

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

HARDWOODS DISTRIBUTION INC.

Three month periods ended March 31, 2020 and 2019

HARDWOODS DISTRIBUTION INC.

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

	Note	March 31, 2020	December 31, 2019
Assets			
Current assets:			
Cash and cash equivalents		\$ 59,848	\$ 15,118
Accounts and other receivables	6	143,281	113,740
Income taxes receivable		—	820
Inventories	7	232,301	207,935
Prepaid and other assets		9,097	9,887
Total current assets		444,527	347,500
Non-current assets:			
Non-current receivables	6	2,556	2,376
Property, plant and equipment		22,156	20,430
Right of use assets		97,817	93,982
Intangible assets		29,942	28,248
Deferred income taxes		4,049	4,461
Goodwill	4	82,282	72,974
Total non-current assets		238,802	222,471
Total assets		\$ 683,329	\$ 569,971
Liabilities			
Current liabilities:			
Bank indebtedness	8	\$ 187,940	\$ 121,548
Accounts payable and accrued liabilities		64,955	53,805
Income taxes payable		1,860	—
Lease obligation		23,388	24,973
Dividend payable	5	1,809	1,809
Total current liabilities		279,952	202,135
Non-current liabilities:			
Lease obligation		90,300	83,726
Other liabilities		305	665
Total non-current liabilities		90,605	84,391
Total liabilities		370,557	286,526
Shareholders' equity			
Share capital	9(a)	111,179	113,837
Contributed surplus		105,106	104,850
Retained earnings		55,874	48,288
Accumulated other comprehensive income		40,613	16,470
Shareholders' equity		312,772	283,445
Total liabilities and shareholders' equity		\$ 683,329	\$ 569,971

Subsequent events (note 5)

The accompanying notes are an integral part of these condensed consolidated interim financial statements.
Approved on behalf of the board of directors:

(Signed) JIM C. MACAULAY 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 period ended March 31, 2020 and 2019

	Note	2020	2019
Sales	11	\$ 325,100	\$ 287,087
Cost of goods sold	7	(262,488)	(236,055)
Gross profit		62,612	51,032
Operating expenses:			
Selling and distribution		(34,961)	(31,225)
Administration		(12,637)	(9,941)
		(47,598)	(41,166)
Profit from operations		15,014	9,866
Finance expense	10	(2,551)	(2,514)
Finance income	10	238	217
Net finance expense		(2,313)	(2,297)
Profit before income taxes		12,701	7,569
Income tax expense:			
Current		(2,855)	(1,606)
Deferred		(451)	17
		(3,306)	(1,589)
Net profit		9,395	5,980
Other comprehensive income:			
Exchange differences translating foreign operations		24,143	(5,110)
Total comprehensive income		\$ 33,538	\$ 870
Basic net profit per share	9(c)	\$ 0.44	\$ 0.28
Diluted net profit per share	9(c)	\$ 0.44	\$ 0.28

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 period ended March 31, 2020 and 2019

	Note	Share capital	Contributed surplus	Accumulated other comprehensive income - translation reserve	Retained earnings	Total
Balance at January 1, 2020		\$ 113,837	\$ 104,850	\$ 16,470	\$ 48,288	\$ 283,445
Share based compensation expense	9(b)	—	280	—	—	280
Shares issued pursuant to LTIP	9(a)	24	(24)	—	—	—
Shares repurchased	9(a)	(2,682)	—	—	—	(2,682)
Profit for the period		—	—	—	9,395	9,395
Dividends declared		—	—	—	(1,809)	(1,809)
Translation of foreign operations		—	—	24,143	—	24,143
Balance at March 31, 2020		\$ 111,179	\$ 105,106	\$ 40,613	\$ 55,874	\$ 312,772
Balance at January 1, 2019		\$ 116,524	\$ 104,467	\$ 29,411	\$ 35,530	\$ 285,932
Impact of changes in accounting policy		—	—	(616)	(9,877)	(10,493)
Restated balance at January 1, 2019		116,524	104,467	28,795	25,653	275,439
Share based compensation expense	9(b)	—	458	—	—	458
Shares repurchased		(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

