's prime rate plus 0.5% and the facility carries a monthly standby fee when not being utilized. The credit facility was not drawn as at December 31, 2017 and 2016.

USA

In December 2017, the Corporation's USA subsidiary renewed credit facility arrangements with a US bank for a variable rate revolving facility in the amount of $1,250. The revolving facility is secured by all inventory and equipment of the USA subsidiary. The interest rate applicable on draws made against the facility is a variable rate based on an index plus 0.25%.

Under the facility, the USA subsidiary is subject to certain covenants, including financial covenants to maintain an Operating Cash Flow to Fixed Charge Coverage ratio of not less than 1.20:1 and to maintain a Total Debt to Tangible Net Worth Ratio of less than 3.00 to 1.00. The credit facility was not drawn as at December 31, 2017 and 2016.

Change in non-cash working capital

Changes in the principal components of non-cash working capital in 2017 and 2016 are highlighted in the following table.

	2017	2016	Change
Trade receivables	**$ 9,809**	$ 7,643	$ 2,166
Inventories	**9,998**	10,010	(12)
Prepaid expenses	**1,001**	1,111	(110)
Trade and other payables	**(10,217)**	(8,383)	(1,834)
Deferred revenue	**(3,678)**	(2,821)	(857)
	$ 6,913	$ 7,560	$ (647)

In 2017, non-cash working capital decreased by an amount of $647 to $6,913 at the end of the current year from $7,560 in 2016, primarily attributed to changes in current liability accounts.

Trade receivables increased by $2,166 in 2017 and was commensurate with the increase experienced in fourth quarter sales revenues. Accordingly, additional amounts provided for doubtful accounts increased as well. The value of trade receivables written off in the current year was $52 compared with $28 in 2016.

Inventory carrying costs at the end of 2017 were almost exactly in line with inventories carrying costs at the end of 2016, and the classification profile in each year was similar. The carrying cost of inventories at the end of 2017 was $9,998 as compared to $10,010 at the end of 2016, a negligible decrease of $12.

Trade and other payables were $1,834 higher at the end 2017 as compared to at the end of 2016, consistent with a general increase in trading activities in the latter part of the fourth quarter.

Advance deposits collected from customers, mainly in the USA segment, represent future contract obligations to transfer goods or services to a customer for which consideration has been received. Deferred revenues increased by $857 in 2017 and mirrored the increase in sales and backlog that the USA segment experienced in the fourth quarter of 2017.

Summary of cash flows

A summary of cash flows for the years ended December 31, 2017 and 2016 are included in the following table:

	2017	2016
Net cash flows from (used in):		
Cash from operating activities, before income taxes paid	**$ 7,943**	$ 11,164
Income taxes paid, net	**(144)**	(3,582)
Investing activities	**(9,114)**	(2,678)
Financing activities	**(3,219)**	(3,626)
Effect of exchange rate changes on the balance of cash held in foreign currencies	**(369)**	(359)
Net (decrease) increase in cash and cash equivalents	**(4,903)**	919
Cash and cash equivalents at the beginning of the year	**17,171**	16,252
Cash and cash equivalents at the end of the year	**$ 12,268**	$ 17,171

(a) Operating activities

In 2017, cash from operating activities before income taxes paid, was $7,943 as compared to $11,164 in the comparative year, a decrease of $3,221. The year-over-year decrease was primarily due to lower net income in the current year and a significantly higher income tax expense in the prior year. Income taxes paid of $144 in the current compared to $3,582 in the prior year as a result of prior period adjustments and corporate income tax refunds, resulting in net cash from operating activities of $7,799 in 2017 compared to $7,582 in 2016.

(b) Investing activities

Net cash used in investing activities in 2017 was $9,114 as compared to cash used in investing activities of $2,678 in 2016, an increase of $6,436. Investing activities increased primarily to the repurchase of net leased assets of $7,675, and secondarily for capital expenditures of $1,611 (2016 - $3,066) for tangible and intangible assets. Distributions from marketable securities decreased to $74 in 2017 from $157 in 2016 as the Corporation sold 318,421 trust units and received fewer investment income distributions.

(c) Financing activities

Cash used in financing activities in 2017 was $3,219 as compared to $3,626 in 2016.

As part of the acquisition of the Crossfield, Alberta property, the Corporation extinguished finance lease obligations in the amount of $10,982 relating to the property. The net cash inflows from long-term debt, net of payments, related to the Crossfield, Alberta acquisition was $8,906. Repayment of finance lease obligations in 2017, which included buildings and vehicles leases, amounted to $246 as compared to lease repayments of $392 in 2016. Finance costs incurred on leases in 2017 declined significantly to $832 compared to finance costs of $1,421 incurred in 2016, a favourable reduction by $589.

As a significant one-time event in 2017, the Corporation sold 318,421 trust units resulting in cash flow from financing activities in the amount of $1,883.

In 2017, PFB paid a regular quarterly dividend of $0.07 per common share in February, May and August. PFB increased the dividend and paid a regular quarterly dividend of $0.08 per common share in November, resulting in dividends paid in 2017 of $1,948. In the prior year, PFB paid regular quarterly dividends of $0.06 per common share in February and increased the dividend and paid a regular quarterly dividend of $0.07 per common share in May, August, and November, resulting in dividends paid in 2016 of $1,813. In 2017 and 2016, PFB did not purchase any shares for cancellation under a Normal Course Issuer Bid.

Outstanding share data

The issued and outstanding number of common shares as at March 8, 2018 was 6,716,003.

Capital structure and capital management

PFB manages its capital structure to ensure its consolidated operations continue to operate as a going concern, to optimize returns to shareholders, and to safeguard corporate assets.

PFB's capital structure consists of net debt (long-term debt offset by cash and cash equivalents) and equity of the Corporation (comprising issued share capital, reserves, and retained earnings as detailed in the consolidated statement of changes in equity).

PFB's capital structure, net of cash and cash equivalents, as at December 31, 2017 and 2016, is as outlined in the following table:

	As at December 31, 2017	**As at December 31, 2016**
Borrowings	**$ 8,906**	$ -
Less: cash and cash equivalents	**12,268**	17,171
Surplus cash	**$ (3,362)**	$ (17,171)
Shareholders' equity	**$ 50,825**	$ 51,646
Net borrowings to equity ratio	**N/A**	N/A

PFB considers the amount of capital it requires in proportion to the associated risks. Adjustments may be made to PFB's capital structure in light of changes in economic conditions and the risk characteristics of the underlying assets. The capital structure can be maintained or adjusted in a variety of ways as circumstances change, including: adjusting the amount of dividends paid to shareholders; purchasing shares for cancellation (under Normal Course Issuer Bids); issuing new shares; and increasing or repaying debt financing.

PFB pursues its capital management objectives by prudently managing the capital generated through internal growth of its operations, optimizing the use of lower cost capital when required, and raising share capital when deemed appropriate, to fund significant strategic growth initiatives.

Entities within PFB's consolidated group have non-capital tax losses carried forward to be utilized against future taxable income that is expected to be generated by those entities.

Share-based options

PFB did not grant any share options in the year ended December 31, 2017 and 2016, and no share options were exercised in either year.

Dividends

During 2017, the Board of Directors increased the quarterly dividend per common share to $0.08. The Board of Directors declared regular quarterly dividends of $0.07 per common share in February, May and August, and $0.08 per common share in November of 2017.

Aggregate dividends paid in the year ended December 31, 2017, amounted to $1,948 (2016 - $1,813).

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

Normal course issuer bid

In January 2018, PFB obtained approval from the Toronto Stock Exchange to renew its Normal Course Issuer Bid ("issuer bid") for a 12-month period, which commenced on January 10, 2018, and ends no later than January 9, 2019.

Comprehensive income

Comprehensive income consists of net income or loss, together with certain other economic gains and losses that, collectively, are described as "other comprehensive income" and those items are excluded from the consolidated statements of income.

A summary of comprehensive income for the three and twelve month periods ended December 31, 2017 and 2016 is as follows:

	Three month periods ended December 31		Twelve month periods ended December 31	
	2017	**2016**	**2017**	**2016**
Net income for the period	**$ 1,240**	$ 1,145	**$ 2,281**	$ 4,688
Other comprehensive income (loss)	**162**	528	**(1,154)**	103
Comprehensive income for the period	**$ 1,402**	$ 1,673	**$ 1,127**	$ 4,791

In the fourth quarter of 2017, comprehensive income was $1,402 as compared to a comprehensive income of $1,673 in the comparative quarter of 2016. Other comprehensive income of $162 (Q4/16 – income of $528) in the current quarter consisted of income of $84 (Q4/16 – income of $416) attributed to foreign currency translation when consolidating PFB's USA operations, a gain of $62 (Q4/16 – gain of $29) representing unrealized gain on restricted marketable securities, net of tax, and a gain of $16 (Q4/16 – gain of $83) from pension plan valuation changes.

Included in accumulated comprehensive income at December 31, 2017, were foreign currency translation adjustments totaling $1,209, marketable securities adjustments of $39, net of tax, and $16 of defined benefit valuation changes, net of tax, for total accumulated other comprehensive loss of $1,154. The $784 decrease in foreign currency translation adjustments from December 31, 2016 of $425, to $1,209, reflects the strengthened Canadian dollar throughout 2017 when retranslating USA segment from US dollars into Canadian dollars. The marketable securities, in the form of units of a Canadian REIT, represent $229 of accumulated unrealized gains since March 2013 as part of a sale-leaseback arrangement and have decreased for 318,421 units disposed of in 2017. The $16 gain in pension plan valuation changes from December 31, 2016 of $52, to $68 reflects valuation changes in accumulated other comprehensive income.

9. Contractual obligations and commitments

In the normal course of business, PFB is obligated to make future contractual payments. As at December 31, 2017, PFB's contractual obligations and commitments are as outlined in the following table:

Contractual obligations (Payment due periods)	Total	Within 1 year	2-3 years	4–5 years	Over 5 years
Long-term debt	**$ 8,906**	$ 339	$ 711	$ 758	$ 7,098
Finance lease obligations	**7,398**	648	1,045	854	4,851
Operating leases	**10,855**	1,217	1,969	1,846	5,823
Commitments for PP&E and intangible assets	**273**	273	-	-	-
Total contractual obligations	**$ 27,432**	$ 2,477	$ 3,725	$ 3,458	$ 17,772

Long-term debt obligations are a result of significant one-time events in 2017 and represent a mortgage on the purchase of certain leased assets in 2017. Finance lease obligations are with respect to buildings in Canada used for manufacturing operations, automobiles used by employees, and materials handling equipment. Operating leases are with respect to leases for land, certain facilities used in PFB's operations, and general items of office equipment.

From time-to-time, under the terms of certain sales contracts, PFB's subsidiaries may be required to provide performance bonds 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 those states. As at December 31, 2017, the USA, performance bonds in the amount of $598 (2016 - $691) were pledged to various government agencies.

10. Financial instruments and financial risks

Fair value of financial instruments

PFB's financial assets and liabilities that are recorded at fair value on a recurring basis have been classified into one of three categories based upon the following fair value hierarchy:

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

Level 2: Fair value is 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 is based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

A summary of the categories and fair values of financial instruments held by PFB as at December 31, 2017 and 2016, are stated in the following table. The carrying costs of each financial instrument for each year in the consolidated balance sheets are equal to their fair values.

Financial instrument	Category	Measurement	Hierarchy	2017 Fair Value	2016 Fair Value
Cash and cash equivalents	FVTPL	Fair value	Level 1	**$ 12,268**	$ 17,171
Restricted marketable securities	Available for sale	Fair value	Level 1	**1,239**	2,803
Trade receivables	Loans and receivables	Amortized cost	N/A	**9,809**	7,643
Trade and other payables	Other financial liabilities	Amortized cost	N/A	**(10,217)**	(8,383)
Long-term debt	Other financial liabilities	Amortized cost	Level 2	**(8,906)**	-
Finance lease obligations	Other financial liabilities	Amortized cost	N/A	**(3,232)**	(14,220)
Deferred operating lease obligations	Other financial liabilities	Amortized cost	Level 2	**(506)**	(498)

Credit risk

Credit risk is defined as the risk that PFB's counterparties in a transaction fail to meet or discharge their obligation to PFB.

PFB's exposure to credit risk is associated with trade receivables and the potential risk that any customer is unable to pay amounts when due. Allowances for doubtful accounts and bad debts are estimated and maintained as at the balance sheet date. The amounts reported for trade receivables on the balance sheet are net of allowances for doubtful accounts and the net carrying value represents PFB's maximum exposure to credit risk.

PFB's subsidiaries provide trade credit to their customers in the normal course of business and PFB's credit policy is universally adopted across all its businesses. The policy requires the credit history of each new customer to be closely examined before credit is granted, which may involve performing solvency tests if a particular account is expected to become significant. It is not normal practice to require customers' to provide collateral or security as a condition of approving trade credit. The diversity of PFB's customer base and product offering combine to minimize overall exposures to credit risks.

Customers ordering highly-customized manufactured products are required to make advance payments at various predefined stages of a sales contract. All payments received in advance of invoicing are reported as deferred revenue under the current liability section of the balance sheet. Final contract balances are typically required to be paid in full before products are shipped.

Management diligently reviews past due trade receivables balances on a weekly basis to monitor potential credit risks. Accounts are considered for impairment on a case-by-case basis when they are past due or when objective evidence is received that a customer may default. A number of factors are considered in determining the likelihood of impairment. All bad debt write-offs and changes in the doubtful trade receivables reserve are expensed or credited, as applicable, to selling expenses in the consolidated statement of income.

PFB believes that credit risk associated with its trade receivables is limited for the following reasons:

- Trade receivables balances are spread amongst a broad customer base which is dispersed across a wide geographic range
- The aging profile of trade receivables balances are systematically monitored by management
- Larger customers are offered a discount off invoice value if full payment is received by an agreed date in the month following the month of sale
- Payments for highly-customized orders are received in advance of products being shipped

Potential credit risk associated with contractual holdback amounts pertaining to certain large projects is considered to be low as the customers involved are required to provide bonding to the owners of the projects. The credit risk on cash balances is limited because the counterparties are large commercial banks in Canada and the United States.

Payments of interest collected from customers on past due trade receivables balances is included as part of investment income in the consolidated statement of income.

Foreign currency risk

Currency risk is defined as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

PFB operates in both Canada and the United States of America and is exposed to foreign exchange risks arising from changes in foreign exchange rates between the two countries. At the present time, PFB has a net exposure to the United States dollar, as the prices of most raw materials used in its businesses are denominated in U.S. dollars. Raw material supplies denominated in U.S. dollars are usually paid within thirty days or less of receiving actual deliveries, which is consistent with industry practices.

Periodically, management may commit to entering into foreign exchange contracts to attempt to protect earnings against relatively short-term fluctuations in exchange rates. In such cases, management attempts to make informed judgements in entering such transactions but there is a possibility that markets may not respond in ways predicted. To the extent that PFB does not fully hedge its foreign currency exposure and exchange rate risk, or PFB's subsidiaries are not able to or do not raise their selling prices accordingly when exchange rates are moving in an unfavourable direction, the profitability of the business could be adversely affected. PFB does not enter into currency driven derivative financial instruments for speculative purposes. PFB did not hold any foreign exchange contracts as at December 31, 2017.

Historically, PFB has mainly financed its USA operations from internal resources with demand loans denominated in Canadian dollars on which the USA operations is exposed to currency risk. As the exchange rate between the Canadian and U.S. dollars fluctuated, unrealized gains and losses arising on the loans were recorded in the consolidated statement of income in accordance with IFRS. In 2013, PFB refinanced its USA subsidiary by making equity investments instead of purchasing debt instruments from it. Foreign exchange gain or losses on inter-segment settlements represent transactions between the Canadian and USA segment are settled on a monthly basis and involve foreign currency risk.

Interest rate risk

Interest rate risk is defined as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of change in market interest rates.

