Unaudited Condensed Consolidated Interim Financial Statements
(Expressed in Canadian dollars)

HARDWOODS DISTRIBUTION INC.

Three month periods ended March 31, 2019 and 2018

HARDWOODS DISTRIBUTION INC.

Unaudited Condensed Consolidated Interim Statements of Financial Position
(Expressed in thousands of Canadian dollars)

	Note		March 31, 2019		Restated (Note 3) December 31, 2018		Restated (Note 3) January 1, 2018
Assets							
Current assets:							
Cash		$	792	$	1,547	$	313
Accounts and other receivables	6		123,152		112,005		97,263
Income taxes receivable			—		789		1,582
Inventories	7		211,346		223,785		172,106
Prepaid and other assets			7,161		4,594		5,268
Total current assets			342,451		342,720		276,532
Non-current assets:							
Non-current receivables	6		1,778		1,857		1,359
Property, plant and equipment			19,673		20,357		18,044
Right of use assets	3		92,369		97,241		82,816
Intangible assets			15,998		16,828		17,215
Deferred income taxes			6,803		6,844		8,910
Goodwill			58,366		56,120		51,670
Total non-current assets			194,987		199,247		180,014
Total assets		$	537,438	$	541,967	$	456,546
Liabilities							
Current liabilities:							
Bank indebtedness	8	$	108,276	$	112,940	$	91,146
Accounts payable and accrued liabilities			44,566		39,216		38,056
Income taxes payable			802		—		—
Lease obligation	3		20,857		25,001		16,595
Dividend payable	5		1,723		1,717		1,549
Total current liabilities			176,224		178,874		147,346
Non-current liabilities:							
Lease obligation	3		86,519		87,472		79,366
Other liabilities			134		182		445
Total non-current liabilities			86,653		87,654		79,811
Total liabilities			262,877		266,528		227,157
Shareholders' equity							
Share capital	9(a)		116,041		116,524		113,788
Contributed surplus			104,925		104,467		105,426
Retained earnings			29,910		25,653		482
Accumulated other comprehensive income			23,685		28,795		9,693
Shareholders' equity			274,561		275,439		229,389
Total liabilities and shareholders' equity		$	537,438	$	541,967	$	456,546

Subsequent event (note 5 and 9(a))
Contingency (note 14)
The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Approved on behalf of the board of directors:

(Signed) GRAHAM M. WILSON Director **(Signed) WILLIAM R. SAUDER** Director

HARDWOODS DISTRIBUTION INC.

Unaudited Condensed Consolidated Interim Statements of Comprehensive Income
(Expressed in thousands of Canadian dollars)

Three month periods ended March 31, 2019 and 2018

	Note		2019		Restated (Note 3) 2018
Sales	11	$	287,087	$	270,755
Cost of goods sold	7		(236,055)		(221,894)
Gross profit			51,032		48,861
Operating expenses:					
Selling and distribution			(31,225)		(27,721)
Administration			(9,941)		(8,833)
			(41,166)		(36,554)
Profit from operations			9,866		12,307
Finance expense	10		(2,514)		(1,902)
Finance income	10		217		230
Net finance expense			(2,297)		(1,672)
Profit before income taxes			7,569		10,635
Income tax expense:					
Current			(1,606)		(1,884)
Deferred			17		(633)
			(1,589)		(2,517)
Net profit			5,980		8,118
Other comprehensive income:					
Exchange differences translating foreign operations			(5,110)		5,806
Total comprehensive income		$	870	$	13,924
Basic net profit per share	9(c)	$	0.28	$	0.38
Diluted net profit per share	9(c)	$	0.28	$	0.38

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

HARDWOODS DISTRIBUTION INC.