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 period ended March 31, 2020 and 2019

	Note	2020	2019
Cash flow from operating activities:			
Profit for the period		\$ 9,395	\$ 5,980
Adjustments for:			
Depreciation and amortization		7,755	6,830
Gain on sale of property, plant and equipment		(49)	(83)
Share-based compensation expense	9(b)	2	586
Income tax expense		3,306	1,589
Net finance expense	10	2,313	2,297
Interest received		129	203
Interest paid		(1,204)	(962)
Income taxes paid		(242)	(39)
		21,405	16,401
Changes in non-cash working capital:			
Accounts receivable		(18,515)	(12,737)
Inventories		(5,927)	9,562
Prepaid expenses		1,368	(2,616)
Accounts payable and accrued liabilities		4,554	5,239
		(18,520)	(552)
Net cash (used) provided by operating activities		2,885	15,849
Cash flow from financing activities:			
Increase (decrease) in bank indebtedness		53,426	(2,702)
Principle payments on finance lease obligation		(6,925)	(6,514)
Repurchase of common shares	9(a)	(1,690)	(483)
Dividends paid to shareholders	5	(1,809)	(1,717)
Net cash provided (used) in financing activities		43,002	(11,416)
Cash flow from investing activities:			
Additions to property, plant and equipment		(850)	(627)
Proceeds on disposal of property, plant and equipment		102	152
Business acquisitions	4	(3,663)	(4,824)
Additions to internally generated software		(79)	(54)
Payments (made) received on non-current receivables		(716)	165
Net cash used in investing activities		(5,206)	(5,188)
Increase (decrease) in cash and cash equivalents		40,681	(755)
Cash and cash equivalents, beginning of period		15,118	1,547
Foreign exchange gain (loss) on cash position held in foreign currency		4,049	—
Cash and cash equivalents, end of period		\$ 59,848	\$ 792
Supplementary information:			
Property, plant and equipment acquired under finance leases, net of disposals		\$ 2,023	\$ 2,286

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

HARDWOODS DISTRIBUTION INC.

Notes to Unaudited Condensed Consolidated Interim Financial Statements
(Tabular amounts expressed in thousands of Canadian dollars)

Three month period ended March 31, 2020 and 2019

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 66 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 consolidated 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 statement 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, 2019.

The consolidated financial statements were authorized for issue by the Board of Directors on May 5, 2020.

(b) Basis of measurement:

These condensed consolidated interim financial statements have been prepared a going concern basis under on the historical cost basis.

(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 consolidated financial statements, with the exception of per share amounts, has been rounded to the nearest thousand dollar unless otherwise stated.

(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 condensed consolidated 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, 2019, except as noted below.

During Q1 2020, financial markets have been negatively impacted by the novel Coronavirus or COVID-19, which was declared a pandemic by the World Health Organization on March 12, 2020. This has resulted in significant economic uncertainty and consequently, it is difficult to reliably measure the potential impact of this uncertainty on our future financial results. The Company continues to monitor the operations, credit risk and liquidity position. The impacts to the Company are not determinable at the date of these condensed consolidated interim financial statements, however they could be material and include impairments of receivables, inventory and reduction in available liquidity.

Given the uncertainty around the potential impact of COVID-19, this may impact our estimates disclosed in the condensed consolidated interim financial statements given that there is significant judgement and estimation uncertainty. This could significantly impact the estimates that were disclosed in note 2(d) in the annual audited consolidated financial statements for the year ended December 31, 2019.

HARDWOODS DISTRIBUTION INC.

Notes to Unaudited Condensed Consolidated Interim Financial Statements
(Tabular amounts expressed in thousands of Canadian dollars)

Three month period ended March 31, 2020 and 2019

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 financial statements for the year ended December 31, 2019.