The Corporation's interest rate risk is mitigated with a fixed rate of interest at 3.25% on its long-term debt until renewal in March 2022. Management believes that the potential adverse impact of interest rate fluctuations on the current level of borrowings exposed to interest rate risk will not be significant in relation to its expected future earnings.

As at December 31, 2017, the Corporation's Canadian subsidiary had access to a revolving credit facility with a Canadian bank. The revolving credit facility has a limit of $10,000 based on marginable trade receivables and inventories and the revolving credit facility was unused. The Corporation's USA subsidiary had access to a revolving credit facility with a US bank. The revolving credit facility has a limit of $1,250, based on all inventory and equipment. The revolving credit facility was unused at December 31, 2017.

Liquidity risk

Liquidity risk is defined as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Corporation's liquidity risk is that it is not able to settle liabilities when due or that it can do so only at an abnormally high cost. Accordingly, one of management's primary goals is to maintain an optimum level of liquidity by actively managing assets, liabilities and cash flows generated by operations. The Corporation's future strategies can be financed through a combination of cash flows generated by operations, borrowing under existing credit facilities, and the issuance of equity. Management prepares regular budgets and cash flow forecasts to help predict future changes in liquidity.

11. Off-balance sheet arrangements

PFB does not believe it has any off balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on its financial performance or financial condition.

12. Related party transactions

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

Balances and transactions between PFB and its subsidiaries, which are related parties of PFB, have been eliminated on consolidation.

In the years ended December 2017 and 2016, the Corporation had the following transactions with related parties:

Related party	Nature of transactions	2017	2016
E. Carruthers Trucking	Transportation services	**$ 1,920**	$ 1,687
Aeonian Capital Corporation	Management services	**350**	350
		$ 2,270	$ 2,037

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

Related party	Nature of transactions	2017	2016
E. Carruthers Trucking	Transportation services	**$ 68**	$ -

Aeonian Capital Corporation (“Aeonian”), and its affiliates, owned 2,967,668 (2016 - 2,967,668) common shares of PFB representing 44.2% (2016 – 44.2%) of the 6,716,003 issued and outstanding shares as at December 31, 2017. Aeonian is controlled by C. Alan Smith, President, Chief Executive Officer, and Chairman of PFB. The Corporation is charged fees by Aeonian for management services including those provided by Mr. Smith. The fees are reported under administrative expenses in the consolidated statement of income.

E. Carruthers Trucking is owned by a sibling of a member of the Board of PFB. The transactions have occurred in the normal course of operations at arm’s length and are based on standard commercial terms.

13. Subsequent events

Declaration of regular quarterly dividend

On February 1, 2018, the Board of Directors declared a regular quarterly dividend of $0.08 per common share, which was paid on February 23, 2018, to shareholders of record at the close of business on February 9, 2018.

14. Outlook

PFB’s operations achieved a record-high of consolidated sales of $105,557 in 2017. PFB’s operations continue to recover in the oil-producing regions and continue to reflect a stronger economic environment, particularly in the United States segment. The Canadian segment’s 2017 quarterly sales performance achieved higher sales in each quarter, as compared to the comparable quarter. The economic recovery in the oil-producing regions of Canada contributed to the consistently improved quarterly sales. Management remains optimistic the sales growth trend will continue into 2018. Adverse weather conditions in the USA segment during the hurricane season delayed customer shipments, however shipments resumed in the fourth quarter and we expect they will continue into the first quarter as customers adjust shipping schedules. The order book remains strong, which has resulted in higher customer deposits than prior year at this time. The Corporation’s obligation to transfer goods or services to customers for which deposits have been received, will result in additional vertically-integrated sales throughout 2018.

The influence of world crude oil prices on the economies of North America are the largest driver in the outlook for the Corporation. Since the dramatic fall in crude oil prices, which began in the fourth quarter of 2014, our input costs in the manufacture of our key raw material reduced, providing the opportunity for our business to return to normalized gross margin levels and was our experience throughout 2015 and 2016. At the same time, a weakening Canadian dollar exchange rate versus the U.S. dollar partly counteracted the benefits of reducing costs. Additionally, the lower oil prices had the potential effect of adverse economic consequences of slowing construction demand and therefore demand for our products in some of our regional markets. In general, the oil effect has overall been positive for the general economy that we operate in and in our continuing cost structure. The devaluation of the Canadian currency has restricted the ability of competitors to import their products into Canada, a positive outcome for PFB. During the fourth quarter of 2017 and continuing in 2018, crude oil prices have been rising. This may have contributed to the volatility in raw material costs that we have experienced in recent months.

The pricing of the Corporation’s principal raw materials continue to trend upwards in 2018. Management believes this trend will continue and has employed new strategies to mitigate these effects. Selling price increases have been announced by PFB to customers in an effort to recoup higher input costs.

PFB continues to have a net overall exposure to US dollars, as raw materials are priced in that currency. PFB does not hedge foreign currency transactions.

As a result of PFB’s purchase of leased assets and the extinguishment of lease obligations, net cash used in financing activities will improve, but net cash from operating activities and adjusted EBITDA will decrease. However, management expects the net cash position to improve as a result of reduced financing costs. Cash flow provided by operations, together with unused credit facilities, is considered adequate to meet all anticipated liquidity needs in 2018.

15. Disclosure controls and procedures (DC&P)

DC&P are designed to provide reasonable assurance that all relevant information is gathered and reported to management, including, the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO) on a timely basis so that appropriate decisions can be made regarding public disclosures.

An evaluation of our DC&P was conducted, as at December 31, 2017, by management under the supervision of the CEO and the CFO. Based on this evaluation, the CEO and the CFO have concluded that, as at December 31, 2017, our DC&P, as defined in National Instrument 52-109, *Certification of Disclosure in Issuers' Annual and Interim Filings* (NI 52-109), was effective.

Notwithstanding the foregoing, no absolute assurances can be made that Corporation's controls over disclosure will detect or prevent all failures of individuals within the organization to disclose material information otherwise required to be set forth in reports or news releases issued by the Corporation.

16. Internal controls over financial reporting

Management is responsible for establishing and maintaining adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial reports for external reporting purposes in accordance with IFRS.

All control systems contain inherent limitations, no matter how well designed and operated. As a result, management acknowledges that PFB's internal controls over financial reporting will not prevent or detect all misstatements due to error or fraud. In addition, management's evaluation of controls can provide only reasonable, not absolute, assurance that all control issues that may result in material misstatements, if any, have been detected.

As at December 31, 2017, the CEO and CFO, assessed the effectiveness of the Corporation's internal controls over financial reporting and concluded that it was effective and that no material weaknesses in the Corporation's internal controls over financial reporting has been identified.

17. Risk management and assessment

PFB is subject to risks and uncertainties inherent in the operation of its business. Management defines risk as the possibility that an event might happen in the future that could negatively affect the financial condition and/or results of operations of the Corporation. The following section describes specific and general risks that could affect PFB. The Audit Committee and the Board of Directors play an important role in developing risk management programs and reviewing and monitoring them on a quarterly basis. As it is difficult to predict whether any risk will happen or its related consequences, the actual effect of any risk on PFB's business could be materially different from anticipated.

The following descriptions of general and specific risks do not include all possible risks, as there may be other risks existing of which the Corporation is currently unaware.

17.1 Raw material price and supply

The price of raw materials, specifically, styrene monomer, expandable polystyrene resin, polypropylene copolymers, oriented strand board, and raw timbers combined represent a significant portion of manufacturing costs in PFB's businesses. Historically, there have been considerable cyclical and other causes of volatility in the price of these materials, which is outside the control of PFB. There are no futures markets for these materials available to PFB, which limits the ability to lock in prices for fixed periods of time.

PFB may, from time-to-time, build inventories of both raw materials and finished goods which can lead to the assumption of risk due to an inability to match carrying costs to selling prices under certain fixed price sales contracts. Conversely, from time to time, PFB may be short of inventory that has been contracted to be delivered under fixed price sales contracts that can lead to the assumption of risk also due to an inability to match costs to selling prices.

Management continues to explore opportunities to minimize the impact that price swings in purchasing raw materials has on PFB's earnings. The changing dynamics in the petrochemical industry, primarily driven by world oil prices and other global events, and changing dynamics affecting other industries, are difficult to predict. Such changes may create the potential for raw material supply disruptions or shortages which would be detrimental to PFB's operations.

17.2 Economic and market conditions

PFB's business is affected by prevailing general and regional economic conditions, consumer confidence and spending, and both the demand for and prices of its EPS products and insulating building systems in those geographic areas in which it operates. Weaker economic conditions, the impact of changing mortgage rates and other interest rates potentially affecting the construction industry, and the possibility of slowdowns in residential and/or commercial construction activity, typically evidenced by the change in the number of building permits issued, may translate into lower demand for PFB's products. Such effects may also adversely affect the financial condition and credit risk of PFB's customers, including their ability to obtain credit to finance their businesses, which could create uncertainty over the collectability of trade receivables.

17.3 International Trade

PFB exports some of its products to customers outside of Canada and imports some of its raw materials to Canada and certain of its inputs are affected by global commodity prices. PFB's international operations are subject to inherent risks, including: change in the free flow of goods between countries; fluctuations in currency values; discriminatory fiscal policies; unexpected changes in local regulations and laws; and the uncertainty of enforcement of remedies in foreign jurisdictions. In addition, trade agreements between Canada and foreign jurisdictions could change and foreign jurisdictions could impose tariffs, quotas, trade barriers, and other similar restrictions on the PFB's international sales. All of these risks could result in increased costs or decreased revenues, either of which could have a material adverse effect on the Company's financial condition and results of operations.

17.4 Competition

As a market leader in its industry, PFB faces intense and growing competition from other manufacturers of all sizes located in both Canada and the United States, new entrants into the markets we serve, along with manufacturers of substitute products which compete with EPS. Competition can affect PFB's pricing strategies and lower its sales revenues and net income. Competition can also affect PFB's ability to retain existing customers and attract new ones. A competitive business climate increases the resolve to provide exceptional customer service, quality products, and the need to be price competitive. Management continues to identify ways to grow revenues, manage expenses and increase productivity. This requires anticipating and responding quickly to the constant changes in its businesses and markets.

17.5 Currency

PFB has a net exposure to the U.S. dollar which makes it vulnerable to fluctuations in the foreign exchange rate between the Canadian dollar and the U.S. dollar. The timing of foreign exchange rate fluctuations between the Canadian dollar and the U.S. dollar can have a significant effect on PFB's operating results, the effect and magnitude of which depends on the product mix of sales and raw material purchases.

From time-to-time, management may commit to utilizing derivative financial instruments in the normal course of business as a means of management of its foreign currency exposure. Management attempts to make informed judgements in such transactions but there is the possibility that markets may respond in ways not predicted. To the extent that PFB does not fully hedge its foreign currency exposure and exchange rate risk, or PFB's subsidiaries are not able or do not raise their selling prices accordingly when exchange rates are moving in an unfavourable direction, the profitability of the business could be adversely affected.

17.6 Acquisitions

PFB's growth strategy includes making strategic acquisitions when possible. There is no assurance that it will find suitable companies to acquire or that it will have the financial resources needed to complete any acquisition. There could also be challenges integrating the operations of any acquired company with existing operations.

17.7 Financing and liquidity

In developing business operations to their full potential, significant capital and operating expenditures may be required on an ongoing basis. PFB has historically generated sufficient cash flow from its operations to fund its capital expenditure requirements, repay financing obligations, and maintain regular dividend payments. Future development of new products and the growth of PFB's business through internal expansion or by acquisitions may depend on access to external financing. PFB's cash position and existing credit facilities are considered adequate to meet its current and medium-term needs. There is no guarantee that financing for future expansion of PFB's operations will be available on acceptable terms, if required.

17.8 Reputation

Negative publicity regarding PFB's business practices, regardless of whether true or false, could adversely affect PFB's reputation which, in turn, could affect its operations, customers, and share value. PFB manages reputational risk by placing the utmost importance on corporate governance and full and fair disclosure. Good corporate governance practice emanates from an effective board of directors. PFB's board of directors and its board committees have been shaped to competently perform the role of overseeing the appropriate management of PFB's affairs with the objective of maximizing the long-term value of PFB. A detailed summary outlining PFB's corporate governance practices can be found in the most recent Management Information Circular.

17.9 Trade credit

PFB's subsidiaries provide trade credit to their customers in the normal course of business. PFB's credit policy is universally adopted across its businesses. The policy requires the credit history of each new customer to be closely examined before credit is granted, which may include performing solvency tests if a particular account is expected to become significant. Management diligently reviews past due trade receivables on a weekly basis, which helps minimize credit risk. The diversity of PFB's activities and customer base also helps minimize the credit risk to which it may be exposed.

17.10 Environmental considerations

Environmental issues are gaining in importance for PFB's stakeholders. PFB is committed to responsibly managing the direct and indirect impact it has on the environment. PFB believes that it is in substantial compliance with applicable environmental laws in jurisdictions where it has operations. PFB takes custody of hazardous materials when the goods physically arrive at its facilities. All construction materials must adhere to fire safety requirements during their manufacture, transportation and storage. During the end of 2016, the Corporation transitioned away from HBCD, as a brominated flame retardant used in EPS resin, to an alternative replacement for HBCD as part of Environment Canada regulations. The replacement brominated polymeric flame retardant is specifically innovative for polystyrene foams and applicable to manufacturers to ensure insulation products meet strict building code fire performance requirements when used as a component in building assemblies. PFB will continue to work with Environment Canada and other industry partners in assessing environmental considerations.

17.11 Information technology

PFB makes extensive use of information technology in conducting its businesses. This involves web-based connections, access to secure, centrally located servers and databases, and maintaining both existing and implementing new business software applications. The security and safeguarding of information technology assets and protocols will continue to be increasingly important to PFB. PFB minimizes its exposure to I.T. risks by continuously reviewing its access and application controls, performing disaster recovery testing, locating its backbone I.T. assets in an industry-leading secure location, and hiring and training specialist employees with respect to the protection and use of I.T. assets and related intellectual property. Failure in the completeness, accuracy, availability or security of PFB's information systems or a breach of data security could adversely affect its operations and financial results. Correspondingly, computer viruses, cyber-attacks, security breaches, unforeseen natural disasters and related events or disruptions could result in information systems failures that may adversely affect PFB's operations and financial results.

17.12 Cyber Security

PFB relies on information technology and information systems in all areas of operations. These systems are subject to an increasing number of sophisticated cyber threats. The methods used to obtain unauthorized access, disable or degrade service or sabotage systems are constantly evolving. A successful cyber-attack may result in a breach of sensitive information or its systems to be disrupted, PFB's financial position, brand and/or its ability to achieve strategic objectives may be negatively affected.

17.13 Seasonality and climatic factors affecting the construction industry

Due to the seasonal nature of the construction industry, PFB's actual reported sales exhibit variations when viewed on a quarter-by-quarter basis. Typically, sales are weakest in the first and fourth quarters of the year and strongest in the second or third quarters. Sales in any quarter can be significantly influenced by weather events, particularly the timing of when winter begins and ends, and the severity thereof.

17.14 Plant and facilities

PFB operates a number of manufacturing facilities across North America, most of which operate at or near capacity for significant portions of the year. Any disruption to operations at any plant and facility arising from natural or man-made causes such as fire, flood, labour disputes, interferences with access or egress, or other events, could have a material impact on PFB and its business operations.

17.15 Employee future benefits

A defined benefit pension plan (the "Plan") exists for certain Ontario-based employees who are members of the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied industrial and Service Workers International union. The latest accounting valuation of the Plan calculated in accordance with IAS 19 was completed as at December 31, 2017, and it identified that the Plan had a defined benefit pension asset of $91 compared to a defined benefit asset of $10 at the end of the comparative year. Throughout 2017 and 2016, PFB made both normal service and special payment contributions to the Plan. The actual rate of return on plan assets and changes in interest rates and other variables could result in changes in PFB's funding requirements for the Plan. The Plan assets are not immune to market fluctuations and, as a result, PFB may be required to make additional cash contributions in future.