Unaudited Condensed Consolidated Interim Statements of Changes in Shareholders' Equity
(Expressed in thousands of Canadian dollars)

Three month periods ended March 31, 2019 and 2018

	Note	Share capital	Contributed surplus	Accumulated other comprehensive income - translation reserve	Retained Earnings	Total
Balance at January 1, 2019		$ 116,524	$ 104,467	$ 29,411	$ 35,530	$ 285,932
Impact of changes in accounting policy	3	—	—	(616)	(9,877)	(10,493)
Restated balance at January 1, 2019	3	116,524	104,467	28,795	25,653	275,439
Share based compensation expense for the period	9(b)	—	458	—	—	458
Shares repurchased	9(a)	(483)	—	—	—	(483)
Profit for the period		—	—	—	5,980	5,980
Dividends declared		—	—	—	(1,723)	(1,723)
Translation of foreign operations		—	—	(5,110)	—	(5,110)
Balance at March 31, 2019		$ 116,041	$ 104,925	$ 23,685	$ 29,910	$ 274,561
Balance at January 1, 2018		$ 113,788	$ 105,426	$ 9,693	$ 9,919	$ 238,826
Impact of changes in accounting policy	3	—	—	—	(9,437)	(9,437)
Restated balance at January 1, 2018	3	113,788	105,426	9,693	482	229,389
Share based compensation expense for the period	9(b)	—	387	—	—	387
Shares issued pursuant to LTIP		1,317	(1,317)	—	—	—
Profit for the period		—	—	—	8,118	8,118
Dividends declared		—	—	—	(1,553)	(1,553)
Translation of foreign operations		—	—	5,806	—	5,806
Balance at March 31, 2018		$ 115,105	$ 104,496	$ 15,499	$ 7,047	$ 242,147

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

HARDWOODS DISTRIBUTION INC.

Unaudited Condensed Consolidated Interim Statements of Cash Flows
(Expressed in thousands of Canadian dollars)

Three month periods ended March 31, 2019 and 2018

	Note	2019	Restated (Note 3) 2018
Cash flow from operating activities:			
Profit for the period		$ 5,980	$ 8,118
Adjustments for:			
Depreciation and amortization		6,830	6,049
Gain on sale of property, plant and equipment		(83)	(36)
Share-based compensation expense	9(b)	586	566
Income tax expense		1,589	2,517
Net finance expense	10	2,297	1,672
Interest received		203	135
Interest paid		(962)	(587)
Income taxes paid		(39)	82
		16,401	18,516
Changes in non-cash working capital:			
Accounts and other receivables		(12,737)	(17,339)
Inventories		9,562	(11,184)
Prepaid expenses		(2,616)	(1,150)
Accounts payable and accrued liabilities		5,239	(1,688)
		(552)	(31,361)
Net cash provided by (used in) operating activities		15,849	(12,845)
Cash flow from financing activities:			
(Decrease) increase in bank indebtedness		(2,702)	20,792
Principle payments on finance lease obligation		(6,514)	(5,615)
Note repayment		—	(15)
Share repurchases	9(a)	(483)	—
Dividends paid to shareholders	5	(1,717)	(1,549)
Net cash (used in) provided by financing activities		(11,416)	13,613
Cash flow from investing activities:			
Additions to property, plant and equipment		(627)	(668)
Proceeds on disposal of property, plant and equipment		152	67
Business acquisitions	4(a)	(4,824)	—
Additions to internally generated software		(54)	(72)
Payments received on non-current receivables, net		165	5
Net cash used in investing activities		(5,188)	(668)
(Decrease) increase in cash		(755)	100
Cash, beginning of the period		1,547	313
Cash, end of the period		$ 792	$ 413
Supplementary information:			
Property, plant and equipment acquired under leases, net of disposals		$ 2,286	$ 7,282

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

1. Nature of operations:

Hardwoods Distribution Inc. (the “Company”) is incorporated under the Canada Business Corporations Act and trades on the Toronto Stock Exchange under the symbol “HDI.” The Company operates a network of 62 distribution centers in Canada and the US engaged in the wholesale distribution of architectural building products to customers that supply end-products to the residential and commercial construction markets. The Company also has a sawmill and kiln drying operation in Clinton, Michigan. The Company's principal office is located at #306, 9440 202nd Street, Langley, British Columbia V1M 4A6.

2. Basis of preparation:

(a) Statement of compliance:

These condensed consolidated interim financial statements of the Company have been prepared in accordance with International Accounting Standards (“IAS 34”) "Interim Financial Reporting". The disclosures contained in these condensed consolidation interim financial statements do not include all of the requirements of International Financial Reporting Standards ("IFRS") for annual financial statements, and accordingly, should be read in conjunction with the Company's annual consolidated financial statements for the year ended December 31, 2018.