4. Business acquisitions:

(a) Diamond Hardwoods

On March 9, 2020, the Company acquired through one of its wholly owned subsidiaries substantially all of the assets and assumed certain liabilities of Diamond Hardwoods ("Diamond") for total estimated consideration for \$4.0 million (US\$3.0 million). Diamond operates two locations in Northern California and is engaged in the distribution of architectural building products to contractors, industrial manufacturers, and retail customers.

The acquisition was accounted for as a business combination under the acquisition method. The fair value of Diamond's identified assets acquired consisted of accounts and other receivables of \$0.3 million (US\$0.2 million), inventories of \$1.2 million (US\$0.9 million), and property, plant and equipment of \$0.1 million (US\$0.1 million). Goodwill of \$2.4 million (US\$1.8 million) was recognized as part of this acquisition and is attributable to the skills and talent of Diamond's workforce, value of the customer base, and an increase in market share. The goodwill is deductible for tax purposes.

(b) Pacific Mutual Door Company

On October 28, 2019, the Company acquired through one of its wholly owned subsidiaries substantially all of the assets and assumed certain liabilities of Pacific for total estimated consideration for \$48.0 million (US\$36.2 million). Pacific operates four distribution centers in the US and is engaged in the distribution of interior and exterior doors, custom millwork, and other ancillary architectural building products to customers that supply end products to the residential and commercial construction markets.

The acquisition was accounted for as a business combination using the acquisition method, with the Company being the acquirer and Pacific being the acquiree, and where the assets acquired and liabilities assumed are recorded at their fair values at the acquisition date.

The fair value of Pacific's identified assets and liabilities assumed in accordance with the acquisition method are as follows:

	US\$	CAD\$
Cash consideration	\$36,199	\$48,028
Assets acquired and liabilities assumed:		
Accounts and other receivables	7,332	9,728
Inventories	6,349	8,424
Prepaid expenses	87	114
Property plant and equipment	1,059	1,405
Right of use asset	3,387	4,493
Intangible assets - customer relationships	11,000	14,595
Accounts payable and accrued liabilities	(2,137)	(2,837)
Lease obligation	(3,387)	(4,493)
Identifiable net assets acquired	23,690	31,429
Goodwill	12,510	16,599
Net assets acquired	\$36,200	\$48,028

The goodwill of \$16.6 million (US\$12.5 million) is attributable primarily to the skills and talent of Pacific's workforce, and synergies expected to be achieved in respect of purchasing power with vendors, increase in market share, and operational efficiencies related to the combined operations. The goodwill is deductible for tax purposes.

The intangible assets of \$14.6 million (US\$11.0 million) primarily represent the value of customer relationships acquired and are being amortized over 10 years, which is the period the Company expects to benefit from these relationships. The intangible asset is deductible for tax purposes.

HARDWOODS DISTRIBUTION INC.

Notes to Unaudited Condensed Consolidated Interim Financial Statements
(Tabular amounts expressed in thousands of Canadian dollars)

Three month period ended March 31, 2020 and 2019

4. Business acquisitions (continued):

(b) Pacific Mutual Door Company (continued)

The purchase price was financed by the Company's US credit facility. In connection with the acquisition, the Company amended its US credit facility, see note 8 for further details.

Transaction costs of \$0.4 million were incurred in connection with the acquisition, and have been expensed in the consolidated statements of comprehensive income.

(c) Far West

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.

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, 2020	December 31, 2019
Cash	\$ (59,848)	\$ (15,118)
Bank indebtedness	187,940	121,548
Shareholder's equity	312,772	283,445
Total capitalization	\$ 440,864	\$ 389,875

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, 2020 and December 31, 2019, and accordingly there were no restrictions on distributions arising from non-compliance with financial covenants.

Dividends and share repurchases are some of the ways the Company manages its capital. Dividends are declared and shares are repurchased after consideration of a variety of factors including the outlook for the business and financial leverage.