PFB operates group 401K plans for all qualifying employees located in Minnesota, Michigan, Ohio and Idaho, USA, in which qualifying employees may elect to defer current wages for retirement. PFB has the option to match employee contributions to the plans. The assets of the plan are held separately from those of PFB by a trust company, which is governed by a custodial agreement (ERISA). PFB also utilizes the services of registered investment brokers and third party administrators in the fulfillment of its actuarial and fiduciary responsibilities with respect to the plans.

17.16 Human resources

PFB's success depends on the abilities, experience, engagement, and succession of its management teams. The loss of key employees through either attrition or retirement could adversely impact the Company's future business and financial results. PFB attempts to mitigate these risks by offering competitive compensation and benefits packages, training, succession planning, and providing a positive cultural environment.

17.17 Off-Balance Sheet Arrangements and Operating Leases

The Corporation does not believe it has any off balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on its financial condition, results of operations, or liquidity.

17.18 Internal and Disclosure Controls

Ineffective internal controls over financial reporting or inadequate disclosure controls could result in an increased risk of a material misstatement in financial reporting and public disclosures. In accordance with guidelines adopted for publicly-traded companies in Canada, PFB assesses the effectiveness of its internal and disclosure controls using a top-down, risk-based approach in which both qualitative and quantitative measures are considered. An internal control system, no matter how well conceived and operated, can provide only reasonable, but not absolute, assurance to management and the Board of Directors regarding the achievement of results. PFB's current systems of internal and disclosure controls places reliance on key personnel across the Company to perform a variety of control functions which include performing reviews, analysis, reconciliations and monitoring. The undetected failure of individuals performing such functions or implementing controls as designed could adversely impact PFB's financial results.

17.19 Volatility of Market Share Price

The market price of PFB's common shares may be volatile and could be subject to fluctuations in response to quarterly variations in financial results or other events or factors. Consequently, broad market fluctuations or the failure of PFB's financial results to meet expectations in a particular reporting period may adversely affect the market price of its common shares.

18. Critical accounting judgements and estimates

In the application of PFB's accounting policies, as described in note 2 to the consolidated financial statements for the years ended December 31, 2017 and 2016, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities. The estimates and associated assumptions are based on a combination of historical experience, available knowledge of current conditions, and other factors that are considered to be reasonable and relevant under the circumstances. Actual costs and outcomes may significantly differ from these estimates and assumptions.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised if the revision affects only that year or in the year of the revision and future years if the revision affects both current and future years.

The following are the key assumptions concerning the future and other key sources of estimating uncertainty at the end of the reporting year, that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year.

18.1 Cash-generating unit ("CGU")

Determination of which assets constitutes a CGU is subject to management judgements. Also, the asset composition of a CGU can directly impact the recoverability of assets included therein. The recoverable amount of a CGU is assessed at the CGU level and is the higher of the CGU's fair value less costs of disposal and its value in use. A CGU may be impaired when its carrying amount exceeds its recoverable amount. Key assumptions used for the value in use calculations are set out in note 14 of the audited consolidated financial statements for the year ended December 31, 2017.

18.2 Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit(s) to which goodwill has been allocated. The value in use calculation requires management to estimate the future cash flows expected to arise from the cash-generating unit and determining a suitable discount rate in order to calculate present value.

In the years ended December 31, 2017 and 2016, no impairment of goodwill was recognized. Notwithstanding, reasonable changes in one or more of the variable assumptions or the discount rate used to estimate the present value of future cash flows could have a bearing on the valuation outcomes and conclusions.

18.3 Impairment of tangible and intangible assets

Determining whether tangible and intangible assets are impaired requires an estimation of the value-in-use of the CGUs to which they have been allocated. The value-in-use calculation requires management to estimate the future cash flows expected to arise from the CGU and a suitable discount rate to be determined in order to calculate present value.

In the years ended December 31, 2017 and 2016, no impairment of tangible and intangible assets was recognized. Notwithstanding, reasonable changes in one or more of the variable assumptions or the discount rate used to estimate the present value of future cash flows could have a bearing on the valuation outcomes and conclusions.

18.4 Valuation of inventories

Management reviews the carrying amount of finished goods inventories at the end of each reporting year and the recorded amount is adjusted to the lower of cost or net realizable value. As part of the review, management is required to make certain assumptions when determining expected realizable amounts.

An inventory reserve is maintained for slow-moving raw materials and work-in-progress inventories. The value of slow-moving inventories is based on management's assessment of market conditions for its products as determined by historical usage and estimated future demand. Any write downs in value may be reversed if the circumstances which caused them no longer exist.

18.5 Allowance for doubtful accounts

Management reviews the aging profile of trade receivables on a customer-by-customer basis at least at the end of each reporting year and an allowance for doubtful accounts reserve is maintained. The value of the allowance for doubtful accounts reserve typically tracks the seasonality trend of trade receivables. Specific reserves may be created for individual customers in exceptional circumstances. Bad debts are written off against the reserve.

18.6 Income taxes

PFB is subject to income taxes in both Canada and the USA. When preparing current and future tax expense at the end of each reporting year, management is required to make certain estimates and assumptions regarding the timing of when temporary differences will reverse and tax rates that will be in force at that time. Unknown future events and circumstances, such as changes in tax rates and laws, may materially affect the assumptions and estimates made from one year to the next and thereby affect the consolidated financial statements.

18.7 Measurement of retirement benefits

Post-employment benefits are accounted for on an actuarial basis. PFB engages the services of an independent actuary to perform valuations of PFB's defined benefits plan and the actuary provides a certified opinion thereon. For inclusion in the valuation, management is required to make certain assumptions including an appropriate discount rate and the estimated return of plan assets. The estimates are reviewed for reasonableness by the actuary. Due to the nature of the assumptions made and used in the valuations, there is the potential for fluctuations of a material nature in the value of the defined benefits in future years.

18.8 Property, plant and equipment

PFB estimates the useful life of property plant and equipment that it owns or is held under a finance lease. The actual useful life of assets and components of assets could vary significantly from the estimated useful lives used in determining periodic depreciation expense. Additionally the amortization of financial lease obligations associated with leasing these assets can be based on parameters that are notional and not precisely measured. The effect of employing these estimates does not necessarily match cash flows from operations with costs recorded as expense. Management reviews the useful lives of the assets at least annually to ensure that expected and actual lives are as closely aligned as is practical.

18.9 Finance leases

Management uses judgment in determining whether a lease should be accounted for as a finance lease. In doing so, management considers the lease terms and, in some cases, those terms may not always conclusively support the classification as a finance lease.

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

19.1 New and revised IFRSs affecting amounts reported and/or disclosures in the consolidated financial statements

The Corporation has applied a number of new and revised IFRSs issued by the International Accounting Standards Board ("IASB") that are mandatorily effective for an accounting year that begins on or after January 1, 2017.

- **Amendments to IAS 12 *Income Taxes***
  The amendments clarify the recognition of deferred tax assets for unrealized losses.

- **Amendments to IAS 7 *Statement of Cash Flows***
  The amendments clarify certain amendments to disclose changes in liabilities arising from financing activities.

- **Annual Improvements to IFRS's 2014-2016 Cycle**
  Amendments to IFRS 1 remove short-term exemptions. Amendments to IFRS 12 clarify disclosure requirements that apply to items classified as held for sale, held for distribution or as discontinued operations. Amendments to IAS 12 clarify an election to measure at fair value through profit or loss an investment in an associate or joint venture.

The Corporation has determined that the amendments had no material impact on the disclosures or on amounts recognized in the annual consolidated financial statements.

19.2 New and revised accounting standards and interpretations, but not yet effective

The International Accounting Standards Board("IASB") and International Financial Reporting Interpretations Committee ("IFRIC") have issued the following standards and amendments that have not been applied in preparing these consolidated financial statements as their effective dates fall within annual periods beginning subsequent to the current reporting period.

Proposed Standard	Description	Previous or Related Standard(s)	Effective Date
IFRIC 22 – *Foreign Currency Transactions and Advance Consideration*	A new standard that provides requirements about which exchange rate to use in reporting foreign currency transactions (such as revenue transactions) when payment is made or received in advance.	IAS 21 – *The Effects of Changes in Foreign Exchange Rates*	Annual periods beginning on or after January 1, 2018, with early adoption permitted.
IFRS 15 – *Revenue from Contracts with Customers*	A single standard on revenue recognition that contains a single model that applies to contracts with a customer and two approaches to recognizing revenue; at a point in time or over a period of time.	IAS 11 – *Construction Contracts*; IAS 18 – *Revenue*; IFRIC 13 – *Customer Loyalty Programmes*; IFRIC 15 – *Agreements for the Construction of Real Estate*; IFRIC 18 – *Transfers of Assets from Customers;* SIC-31 – *Revenue - Barter Transactions Involving Advertising Services*	Annual periods beginning on or after January 1, 2018, with early adoption permitted.
IFRS 9 – *Financial Instruments*	A single financial instrument accounting standard addressing: classification and measurement (Phase I), impairment (Phase II) and hedge accounting (Phase III).	IAS 39; IAS 32; IFRS 7 – *Financial Instruments: Recognition and Measurement; Presentation; Disclosures*	Annual periods beginning on or after January 1, 2018, with early adoption permitted.
IFRS 16 – *Leases*	A new standard on lease accounting that results in substantially all lessee leases being recognized on the statement of financial position.	IAS 17 – *Leases*	Annual periods beginning on or after January 1, 2019, with early adoption permitted.
IFRS 17 – *Insurance Contracts*	A new standard that establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts.	IFRS 4 – *Insurance Contracts*	Annual periods beginning on or after January 1, 2021.

Amendment Date	Description	Amended Standard(s)	Effective Date
December 8, 2016	The amendments paragraph 57 to clarify when there is a change of use, with a list of examples of evidence in paragraph 57 (a)–(d).	IAS 40 – *Investment Property*	Annual periods beginning on or after January 1, 2018.
September 12, 2016	The amendments provide two options for entities that issue insurance contracts – an overlay approach or a deferral approach.	IFRS 4 – *Insurance Contracts*	Dependent on the application of IFRS 9, with annual periods beginning on or after January 1, 2018.
June 20, 2016	The amendments clarify certain accounting for cash-settled, share-based payment transactions.	IFRS 2 – *Share-based Payments*	Annual periods beginning on or after January 1, 2018.
April 12, 2016	Amendments clarify certain aspects of the standard and provide some transition relief for modified and completed contracts.	IFRS 15 – *Revenue from Contracts with Customers*	Annual periods beginning on or after January 1, 2018.

June 7, 2017	The interpretation clarifies the accounting for uncertainties in income taxes.	IAS 12 – *Income Taxes*	Annual periods beginning on or after January 1, 2019, with early adoption permitted.
October 12, 2017	Amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost even in the case of negative compensation payments.	IFRS 9 – *Financial Instruments*	Annual periods beginning on or after January 1, 2019.
October 12, 2017	The amendment clarifies the application of IFRS 9 to long-term interests in an associate or joint venture.	IAS 28 – *Financial Instruments*	Annual periods beginning on or after January 1, 2019.
December 12, 2017	Annual Improvements to IFRS standards 2014-2016 Cycle.	IFRS 3 – *Business combinations*; IFRS 11 – *Joint Arrangements*; IAS 12 – *Income Taxes*; IAS 23 – *Borrowing Costs*.	Annual periods beginning on or after January 1, 2019.

Management continues to evaluate the impact of these new standards on the Corporation's consolidated financial statement measurements and disclosures. The Corporation does not anticipate early adoption of any new standards or amendments. The following provides an update on the adoption of the significant accounting standards:

IFRS 15 – Revenue from Contracts with Customers
The Corporation has substantially completed the assessment of the impact of the application of the new standard and reached conclusions on key accounting policies upon transitioning to IFRS 15. The Corporation has not identified any material impacts on the consolidated statements of income. Specifically, the Corporation has concluded that the adoption of IFRS 15 will not result in any material refinements to the current estimated methodologies or the timing of the recognition of revenue. However, the changes are expected in the consolidated balance sheets. Specifically, contract costs or the incremental costs of obtaining a contract with a customer will be reported separately. Contract liabilities will report the Corporation's obligation to transfer goods or services to a customer for which consideration has been received. These reclassifications will result in presentation differences.

IFRS 16 – Leases
The Corporation continues to assess the standard, the collection of all leases, and anticipates undertaking an initial scoping assessment subsequent to the implementation of IFRS 15. The Corporation intends to adopt IFRS 16 in its financial statements for the annual period beginning on January 1, 2019. The adoption of IFRS 16 will have an impact on the Company's consolidated financial statements. Specifically, certain operating leases where the Corporation is a lessee, will become on-balance sheet finance lease obligations.

IFRS 9 – Financial Instruments
The Corporation is currently assessing the standard, which extends into early 2018, and intends to adopt IFRS 9 in its financial statements for the annual period beginning on January 1, 2018.

20. Non-IFRS Financial Measures

PFB uses measurements primarily based on IFRS as issued by the IASB and also certain secondary non-IFRS measurements.

The non-IFRS measures used by PFB are considered to be useful as complimentary measures in assessing PFB's financial performance. Non-IFRS measurements do not have a standardized meaning prescribed by IFRS and, as such, are unlikely to be comparable in definition to similar measures presented by other companies.

The definitions of non-IFRS measurements used in this MD&A can be found in the section below:

Measure	Definition
Adjusted EBITDA	Represents earnings before interest, taxes, depreciation and amortization. Adjusted EBITDA is an absolute measure of our operating performance and provides an indication of the results generated by our business activities prior to how the activities are financed, how assets are depreciated and amortized, or how results are taxed.
Adjusted EBITDA per share	Adjusted EBITDA divided by the basic weighted average number of shares outstanding in the period.
Non-cash working capital	A financial measure to monitor how much capital we have committed to the day-to-day operations of our business. Non-cash working capital represents current assets (excluding cash or cash equivalents, and income taxes recoverable) less current liabilities (excluding income taxes payable, current portions of finance lease obligations and current portion of long-term debt).
Book value	Shareholders' equity divided by the actual number of common shares outstanding as at December 31 each year.
Gross profit margin	Gross profit divided by sales, expressed as a percentage.
Operating margin	Gross profit less selling expenses, administrative expenses and other gains (losses) divided by sales.
Net income margin	Net income divided by sales.
Current ratio	Current assets divided by current liabilities.
Return on equity	A financial measure used to assist in analyzing shareholder value. Net income for the year divided by opening shareholders' equity.

The following table shows the reconciliation of net income to adjusted EBITDA and related per share amounts for the years ended December 31:

	2017	2016	2015
Net income	**$ 2,281**	$ 4,688	$ 5,088
Add back (deduct):			
Income taxes	**794**	2,392	2,021
Finance costs	**832**	1,421	1,430
Investment income	**(114)**	(234)	(224)
Depreciation	**3,768**	3,748	3,648
Amortization	**132**	90	188
Adjusted EBITDA	**$ 7,693**	$ 12,105	$ 12,151
Adjusted EBITDA per share	**$ 1.14**	$ 1.80	$ 1.81

The following table shows the reconciliation of quarterly net income to quarterly adjusted EBITDA and related per share amounts for each of the quarters in 2017 and 2016:

	2017 Q4	**2017 Q3**	**2017 Q2**	**2017 Q1**	2016 Q4	2016 Q3	2016 Q2	2016 Q1
Net income (loss) (As per financial statements)	**$ 1,240**	**$ 1,519**	**$ 412**	**$ (890)**	$ 1,145	$ 1,936	$ 1,762	$ (155)
Add back (deduct):								
Income taxes (recovery)	**323**	**592**	**156**	**(277)**	602	870	1,063	(143)
Finance costs	**173**	**183**	**196**	**280**	354	354	355	358
Investment income	**(24)**	**(21)**	**(19)**	**(50)**	(62)	(56)	(50)	(66)
Depreciation	**912**	**934**	**981**	**941**	932	939	935	942
Amortization	**35**	**33**	**36**	**28**	25	23	23	19
Adjusted EBITDA	**2,659**	**3,240**	**1,762**	**32**	2,996	4,066	4,088	955
Adjusted EBITDA per share	**$ 0.40**	**$ 0.48**	**$ 0.26**	**$ -**	$ 0.44	$ 0.61	$ 0.61	$ 0.14

Adjusted EBITDA was $2,659 in the three month period ended December 31, 2017, a decrease of $337 from $2,996 in the comparative three-month period of 2016. The decreased adjusted EBITDA is primarily a result of decreased corporate income taxes and a reduction in finance costs.

