Unaudited Condensed Consolidated Interim Financial Statements
(Expressed in thousands of US dollars, unless stated otherwise)

HARDWOODS DISTRIBUTION INC.

Three and six month periods ended June 30, 2021 and 2020

HARDWOODS DISTRIBUTION INC.

Unaudited Condensed Consolidated Interim Statements of Financial Position
(Expressed in thousands of US dollars, unless stated otherwise)

	Note	June 30, 2021	Restated (Note 2(c)) December 31, 2020	Restated (Note 2(c)) January 1, 2020
Assets				
Current assets:				
Cash and cash equivalents		$ 2,539	$ 459	$ 11,640
Accounts and other receivables	6	129,216	93,345	87,573
Income taxes receivable		—	—	631
Inventories	7	215,090	172,311	160,098
Prepaid and other assets		26,314	8,704	7,612
Total current assets		373,159	274,819	267,554
Non-current assets:				
Receivables and investments	6	10,270	7,154	1,829
Property, plant and equipment		12,195	13,484	15,730
Right of use assets		72,761	80,950	72,361
Intangible assets		17,950	19,288	21,749
Deferred income taxes		2,800	3,195	3,435
Goodwill	4	61,333	61,333	56,186
Total non-current assets		177,309	185,404	171,290
Total assets		550,468	460,223	438,844
Liabilities				
Current liabilities:				
Bank indebtedness	8	121,870	74,604	93,585
Accounts payable and accrued liabilities		60,647	48,976	41,427
Income taxes payable		6,059	2,189	—
Lease obligation		19,745	19,522	19,228
Dividend payable	5	1,760	1,649	1,393
Total current liabilities		210,081	146,940	155,633
Non-current liabilities:				
Lease obligation		64,054	72,737	64,464
Other liabilities		1,280	720	512
Total non-current liabilities		65,334	73,457	64,976
Total liabilities		275,415	220,397	220,609
Shareholders' equity				
Share capital	9(a)	98,206	97,742	98,702
Contributed surplus		106,275	105,907	106,074
Retained earnings		83,553	49,700	27,115
Accumulated other comprehensive income		(12,981)	(13,523)	(13,656)
Shareholders' equity		275,053	239,826	218,235
Total liabilities and shareholders' equity		$ 550,468	$ 460,223	$ 438,844

Subsequent events (notes 5, 8 and 14)

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) GRAHAM WILSON** Director

HARDWOODS DISTRIBUTION INC.

Unaudited Condensed Consolidated Interim Statements of Comprehensive Income
(Expressed in thousands of US dollars, unless stated otherwise)

Three and six month periods ended June 30, 2021 and 2020

		Three months ended		Six months ended	
			Restated (Note 2(c))		Restated (Note 2(c))
	Note	2021	2020	2021	2020
Sales	11	338,014	213,267	629,173	454,993
Cost of goods sold	7	(262,080)	(171,612)	(495,343)	(366,783)
Gross profit		75,934	41,655	133,830	88,210
Operating expenses:					
Selling and distribution		(29,067)	(22,412)	(57,699)	(48,407)
Administration		(12,863)	(7,856)	(23,158)	(17,252)
		(41,930)	(30,268)	(80,857)	(65,659)
Profit from operations		34,004	11,387	52,973	22,551
Net finance expense	10	(1,354)	(1,438)	(2,861)	(3,158)
Profit before income taxes		32,650	9,949	50,112	19,393
Income tax expense:					
Current		(8,180)	(2,244)	(12,354)	(4,367)
Deferred		(159)	(317)	(454)	(652)
		(8,339)	(2,561)	(12,808)	(5,019)
Net profit		24,311	7,388	37,304	14,374
Other comprehensive income:					
Exchange differences translating foreign operations		267	1,264	542	(462)
Total comprehensive income		24,578	8,652	37,846	13,912
Basic net profit per share	9(c)	$ 1.14	$ 0.35	$ 1.75	$ 0.68
Diluted net profit per share	9(c)	$ 1.13	$ 0.35	$ 1.73	$ 0.67

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 US dollars, unless stated otherwise)