On March 19, 2020, the Company declared a cash dividend of \$0.085 per common share to shareholders of record as of April 16, 2020. The dividend was paid to shareholders on April 30, 2020. On May 5, 2020, the Company declared a cash dividend of \$0.085 per common share to shareholders of record as of July 20, 2020, to be paid on July 31, 2020.

HARDWOODS DISTRIBUTION INC.

Notes to Unaudited Condensed Consolidated Interim Financial Statements
(Tabular amounts expressed in thousands of Canadian dollars)

Three month period ended March 31, 2020 and 2019

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, 2020	December 31, 2019
Trade accounts receivable - Canada	\$ 17,801	\$ 13,401
Trade accounts receivable - United States	126,828	98,877
Sundry receivable	2,827	4,387
Current portion of non-current receivables	1,298	1,257
	148,754	117,922
Less:		
Allowance for credit loss	5,473	4,182
	\$ 143,281	\$ 113,740
Non-current receivables:		
Employee housing loans	\$ 111	\$ 120
Customer notes	997	1,065
Security deposits	2,746	2,448
	3,854	3,633
Less:		
Current portion, included in accounts receivable	1,298	1,257
	\$ 2,556	\$ 2,376

The aging of trade receivables is:

	March 31, 2020	December 31, 2019
Current	\$ 105,616	\$ 77,922
1 - 30 days past due	24,731	20,016
31 - 60 days past due	6,966	8,061
60+ days past due	7,316	6,280
	\$ 144,629	\$ 112,279

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, 2020 was \$5.5 million (December 31, 2019 - \$4.2 million). The amount of the allowance is determined 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 months ended March 31, 2020 was \$1.0 million which equates to 0.3% of sales (for the three months ended March 31, 2019 - \$0.6 million, being 0.2% of sales).

HARDWOODS DISTRIBUTION INC.

Notes to Unaudited Condensed Consolidated Interim Financial Statements
(Tabular amounts expressed in thousands of Canadian dollars)

Three month period ended March 31, 2020 and 2019

7. Inventories:

	March 31, 2020	December 31, 2019
Raw materials	\$ 1,220	\$ 1,171
Work in process	4,472	3,821
Goods in-transit	9,051	8,442
Finished goods	217,558	194,501
	<u>\$ 232,301</u>	<u>\$ 207,935</u>

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 statements of comprehensive income as follows:

	2020	2019
Inventory write-downs, included in cost of goods sold	\$ 436	\$ 959
Cost of inventory sold	249,193	224,686
Other cost of goods sold	12,859	11,369
Total cost of goods sold	<u>\$ 262,488</u>	<u>\$ 236,055</u>

8. Bank indebtedness:

	March 31, 2020	December 31, 2019
Cheques issued in excess of funds on deposit	\$ 2,238	\$ 2,489
Credit facility, Hardwoods LP	17,577	13,013
Credit facility, Hardwoods USLP II (March 31, 2020 - US\$118,617 December 31, 2019 - US\$81,650)	168,125	106,047
	<u>\$ 187,940</u>	<u>\$ 121,548</u>

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.

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 and can be prepaid anytime with no prepayment penalty. 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, 2020, the LP Credit Facility has

HARDWOODS DISTRIBUTION INC.

Notes to Unaudited Condensed Consolidated Interim Financial Statements
(Tabular amounts expressed in thousands of Canadian dollars)

Three month period ended March 31, 2020 and 2019

8. Bank indebtedness (continued):

unused availability of \$7.4 million, before cheques issued in excess of funds on deposit of \$2.2 million (December 31, 2019 - \$10.3 million, cheques issued in excess of funds on deposit - \$2.5 million).