For the year ended December 31, 2017, adjusted EBITDA was $7,693, a decrease of $4,412 from $12,105 in 2016. The decreased adjusted EBITDA is reflective of lower net income from higher raw material costs incurred in 2017 compared to the 2016 comparative period. Additionally, investment income of $234 in 2016 was deducted from adjusted EBITDA, compared to $114 in 2017 of which the sale of trust units resulted for the majority of the favourable impact to adjusted EBITDA. Additionally, a significant, on-going, reduction in the finance costs from $1,421 to $832, resulted in decreased adjusted EBITDA by $589 for the extinguishment of lease obligations.

The significant, one-time events in 2017 have resulted in a net reduction to the adjusted EBITDA calculation. The reduction to adjusted EBITDA for significant, one-time events in 2017 are primarily as a result of refinancing activities which will persist into future periods and may not be a comparable prior period adjusted EBITDA measure.

C. Alan Smith
Chairman, President and Chief Executive Officer

March 8, 2018

Mirko Papuga
Chief Financial Officer

March 8, 2018

Management's Report

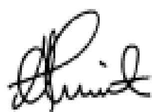
The accompanying consolidated financial statements of PFB Corporation and all information included therein is the responsibility of the management of the Corporation and has been reviewed and approved by the Board of Directors upon recommendation by the Audit Committee.

Management has prepared the consolidated financial statements based on the information available and in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The consolidated financial statements and other financial information have been prepared using the accounting policies described in Note 2 to the consolidated financial statements and reflect management's best estimates and judgments based on available information. Financial information presented throughout this report is consistent with data presented in the consolidated financial statements.

PFB Corporation maintains systems of internal controls in order to provide reasonable assurance that the consolidated financial statements are accurate and complete in all material respects. These systems include established policies and procedures, the selection and training of qualified personnel, and an organization structure providing for appropriate delegation of authority and segregation of responsibilities.

The Board of Directors discharges its duties related to the consolidated financial statements by reviewing and approving financial information prepared by management and through the activities of its Audit Committee. The Audit Committee, made up of four unrelated and independent directors, meets with management and its responsibilities include reviewing the consolidated financial statements. The Audit Committee also meets with the Corporation's independent auditors to discuss the audit approach, and the results of their audit examination prior to recommending approval of the consolidated financial statements to the Board of Directors.

The shareholders' auditor, Deloitte LLP, Chartered Professional Accountants, have audited the consolidated financial statements as at and for the years ended December 31, 2017 and 2016, in accordance with Canadian Generally Accepted Auditing Standards. Their independent report outlines the scope of their examination and opinion on the consolidated financial statements and is presented herein.

	
C. Alan Smith	**Mirko Papuga**
Chairman, President and Chief Executive Officer	Chief Financial Officer
March 8, 2018	March 8, 2018
Calgary, Alberta	Calgary, Alberta

INDEPENDENT AUDITOR'S REPORT

To the Shareholders PFB Corporation

We have audited the accompanying consolidated financial statements of PFB Corporation, which comprise the consolidated balance sheets as at December 31, 2017 and December 31, 2016 and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of PFB Corporation as at December 31, 2017 and December 31, 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Deloitte LLP

Chartered Professional Accountants
March 8, 2018
Calgary, Alberta

Consolidated Statements of Income

For the years ended December 31, 2017 and 2016
Thousands of Canadian dollars, except per share amounts

	Note	December 31, 2017	December 31, 2016
ASSETS			
Current assets			
Cash and cash equivalents	9	**$ 12,268**	$ 17,171
Trade receivables	10	**9,809**	7,643
Inventories	11	**9,998**	10,010
Income taxes recoverable	7	**287**	505
Prepaid expenses		**1,001**	1,111
Total current assets		**33,363**	36,440
Non-current assets			
Marketable securities - restricted	19, 23	**1,239**	2,803
Property, plant and equipment	12	**40,099**	35,041
Intangible assets	13	**1,405**	1,496
Goodwill	14	**2,217**	2,332
Accrued defined benefit pension plan	15	**91**	10
Deferred income tax assets	7	**357**	715
Total non-current assets		**45,408**	42,397
Total assets		**$ 78,771**	$ 78,837
LIABILITIES			
Current liabilities			
Trade and other payables		**$ 10,217**	$ 8,383
Deferred revenue	16	**3,678**	2,821
Income taxes payable	7	**39**	-
Long-term debt	17	**339**	-
Finance lease obligations	19	**249**	316
Total current liabilities		**14,522**	11,520
Non-current liabilities			
Long-term debt		**8,567**	-
Finance lease obligations	19	**2,983**	13,904
Deferred operating lease obligations	18	**506**	498
Deferred income tax liabilities	7	**1,368**	1,269
Total non-current liabilities		**13,424**	15,671
Total liabilities		**27,946**	27,191
SHAREHOLDERS' EQUITY			
Common shares	22	**20,947**	20,947
Accumulated other comprehensive income		**2,448**	3,602
Retained earnings		**27,430**	27,097
Shareholders' equity		**50,825**	51,646
Total liabilities and shareholders' equity		**$ 78,771**	$ 78,837

Commitments and contingencies (Note 26), and operating leases (Note 25).

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

Approved by the Board of Directors

C. Alan Smith
Director

Gordon G. Tallman
Director

Consolidated Statements of Income

For the years ended December 31, 2017 and 2016
Thousands of Canadian dollars, except per share amounts

	Note	2017	2016
Sales		**$ 105,557**	$ 101,533
Cost of sales	11	**(84,229)**	(76,858)
Gross profit		**21,328**	24,675
Selling expenses		**(11,424)**	(10,351)
Administrative expenses		**(6,399)**	(6,059)
Other gains	6	**13**	2
Operating income		**3,518**	8,267
Gain on sale of marketable securities		**275**	-
Investment income		**114**	234
Finance costs		**(832)**	(1,421)
Income before taxes		**3,075**	7,080
Income tax expense	7	**(794)**	(2,392)
Net income for the year		**$ 2,281**	$ 4,688
Earnings per share - $ per share			
Basic & diluted	8	**$ 0.34**	$ 0.70
Weighted average number of common shares outstanding			
Weighted average number of common shares outstanding – Basic & diluted	8	**6,716,003**	6,716,003

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

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2017 and 2016

Thousands of Canadian dollars

	Note	2017	2016
Net income for the year		**$ 2,281**	$ 4,688
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		**(1,209)**	(425)
Restricted available for sale financial assets			
Unrealized gain on available for sale financial assets, net of tax	19, 23	**39**	445
		(1,170)	20
Items that will not be subsequently reclassified to income:			
Defined benefit pension plan valuation change			
Unrealized gain on valuation change, net of tax		**16**	83
		16	83
Other comprehensive (loss) income for the year		**(1,154)**	103
Comprehensive income for the year		**$ 1,127**	$ 4,791

All comprehensive income in each year is attributable to the shareholders of the Corporation.

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

Consolidated Statements of Changes in Equity

As at December 31, 2017 and 2016

Thousands of Canadian dollars, except number of shares

		Common shares		Accumulated other comprehensive income				
	Note	Number of shares	Share capital	Foreign currency translation adjustments	Unrealized gain (loss) on available for sale assets, net of taxes	Defined benefit pension plan valuation change, net of taxes	Retained earnings	Total
Balance at January 1, 2016		**6,716,003**	**$ 20,947**	**$ 3,785**	**$ (255)**	**$ (31)**	**$ 24,222**	**$ 48,668**
Net income for the year		-	-	-	-	-	4,688	4,688
Other comprehensive (loss) income for the year, net of tax		-	-	(425)	445	83	-	103
Total comprehensive (loss) income for the year		-	-	(425)	445	83	4,688	4,791
Payment of dividends	22	-	-	-	-	-	(1,813)	(1,813)
Balance at December 31, 2016		**6,716,003**	**20,947**	**3,360**	**190**	**52**	**27,097**	**51,646**
Net income for the year		-	-	-	-	-	2,281	2,281
Other comprehensive (loss) income for the year, net of tax		-	-	(1,209)	39	16	-	(1,154)
Total comprehensive (loss) income for the year		-	-	(1,209)	39	16	2,281	1,127
Payment of dividends	22	-	-	-	-	-	(1,948)	(1,948)
Balance at December 31, 2017		**6,716,003**	**$ 20,947**	**$ 2,151**	**$ 229**	**$ 68**	**$ 27,430**	**$ 50,825**

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

Consolidated Statements of Cash Flows

For the years ended December 31, 2017 and 2016
Thousands of Canadian dollars

	Note	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the year		**$ 2,281**	$ 4,688
Adjustments for:			
Depreciation expense	12	**3,768**	3,748
Amortization expense	13	**132**	90
Gain on disposal of property, plant and equipment	6, 12	**(51)**	(97)
Gain on sale of marketable securities		**(275)**	-
Defined benefit pension plan		**(40)**	(76)
Finance costs		**832**	1,421
Investment income		**(114)**	(234)
Income tax expense	7	**794**	2,392
Unrealized foreign exchange loss	6	**25**	503
Changes in non-cash working capital	27	**647**	(1,335)
Unrealized foreign exchange relating to non-cash working capital		**(64)**	(93)
Changes in deferred operating lease obligations	18	**8**	157
Cash from operating activities, before income taxes		**7,943**	11,164
Income taxes paid, net		**(144)**	(3,582)
Net cash from operating activities		**7,799**	7,582
CASH FLOWS USED IN INVESTING ACTIVITIES			
Purchase of leased assets	20	**(18,800)**	-
Reclassification of lease obligations related to purchase of leased assets	20, 21	**10,982**	-
Non-cash deferred operating lease obligation related to purchase of leased assets	20	**143**	-
Purchase of property, plant and equipment	12	**(1,482)**	(2,960)
Purchase of intangible assets	13	**(129)**	(106)
Proceeds from disposal of property, plant and equipment		**58**	154
Interest received		**40**	77
Distributions received from marketable securities		**74**	157
Net cash used in investing activities		**(9,114)**	(2,678)
CASH FLOWS USED IN FINANCING ACTIVITIES			
Repayment of finance lease obligations		**(246)**	(392)
Settlement of finance lease obligation related to purchase of leased assets		**(10,982)**	-
Changes in long-term debt, net		**8,906**	-
Proceeds from disposal of marketable securities		**1,883**	-
Finance costs paid		**(832)**	(1,421)
Dividends paid to shareholders	22	**(1,948)**	(1,813)
Net cash used in financing activities		**(3,219)**	(3,626)
Effects of exchange rate changes on the balance of cash held in foreign currencies		**(369)**	(359)
Net (decrease) increase in cash and cash equivalents		**(4,903)**	919
Cash and cash equivalents at the beginning of the year		**17,171**	16,252
Cash and cash equivalents at the end of the year	9	**$ 12,268**	$ 17,171

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

1. General information

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

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

2. Significant accounting policies

2.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

2.2 Basis of preparation

The consolidated financial statements were prepared on a historical cost basis except for certain financial instruments and contingencies which are valued at fair value through profit or loss. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The accounting policies set out below have been applied consistently in the preparation of the consolidated financial statements for all years presented.

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

Sales of the Corporation's products are driven by consumer and industrial demand for insulation and building products. The timing of customers' construction projects can be influenced by a number of factors including the prevailing economic climate and weather. Seasonality of construction results in demand for the Corporation's products to be typically stronger in the second and third quarters and less strong in the first and fourth quarters of its fiscal cycle.

2.3 Basis of consolidation

Subsidiaries are all entities over which the Corporation has control. The Corporation controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The 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 (Note 29).

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

2.4 Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated amounts attributable to customer returns, customer rebates and other similar allowances.

2.4.1 Goods manufactured

Revenue from the sale of manufactured goods is recognized when the goods are delivered and titles have passed, at which time all of the following conditions are satisfied:

- The Corporation has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Corporation retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Corporation; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

2.4.2 Rendering of services

Revenue from a contract to provide services is recognized by reference to the stage of completion of the contract which is determined as follows:

- Design fees are recognized when the performance obligations of each design contract with a customer are fulfilled;
- Advisory fees are recognized when the performance obligations of each advisory contract with a customer are fulfilled; and
- Installation revenues are recognized when the performance obligations of each installation contract with a customer are fulfilled.

2.4.3 Construction contracts

Revenues and costs for construction contracts, which include full design build services and the Total Home Solution® offering, are recognized upon achievement of discrete performance obligations of each individual contract which are determined at the inception of the contract.

When the outcome of a construction contract cannot be determined reliably, contract revenue is recognized to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognized as expenses in the year in which they are incurred.

When it is probable that total costs will exceed contract revenue, the expected loss is recognized as an expense immediately.

Amounts received before work is performed are included in the consolidated balance sheet as deferred revenue. Amounts billed for work performed but not yet paid by the customer are included in the consolidated balance sheet under trade receivables.

2.4.4 Investment income

Dividend income from investments is recognized when the Corporation's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Corporation and the amount of income can be measured reliably).

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Corporation and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

2.5 Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of 90 days or less, restricted cash and bank overdrafts. Cash and cash equivalents are designated at fair value through profit or loss (Note 23).

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

2.6 Inventories

Inventories, which comprise raw materials and supplies, work-in-progress and finished products, are stated at the lower of cost and net realizable value. Costs of inventories are predominantly determined using the weighted average cost method and includes the cost of purchase, the cost of conversion (labour and overhead) and other costs required to bring the inventories to their present location and condition. Some customized work-in-progress and finished product inventories are held at actual cost using the First-in, First-out ("FIFO") method and are segregated by customer job number. Inventories which have costs determined using the FIFO method represent a small portion of the Corporation's inventories on hand at any point in time and such inventories turn frequently. Net realizable value represents the estimated selling price for inventories, less all estimated costs of completion and costs necessary to make the sale. The cost of work-in-process and finished product inventories includes the cost of materials, the cost of direct labour, and a systematic allocation of manufacturing overheads based on a normal range of capacity for each production facility.

Inventories are written down to net realizable value when the cost of inventories is estimated to be unrecoverable due to obsolescence, damage or declining selling prices. When circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in selling prices, the amount of write-down previously recorded is reversed.

2.7 Property, plant and equipment ("PP&E")

PP&E are carried at cost less accumulated depreciation and any impairment losses. The cost includes expenditures directly attributable to the acquisition of the property, plant and equipment. Assets acquired under finance leases are recognized at an amount equal to fair value or, if lower, the present value of the minimum lease payments, less accumulated depreciation and any impairment losses. Gains and losses, determined as the difference between net sales proceeds and the carrying amount of the asset, arising on the disposal of individual assets are recognized in earnings in the year of disposal.

PP&E in the course of construction for production are carried at cost, less any recognized impairment loss. Such properties are classified to the appropriate categories of PP&E when completed and ready for intended use.

Depreciation commences when the assets are available for use and is recognized on a straight-line basis to depreciate the capitalized cost of assets to their estimated residual values over their estimated useful lives. When significant parts of an asset have different expected useful lives, they are accounted for as separate components of the asset and depreciated over their estimated useful lives and depreciation method when practical. Freehold land is not depreciated. Assets held under finance leases are depreciated over the shorter of the lease term and their expected useful lives.

Asset class:	Useful life:
Freehold land	Unlimited useful life, not depreciated
Buildings	15 to 40 years
Plant and equipment	3 to 20 years
Assets under finance lease	Lesser of the expected useful life and the term of the lease
Assets under construction	Depreciation commences when the asset is constructed and placed in use

An item of PP&E is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognizing an item of PP&E is measured as the difference between the net sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

PP&E is reviewed quarterly to determine whether there is any indication of impairment. Depreciation methods, useful lives, and residual values are reviewed at least annually and adjusted as appropriate.