Six month periods ended June 30, 2021 and 2020

	Note	Share capital	Contributed surplus	Accumulated other comprehensive income - translation reserve	Retained earnings	Total
Balance at January 1, 2021		97,742	105,907	(13,523)	49,700	239,826
Share based compensation expense	9(b)	—	832	—	—	832
Shares issued pursuant to LTIP	9(a)	464	(464)	—	—	—
Profit for the period		—	—	—	37,304	37,304
Dividends declared	5	—	—	—	(3,451)	(3,451)
Translation of foreign operations		—	—	542	—	542
Balance at June 30, 2021		98,206	106,275	(12,981)	83,553	275,053
Balance at January 1, 2020		98,702	106,074	(13,656)	27,115	218,235
Share based compensation expense	9(b)	—	404	—	—	404
Shares issued pursuant to LTIP		17	(17)	—	—	—
Shares repurchased		(2,099)	—	—	—	(2,099)
Profit for the period		—	—	—	14,374	14,374
Dividends declared	5	—	—	—	(2,495)	(2,495)
Translation of foreign operations		—	—	(462)	—	(462)
Balance at June 30, 2020		96,620	106,461	(14,118)	38,994	227,957

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 US dollars, unless stated otherwise)

		Three months ended		Six months ended	
	Note	June 30, 2021	Restated (Note 2(c)) June 30, 2020	June 30, 2021	Restated (Note 2(c)) June 30, 2020
Cash flow from operating activities:					
Profit for the period		$ 24,311	$ 7,388	$ 37,304	$ 14,374
Adjustments for:					
Depreciation and amortization		6,202	5,721	12,315	11,487
Gain on sale of property, plant and equipment		(128)	(38)	(283)	(74)
Share-based compensation expense	9(b)	1,611	530	2,288	531
Income tax expense		8,339	2,561	12,808	5,019
Net finance expense	10	1,354	1,438	2,861	3,158
Interest received		144	83	199	179
Interest paid		(476)	(834)	(971)	(1,729)
Income taxes paid		(8,262)	(186)	(8,496)	(366)
		33,095	16,663	58,025	32,579
Changes in non-cash working capital:					
Accounts receivable		(14,885)	12,681	(37,866)	(1,086)
Inventories		(33,964)	9,341	(47,684)	4,934
Prepaid expenses		(8,438)	1,303	(17,801)	2,320
Accounts payable and accrued liabilities		2,742	2,539	9,986	5,925
		(54,545)	25,864	(93,365)	12,093
Net cash (used in) from operating activities		(21,450)	42,527	(35,340)	44,672
Cash flow from (used in) financing activities:					
Increase (decrease) in bank indebtedness		27,975	(30,373)	46,779	9,352
Principle payments on finance lease obligation		(5,688)	(5,107)	(11,374)	(10,256)
Repurchase of common shares	9(a)	—	(1,007)	—	(2,264)
Dividends paid to shareholders	5	(1,776)	(1,301)	(3,419)	(2,668)
Net cash from (used in) financing activities		20,511	(37,788)	31,986	(5,836)
Cash flow (used in) from investing activities:					
Additions to property, plant and equipment		(631)	(517)	(1,058)	(1,149)
Proceeds on disposal of property, plant and equipment		51	66	160	142
Business sale (acquisitions)	4	—	—	9,201	(2,694)
Additions to internally generated software		—	(67)	(7)	(126)
(Payment) receipt on non-current receivables		(228)	587	30	55
Increase in investments		(3,089)	(6,016)	(3,089)	(6,016)
Net cash (used in) from investing activities		(3,897)	(5,947)	5,237	(9,788)
(Decrease) increase in cash and cash equivalents		(4,836)	(1,208)	1,883	29,048
Cash and cash equivalents, beginning of period		7,212	42,185	459	11,640
Foreign exchange gain (loss) on cash held in foreign currency		163	(322)	197	(33)
Cash and cash equivalents, end of period		$ 2,539	$ 40,655	$ 2,539	$ 40,655
Supplementary information:					
Property, plant and equipment acquired under finance leases, net of disposals		$ 500	$ 8,667	$ 1,511	$ 10,171
Future cash settlement of LTIP's in accrued liabilities and non-current liabilities		320	740	2,480	740
Fair value of LTIP Liability		1,213	140	1,672	140

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.” As at June 30, 2021 the Company operates a network of 70 distribution centres 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'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 consolidated 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, 2020.