The condensed consolidated interim financial statements were authorized for issue by the Board of Directors on May 9, 2019.

(b) Basis of measurement:

These condensed consolidated interim financial statements have been prepared on the historical cost basis. Comparative figures have been restated for IFRS 16 as discussed in note 3.

(c) Functional and presentation currency:

These condensed consolidated interim financial statements are presented in Canadian dollars, which is the Company’s functional currency. The Company's subsidiaries operating in the United States have a US dollar functional currency. All financial information presented in the interim financial statements, with the exception of per share amounts, has been rounded to the nearest thousand dollar.

(d) Use of estimates and judgment:

The preparation of financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual amounts may differ from the estimates applied in the preparation of these interim financial statements.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty are consistent with those disclosed in the Company's annual audited consolidated financial statements for the year ended December 31, 2018, except as discussed in Note 3.

3. Significant accounting policies:

The significant accounting policies that have been used in the preparation of these condensed consolidated interim financial statements are summarized in the Company's annual audited consolidated financial statements for the year ended December 31, 2018, with the exception of new accounting policies adopted on January 1, 2019 related to the adoption of IFRS 16 Leases.

3. Significant accounting policies (continued):

New accounting policy

Effective January 1, 2019, the Company adopted IFRS 16, eliminating the dual accounting model for lessees which distinguished between on-balance sheet finance leases and off-balance sheet operating leases. The main provision of IFRS 16 is the recognition of lease assets and lease liabilities on the balance sheet by lessees for those leases that were previously classified as operating leases. Under IFRS 16, a lessee is required to do the following: (i) recognize a right-of-use (ROU) asset and a lease liability, initially measured at the present value of the lease payments, on the balance sheet; and (ii) recognize a front-loaded pattern of expense for most leases, even when cash rentals are constant, as the right-of-use asset is depreciated and the lease liability is accreted using the effective interest method. As a result of adopting IFRS 16, the Company's operating leases, which are principally comprised of its warehouse facilities and automobiles, are recorded in the statement of financial position as a lease obligation with a corresponding ROU asset.

Significant accounting policy

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assess whether:

- the contract involves the use of an identified asset - this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.

The Company has applied this approach to contracts entered into or changed on or after January 1, 2019.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of the right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Company is reasonably certain to exercise;
- lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option; and
- penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

(Tabular amounts expressed in thousands of Canadian dollars)

3. Significant accounting policies (continued):

Significant accounting policy (continued)

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Some of the Company's leases of office buildings contain extension options exercisable up to one year before the end of the non-cancellable contract period. The extension options held are exercisable only by the Company and not by the lessors. The Company assesses at lease commencement whether it is reasonably certain to exercise the extension options. The Company reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control. The assessment of whether the Company is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognized.

The Company leases many assets including buildings, automobiles and forklifts. Information about leases for which the Company is a lessee is presented below.

Right-of-use assets

	Buildings	Automobiles	Forklifts	Total
2018				
Balance at January 1 (restated)	69,553	12,793	470	82,816
Additions	20,941	6,343	509	27,793
Disposals	—	(291)	—	(291)
Depreciation charge for the year (restated)	(15,147)	(4,600)	(196)	(19,943)
Foreign currency transaction	5,673	1,135	58	6,866
Balance at December 31	81,020	15,380	841	97,241
2019				
Balance at January 1	81,020	15,380	841	97,241
Additions	2,009	297	—	2,306
Disposals	—	(57)	—	(57)
Depreciation charge for the year	(4,041)	(1,188)	(61)	(5,290)
Foreign currency transaction	(1,509)	(304)	(18)	(1,831)
Balance at March 31	77,479	14,128	762	92,369

(Tabular amounts expressed in thousands of Canadian dollars)

3. Significant accounting policies (continued):

Significant accounting policy (continued)

Lease liabilities	March 31, 2019	Restated December 31, 2018
Maturity analysis - contractual undiscounted cash flows		
Less than one year	25,094	25,171
One to five years	81,749	85,552
More than five years	15,546	18,128
Total undiscounted lease liabilities	122,389	128,850
Lease liabilities included in the statement of financial position	107,376	112,473
Current	20,857	25,001
Non-current	86,519	87,472

Transition

The Company has applied IFRS 16 using the retrospective approach, under which the comparative information presented for 2018 has been restated.