2.8 Leasing

Leases are classified as finance leases whenever the terms of the leases transfer substantially all of the risks and rewards of ownership to the Corporation. All other leases are recorded as operating leases.

Assets held under a finance lease are initially recognized as assets of the Corporation at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated balance sheets as current and long-term finance lease obligations.

Lease payments are apportioned between finance expenses and a reduction of the lease obligation so at to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit and loss.

Operating lease payments are recognized in the consolidated statement of income as an expense on a straight-line basis over the lease term. Lease incentives received and predetermined fixed escalations of the minimum rent are recognized as an integral part of the total lease expense, over the term of the lease. The Corporation leases properties with rental incentives and predetermined fixed escalations of the minimum rent (Note 18).

2.9 Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and any accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting year and the

effect of any changes in estimates is accounted for on a prospective basis. A summary of estimated useful life by asset class is as follows:

Class:	Useful life:
Patents	17 years
Product development costs	3 years
Software	3 to 5 years
Registered trade names	Indefinite life – not amortized
Order backlog	Lives of individual contracts (max. 3 years)
Non-compete agreements	1 to 1.5 years

Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses and the carrying amounts are tested for impairment at least annually or whenever there is an indication that an asset may be impaired. In the case of impairment, the recoverable amount of an asset is estimated in order to determine the extent of the impairment loss, if any (Note 0).

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date, which is considered to be the asset's deemed cost. Subsequent to their initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

An intangible asset is derecognized on disposal or when no future economic benefits are expected from use. Any gain or loss arising from de-recognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss when the asset is derecognized.

2.10 Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any. Goodwill is not amortized.

For the purposes of impairment testing, goodwill is allocated to each of the Corporation's cash-generating units ("CGU") that are expected to benefit from the synergies of the combination.

A CGU to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit, pro-rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in the consolidated statement of income. An impairment loss recognized for goodwill is not reversed in subsequent years.

2.11 Impairment of tangible and intangible assets other than goodwill

At the end of each reporting year, the Corporation reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Corporation estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

The recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. The process of determining cash flows requires management to make estimates and assumptions which include forecasted future sales, earnings, capital investment, and discount rates.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

2.12 Foreign currency translation

The Corporation's primary economic environment in which it operates its businesses is Canada. The consolidated financial statements are presented in Canadian dollars, which is the Corporation's functional and presentation currency.

At the end of each reporting year, monetary items denominated in foreign currencies are retranslated at exchange rates prevailing at that date. Gains and losses arising from this retranslation are included in profit or loss in the year in which they arise. Non-monetary assets and liabilities that are measured at their historical cost in a foreign currency are not retranslated.

The Corporation's subsidiaries located in the United States have a functional currency of U.S. dollars. The assets and liabilities of the Corporation's foreign operations are translated into Canadian dollars using exchange rates prevailing at the end of each reporting year. Income and expense items are translated at the average exchange rates applicable to the years when recorded. Equity balance sheet amounts denominated in U.S. dollars are translated using historical exchange rates. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity.

Goodwill and fair value adjustments on identifiable assets and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting year. Exchange differences arising are recognized in other comprehensive income.

2.13 Provisions

Provisions are recognized when the Corporation has a present legal or constructive obligation as a result of a past event, it is probable that the Corporation will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting year, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

The Corporation's provisions are not significant and are included in trade and other payables.

2.14 Financial instruments

Financial assets and financial liabilities are recognized initially at fair value when the Corporation or a subsidiary of the Corporation becomes a party to the contractual provisions of the instrument (Note 23).

Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial asset or financial liabilities, as appropriate, on initial recognition. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

2.15 Financial assets

The Corporation's financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' ("FVTPL"); and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

2.15.1 Financial assets at FVTPL

A financial asset, other than a financial asset held for trading, may be designated as at FVTPL upon initial recognition.

Financial assets at FVTPL are stated at fair value, with any gains and losses arising on re-measurement recognized in profit or loss.

Available-for-sale financial assets are non-derivatives comprised of restricted marketable securities. Available-for-sale financial assets are recognized initially at fair value plus transaction costs and subsequently carried at fair value. Gains or losses arising from changes in fair value are recognized in other comprehensive income (loss) ("OCI"). Distributions from available-for-sale instruments are recognized in earnings when the Company's right to receive payment is established.

2.15.2 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Corporation's loans and receivables include trade receivables and are measured at amortized cost using the effective interest method, less any impairment.

2.15.3 Impairment of financial assets

The Corporation assesses its financial assets, other than any classified at FVTPL, for indicators of impairment at the end of each reporting year. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty;
- breach of contract;
- it becoming probable that the borrower will enter bankruptcy or financial reorganization; or
- the disappearance of an active market for financial assets because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence for a portfolio of receivables could include the Corporation's past experience in collecting payments or an increase in the number of delayed payments in the portfolio past the average credit terms allowed, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent years.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectable, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

For financial assets measured at amortized cost, if, in a subsequent year, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognized, the previously recognized impairment is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

2.16 Financial liabilities

The Corporation's financial liabilities are classified as 'other financial liabilities' and include any borrowings and trade and other payables. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant year. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability.

2.17 Taxation

Income tax expense represents the sum of the tax currently payable, deferred tax and prior year adjustments.

2.17.1 Current tax

The tax currently payable is based on taxable income for the year. Taxable income differs from 'income before tax' as reported in the consolidated statements of income because of items of income and expense that are taxable or deductible in other years and items that are never taxable or deductible. The Corporation's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting year.

2.17.2 Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable income. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable income nor the accounting income. In addition, deferred tax liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at the end of each reporting year and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the year in which the liability is settled or the asset is realized, based on tax rates that have been enacted or substantively enacted by the end of the reporting year. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Corporation expects, at the end of the reporting year, to recover or settle the carrying amount of its assets and liabilities.

Deferred income tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Corporation has a legally enforceable right to offset and intends to settle its current tax assets and liabilities on a net basis.

2.17.3 Current and deferred tax for the year

Current, deferred and prior period tax adjustments are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current, deferred and prior year tax adjustments are also recognized in other comprehensive income or directly in equity, respectively.

2.18 Employee retirement benefit plan

The Corporation has a defined benefit plan (the "Plan") providing pension benefits to certain eligible employees who are members of a union which is their certified bargaining agent. The Plan is registered with the Financial Services Commission of Ontario and with the Canada Revenue Agency and is funded in accordance with applicable legislation. Commencing April 1, 2012, the defined benefit plan was closed to all new hires.

The cost of providing benefits under the Plan is determined using the projected unit credit method prorated based on service, with actuarial valuations being carried out at the end of each annual reporting period. Re-measurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling, and the return on plan assets (excluding interest), is reflected immediately in the consolidated balance sheet with a charge or credit recognized in

other comprehensive income in the year in which they occur. Re-measurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognized in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorized as follows:

- Service cost (including current and past service cost, as well as gains and losses on curtailments and settlements);
- Net interest expense or income; and
- Re-measurement.

The Corporation presents service costs in the consolidated statements of income in the line item cost of sales.

The retirement benefit obligation recognized in the consolidated balance sheets represents the actual deficit or surplus in the Corporation's defined benefit plan.

2.19 Earnings per share

Basic earnings per share is determined by dividing profit attributable to common shareholders of the Corporation by the weighted average number of common shares outstanding during the year.

The Corporation uses the treasury stock method of calculating diluted earnings per common share. The treasury stock method is used to compute the dilutive effect of stock options, warrants and similar instruments. Under this method, the exercise of stock options is assumed to have occurred at the beginning of the year and the related common shares are assumed issued at that time. The proceeds from exercise are assumed to have purchased common shares of the Corporation for cancellation at the average market value price during the year. The incremental shares (the difference between the number of shares assumed issued and the number of shares assumed purchased) are included in the denominator of the diluted earnings per common share calculation. Diluted earnings per common share exclude all potential dilutive common shares where the effect is anti-dilutive.

3. Critical accounting judgments and estimates

In the application of the Corporation's accounting policies, as described in Note 2, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities. The estimates and associated assumptions are based on a combination of historical experience, available knowledge of current conditions, and other factors that are considered to be reasonable and relevant under the circumstances. Actual costs and outcomes may significantly differ from these estimates and assumptions.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised if the revision affects only that year or in the year of the revision and future years if the revision affects both current and future years.

The following are the key assumptions concerning the future and other key sources of estimating uncertainty at the end of the reporting year, that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year.

3.1 Cash-generating unit ("CGU")

Determination of which assets constitute a CGU is subject to management judgments. Also, the asset composition of a CGU can directly impact the recoverability of assets included therein. The recoverable amount of a CGU is assessed at the CGU level and is the higher of the CGU's fair value less costs of disposal and its value in use. A CGU may be impaired when its carrying amount exceeds its recoverable amount. Key assumptions used for the value in use calculations are set out in Note 14.

3.2 Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the CGUs to which goodwill has been allocated. The value in use calculation requires management to estimate the future cash flows expected to arise from the CGU and determine a suitable discount rate in order to calculate present value.

3.3 Impairment of tangible and intangible assets

Determining whether tangible and intangible assets are impaired requires an estimation of the value-in-use of the CGUs to which they have been allocated. The value in use calculation requires management to estimate the future cash flows expected to arise from the CGU and a suitable discount rate to be determined in order to calculate present value.

3.4 Valuation of inventories

Management reviews the carrying amount of finished goods inventories at the end of each reporting year and the recorded amount is adjusted to the lower of cost or net realizable value. As part of the review, management is required to make certain assumptions when determining expected realizable amounts.

An inventory reserve is maintained for slow-moving raw materials and work-in-progress inventories. The value of slow-moving inventories is based on management's assessment of market conditions for its products as determined by historical usage and estimated future demand. Any write downs in value may be reversed if the circumstances which caused them no longer exist.

3.5 Allowance for doubtful accounts

Management reviews the aging profile of trade receivables on a customer-by-customer basis at least at the end of each reporting year and an allowance for doubtful accounts reserve is maintained. The value of the allowance for doubtful accounts reserve typically tracks the seasonality trend of trade receivables. Specific reserves may be created for individual customers in exceptional circumstances. Bad debts are written off against the reserve.

3.6 Income taxes

The Corporation is subject to income taxes in both Canada and the USA. When preparing current and deferred tax expense at the end of each reporting year, management is required to make certain estimates and assumptions regarding the timing of when temporary differences will reverse and tax rates that will be in force at that time. Unknown future events and circumstances, such as changes in tax rates and laws, may materially affect the assumptions and estimates made from one year to the next and thereby affect the consolidated financial statements.

3.7 Measurement of retirement benefits

Post-employment benefits are accounted for on an actuarial basis. The Corporation engages the services of an independent actuary to perform valuations of the Corporation's defined benefits plan and the actuary provides a certified opinion thereon. For inclusion in the valuation, management is required to make certain assumptions including an appropriate discount rate and the estimated return of plan assets. The estimates are reviewed for reasonableness by the actuary. Due to the nature of the assumptions made and used in the valuations, there is the potential for fluctuations of a material nature in the value of the defined benefits in future years.

3.8 Property plant and equipment

The Corporation estimates the useful life of property, plant and equipment that it owns or is held under a finance lease. The actual useful life of assets and components of assets could vary significantly from the estimated useful lives used in determining periodic depreciation expense. Management reviews the useful lives of the assets at least annually to ensure that expected and actual lives are closely aligned.

3.9 Valuations performed during a business combination

The Corporation makes judgments, estimates and assumptions that affect the quantitative and qualitative valuation of business combinations. These may include: estimates of future cash flows and working capital requirements; potential acquisition synergies; costs to complete the transaction; the value of contingent consideration; strategic direction; management effectiveness, and operating efficiencies. Fair value of assets acquired and liabilities assumed in a business combination is estimated based on information available at the date of acquisition and involves considerable judgment in determining the fair values assigned to acquired intangible assets, land, property, plant and equipment, and other assets, and the liabilities assumed on acquisition. Unknown future events and changes in assumptions and estimates may impact future cash flows and materially impact the valuation of each business combination.

3.10 Finance leases

Management uses judgment in determining whether a lease should be accounted for as a finance lease. In doing so, management considers the lease terms and, in some cases, those terms may not always conclusively support the classification as a finance lease.

4. Application of new and revised International Financial Reporting Standards ("IFRSs")

4.1 New and revised IFRSs affecting amounts reported and/or disclosures in the consolidated financial statements

The Corporation has applied a number of new and revised IFRSs issued by the International Accounting Standards Board ("IASB") that are mandatorily effective for an accounting year that begins on or after January 1, 2017.

- **Amendments to IAS 12 *Income Taxes***
  The amendments clarify the recognition of deferred tax assets for unrealized losses.

- **Amendments to IAS 7 *Statement of Cash Flows***
  The amendments clarify certain amendments to disclose changes in liabilities arising from financing activities.

- **Annual Improvements to IFRS's 2014-2016 Cycle**
  Amendments to IFRS 1 remove short-term exemptions. Amendments to IFRS 12 clarify disclosure requirements that apply to items classified as held for sale, held for distribution or as discontinued operations. Amendments to IAS 12 clarify an election to measure at fair value through profit or loss an investment in an associate or joint venture.

The Corporation has determined that the amendments had no material impact on the disclosures or on amounts recognized in the annual consolidated financial statements.

4.2 New and revised accounting standards and interpretations, but not yet effective

The International Accounting Standards Board ("IASB") and International Financial Reporting Interpretations Committee ("IFRIC") have issued the following standards and amendments that have not been applied in preparing these consolidated financial statements as their effective dates fall within annual periods beginning subsequent to the current reporting period.

Proposed Standard	Description	Previous or Related Standard(s)	Effective Date
IFRIC 22 – *Foreign Currency Transactions and Advance Consideration*	A new standard that provides requirements about which exchange rate to use in reporting foreign currency transactions (such as revenue transactions) when payment is made or received in advance.	IAS 21 – *The Effects of Changes in Foreign Exchange Rates*	Annual periods beginning on or after January 1, 2018, with early adoption permitted.
IFRS 15 – *Revenue from Contracts with Customers*	A single standard on revenue recognition that contains a single model that applies to contracts with a customer and two approaches to recognizing revenue; at a point in time or over a period of time.	IAS 11 – *Construction Contracts*; IAS 18 – *Revenue*; IFRIC 13 – *Customer Loyalty Programmes*; IFRIC 15 – *Agreements for the Construction of Real Estate*; IFRIC 18 – *Transfers of Assets from Customers;* SIC-31 – *Revenue - Barter Transactions Involving Advertising Services*	Annual periods beginning on or after January 1, 2018, with early adoption permitted.
IFRS 9 – *Financial Instruments*	A single financial instrument accounting standard addressing: classification and measurement (Phase I), impairment (Phase II) and hedge accounting (Phase III).	IAS 39; IAS 32; IFRS 7 – *Financial Instruments: Recognition and Measurement; Presentation; Disclosures*	Annual periods beginning on or after January 1, 2018, with early adoption permitted.
IFRS 16 – *Leases*	A new standard on lease accounting that results in substantially all lessee leases being recognized on the statement of financial position.	IAS 17 – *Leases*	Annual periods beginning on or after January 1, 2019, with early adoption permitted.

IFRS 17 – *Insurance Contracts*	A new standard that establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts.	IFRS 4 – *Insurance Contracts*	Annual periods beginning on or after January 1, 2021.