The condensed consolidated interim financial statements were authorized for issue by the Board of Directors on August 6, 2021.

(b) Basis of measurement:

These condensed consolidated interim financial statements have been prepared on the historical cost basis.

(c) Functional and presentation currency:

Effective January 1, 2021 the Company elected to change its presentation currency from Canadian dollars ("CAD") to US dollars. The comparative period in these condensed consolidated interim financial statements has been restated to a US dollar reporting currency to conform with the current years presentation.

The Company's subsidiaries operating in the United States have a US dollar functional currency, and those operating in Canada have a Canadian dollar functional currency. Monetary assets and liabilities denominated in Canadian dollars are retranslated into the presentational currency at the spot exchange rate on the balance sheet date. Any resulting exchange differences are included in the income statement. Non-monetary assets and liabilities, other than those measured at fair value, are translated at the exchange rate on the date of the initial transaction. Income statement items are translated at the average exchange rate for the period.

(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, 2020.

The potential impacts of COVID-19 on the Company's critical accounting estimates are being monitored on a regular basis. There was no significant impact during the three and six month periods ended June 30, 2021.

3. Significant accounting policies:

With the exception of the presentation currency per Note 2 (c), 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, 2020 .

4. Acquisitions and divestitures:

(a) Hardwoods of Michigan

On March 10, 2021, the Company sold substantially all of the assets related to its sawmill and kiln drying operation in Clinton, Michigan to a third party. Proceeds of the sale were $9.2 million. The company previously recognized a $2.3 million write down on associated property plant and equipment in the fourth quarter of 2020.

(b) River City Millwork Inc.

On December 14, 2020, the Company acquired through one of its wholly owned subsidiaries substantially all of the assets and assumed certain liabilities of River City Millwork Inc. ("River City") for total consideration of $4.3 million. The acquisition was accounted for as a business combination under the acquisition method. Goodwill of $1.1 million was recognized as part of this acquisition and is attributable to the skills and talent of River City's workforce, value of the customer base, and an increase in market share. The goodwill is deductible for tax purposes.

(c) Aura Hardwoods

On December 8, 2020, the Company acquired through one of its wholly owned subsidiaries substantially all of the assets and assumed certain liabilities of Aura Hardwoods ("Aura") for total consideration of $10.6 million. The acquisition was accounted for as a business combination under the acquisition method. Goodwill of $2.3 million was recognized as part of this acquisition and is attributable to the skills and talent of Aura's workforce, value of the customer base, and an increase in market share. The goodwill is deductible for tax purposes.

(d) 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 consideration for $3.0 million. The acquisition was accounted for as a business combination under the acquisition method. Goodwill of $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.

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.

(Tabular amounts expressed in thousands of US dollars, unless stated otherwise)

5. Capital management (continued):

The Company's capitalization is as follows:

	June 30, 2021	Restated (Note 2(c)) December 31, 2020	Restated (Note 2(c)) January 1, 2020
Cash	$ (2,539)	$ (459)	$ (11,640)
Bank indebtedness	121,870	74,604	93,585
Shareholder's equity	275,053	239,826	218,235
Total capitalization	$ 394,384	$ 313,971	$ 300,180

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 June 30, 2021 and December 31, 2020, 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 May 12, 2021, the Company declared a cash dividend of CAD$0.10 per common share to shareholders of record as of July 19, 2021. The dividend was paid to shareholders on July 30, 2021. On August 6, 2021, the Company declared a cash dividend of CAD$0.10 per common share to shareholders of record as of October 18, 2021, to be paid on October 29, 2021.

(Tabular amounts expressed in thousands of US dollars, unless stated otherwise)

6. Receivables and investments:

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

	June 30, 2021	Restated (Note 2(c)) December 31, 2020	Restated (Note 2(c)) January 1, 2020
Trade accounts receivable - Canada	$ 18,325	$ 11,594	$ 10,318
Trade accounts receivable - United States	109,016	80,134	76,130
Sundry receivable	3,637	4,167	3,377
Current portion of non-current receivables	1,297	648	968
	132,275	96,543	90,793
Less:			
Allowance for credit loss	3,059	3,198	3,220
	$ 129,216	$ 93,345	$ 87,573
Non-current receivables:			
Employee housing loans	$ —	$ —	$ 92
Customer notes	850	372	820
Security deposits	1,889	1,691	1,885
	2,739	2,063	2,797
Less:			
Current portion, included in accounts receivable	1,297	648	968
	1,442	1,415	1,829
Investments	8,828	5,739	—
	$ 10,270	$ 7,154	$ 1,829