At transition, for leases classified as operating leases, lease liabilities were measured at the present value of the lease payments, discounted at the Company's incremental borrowing rate at the lease commencement date. Right-of-use assets are measured at their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the Company's incremental borrowing rate at the lease commencement date.

On transition to IFRS 16, the Company elected to apply the practical expedient to use hindsight when determining the lease term if the contract contained options to extend or terminate the lease.

The Company leases a number of automobiles and forklifts. These leases were classified as finance leases under IAS 17. For these finance leases, the carrying amount of the right-of-use asset and the lease liability at January 1, 2019 were determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

Impacts on transition

On transition to IFRS 16, the Company recognized additional right-of-use assets and additional lease liabilities, recognizing the difference in retained earnings. The line items that were impacted on transition are summarized below.

(Tabular amounts expressed in thousands of Canadian dollars)

3. Significant accounting policies (continued):

Impacts on transition (continued)

Condensed Consolidated Statements of Financial Position	As Filed December 31, 2018	IFRS 16 Adjustments	Restated December 31, 2018
Non-current assets:			
Property, plant and equipment	24,184	(3,827)	20,357
Right of use assets	—	97,241	97,241
Deferred income taxes	3,051	3,793	6,844
Total non-current assets	102,040	97,207	199,247
Total assets	444,760	97,207	541,967
Current Liabilities			
Accounts payable and accrued liabilities	39,387	(171)	39,216
Lease obligation	1,529	23,472	25,001
Total current liabilities	155,573	23,301	178,874
Non-current liabilities			
Lease obligation	2,018	85,454	87,472
Other liabilities	1,237	(1,055)	182
Total non-current liabilities	3,255	84,399	87,654
Total Liabilities	158,828	107,700	266,528
Shareholder's Equity			
Retained Earnings (Deficit)	35,530	(9,877)	25,653
Accumulated other comprehensive income	29,411	(616)	28,795
Shareholders' equity	285,932	(10,493)	275,439
Total shareholders' equity and liabilities	444,760	97,207	541,967

(Tabular amounts expressed in thousands of Canadian dollars)

3. Significant accounting policies (continued):

Impacts on transition (continued)

Condensed Consolidated Statements of Financial Position	As Filed January1, 2018	IFRS 16 Adjustments	Restated January1, 2018
Non-current assets:			
Property, plant and equipment	20,650	(2,606)	18,044
Right of use assets	—	82,816	82,816
Deferred income taxes	5,477	3,433	8,910
Total non-current assets	96,371	83,643	180,014
Total assets	372,903	83,643	456,546
Current Liabilities			
Accounts payable and accrued liabilities	38,254	(198)	38,056
Lease obligation	1,281	15,314	16,595
Total current liabilities	132,230	15,116	147,346
Non-current liabilities			
Lease obligation	1,068	78,298	79,366
Other liabilities	779	(334)	445
Total non-current liabilities	1,847	77,964	79,811
Total Liabilities	134,077	93,079	227,157
Shareholder's equity			
Retained earnings (deficit)	9,919	(9,437)	482
Accumulated other comprehensive income	9,693	—	9,693
Shareholders' equity	238,826	(9,437)	229,389
Total shareholders' equity and liabilities	372,903	83,643	456,546

(Tabular amounts expressed in thousands of Canadian dollars)

3. Significant accounting policies (continued):

Impacts on transition (continued)

Condensed Consolidated Statements of Comprehensive Income	As Filed March 31, 2018	IFRS 16 Adjustments	Restated March 31, 2018
Cost of goods sold	(222,055)	161	(221,894)
Gross Profit	48,700	161	48,861
Operating expenses			
Selling and distribution	(28,517)	796	(27,721)
Total operating expenses	(37,350)	796	(36,554)
Finance expense	(863)	(1,039)	(1,902)
Net finance expense	(633)	(1,039)	(1,672)
Profit before income taxes	10,717	(82)	10,635
Income tax expense:			
Deferred	(653)	20	(633)
Total income tax expense	(2,537)	20	(2,517)
Profit for the period	8,180	(62)	8,118
Other comprehensive income(loss):			
foreign Operations	5,995	(189)	5,806
Total comprehensive income for the period	14,175	(251)	13,924
Basic profit per share	0.38	—	0.38
Diluted profit per share	0.38	—	0.38