Amendment Date	**Description**	**Amended Standard(s)**	**Effective Date**
December 8, 2016	The amendments paragraph 57 to clarify when there is a change of use, with a list of examples of evidence in paragraph 57 (a)–(d).	IAS 40 – *Investment Property*	Annual periods beginning on or after January 1, 2018.
September 12, 2016	The amendments provide two options for entities that issue insurance contracts – an overlay approach or a deferral approach.	IFRS 4 – *Insurance Contracts*	Dependent on the application of IFRS 9, with annual periods beginning on or after January 1, 2018.
June 20, 2016	The amendments clarify certain accounting for cash-settled, share-based payment transactions.	IFRS 2 – *Share-based Payments*	Annual periods beginning on or after January 1, 2018.
April 12, 2016	Amendments clarify certain aspects of the standard and provide some transition relief for modified and completed contracts.	IFRS 15 – *Revenue from Contracts with Customers*	Annual periods beginning on or after January 1, 2018.
June 7, 2017	The interpretation clarifies the accounting for uncertainties in income taxes.	IAS 12 – *Income Taxes*	Annual periods beginning on or after January 1, 2019, with early adoption permitted.
October 12, 2017	Amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost even in the case of negative compensation payments.	IFRS 9 – *Financial Instruments*	Annual periods beginning on or after January 1, 2019.
October 12, 2017	The amendment clarifies the application of IFRS 9 to long-term interests in an associate or joint venture.	IAS 28 – *Financial Instruments*	Annual periods beginning on or after January 1, 2019.
December 12, 2017	Annual Improvements to IFRS standards 2014-2016 Cycle.	IFRS 3 – *Business combinations*; IFRS 11 – *Joint Arrangements*; IAS 12 – *Income Taxes*; IAS 23 – *Borrowing Costs*.	Annual periods beginning on or after January 1, 2019.

Management continues to evaluate the impact of these new standards on the Corporation's consolidated financial statement measurements and disclosures. The Corporation does not anticipate early adoption of any new standards or amendments. The following provides an update on the adoption of the significant accounting standards:

IFRS 15 – Revenue from Contracts with Customers
The Corporation has completed the assessment of the impact of the application of the new standard and has concluded that the adoption of IFRS 15 will not result in any material changes to the current methods of estimating or the timing of the recognition of revenue. However changes are expected in the consolidated balance sheets. Specifically, contract costs of obtaining a contract with a customer, will be presented separately. Contract liabilities will include the

Corporation's obligation to transfer goods or services to a customer for which consideration has been received. These reclassifications will result in presentation differences.

IFRS 16 – Leases

The Corporation continues to assess the standard, the collection of all leases, and anticipates undertaking an initial scoping assessment subsequent to the implementation of IFRS 15. The Corporation intends to adopt IFRS 16 in its financial statements for the annual period beginning on January 1, 2019. The adoption of IFRS 16 will have an impact on the Company's consolidated financial statements. Specifically, certain operating leases where the Corporation is a lessee, will become on-balance sheet finance lease obligations.

IFRS 9 – Financial Instruments

The Corporation intends to adopt IFRS 9 in its financial statements for the annual period beginning on January 1, 2018.

5. Segment information

The Corporation has two reportable operating segments, Canada and the USA, and each segment applies the same accounting policies (Note 2), 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 the types of goods and services provided and their geographical locations of manufacturing and distribution.

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

5.1 Segment sales revenues 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 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 or loss as reported by each segment excluding any allocations for corporate income or expenses and foreign exchange gains or losses arising on an inter-segment settlements.

Information regarding each reportable operating segment for the years ended December 31, 2017 and 2016 is set out below:

	Sales revenues		Operating income	
	2017	**2016**	**2017**	**2016**
Canada	**$ 68,970**	$ 64,962	**$ 1,746**	$ 5,725
USA	**36,587**	36,571	**1,319**	2,672
Total for segments	**$ 105,557**	$ 101,533	**3,065**	8,397
Corporate – income (expense)			**452**	(140)
Foreign exchange gain on inter-segment settlements			**1**	10
Consolidated operating income			**$ 3,518**	$ 8,267

5.2 Segment assets and liabilities

Management measures capital employed using net segmented assets. The reconciliation of segmented assets and segmented liabilities in relation to total consolidated assets and liabilities as at December 31 is set out in the table below:

	2017	2016
Assets		
Segment assets	**$ 41,570**	$ 51,616
Assets not allocated to segments:		
Cash and cash equivalents	**12,268**	17,171
Freehold land and buildings	**23,386**	7,234
Restricted marketable securities	**1,239**	2,803
Corporate taxes[1]	**308**	13
Total assets	**$ 78,771**	$ 78,837
Liabilities		
Segment liabilities	**$ 15,788**	$ 12,803
Liabilities not allocated to segments:		
Finance lease obligations	**3,232**	14,220
Long term debt	**8,906**	-
Corporate taxes[1]	**20**	168
Total liabilities	**$ 27,946**	$ 27,191
Net segment assets		
Canada	**$ 19,802**	$ 31,359
USA	**5,980**	7,454

[1] Current and deferred taxes.

5.3 Other segment information

	2017	2016
Additions to non-current assets:		
Canada	**$ 914**	$ 2,738
USA	**648**	328
Corporate	**7,724**	-
Total	**$ 9,286**	$ 3,066
Depreciation and amortization:		
Canada	**$ 2,177**	$ 2,515
USA	**675**	746
Corporate	**1,048**	577
Total	**$ 3,900**	$ 3,838
Inter-segment sales	**$ 5,657**	$ 5,539

6. Other gains

	2017	2016
Unrealized foreign exchange losses	**$ (25)**	$ (503)
Realized foreign exchange (losses) gains	**(13)**	408
Gain on disposals of property, plant and equipment	**51**	97
	$ 13	$ 2

7. Income taxes

7.1 Income taxes recognized in the year

	2017	2016
Current tax expense	**$ 401**	$ 1,613
Deferred tax expense	**393**	779
Income tax expense	**$ 794**	$ 2,392

In the year ended December 31, 2017, deferred income tax expense of $28 (2016 - $198) was recognized directly in other comprehensive income.

The income tax expense can be reconciled to the accounting income as follows:

	2017	2016
Income before taxes	**$ 3,075**	$ 7,080
Income tax expense calculated at 27.4% (2016 – 27.1%)	**$ 842**	$ 1,920
Effect of different tax rates of subsidiaries operating in other jurisdictions	**216**	345
Enacted rate changes	**1**	(6)
Non-taxable portion of capital gain	**(68)**	-
Expenses not deductible in determining taxable income	**42**	35
Prior period adjustments and reassessments	**(210)**	88
Other	**(29)**	10
Income tax expense	**$ 794**	$ 2,392

The statutory tax rate in the table above is the combined Canadian federal and blended provincial income tax rate of approximately 27.4% (2016 – 27.1%).

The Corporation's USA segment were subject to federal and state statutory tax rates of approximately 38% for both years. As a result of US Tax Reform Legislation, effective January 1, 2018, the USA segment will be subject to a combined rate of approximately 25% and deferred tax balances at December 31, 2017 of the USA segment are measured at this enacted rate. The impact of this tax legislation on the Company's income tax provision for the year ending December 31, 2017 was not material.

7.2 Current tax assets

	As at Dec 31, 2017	As at Dec 31, 2016
Current tax assets		
Income taxes recoverable	**$ 287**	$ 505
Current tax liabilities		
Income taxes payable	**39**	-

7.3 Deferred tax balances

The Corporation is subject to tax in multiple jurisdictions and deferred tax assets and liabilities arising in different jurisdictions cannot be netted against each other. The analysis of deferred tax assets and liabilities presented in the consolidated balance sheets is as follows:

	As at Dec 31, 2017	As at Dec 31, 2016
Deferred tax assets		
Non-capital tax losses carried forward	**$ 209**	$ 1,095
Property, plant and equipment	**133**	(446)
Other	**115**	47
Reserves	**95**	119
Intangible assets	**(83)**	(100)
Land	**(112)**	-
	$ 357	$ 715
Deferred tax liabilities		
Property, plant and equipment	**$ (1,673)**	$ (1,873)
Intangible assets	**(40)**	(41)
Other	**(16)**	46
Land	**-**	(112)
Non-capital tax losses carried forward	**-**	14
Reserves	**61**	34
Deferred operating lease obligation	**139**	137
Lease items	**161**	526
	$ (1,368)	$ (1,269)

Non-capital tax losses carried forward expire on 2033.

8. Earnings per share

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

	2017	2016
Net income for the year	**$ 2,281**	$ 4,688
Weighted average number of common shares outstanding – basic & diluted	**6,716,003**	6,716,003
Earnings per share:		
Basic & diluted	**$ 0.34**	$ 0.70

9. Cash and cash equivalents

	As at Dec 31, 2017	As at Dec 31, 2016
Cash held with banks	**$ 12,180**	$ 10,067
Short-term investments	**-**	7,067
Restricted cash	**88**	37
	$ 12,268	$ 17,171

Interest income earned on bank balances and short-term investments is reported as investment income in the consolidated statements of income.

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

10. Trade receivables

Eligible trade receivables held by the Corporation's subsidiaries in Canada have been pledged as security with a bank in support of a revolving credit facility. The revolving credit facility was unused as at December 31, 2017.

10.1 Current trade receivables

Aging profile	As at Dec 31, 2017	As at Dec 31, 2016
Current and past due for less than 30 days	**$ 8,764**	$ 7,226
Past due for between 31 and 90 days	**572**	225
Past due for 91 days or longer	**886**	446
Total gross current trade receivables	**10,222**	7,897
Allowance for doubtful accounts	**(413)**	(254)
Current trade receivables, net	**$ 9,809**	$ 7,643

The average trade credit allowed on the sale of goods is between 45 and 60 days from the date of shipment. For sales of customized products and services, deposits and/or payment installments are typically incorporated into contract terms to mitigate the potential for default. Deposits and installments received on individual accounts which exceed the value of goods and/or services invoiced are recorded as deferred revenue on the consolidated balance sheets.

The Corporation has recognized an allowance for doubtful trade receivables on accounts that are past due by more than 60 days based on estimated irrecoverable amounts determined by reference to past experiences. As at December 31, 2017 and 2016, the allowance for doubtful accounts reserve includes amounts to cover new accounts in the Canadian segment and continuing exposure with several long-standing customers in the USA segment, both of which have trade receivables included in the past due for 91 days or longer category.

In determining the recoverability of a trade receivable, the Corporation considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting year. The concentration of credit risk is limited due to the fact that the customer base is large and diversified.

10.2 Change in allowance for doubtful accounts

A reconciliation of the beginning and ending carrying amounts of the Corporation's allowance for doubtful accounts is as follows:

	2017	**2016**
Balance at beginning of year	**$ (254)**	$ (450)
Additional amounts (provided) recovered for during the year	**(211)**	168
Trade receivables written off during the year	**52**	28
Balance at end of year	**$ (413)**	$ (254)

11. Inventories

	As at Dec 31, 2017	**As at Dec 31, 2016**
Raw materials	**$ 5,186**	$ 4,953
Work in progress	**1,979**	2,106
Finished goods	**2,833**	2,951
	$ 9,998	$ 10,010

Eligible inventories held by each of the Corporation's Canadian and USA subsidiaries have been pledged as security with a bank in support of revolving credit facilities. The revolving credit facilities were unused as at December 31, 2017.

The cost of inventories recognized as an expense in cost of sales in the year ended December 31, 2017, was $68,263 (2016 - $62,222). Included in the cost of inventories recognized as an expense were write-downs from full cost to net realizable value in the amount of $331 (2016 - $282). There were no reversals of any write-downs in either 2017 or 2016.

12. Property, plant and equipment

In the tables below, assets under finance leases include buildings, automobiles and materials handling equipment. As at December 31, 2017, automobiles and materials handling equipment had a carrying amount of $486 (2016 - $495) and buildings had a carrying value of $2,186 (2016 - $11,854) for a total amount of assets under finance lease of $2,672 (2016 - $12,349). Automobile leases include provisions whereby the automobiles can be purchased for their residual value whereas the individual building leases have no such rights to purchase at any residual value.

Assets under construction as at December 31, 2017 are expected to be available for use in 2018.

Cost	Freehold land	Buildings	Plant and equipment	Assets under finance leases	Assets under construction	Total
Balance at January 1, 2016	**$ 3,208**	**$ 12,268**	**$ 39,253**	**$ 15,970**	**$ 670**	**$ 71,369**
Additions	-	9	26	171	2,925	3,131
Disposal of PP&E assets	-	-	(251)	(388)	-	(639)
Transfers between asset classes	-	41	1,445	29	(1,515)	-
Effect of foreign currency exchange changes	(59)	(218)	(207)	(12)	1	(495)
Balance at December 31, 2016	**3,149**	**12,100**	**40,266**	**15,770**	**2,081**	**73,366**
Additions	-	52	43	244	1,387	1,726
Purchase of leased assets	5,432	2,243	-	-		7,675
Transfer of leased assets	-	11,745	-	(11,745)		-
Disposal of PP&E assets	-	(77)	(291)	(160)	-	(528)
Transfers between asset classes	-	96	2,648	-	(2,744)	-
Effect of foreign currency exchange changes	(124)	(457)	(469)	(32)	(26)	(1,108)
Balance at December 31, 2017	**$ 8,457**	**$ 25,702**	**$ 42,197**	**$ 4,077**	**$ 698**	**$ 81,131**
Accumulated Depreciation						
Balance at January 1, 2016	**$ -**	**$ 5,983**	**$ 26,597**	**$ 2,767**	**$ -**	**$ 35,347**
Depreciation expense	-	729	2,028	991	-	3,748
Disposal of PP&E assets	-	-	(221)	(361)	-	(582)
Transfers between asset classes	-	-	(26)	26	-	-
Effect of foreign currency exchange changes	-	(76)	(110)	(2)	-	(188)
Balance at December 31, 2016	**-**	**6,636**	**28,268**	**3,421**	**-**	**38,325**
Depreciation expense	-	1,186	2,104	478	-	3,768
Transfer of leased assets	-	2,318	-	(2,318)	-	-
Disposal of PP&E assets	-	(77)	(287)	(157)	-	(521)
Effect of foreign currency exchange changes	-	(226)	(295)	(19)	-	(540)
Balance at December 31, 2017	**$ -**	**$ 9,837**	**$ 29,790**	**$ 1,405**	**$ -**	**$ 41,032**
Net book values						
2016	$ 3,149	$ 5,464	$ 11,998	$ 12,349	$ 2,081	$ 35,041
2017	**8,457**	**15,865**	**12,407**	**2,672**	**698**	**40,099**

Depreciation commences when assets are available for use. Depreciation expense for the year ended December 31, 2017 in the amount of $3,265 (2016 - $3,269) is included in cost of sales, with an amount of $345 (2016 - $349) included in selling expenses, and an amount of $158 (2016 - $130) included in administrative expenses.

13. Intangible assets

Cost	Patents	Product development costs	Software	Registered trade names	Order backlog	Non-compete agreement	Total
Balance at January 1, 2016	**$ 70**	**$ 980**	**$ 2,525**	**$ 1,387**	**$ 205**	**$ 39**	**$ 5,206**
Additions	-	-	106	-	-	-	106
Disposal of intangible assets	-	-	-	-	-	-	-
Effect of foreign currency exchange	-	(9)	(15)	(41)	(6)	(1)	(72)
Balance at December 31, 2016	**70**	**971**	**2,616**	**1,346**	**199**	**38**	**5,240**
Additions	-	-	129	-	-	-	129
Disposal of intangible assets	-	-	-	-	-	-	-
Effect of foreign currency exchange	-	(20)	(31)	(88)	(13)	(2)	(154)
Balance at December 31, 2017	**$ 70**	**$ 951**	**$ 2,714**	**$ 1,258**	**$ 186**	**$ 36**	**$ 5,215**
Accumulated Amortization							
Balance at January 1, 2016	**$ 48**	**$ 980**	**$ 2,413**	**$ -**	**$ 205**	**$ 39**	**$ 3,685**
Amortization expense	5	-	85	-	-	-	90
Disposal of intangible assets	-	-	-	-	-	-	-
Effect of foreign currency exchange	-	(9)	(15)	-	(6)	(1)	(31)
Balance at December 31, 2016	**53**	**971**	**2,483**	**-**	**199**	**38**	**3,744**
Amortization expense	5	-	127	-	-	-	132
Transfers	-	-	-	-	-	-	-
Disposal of intangible assets	-	-	-	-	-	-	-
Effect of foreign currency exchange	-	(20)	(31)	-	(13)	(2)	(66)
Balance at December 31, 2017	**$ 58**	**$ 951**	**$ 2,579**	**$ -**	**$ 186**	**$ 36**	**$ 3,810**
Net book values							
2016	$ 17	$ -	$ 133	$ 1,346	$ -	$ -	$ 1,496
2017	**12**	**-**	**135**	**1,258**	**-**	**-**	**1,405**

Amortization expense for the year ended December 31, 2017 in the amount of $10 (2016 - $10) is included in cost of goods sold, an amount of $13 (2016 - $9) is included in selling expenses, and an amount of $109 (2016 - $71) is included in administrative expenses.