The aging of trade receivables is:

	June 30, 2021	Restated (Note 2(c)) December 31, 2020	Restated (Note 2(c)) January 1, 2020
Current	$ 102,977	$ 68,032	$ 59,995
1 - 30 days past due	16,962	15,118	15,411
31 - 60 days past due	4,106	4,211	6,206
60+ days past due	3,296	4,367	4,836
	$ 127,341	$ 91,728	$ 86,448

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 expected credit loss model for the remaining customer accounts based on historical experience of uncollectible amounts. Accounts that are considered uncollectible are written off. The total allowance at June 30, 2021 was $3.1 million (December 31, 2020 - $3.2 million, January 1, 2020 - $3.2 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.

(Tabular amounts expressed in thousands of US dollars, unless stated otherwise)

6. Receivables and investments (continued):

Bad debt expense, net of recoveries, for the three month period ended June 30, 2021 was $0.2 million (for the three month period ended June 30, 2020 - nil). For the six month period ended June 30, 2021, net bad debt was $0.1 million (bad debt expense, net of recoveries for the six months period ended June 30, 2020 - $0.8 million, being 0.2% of sales).

Investments are classified as level 2 of the fair value hierarchy, where the inputs used in measuring fair value are observable, either directly or indirectly, for substantially the full contract term.

7. Inventories:

	June 30, 2021	Restated (Note 2(c)) December 31, 2020	Restated (Note 2(c)) January 1, 2020
Raw materials	$ —	$ 998	$ 902
Work in process	658	2,462	2,942
Goods in-transit	31,268	18,537	6,500
Finished goods	183,164	150,314	149,754
	$ 215,090	$ 172,311	$ 160,098

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:

	Three months ended		Six months ended	
	June 30, 2021	Restated (Note 2(c)) June 30, 2020	June 30, 2021	Restated (Note 2(c)) June 30, 2020
Inventory write-downs, included in cost of goods sold	$ 346	$ 447	$ 779	$ 771
Cost of inventory sold	251,874	163,726	475,181	349,336
Other cost of goods sold	10,206	7,885	20,162	17,446
Total cost of goods sold	$ 262,080	$ 171,612	$ 495,343	$ 366,783

8. Bank indebtedness:

	June 30, 2021	Restated (Note 2(c)) December 31, 2020	Restated (Note 2(c)) January 1, 2020
Checks issued in excess of funds on deposit	$ 2,185	$ 976	$ 1,916
Credit facility, Hardwoods LP	15,748	17,127	10,019
(June 30, 2021 - CAD$19,518, December 31, 2020 - CAD$21,806, January 1, 2020 - CAD$13,013			
Credit facility, Hardwoods USLP	103,937	56,501	81,650
	$ 121,870	$ 74,604	$ 93,585

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”).

8. Bank indebtedness (continued):

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 $20.2 million (CAD$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 $1.6 million (CAD$2.0 million).

At June 30, 2021, the LP Credit Facility has unused availability of $4.4 million (December 31, 2020 - $1.7 million, January 1, 2020 - $7.9 million) before cheques issued in excess of funds on deposit of $0.3 million (December 31, 2020 - $0.9 million, January 1, 2020 - $1.9 million).

On August 2, 2021 the LP Credit Facility was replaced with a renegotiated credit facility, see note 14(b) for further details.

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

The USLP II Credit Facility consists of a revolving credit facility of $150.0 million. 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 $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 June 30, 2021, the USLP II Credit Facility has unused availability of $46.0 million, before cheques issued in excess of funds on deposit of nil. At December 31, 2020, the USLP II Credit Facility had unused availability of $70.8 million, before cheques issued in excess of funds on deposit of nil. At January 1, 2020, the USLP II Credit Facility had unused availability of $45.8 million, before cheques issued in excess of funds deposit of nil.

The Company has letters of credit outstanding at June 30, 2021 totaling $3.4 million (December 31, 2020 - $3.4 million, January 1, 2020 - $2.8 million) against the USLP II Credit Facility to support self-insured benefit claims.