(Tabular amounts expressed in thousands of Canadian dollars)

3. Significant accounting policies (continued):

Impacts on transition (continued)

Condensed Consolidated Statements of Cash Flows	As Filed March 31, 2018	IFRS 16 Adjustments	Restated March 31, 2018
Cash flow from operating activities:			
Profit for the period	8,180	(62)	8,118
Adjustments for:			
Depreciation and amortization	1,624	4,425	6,049
Income tax expense	2,537	(20)	2,517
Net finance expense	633	1,039	1,672
	13,134	5,382	18,516
Changes in non-cash working capital:			
Accounts payable and accrued liabilities	(1,587)	(101)	(1,688)
	(31,260)	(101)	(31,361)
Net cash provided by (used in) operating activities	(18,126)	5,281	(12,845)
Cash flow from financing activities:			
Principle payments on finance lease obligation	(334)	(5,281)	(5,615)
Net cash provided by (used in) financing activities	18,894	(5,281)	13,613

Impacts for the period

In relation to those leases under IFRS 16, the Company recognized depreciation and interest costs, instead of operating lease expense. During the three months ended March 31, 2019, the Company recognized $4.9 million (2018 - $4.4 million) of depreciation expense and $1.1 million (2018 - $1.0 million) of interest expense from these leases.

4. Business acquisitions:

(a) Far West Plywood Company acquisition

On January 28, 2019, the Company acquired through one of its wholly owned subsidiaries substantially all of the assets and assumed certain liabilities of Far West Plywood Company ("Far West") for a total value of $4.8 million (US$3.6 million). The fair value of Far West's identified assets acquired consisted of accounts and other receivables of $0.5 million (US$0.4 million), inventories of $1.3 million (US$0.9 million), property, plant and equipment of $0.1 million (US$0.1 million) and accrued liabilities of $0.4 million (US$0.3 million). Goodwill of $3.4 million (US$2.5 million) was recognized as part of this acquisition and is attributable to the skills and talent of Far West's workforce, value of the customer base, and an increase in market share. The goodwill is deductible for tax purposes.

Far West is a single site wholesale distributer located in Northridge, California that distributes architectural building products to customers that fabricate end-products to commercial, industrial, retail, residential, and institutional construction markets. The Far West acquisition was accounted for as a business combination using the acquisition method, with the Company being the acquirer and Far West being the acquiree, and where the assets acquired and liabilities assumed were recorded at their fair values at the acquisition date.

(Tabular amounts expressed in thousands of Canadian dollars)

4. Business acquisitions (continued):

(b) Atlanta Hardwood Corporation acquisition

On June 11, 2018, the Company acquired through one of its wholly owned subsidiaries certain of the distribution assets and assumed certain liabilities of Atlanta Hardwoods Corporation ("Atlanta") for a total value of $4.8 million (US$3.7 million). The fair value of Atlanta's identified assets acquired consisted of accounts and other receivables of $1.4 million (US$1.1 million), inventories of $3.3 million (US$2.6 million), property, plant and equipment of $0.4 million (US$0.3 million) and accrued liabilities of $0.2 million (US$0.1 million). The fair value of the assets acquired exceeded the purchase price by $0.1 million (US$0.1 million) and this excess has been recorded as income in the consolidated interim statement of comprehensive income.

The distribution assets acquired include Hardwoods of Atlanta, LLC, Hardwoods of North Georgia and Hardwoods of Alabama, LLC, operating under the trade name Hardwoods Incorporated. The Atlanta acquisition was accounted for as a business combination using the acquisition method, with the Company being the acquirer and Atlanta being the acquiree, and where the assets acquired and liabilities assumed were recorded at their fair values at the acquisition date.

5. Capital management:

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future growth of the business. The Company considers its capital to be bank indebtedness (net of cash) and shareholders' equity.