14. Goodwill

14.1 Cost

	2017	2016
Balance at beginning of year	**$ 2,332**	$ 2,385
Effect of foreign currency exchange differences	**(115)**	(53)
Balance at end of year	**$ 2,217**	$ 2,332

For the purpose of impairment testing, goodwill is allocated to CGUs (Note 0). As at the testing date selected, the Corporation determined that the value in use of each cash-generating unit exceeded their carrying amounts and therefore no provision for impairment was provided. In order to determine whether impairment is incurred, the Corporation estimates the recoverable amount of each CGU. Recoverable amounts are determined on the basis of value in use calculations. Classification of CGUs and value in use in 2017 was determined the same way as in 2016.

14.2 Allocation of goodwill to cash-generating units

The carrying amount of goodwill has been allocated for impairment testing purposes to the following cash-generating units:

	As at Dec 31, 2017	As at Dec 31, 2016
Canada	**$ 580**	$ 580
USA	**1,637**	1,752
	$ 2,217	$ 2,332

The recoverable amounts of the cash-generating units are determined by performing value in use calculations which use cash flow projections based on a one-year financial budget approved by the directors plus future financial projections covering an additional four-year period. The cash flow projections for the four year period following the budget year are prepared in a manner consistent with past experience and reflect management's expectation of the medium term operating performance of the CGUs and the markets in which they operate. The valuation model also takes into account working capital requirements and capital investments required to support the sales revenue projections, and terminal values.

The Corporation used a discount rate of 12.0% (12.0% in 2016). The discount rate was determined based on an estimate of the Corporation's weighted average cost of capital.

The key assumptions used for value in use calculations in 2017 and 2016 were as follows:

Year	Cash generating unit	Compound annual growth rate (5 Years)	Long-term growth rate	Discount rate
2017	**Canada**	**4.8 %**	**2.0 %**	**12.0 %**
	USA	**11.0 %**	**2.0 %**	**12.0 %**
2016	Canada	2.8 %	2.0 %	12.0 %
	USA	9.7 %	2.0 %	12.0 %

15. Retirement benefits plans

15.1 Group registered retirement savings plan

The Corporation operates a group registered retirement savings plan for all qualifying employees in Canada. The assets of each individual in the plan are held separately from those of the Corporation in investment instruments under the control of a large Canadian insurer. An individual employee's assets held in the plan are self-administered by the employee. The Corporation's obligation with respect to the group registered retirement savings plans is to

administer employee contributions via the payroll and to part-match contributions made by employees based on an established policy.

15.2 Group 401K plan

The Corporation operates group 401K plans for all qualifying employees located in Michigan, Minnesota, Ohio and Idaho, USA, in which qualifying employees may elect to defer current wages for retirement. The Corporation has the option to match employee contributions to the plans.

The assets of the plans are held separately from those of the Corporation by a trust company and governed by a custodial agreement under the Employee Retirement Income Security Act ("ERISA"). The Corporation also utilizes the services of registered investment brokers and third party administrators in the fulfillment of its actuarial and fiduciary responsibilities with respect to the plans.

15.3 Defined benefit pension plan

The Corporation operates a funded defined benefit pension plan for qualifying Ontario-based employees who are members of the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union. Under the plan, retiring employees receive on a monthly basis a fixed benefit amount multiplied by the number of years of eligible service. No other post-retirement benefits are provided to these employees except for a minimal amount of life insurance coverage.

The most recent actuarial valuation of plan assets and the present value of defined benefit obligation were determined as at December 31, 2016 and the accounting valuations were subsequently updated to December 31, 2017, by the independent actuary. The next valuation report is required as at December 31, 2019.

The table below outlines the amounts included in the consolidated balance sheets arising from the Corporation's obligation in respect of its defined benefit plan:

	As at Dec 31, 2017	**As at Dec 31, 2016**
Present value of the funded defined benefit obligation	**$ (1,837)**	$ (1,833)
Fair value of plan assets	**1,928**	1,843
Net asset arising from defined benefit obligation	**$ 91**	$ 10

The principal assumptions used for the purpose of the actuarial accounting valuations were as follows:

	2017	**2016**
Discount rate (end of fiscal year)	**3.75 %**	3.75 %
Expected return on plan assets	**3.75 %**	4.00 %

Amounts recognized as an expense in respect of the defined benefit plan were as follows:

	2017	**2016**
Current service costs	**$ 42**	$ 45
Administration costs	**51**	15
Interest costs	**69**	69
Interest income	**(69)**	(63)
	$ 93	$ 66

The expense for the years is included in cost of sales in the consolidated statements of comprehensive income.

Movements in the present value of the defined benefit obligation were as follows:

	2017	2016
Opening defined benefit obligation	**$ 1,833**	$ 1,718
Current service costs	**42**	45
Interest cost on obligation	**69**	69
Benefit payments	**(67)**	(64)
Actuarial (gain) loss	**(40)**	65
Closing defined benefit obligation	**$ 1,837**	$ 1,833

Movements in the present value of the plan assets were as follows:

	2017	2016
Opening fair value of plan assets	**$ 1,843**	$ 1,538
Actual return on plan assets	**70**	242
Employer contributions	**133**	142
Administration costs	**(51)**	(15)
Benefit payments	**(67)**	(64)
Closing fair value of plan assets	**$ 1,928**	$ 1,843

The major categories of plan assets are as follows:

	Distribution of plan assets	
	As at Dec 31, 2017	**As at Dec 31, 2016**
Equity instruments	**71 %**	83 %
Fixed income securities	**29 %**	17 %
Total	**100 %**	100 %

To the best of management's knowledge, none of the plan assets are invested in the Corporation's shares.

The Corporation expects to make contributions of $131 to the defined benefit plan in the 2018 financial year.

16. Deferred revenue

As at December 31, 2017, the Corporation held deposits collected from customers in the amount of $3,678 (December 31, 2016 - $2,821) for work to be performed at a future date. The Corporation typically expects all customer deposit amounts to be recognized as revenue within 12 months of their collection.

17. Borrowings

17.1 Operating credit facilities

Canada

The Canadian segment has a revolving facility that is secured by a first ranking security interest in trade receivables and inventories of the Canadian subsidiary, with a parent guarantee.

The Corporation continues to provide a guarantee and postponement of claim to the bank in the amount of $10,000. The interest rate applicable on draws made against the facility is the Canadian bank's prime rate plus 0.5% and the facility carries a monthly standby fee when not being utilized. The credit facility was not used as at December 31, 2017.

USA

The USA segment has a credit facility arrangement with a US bank for a variable rate revolving facility in the amount of $1,250. The revolving facility is secured by all inventory and equipment of the USA subsidiary. The interest rate applicable on draws made against the facility is a variable rate based on an index plus 0.25%.

Under the facility, the USA subsidiary is subject to certain covenants, one of which is a financial covenant to maintain an Operating Cash Flow to Fixed Charge Coverage ratio of not less than 1.20:1. The second covenant is to maintain a Total Debt to Tangible Net Worth Ratio of less than 3.00 to 1.00. The credit facility was not used as at December 31, 2017.

17.2 Long-term debt

The Corporation's long-term debt position is stated in the following table:

	Dec 31, 2017
Balance at beginning of period	**$ -**
Borrowings	**9,152**
Repayments	**(246)**
Balance at end of period	**$ 8,906**

As at February 28, 2017, the Corporation obtained long-term debt from a Canadian bank to fund the purchase of a real estate transaction completed at a fixed interest rate of 3.25%. The long-term debt is being amortized over a 20 year amortization period and subject to renewal within 5 years. The long-term debt is eligible for prepayment privilege, subject to certain prepayment penalties and is supported by the Corporation's property. Borrowing and closing costs were expensed as incurred, as amounts are not material.

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 financial covenant ratio was tested and the Corporation was compliant with the ratio as at December 31, 2017.

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

	Dec 31, 2017
Current within 12 months	$ 339
Due within 12 to 24 months	350
Due within 25 to 36 months	361
Due within 37 to 48 months	373
Due within 49 to 60 months	385
Due after 60 months	7,098
Total	**$ 8,906**

18. Deferred operating lease obligations

The Corporation's Canadian subsidiary is a party to certain real estate operating lease agreements, which are used by its operations. Rent expenses under those agreements are recognized in the consolidated statements of income on a straight-line basis over the term of each lease. The straight-line method creates timing differences between actual rent amounts paid to the owners of the properties and the amounts recorded as an expense. These differences arise as a result of rent-free periods and future contractual rent escalations being recognized sooner than they are required to be paid.

As at December 31, 2017, deferred operating lease obligations were recorded in the amount of $506 as a long-term liability on the consolidated balance sheet (2016 - $498).

19. Finance lease obligations

Finance leases exist for automobiles, equipment and buildings. Lease obligations for automobiles and equipment are secured by the lessors' title to the automobiles and equipment.

In March 2013, the Corporation entered into carefree triple net lease agreements as part of a sale leaseback arrangement with a Canadian REIT for four Canadian properties, each having a lease term of twenty years. Monthly rent expenses are fixed over the first five years of each term with predetermined rent increases after years five, ten and fifteen of the twenty-year terms. A renewal option exists for a second term of ten years with market rates for rent to be determined at the time of renewal. Under the terms of the lease agreements, the Corporation is responsible for the operating costs of the leased premises including all major repairs necessary to maintain the properties in a state of good order and condition.

As part of the sale leaseback transaction, a proportion of the consideration received was in units of the Canadian REIT which were pledged as security for the minimum rent obligations for the building leases over the first ten years of the lease term. The Canadian REIT units are held in an escrow account and marked-to-market at the end of each reporting period. The units had a fair value of $1,239 (2016 - $2,803) as at December 31, 2017 (Note 23). The Canadian REIT currently pays monthly distributions on the units and distributions flow to the Corporation when paid and are included as investment income in the consolidated statements of income.

On February 28, 2017, the Corporation repurchased one of the four properties from the Canadian REIT (Note 20).

The Corporation's finance lease obligations as at December 31, 2017 and 2016 are stated in the following table:

	Minimum lease payments	
	Dec 31, 2017	**Dec 31, 2016**
Not later than one year	**$ 648**	$ 1,717
Later than one year and not later than five years	**1,899**	6,844
Later than five years	**4,851**	21,131
Total minimum lease payments	**7,398**	29,692
Less: amounts representing finance costs	**4,166**	15,472
Present value of minimum lease payments	**$ 3,232**	$ 14,220

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

	Dec 31, 2017	**Dec 31, 2016**
Current	**$ 249**	$ 316
Long-term	**2,983**	13,904
Total	**$ 3,232**	$ 14,220

20. Purchase of leased property

On February 28, 2017, the Corporation purchased, under a Right of First Offer ("ROFO") a property which was previously leased from a Canadian REIT. The lease interest in the property was recorded as an operating lease of land and a finance lease of the buildings. The gross purchase price for the property was $18,822, of which $9,670 was paid in cash and $9,152 was funded through a mortgage on the property obtained from a Canadian financial institution (Note 17). The Corporation expensed $22 direct costs related to the transaction as incurred.

The transaction resulted in the elimination of all leasing obligations related to the purchased property. In determining the transaction price allocated to land, the Corporation engaged assistance of third party specialists, to determine the fair value related as $5,432.

For accounting purposes, the deferred operating lease obligations on the balance sheet, were eliminated in the amount of $143.

The cost and accumulated depreciation of amounts previously classified as leasehold improvements, for property enhancements installed from March 2013 to February 2017 were reclassified from leasehold improvements to buildings in the amounts of $398 and $343, respectively.

At March 15, 2013, the present value of minimum lease payments relating to the finance lease asset was recorded as the finance lease obligation in the amount of $14,220. This balance, through lease payments, decreased to $10,982 on February 28, 2017 and was extinguished on the transaction date.

The land and building assets, along with the mortgage for buildings, have been allocated to the Corporate reportable segment.

21. Reconciliation of liabilities arising from financing activities

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

		Cash changes			Non-cash changes			
	Dec 31, 2016	**Borrowings**	**Settlements**	**Repayments**	**Additions**	**Disposal**	**Foreign exchange**	**Dec 31, 2017**
Bank indebtedness	$ -	$ 2,175	$ -	$ (2,175)	$ -	$ -	$ -	**$ -**
Long-term debt	-	9,152	-	(246)	-	-	-	**8,906**
Finance lease obligations	14,220	-	(10,982)	(234)	244	(4)	(12)	**3,232**
Total	**$ 14,220**	**$ 11,327**	**$ (10,982)**	**$ (2,655)**	**$ 244**	**$ (4)**	**$ (12)**	**$ 12,138**

22. Issued capital

22.1 Authorized

The Corporation's authorized share capital represents:

(a) An unlimited number of voting common shares without nominal or par value which carry one vote per share and carry a right to dividends.

(b) An unlimited number of preferred shares without nominal or par value, issuable in series at the discretion of the directors of the Corporation of which none are outstanding.

22.2 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 which is the fifth anniversary of the effective date of grant. The strike price of each stock option is determined as the weighted average market price of the Corporation's common shares established two business days preceding the effective date of grant.

Each employee share option converts into one ordinary share of the Company 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.

No share options were granted in the year ended December 31, 2017, and there were no options outstanding under the Corporation's share option plan as at December 31, 2017 and 2016.

22.3 Normal Course Issuer Bid

The Normal Course Issuer Bid lapsed on September 10, 2016. During 2017 there was no Normal Course Issuer Bid.

22.4 Dividends

In the first quarter of 2017, the Corporation's board of directors declared a regular quarterly dividend of $0.07 (2016 - $0.06) per common share which was paid in February of each year, respectively. The dividend payment in February 2016 amounted to $470 (2016 - $403).

In the second quarter of 2017, the Corporation's board of directors declared a regular quarterly dividend of $0.07 (2016 - $0.07) per common share which was paid in May of each year, respectively. The dividend payment in May 2017 amounted to $470 (2016 - $470).

In the third quarter of 2017, the Corporation's board of directors declared a regular quarterly dividend of $0.07 (2016 - $0.07) per common share which was paid in August of each year, respectively. The dividend payment in August 2017 amounted to $470 (2016 - $470).

In the fourth quarter of 2017, the Corporation's board of directors declared a regular quarterly dividend of $0.08 (2016 - $0.07) per common share which was paid in November of each year, respectively. The dividend payment in November 2017 amounted to $538 (2016 - $470).

Aggregate dividends paid in the year ended December 31, 2017, amounted to $1,948 (2016 - $1,813).

23. Financial instruments

23.1 Capital management

The Corporation manages its capital structure to ensure that the Corporation and its subsidiaries will be able to continue as going concerns, maximizing the return to shareholders through the optimization of the debt and equity, and to safeguard corporate assets.

The capital structure of the Corporation consists of net debt (long-term debt as detailed in Note 17 offset by cash and cash equivalents) and equity of the Corporation (comprising issued share capital, reserves, and retained earnings as detailed in the consolidated statement of changes in equity).