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

In connection with the acquisition of Pacific (note 4), on October 28, 2019 the Company amended The USLP II Credit Facility. The amendment included an increase to the revolver from US\$125 million to US\$150 million, and lowered borrowing rates. The amount made available under the credit facility is limited to 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 matures in October 2024 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\$15.0 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, 2020, the USLP II Credit Facility has unused availability of \$34.7 million (US\$24.5 million), before cheques issued in excess of funds on deposit of nil. At December 31, 2019, the USLP II Credit Facility had unused availability of \$59.5 million (US\$45.8 million), before cheques issued in excess of funds on deposit of nil.

The Company has letters of credit outstanding at March 31, 2020 totaling \$4.0 million (US\$2.8 million) (December 31, 2019 - \$3.6 million (US\$2.8 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, 2018	21,539,116	\$ 116,524
Issued pursuant to long term incentive plan	87,491	1,016
Share repurchase	(271,280)	(3,703)
Balance at December 31, 2019	21,355,327	113,837
Issued pursuant to long term incentive plan	1,531	24
Share repurchase	(207,183)	(2,682)
Balance at March 31, 2020	21,149,675	\$ 111,179

At March 31, 2020 the Company had \$1.3 million (December 31, 2019 - \$0.3 million) accrued in accounts payable related to share repurchase obligations. This amount was settled in April 2020.

HARDWOODS DISTRIBUTION INC.

Notes to Unaudited Condensed Consolidated Interim Financial Statements
(Tabular amounts expressed in thousands of Canadian dollars)

Three month period ended March 31, 2020 and 2019

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, 2018	88,535	128,514
LTIP shares issued during the year	67,181	136,763
LTIP shares forfeited during the year	(41,648)	(1,375)
LTIP shares settled during the year	—	(105,427)
Balance at December 31, 2019	114,068	158,475
LTIP shares forfeited during the period	(48,420)	—
LTIP shares settled during the period	(748)	—
Balance at March 31, 2020	64,900	158,475

LTIP compensation expense of nil was recognized in the consolidated statements of comprehensive income for three months ended March 31, 2020 (March 31, 2019 - \$0.6 million). The equity classified portion of the LTIP compensation expense was \$0.3 million for three months ended March 31, 2020 (March 31, 2019 - \$0.5 million) and the liability classified expense was a recovery of \$0.3 million (March 31, 2019 - \$0.1 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 months ended March 31, 2020 of \$10.3 million (March 31, 2019 - \$6.0 million). The weighted average number of common shares outstanding in each of the reporting years was as follows:

	March 31, 2020	March 31, 2019
Issued ordinary shares at beginning of year	21,355,327	21,539,116
Effect of shares repurchased	(74,711)	(4,646)
Effect of shares issued during the year:		
Pursuant to long-term incentive plan	17	—
Weighted average common shares - basic	21,280,633	21,534,470
Effect of dilutive securities:		
Long-term incentive plan	128,952	84,751
Weighted average common shares - diluted	21,409,585	21,619,222

HARDWOODS DISTRIBUTION INC.

Notes to Unaudited Condensed Consolidated Interim Financial Statements
(Tabular amounts expressed in thousands of Canadian dollars)

Three month period ended March 31, 2020 and 2019

10. Finance income and expense:

	Note	2020	2019
Finance expense:			
Interest on bank indebtedness	8	\$ (1,359)	\$ (1,306)
Accretion of finance lease obligation		(1,192)	(1,208)
Total finance expense		(2,551)	(2,514)
Finance income:			
Interest on trade receivables, customer notes, and employee loans	6	129	203
Foreign exchange gain		109	14
Total finance income		238	217
Net finance expense		\$ (2,313)	\$ (2,297)

11. Segment reporting:

Information about geographic areas is as follows:

	2020	2019
Revenue from external customers:		
Canada	\$ 36,771	\$ 34,000
United States	288,329	253,087
	\$ 325,100	\$ 287,087

	March 31, 2020	December 31, 2019
Non-current assets ⁽¹⁾ :		
Canada	\$ 10,444	\$ 10,816
United States	220,220	204,818
	\$ 230,664	\$ 215,634

⁽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 impacts demand for architectural building 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 consolidated financial statements as at March 31, 2020.