The Company's capitalization is as follows:

		March 31, 2019		December 31, 2018
Cash	$	(792)	$	(1,547)
Bank indebtedness		108,276	$	112,940
Shareholder's equity		274,561		275,439
Total capitalization	$	382,045	$	386,832

The terms of the Company's US and Canadian credit facilities are described in note 8. The terms of the agreements with the Company's lenders provide that distributions cannot be paid by its subsidiaries in the event that its subsidiaries do not meet certain credit ratios. The Company's operating subsidiaries were compliant with all required credit ratios under the US and Canadian credit facilities as at March 31, 2019 and December 31, 2018, and accordingly there were no restrictions on distributions arising from non-compliance with financial covenants.

Dividends are one way the Company manages its capital. Dividends are declared having given consideration to a variety of factors including the outlook for the business and financial leverage. There were no changes to the Company's approach to capital management during the three month period ended March 31, 2019.

On March 14, 2019, the Company declared a cash dividend of $0.08 per common share to shareholders of record as of April 15, 2019. The dividend was paid to shareholders on April 26, 2019. On May 9, 2019, the Company declared a cash dividend of $0.08 per common share to shareholders of record as of July 15, 2019 to be paid on July 26, 2019.

(Tabular amounts expressed in thousands of Canadian dollars)

6. Accounts and other receivables:

The following is a breakdown of the Company's current and non-current receivables and represents the Company's principal exposure to credit risk.

		March 31, 2019		December 31, 2018
Trade accounts receivable - Canada	$	15,146	$	13,131
Trade accounts receivable - United States		108,536		97,907
Sundry receivable		3,485		4,973
Current portion of non-current receivables		1,132		802
		128,299		116,813
Less:				
Allowance for credit loss		5,147		4,808
	$	123,152	$	112,005
Non-current receivables:				
Employee housing loans	$	123	$	136
Customer notes		808		570
Security deposits		1,979		1,953
		2,910		2,659
Less:				
Current portion, included in accounts receivable		1,132		802
	$	1,778	$	1,857

The aging of trade receivables is:

		March 31, 2019		December 31, 2018
Current	$	90,612	$	76,206
1 - 30 days past due		20,483		22,549
31 - 60 days past due		6,013		7,037
60+ days past due		6,574		5,246
	$	123,682	$	111,038

The Company determines its allowance for credit loss using both specific identification of customer accounts and the expected credit loss model. The Company uses an estimate of the net recoverable amount for specific customer accounts it has identified and the effective credit loss model for the remaining customer accounts based on historical experience of uncollectable amounts. Accounts that are considered uncollectable are written off. The total allowance at March 31, 2019 was $5.1 million (December 31, 2018 - $4.8 million). The amount of the allowance is considered sufficient based on the past experience of the business, current and expected collection trends, the security the Company has in place for past due accounts and management's regular review and assessment of customer accounts and credit risk.

Bad debt expense, net of recoveries, for the three month period ended March 31, 2019 was $0.6 million which equates to 0.22% of sales (March 31, 2018 - $0.1 million, being 0.04% of sales).

(Tabular amounts expressed in thousands of Canadian dollars)

7. Inventories:

	March 31, 2019	December 31, 2018
Raw materials	$ 1,366	$ 780
Work in process	4,699	4,584
Goods in-transit	5,508	12,630
Finished goods:		
Lumber	57,851	55,223
Sheet goods	103,887	110,060
Architectural and other	38,035	40,508
	$ 211,346	$ 223,785

The Company regularly reviews and assesses the condition and value of its inventories and records write-downs to net realizable value as necessary.

Inventory related expenses are included in the condensed consolidated interim statement of comprehensive income as follows:

	Three months ended	
	March 31, 2019	Restated March 31, 2018
Inventory write-downs, included in cost of goods sold	$ 959	$ 479
Cost of inventory sold	224,686	209,945
Other cost of goods sold	11,369	11,949
Total cost of goods sold	$ 236,055	$ 221,894

8. Bank indebtedness:

	March 31, 2019	December 31, 2018
Cheques issued in excess of funds on deposit	$ 4,964	$ 1,011
Credit facility, Hardwoods LP	7,942	10,626
Credit facility, Hardwoods USLP II (March 31, 2019 - US$71,467 December 31, 2018 - US$74,369)	95,370	101,303
	$ 108,276	$ 112,940

Bank indebtedness consists of cheques issued in excess of funds on deposit and advances under operating lines of credit (the “Credit Facilities”) available to subsidiaries of the Company, Hardwoods Specialty Products LP (“Hardwoods LP”) and Hardwoods Specialty Product USLP II (“Hardwoods USLP II”).