On August 2, 2021 the USLP II Credit Facility was replaced with a renegotiated credit facility, see note 14(b) for further details.

(Tabular amounts expressed in thousands of US dollars, unless stated otherwise)

9. Share capital:

(a) Share capital

A continuity of share capital is as follows:

	Shares	Total
Balance at December 31, 2019 restated (Note 2(c))	21,355,327	$ 98,702
Issued pursuant to long term incentive plan	108,343	1,139
Share repurchase	(222,133)	(2,099)
Balance at December 31, 2020 restated (Note 2(c))	21,241,537	97,742
Issued pursuant to long term incentive plan	46,713	464
Balance at June 30, 2021	21,288,250	$ 98,206

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

A continuity of the LTIP awards outstanding is as follows:

	Performance Shares	Restricted Shares
Balance at December 31, 2019	114,068	158,475
LTIP awards issued during the year	117,671	212,331
LTIP shares forfeited during the period	(48,420)	—
LTIP shares settled during the period	(748)	(131,683)
Balance at December 31, 2020	182,571	239,123
LTIP awards issued during the year	32,689	63,504
LTIP shares forfeited during the period	(8,268)	(2,482)
LTIP shares settled during the period	(43,848)	(2,865)
Balance at June 30, 2021	163,144	297,280

LTIP compensation expense of $1.6 million was recognized in the consolidated statements of comprehensive income for three months ended June 30, 2021 (June 30, 2020 - $0.5 million). The equity classified portion of the LTIP compensation expense was $0.6 million for three months ended June 30, 2021 (June 30, 2020 - $0.2 million) and the liability classified expense was $1.0 million (June 30, 2020 - of $0.3 million). For the six months period ended June 30, 2021, LTIP compensation expense of $2.3 million (June 30, 2020 - $0.5 million) was recognized. The equity classified portion of the LTIP compensation expense was $0.8 million for the six months ended June 30, 2021 (June 30, 2020 - $0.4 million) and the liability classified expense was $1.5 million (June 30, 2020 - $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.

(Tabular amounts expressed in thousands of US dollars, unless stated otherwise)

9. Share capital (continued):

(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 June 30, 2021 of $24.3 million (June 30, 2020 - $7.4 million) and six months period ended June 30, 2021 of $37.3 million (June 30, 2020 - $14.4 million). The weighted average number of common shares outstanding in each of the reporting periods was as follows:

	Three months ended		Six months ended	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Issued ordinary shares at beginning of year	21,288,250	21,252,444	21,241,537	21,355,327
Effect of shares repurchased	—	(117,340)	—	(147,869)
Effect of shares issued during the year:				
Pursuant to long-term incentive plan	—	—	23,744	770
Weighted average common shares - basic	21,288,250	21,135,104	21,265,281	21,208,228
Effect of dilutive securities:				
Long-term incentive plan	264,676	174,788	253,426	200,232
Weighted average common shares - diluted	21,552,926	21,309,892	21,518,706	21,408,460

10. Finance income and expense:

		Three months ended		Six months ended	
	Note	June 30, 2021	Restated (Note 2(c)) June 30, 2020	June 30, 2021	Restated (Note 2(c)) June 30, 2020
Finance income (expense):					
Interest income on trade receivables, customer notes, and employee loans	6	145	83	199	179
Interest expense on bank indebtedness	8	(476)	(719)	(971)	(1,729)
Accretion of finance lease obligation		(793)	(837)	(1,612)	(1,724)
Foreign exchange (loss) gain		(307)	35	(386)	116
Unrealized gain (loss) on investments		77	—	(91)	—
Net finance income (expense)		(1,354)	(1,438)	(2,861)	(3,158)

(Tabular amounts expressed in thousands of US dollars, unless stated otherwise)

11. Segment reporting:

Information about geographic areas is as follows:

	Three months ended		Six months ended	
	June 30, 2021	Restated (Note 2(c)) June 30, 2020	June 30, 2021	Restated (Note 2(c)) June 30, 2020
Revenue from external customers:				
Canada	$ 46,656	$ 22,413	$ 85,519	$ 49,754
United States	291,358	190,854	543,654	405,239
	$ 338,014	$ 213,267	$ 629,173	$ 454,993

	June 30, 2021	Restated (Note 2(c)) December 31, 2020	Restated (Note 2(c)) January 1, 2020
Non-current assets[1]:			
Canada	$ 6,689	$ 7,222	$ 8,328
United States	157,550	167,833	157,698
	$ 164,239	$ 175,055	$ 166,026

[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 condensed consolidated interim financial statements as at June 30, 2021.