The Corporation's capital structure, net of cash and cash equivalents, as at December 31, 2017 and 2016, is as outlined in the following table:

	As at December 31, 2017	**As at December 31, 2016**
Borrowings	**$ 8,906**	$ -
Less: cash and cash equivalents	**12,268**	17,171
Surplus cash	**$ (3,362)**	$ (17,171)
Shareholders' equity	**$ 50,825**	$ 51,646
Net borrowings to equity ratio	**N/A**	N/A

The Corporation considers the amount of capital it requires in proportion to the associated risks. Adjustments may be made to the Corporation's capital structure in light of changes in economic conditions and the risk characteristics of the underlying assets. The capital structure can be maintained or adjusted in a variety of ways as circumstances may change, including: adjusting the amount of dividends paid to shareholders; purchasing shares for cancellation (under Normal Course Issuer Bids); issuing new shares; and increasing or repaying any debt financing.

The Corporation pursues its capital management objectives by prudently managing the capital generated through internal growth of its operations, optimizing the use of lower cost capital when required, and raising share capital when deemed appropriate, to fund significant strategic growth initiatives.

23.2 Categories of financial instruments

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

- The carrying amount of cash and cash equivalents, trade receivables, and trade and other payables approximate fair value due to the short-term maturity of those instruments.
- Marketable securities – restricted, consist of units of a publicly-traded Canadian REIT which are marked-to-market based on the quoted price of the units on the Toronto Stock Exchange at the end of each reporting period.
- The fair value of the obligations related to buildings and equipment under finance leases is comparable to their carrying amount given that rent is generally at market value.
- Deferred operating lease obligations consist of contracts that specify certain lease incentives and reflect timing differences between amounts expensed on a straight-line basis and when amounts are contractually paid to the lessors. The liability approximates the undiscounted, fair value of lease incentives reversing in the future.

A summary of the categories, measurement basis, hierarchy, carrying values and fair values of financial instruments held by the Corporation are stated in the following table:

				December 31, 2017		December 31, 2016	
Financial instrument	**Category**	**Measurement**	**Hierarchy**	**Carrying Amount**	**Fair Value**	**Carrying Amount**	**Fair Value**
Cash and cash equivalents	FVTPL	Fair value	Level 1	**$ 12,268**	**$ 12,268**	$ 17,171	$ 17,171
Restricted marketable securities	Available for sale	Fair value	Level 1	**1,239**	**1,239**	2,803	2,803
Trade receivables	Loans and receivables	Amortized cost	N/A	**9,809**	**9,809**	7,643	7,643
Trade and other payables	Other financial liabilities	Amortized cost	N/A	**(10,217)**	**(10,217)**	(8,383)	(8,383)
Long-term debt	Other financial liabilities	Amortized cost	Level 2	**(8,906)**	**(8,906)**	-	-
Finance lease obligations	Other financial liabilities	Amortized cost	N/A	**(3,232)**	**(3,232)**	(14,220)	(14,220)
Deferred operating lease obligations	Other financial liabilities	Amortized cost	Level 2	**(506)**	**(506)**	(498)	(498)

During the year ending December 31, 2017, there were no transfers between Level 1 and Level 2 fair value measurements.

23.3 Credit risk

Credit risk is defined as the risk that the Corporation's counterparty in a transaction fails to meet or discharge their obligation to the Corporation.

The Corporation's exposure to credit risk is associated with trade receivables and the potential risk that any customer is unable to pay amounts due. Allowances for doubtful accounts and bad debts are estimated as at the balance sheet date. The amounts reported for trade receivables on the balance sheet are net of allowances for doubtful accounts and the net carrying value represents the Corporation's maximum exposure to credit risk.

The Corporation's subsidiaries provide trade credit to their customers in the normal course of business and the Corporation's credit policy is universally adopted across all businesses. The policy requires the credit history of each new customer to be closely examined before credit is granted, which may involve performing solvency tests if a particular account is expected to become significant. It is not normal practice to require customers to provide collateral or security as a condition of approving trade credit. The diversity of the Corporation's customer base and product offering combine to minimize overall exposures to credit risks.

Customers ordering highly-customized manufactured products are required to make advance payments at various predefined stages of a sales contract. All payments received in advance of invoicing are reported as deferred revenue in the current liability section of the balance sheet. Final contract balances are typically required to be paid in full before products are shipped.

Management diligently reviews past due trade receivables balances on a weekly basis to monitor potential credit risks. Accounts are considered for impairment on a case-by-case basis when they are past due or when objective evidence is received that a customer may default. A number of factors are considered in determining the likelihood of impairment. All bad debt write-offs and changes in the doubtful trade receivables reserve are expensed or credited, as applicable, to selling expenses in the consolidated statement of income.

PFB believes that credit risk associated with its trade receivables is limited for the following reasons:

- Trade receivables balances are spread amongst a broad customer base which is dispersed across a wide geographic range;
- The aging profile of trade receivables balances is systematically monitored by management;
- Larger customers are offered a discount off invoice for prompt payment which is strictly enforced; and
- Payments for highly-customized orders are received in advance of products being shipped.

Potential credit risk associated with contractual holdback amounts pertaining to certain large projects is considered to be low as the customers involved are required to provide bonding to the owners of the projects. The credit risk on cash balances is limited because the counterparties are large commercial banks in Canada and the United States.

Payment of interest by customers arising on past due trade receivables balances is included in investment income in the consolidated statements of income.

23.4 Foreign currency risk

Currency risk is defined as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Corporation operates in both Canada and the United States of America and is exposed to foreign exchange risks arising from changes in foreign exchange rates between the two countries. At the present time, the Corporation has a net exposure to the U.S. dollar, as the prices for most raw materials used in its operations are denominated in that currency. Raw material supplies denominated in U.S. dollars are usually required to be paid within thirty days or less of receiving actual deliveries, which is consistent with industry practices.

Periodically, management may commit to entering into foreign exchange contracts to attempt to protect earnings against relatively short-term fluctuations in exchange rates. In such cases, management attempts to make informed judgments in entering such transactions but there is a possibility that markets may not respond in ways predicted. To the extent that the Corporation does not fully hedge its foreign currency exposure and exchange rate risk, or the Corporation's subsidiaries are not able to or do not raise their selling prices accordingly when exchange rates are moving in an unfavourable direction, the profitability of the business could be adversely affected. The Corporation did not hold any foreign exchange contracts as at December 31, 2017.

The following tables detail the Corporation's exposure to foreign currency risk as at December 31, 2017 and 2016, including a sensitivity analysis to changes in foreign exchange rates:

	December 31, 2017			December 31, 2016		
	USD	**Change in currency**	**Effect on after tax income (loss)**	**USD**	**Change in currency**	**Effect on after tax income (loss)**
Net monetary assets	**$ 8,062**	**5.0%**	**$ 307**	$ 5,497	5.0%	$ 167
Net monetary liabilities	**(3,126)**	**5.0%**	**$ (119)**	(2,629)	5.0%	(80)

23.5 Interest rate risk

Interest rate risk is defined as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of change in market interest rates.

The Corporation's Canadian subsidiary had access to a revolving credit facility with a Canadian bank. The revolving credit facility had a limit of $10,000, based on marginable trade receivables and inventories. The revolving credit facility was repaid and unused at December 31, 2017 (December 31, 2016 - $10,000 unused). The Corporation's USA subsidiary had access to a revolving credit facility with a US bank. The revolving credit facility had a limit of $1,250, based on all inventory and equipment. The revolving credit facility was unused as at December 31, 2017 (December 31, 2016 - $250, unused).

23.6 Liquidity risk

Liquidity risk is defined as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Financial liabilities include principal and interest payments.

The Corporation's liquidity risk is that it is not able to settle liabilities when due or that it can do so only at an abnormally high cost. Accordingly, one of management's primary goals is to maintain an optimum level of liquidity by actively managing assets, liabilities and cash flows generated by operations. The Corporation's future strategies can be financed through a combination of cash flows generated by operations, borrowing under existing credit facilities, and the issuance of equity. Management prepares regular budgets and cash flow forecasts to help predict future changes in liquidity.

The Corporation has financial liabilities with the following maturities:

As at December 31, 2017	**Total**	**Current less than 12 months**	**Due within 12 to 24 months**	**Due within 25 to 36 months**	**Due within 37 to 48 months**	**Due after 48 months**
Trade and other payables	**$ 10,217**	**$ 10,217**	**$ -**	**$ -**	**$ -**	**$ -**
Long-term debt	**11,992**	**623**	**623**	**623**	**623**	**9,500**
Finance lease obligations	**7,398**	**648**	**559**	**486**	**429**	**5,276**
Total	**$ 29,607**	**$ 11,488**	**$ 1,182**	**$ 1,109**	**$ 1,052**	**$ 14,776**
As at December 31, 2016						
Trade and other payables	$ 8,383	$ 8,383	$ -	$ -	$ -	$ -
Finance lease obligations	29,692	1,717	1,782	1,717	1,673	22,803
Total	$ 38,075	$ 10,100	$ 1,782	$ 1,717	$ 1,673	$ 22,803

24. Related party transactions

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

Balances and transactions between the Corporation and its subsidiaries, which are related parties of the Corporation, have been eliminated on consolidation and are not disclosed in this note (Note 0). Details of transactions between the Corporation and other related parties are disclosed below.

24.1 Trading transactions

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

In the years ended December 31, 2017 and 2016, the Corporation had the following trading transactions with related parties:

Related party	Nature of transactions	2017	2016
E. Carruthers Trucking	Transportation services	**$ 1,920**	$ 1,687
Aeonian Capital Corporation	Management services	**350**	350
		$ 2,270	$ 2,037

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

Related party	Nature of transactions	2017	2016
E. Carruthers Trucking	Transportation services	**$ 68**	$ -

Aeonian Capital Corporation ("Aeonian"), and its affiliates, owned 2,967,668 (2016 - 2,967,668) common shares of the Corporation representing 44.2% (2016 – 44.2%) of the 6,716,003 issued and outstanding shares as at December 31, 2017. Aeonian is controlled by C. Alan Smith, President, Chief Executive Officer, and Chairman of PFB. The Corporation is charged fees by Aeonian for management services including those provided by Mr. Smith. The fees are reported under administrative expenses in the consolidated statement of income.

E. Carruthers Trucking is owned by a sibling of a member of the Board of PFB. The transactions have occurred in the normal course of operations at arm's length and are based on standard commercial terms.

24.2 Compensation of key management personnel

The remuneration of directors and other members of key management personnel for the year ended were as follows:

	2017	2016
Short-term benefits [1]	**$ 1,198**	$ 817
Post-employments benefits	**-**	-
Other long-term benefits	**-**	-
Share-based payments	**-**	-
Termination benefits	**-**	-
	$ 1,198	$ 817

[1] Short-term benefits includes the following: salaries and associated employer-related costs for payroll and health benefits; bonuses; management and directors fees (as applicable).

The remuneration of directors and the key executives is recommended to the Board of Directors by the Human Resources and Compensation Committee and having regard to the performance of individuals and market trends.

25. Operating lease arrangements

Operating leases generally have varying terms of between 12 months and 16 years, with options to renew in some cases. Several leases either have rent incentives or rent escalation clauses. There are no contingent rents or sublease payments applicable to any operating lease.
The Corporation's future minimum payments under non-cancellable, operating lease arrangements for lands, buildings and equipment, as at December 31, 2017 and December 31, 2016 are as stated in the table below:

	2017	2016
Not later than one year	**$ 1,217**	$ 1,562
Later than one year and not later than five years	**3,815**	4,390
Later than five years	**5,823**	9,145
	$ 10,855	$ 15,097

26. Commitments and contingencies

26.1 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 December 31, 2017, the Canadian segment did not have any performance bonds outstanding (December 31, 2016 - $nil). In the USA, performance bonds in the amount of $598 (December 31, 2016 - $691) were pledged to various government agencies as at December 31, 2017.

26.2 Expenditures for property, plant and equipment and intangible assets

Under the terms of the carefree triple net property leases with a Canadian REIT, the Corporation's subsidiary, Plasti-Fab Ltd., is responsible for all major repairs necessary to maintain the leased properties in a state of good order and condition over the duration of the leases (Note 19). As at December 31, 2017, no definitive schedule of major repairs has been determined.

The Corporation had the following commitments for property, plant and equipment and intangible assets as at December 31, 2017 and 2016:

	As at Dec 31, 2017	As at Dec 31, 2016
Property, plant and equipment	**$ 273**	$ 199
Intangible assets	**-**	16
	$ 273	$ 215

26.3 Contingent liabilities

In the normal course of its operations, the Corporation and/or its subsidiaries may occasionally become involved in various claims. While the final outcome with respect to any claims pending cannot be predicted with certainty, it is the opinion of management that their resolution will not have a material adverse effect on the consolidated financial position, consolidated results of operations or cash flows.

26.4 Environment

The Corporation's subsidiaries are subject to various laws, regulations, and government policies relating to health and safety, production operations, storage and transportation of goods, disposal and environmental emissions of various substances and materials, and to the protection of the environment in general.

27. Supplementary cash flow information

27.1 Changes in non-cash working capital

	2017	2016
Trade receivables	**$ (2,166)**	$ (108)
Inventories	**12**	59
Prepaid expenses	**110**	(179)
Trade and other payables	**1,834**	(520)
Deferred revenue	**857**	(587)
	$ 647	$ (1,335)

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

	2017	2016
Property, plant and equipment acquired with finance lease obligations	**$ 244**	$ 171

28. Subsequent events

Declaration of regular quarterly dividend

On February 1, 2018, the Board of Directors declared a regular quarterly dividend of $0.08 per common share payable on February 23, 2018, to shareholders of record at the close of business on February 9, 2018.

29. Subsidiaries

Subsidiary	Principal activities	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Corporation	
			December 31, 2017	December 31, 2016
Canada				
Plasti-Fab Ltd.	Manufacturing	Alberta, Canada	**100%**	100%
USA				
PFB America Corporation	Holding company	Delaware, USA	**100%**	100%
PFB Custom Homes Group, LLC	Design and construction services	Delaware, USA	**100%**	100%
PFB Manufacturing, LLC	Manufacturing	Delaware, USA	**100%**	100%
PFB America Real Estate, LLC	Real estate holdings	Delaware, USA	**100%**	100%

30. Approval of financial statements

The financial statements were approved by the Board of Directors and authorized for issue on March 8, 2018.

Better building ideas

DIRECTORS

Frank B. Baker
Corporate Director

Bruce M. Carruthers
Chief Operating Officer
PFB Corporation

Donald J. Douglas
Chairman Emeritus
United Communities Inc.

Edward H. Kernaghan
Executive Vice President
Kernaghan & Partners Ltd.

John K. Read
President
Picante Capital Corp.

C. Alan Smith
President
Aeonian Capital Corporation

William H. Smith, Q.C.
Principal, William H. Smith Professional Corp.

Vanessa H. Rennie
Corporate Director

Gordon G. Tallman
Corporate Director

OFFICERS

C. Alan Smith
Chairman, President and
Chief Executive Officer

Robert Graham
Executive Vice President

Mirko Papuga
Chief Financial Officer

Bruce M. Carruthers
Chief Operating Officer

William H. Smith, Q.C.
Corporate Secretary

OPERATIONS

Head Office
Calgary, Alberta

Plasti-Fab Ltd.
EPS Moulding Operations:
Delta, British Columbia
Crossfield, Alberta
Edmonton, Alberta
Saskatoon, Saskatchewan
Winnipeg, Manitoba
Kitchener, Ontario
Ajax, Ontario

Insulspan SIPS Division:
Delta, British Columbia

PFB America Corporation
PFB Custom Homes Group, LLC
Meridian, Idaho
Blissfield, Michigan
PFB Manufacturing, LLC
Lebanon, Ohio
Blissfield, Michigan
Lester Prairie, Minnesota
PFB America Real Estate, LLC

WEBSITES

www.pfbcorp.com
www.plastifab.com
www.riverbendtf.com
www.precisioncraft.com
www.mtndesign.com
www.pointzerohomes.com
www.advantageicf.com
www.insulspan.com
www.pfbsustainability.com
www.pfbamerica.com
www.timberscape.com

BANKERS

Royal Bank of Canada

TRANSFER AGENT AND REGISTRAR

Alliance Trust Company

AUDITORS

Deloitte LLP

STOCK EXCHANGE LISTING

The Toronto Stock Exchange

STOCK SYMBOL

PFB

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