The Credit Facilities are payable in full at maturity. The Credit Facilities are revolving credit facilities which the Company may terminate at any time without prepayment penalty. The Credit Facilities bear interest at a floating rate based on the Canadian or US prime rate (as the case may be), LIBOR or bankers’ acceptance rates plus, in each case, an applicable margin. Letters of credit are also available under the Credit Facilities on customary terms for facilities of this nature. Commitment fees and standby charges usual for borrowings of this nature were and are payable.

(Tabular amounts expressed in thousands of Canadian dollars)

8. Bank indebtedness (continued):

Hardwoods LP Credit Facility ("LP Credit Facility")

The LP Credit Facility consists of a revolving credit facility of $25.0 million with the amount made available limited to the extent of 90% of the net book value of eligible accounts receivable and the lesser of 60% of the book value or 85% of appraised value of eligible inventories with the amount based on inventories not to exceed 60% of the total amount to be available. Certain identified accounts receivable and inventories are excluded from the calculation of the amount available under the LP Credit Facility. The LP Credit Facility matures in August 2021. Hardwoods LP is required to maintain a fixed charge coverage ratio of not less than 1.0 to 1. However, this covenant does not apply so long as the unused availability under the credit line is in excess of $2.0 million. At March 31, 2019, the LP Credit Facility has unused availability of $16.8 million, before cheques issued in excess of funds on deposit of $5.0 million (December 31, 2018 - $11.9 million, cheques issued in excess of funds on deposit - $1.0 million).

Hardwoods USLP II Credit Facility ("USLP II Credit Facility")

The USLP II Credit Facility consists of a revolving credit facility of up to US$125.0 million with the amount made available limited to the extent of 85% of the value of eligible accounts receivable, and 60% of the value of eligible inventory plus the lesser of (i) 55% of the book value of eligible in-transit inventory or (ii) $2.0 million. The USLP II Credit Facility has a five year term and can be prepaid at any time with no prepayment penalty. The USLP II Credit Facility is guaranteed by certain of the Company's subsidiaries.

The financial covenants under the USLP II Credit Facility include, among others, a springing fixed charge coverage ratio of 1.0 to 1, triggered if unused availability under the USLP II Credit Facility falls below US$12.5 million at any time.

In addition to the financial covenants, the ability of the Company's US subsidiaries to pay distributions and dividends, complete acquisitions, make additional investments, take on additional indebtedness, allow its assets to become subject to liens, complete affiliate transactions and make capital expenditures are limited and subject to the satisfaction of certain conditions.

At March 31, 2019, the USLP II Credit Facility has unused availability of $69.0 million (US$51.6 million), before cheques issued in excess of funds on deposit of nil. At December 31, 2018, the USLP II Credit Facility had unused availability of $66.5 million (US$48.7 million), before cheques issued in excess of funds on deposit of nil.

The Company has letters of credit outstanding at March 31, 2019 totaling $2.6 million (US$1.9 million) (December 31, 2018 - $2.6 million (US$1.9 million)) against the USLP II Credit Facility to support self-insured benefit claims.

9. Share capital:

(a) Share capital:

A continuity of share capital is as follows:

	Shares		Total
Balance at December 31, 2017	21,419,985	$	113,788
Issued pursuant to long term incentive plan	119,131		2,736
Balance at December 31, 2018	21,539,116		116,524
Share repurchase	(40,000)		(483)
Balance at March 31, 2019	21,499,116	$	116,041

During March 2019, the Company bought back 40,000 shares for gross proceeds of $483,000. The shares were subsequently canceled in April 2019. In April 2019, the Company bought back an additional 54,130 shares for gross proceeds of $699,068.