(Tabular amounts expressed in thousands of US dollars, unless stated otherwise)

14. Subsequent events:

(a) Acquisition of Novo Building Products Holdings LLC ("Novo")

On July 30, 2021 (the "Acquisition Date"), the Company, through one of it's wholly owned subsidiaries, acquired all of the equity interests of Novo for a purchase price of $302 million, subject to final working capital adjustments. Novo is a value-added distributor and manufacturer of specialty building products, supplying stair parts, doors, and other specialty millwork products to home centers and home builder distribution yards. Novo operates a network of 14 facilities primarily in the Eastern and Midwestern U.S., Florida and Texas. Novo's divisions include Empire Moulding & Millwork, Southwest Moulding & Millwork, Ornamental Decorative Millwork, LJ Smith Stair Systems and Novo Direct.

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

In connection with the acquisition, the Company incurred $2.2 million in transaction costs for the three and six months ended June 30, 2021, which are included in administration expenses in the condensed consolidated interim statements of comprehensive income.

Fair value of assets acquired and liabilities assumed

		US$
Cash consideration	$	302,300
Assets acquired and liabilities assumed:		
Accounts and other receivables		40,524
Inventories		100,489
Prepaid and other assets		5,664
Property plant and equipment		11,865
Right of use assets		48,912
Other non-current assets		933
Accounts payable and accrued liabilities		(49,309)
Lease obligation		(48,912)
Identifiable net assets acquired		110,166
Goodwill, intangibles and unallocated purchase price		192,134
Net assets acquired	$	302,300

The above is a preliminary estimate of the fair value of the assets acquired and liabilities assumed of Novo as of the Acquisition Date. The estimate will remain preliminary until the Company is able to (i) complete a valuation of the significant intangible assets acquired, (ii) evaluate the fair value of the other assets acquired and liabilities assumed, and (iii) conclude on the final working capital adjustment. The final determination of the fair value of the assets acquired and liabilities assumed, which is expected to be no later than one year from the Acquisition Date, could differ significantly from the amounts presented above.

Significant assumptions and estimates made as it relates to the preliminary purchase price presented above are as follows:

- Estimated identifiable assets and liabilities - the book values are assumed to equal the fair values for the purposes of the above preliminary purchase price allocation.
- Goodwill, intangibles and unallocated purchase price - this represents the excess of purchase price compared to the estimate of fair value of the identifiable intangible assets acquired and liabilities assumed. The goodwill arising from the acquisition is expected to be deductible for tax purposes.

The Company financed the acquisition through a renegotiated credit facility, as discussed further in note 14(b).

14. Subsequent events continued:

(b) Renegotiated Credit Facility (the "New Credit Facility")

In connection with the closing of the Novo acquisition, certain subsidiaries of the Company entered into the New Credit Facility with Bank of America, N.A. and a syndicate of lenders (the "Lender"). The New Credit Facility replaces the existing LP Credit Facility (note 8) and the USLP II Credit Facility (note 8), and consists of (i) a revolving credit facility of $225 million with a maturity date of five years, (ii) and term loans of $375 million with various maturity dates.

The New Credit Facility bears interest at a rate equal to LIBOR plus up to 2.25% or the base rate of interest charged by the Lender from time to time plus 1.0%. The LIBOR and base rate margins for the New Credit Facility are subject to performance pricing adjustments, from time to time, based on the Company's then applicable leverage ratio.

The financial covenants under the New Credit Facility include, among others: (i) a consolidated interest coverage ratio (a ratio of adjusted EBITDA to total interest expense, determined on a consolidated basis of the Company), and (ii) a consolidated leverage ratio (a ratio of total funded debt to adjusted EBITDA, determined on a consolidated basis of the Company).

In addition to the financial covenants, the ability of the Company to pay 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. The New Credit Facility can be prepaid at any time, with no prepayment penalty.