(Tabular amounts expressed in thousands of Canadian dollars)

9. Share capital (continued):

(b) Long Term Incentive Plan ("LTIP"):

A continuity of the LTIP Shares outstanding is as follows:

	Performance Shares	Restricted Shares
Balance at December 31, 2017	121,506	116,650
LTIP shares issued during the year	55,079	94,373
LTIP shares forfeited during the year	—	—
LTIP shares settled	(43,508)	(82,509)
Balance at December 31, 2018	133,077	128,514
LTIP shares forfeited during the period	(41,648)	—
Balance at March 31, 2019	91,429	128,514

LTIP compensation expense of $0.6 million was recognized in the condensed consolidated interim statement of comprehensive income for the three month period ended March 31, 2019 (March 31, 2018 - $0.6 million). The equity classified portion of the LTIP compensation expense was $0.5 million (March 31, 2018 - $0.4 million) and the liability classified portion was $0.1 million as at March 31, 2019 (March 31, 2018 - $0.2 million).

The key estimate in determining the compensation in any period is whether the performance criteria have been met and the amount of the payout multiplier on the Performance Shares. The payout multiplier is reviewed and approved by the Company's compensation committee on an annual basis. The liability associated with the cash-settled awards is recorded in accounts payable and accrued liabilities, for amounts expected to be settled within one year, and in other liabilities for amounts to be settled after one year.

(c) Weighted average shares:

The calculation of basic and fully diluted net profit per share is based on the net profit for the three month period ended March 31, 2019 of $6.0 million (March 31, 2018 - $8.1 million). The weighted average number of common shares outstanding in each of the reporting periods was as follows:

	March 31, 2019	March 31, 2018
Issued ordinary shares at beginning of the period	21,539,116	21,419,985
Effect of shares issued during the period pursuant to long-term incentive plan	—	1,517
Effect of shares repurchased	(4,646)	—
Weighted average common shares - basic	21,534,470	21,421,502
Effect of dilutive securities:		
Long-term incentive plan	84,751	98,035
Weighted average common shares - diluted	21,619,222	21,519,537

(Tabular amounts expressed in thousands of Canadian dollars)

10. Finance income and expense:

	Note	Three months ended March 31, 2019	Three months ended Restated (Note 3) March 31, 2018
Finance expense:			
Interest on bank indebtedness	8	$ (1,306)	$ (811)
Accretion of lease obligation		(1,208)	(1,091)
Total finance expense		(2,514)	(1,902)
Finance income:			
Interest on trade receivables, customer notes, and employee loans	6	203	135
Foreign exchange gain		14	95
Total finance income		217	230
Net finance expense		$ (2,297)	$ (1,672)

11. Segment reporting:

Information about geographic areas is as follows:

	Three months ended March 31, 2019	Three months ended March 31, 2018
Revenue from external customers:		
Canada	$ 34,000	$ 35,666
United States	253,087	235,089
	$ 287,087	$ 270,755

	March 31, 2019	Restated (Note 3) December 31, 2018
Non-current assets[(1)]:		
Canada	$ 9,321	$ 9,609
United States	177,085	180,937
	$ 186,406	$ 190,546

[(1)] Excludes financial instruments and deferred income taxes.

12. Seasonality:

The Company is subject to seasonal influences. Historically, the first and fourth quarters are seasonally slower periods for construction activity and therefore demand for hardwoods products.

13. Provisions:

Legal

The Company and its subsidiaries are subject to legal proceedings from time to time that arise in the ordinary course of its business. Management is of the opinion, based upon information presently available, that it is unlikely that any liability, to the extent not provided for or insured, would be material in relation to the Company's condensed consolidated interim financial statements as at March 31, 2019.

14. Contingency:

In 2017 the Company had paid $3.5 million in AD deposits to US Customs and Border Patrol ("CBP"). As at March 31, 2019 the Company has received $2.1 million in refunded AD deposits, and expects to receive another $0.5 million during 2019. As at March 31, 2019, $0.5 million in AD deposits are included within accounts and other receivables.

As it relates to the remaining $0.9 million, subsequent to the second quarter of 2018 CBP indicated that these amounts may not be refunded. The Company is investigating possible courses of action to recover these deposits. In the meantime, an allowance of $0.9 million has been recorded in the 2018 financial statements relating to this receivable.