Condensed Consolidated Statements of Financial Position

(unaudited) (tabular amounts in thousands of dollars)

	As a June 29, 2019	December 31, 2018
Assets		
Current assets		
Cash	$ 10,653	$ 15,545
Accounts receivable	66,955	69,010
Inventories	52,932	48,636
Income taxes receivable	1,007	953
Prepaid expenses and other assets	1,940	4,082
Total current assets	133,487	138,226
Non-current assets		
Long-term lease receivable	3,340	3,604
Property, plant and equipment (note 4)	35,222	29,038
Investment in properties	1,044	1,044
Investment in joint venture (note 5)	12,907	13,302
Deferred tax assets	792	1,042
Goodwill	11,711	11,961
Intangible assets (note 6)	6,556	7,310
Total non-current assets	71,572	67,031
Total assets	$ 205,059	$ 205,527
Liabilities		
Current liabilities		
Bank operating lines of credit	$ 29,235	$ 32,601
Accounts payable and accrued liabilities	50,671	54,326
Income tax liabilities	615	447
Provisions	4,143	6,891
Derivative liabilities	2,290	–
Current portion of lease liabilities (note 7)	2,128	–
Total current liabilities	89,082	94,265
Non-current liabilities		
Provisions	389	396
Deferred tax liabilities	2,026	2,132
Long-term portion of lease liabilities (note 7)	8,143	–
Total non-current liabilities	10,558	2,528
Total liabilities	$ 99,640	$ 96,793
Shareholders' Equity		
Share capital	14,283	14,217
Contributed surplus	2,535	2,559
Accumulated other comprehensive income (note 9)	8,517	12,740
Retained earnings	80,084	79,218
Total shareholder's equity	105,419	$ 108,734
Total liabilities and shareholders' equity	$ 205,059	$ 205,527

See accompanying notes to condensed consolidated interim financial statements

Consolidated Statements of Operations

(unaudited) (tabular amounts in thousands of dollars)

	Quarter Ending		Six Months Ending	
	June 29, 2019	June 30, 2018	**June 29, 2019**	June 30, 2018
Sales (note 11)	$ 91,937	$ 75,418	$ 176,627	$ 145,815
Cost of sales	70,314	57,918	134,750	111,445
Gross margin	21,623	17,500	41,877	34,370
Selling and distribution	10,848	8,375	20,846	16,714
General and administrative	6,044	6,043	11,821	11,822
Earnings from operations	4,731	3,082	9,210	5,834
Finance and other costs (income):				
Interest expense	409	317	641	403
Foreign exchange loss	44	255	69	93
Share of (income) loss of investment in joint venture (note 5)	(506)	479	(225)	758
Other	33	37	59	70
Net finance and other (income) costs	(20)	1,088	544	1,324
Earnings before income taxes	4,751	1,994	8,666	4,510
Income tax expense	1,399	772	2,806	1,404
Net earnings from continuing operations	$ 3,352	$ 1,222	$ 5,860	$ 3,106
Loss from discontinued operations, net of tax (note 12)	(394)	(1,592)	(587)	(2,581)
Net earnings	$ 2,958	$ (370)	$ 5,273	$ 525
Earnings per share				
Basic earnings (loss) per share	$ 0.25	$ (0.03)	$ 0.45	$ 0.05
Diluted earnings (loss) per share	$ 0.25	$ (0.03)	$ 0.45	$ 0.05
Basic earnings per share from continuing operations	$ 0.29	$ 0.10	$ 0.50	$ 0.26
Diluted earnings per share from continuing operations	$ 0.29	$ 0.10	$ 0.50	$ 0.26

See accompanying notes to condensed consolidated interim financial statements

Condensed Consolidated Statements of Comprehensive Income

(unaudited) (tabular amounts in thousands of dollars)

	Quarter Ending		Six Months Ending	
	June 29, 2019	June 30, 2018	**June 29, 2019**	June 30, 2018
Net earnings (loss)	$ 2,958	$ (370)	$ 5,273	$ 525
Other comprehensive (loss) income				
Foreign currency translation differences for foreign operations (note 9)	(3,220)	1,004	(4,223)	6,601
Total comprehensive (loss) income for the period	$ (262)	$ 634	$ 1,050	$ 7,126

See accompanying notes to condensed consolidated interim financial statements

Condensed Consolidated Statements of Changes in Equity

(unaudited) For the six months ended June 29, 2019

(tabular amounts in thousands of dollars)	SHARE CAPITAL	CONTRIBUTED SURPLUS	AOCI*	RETAINED EARNINGS	TOTAL SHAREHOLDERS' EQUITY
Balance as at January 1, 2019	$ 14,217	$ 2,559	$ 12,740	$ 79,218	$ 108,734
Impact of application of new accounting standard (note 3)	–	–	–	(2,603)	(2,603)
Adjusted balances as of January 1, 2019	14,217	2,559	12,740	76,615	106,131
Total comprehensive income for the year					
Net earnings	–	–	–	5,273	5,273
Other comprehensive loss					
Foreign currency translation differences related to joint venture (note 5)	–	–	(620)	–	(620)
Foreign currency translation differences (note 9)	–	–	(3,603)	–	(3,603)
Total other comprehensive loss	–	–	(4,223)	–	(4,223)
Total comprehensive (loss) income for the year	–	–	(4,223)	5,273	1,050
Transactions with owners, recorded directly in equity					
Repurchase of shares (note 8)	(45)	(8)	–	(161)	(214)
Stock options exercised (note 8)	111	(16)	–	–	95
Dividends to equity holders (note 8)	–	–	–	(1,643)	(1,643)
Total transactions with owners	66	(24)	–	(1,804)	(1,762)
Balance at June 29, 2019	$ 14,283	$ 2,535	$ 8,517	$ 80,084	$ 105,419

*AOCI – Accumulated other comprehensive income

See accompanying notes to condensed consolidated interim financial statements

Condensed Consolidated Statements of Changes in Equity

(unaudited) For the six months ended June 29, 2019

(tabular amounts in thousands of dollars)	SHARE CAPITAL	CONTRIBUTED SURPLUS	AOCI*	RETAINED EARNINGS	NON-CONTROLLING INTEREST	TOTAL SHAREHOLDERS' EQUITY
Balance as at January 1, 2018	$ 13,986	$ 2,600	$ 1,916	$ 96,346	$ 163	$ 115,011
Total comprehensive income for the year						
Net earnings	–	–	–	525	–	525
Other comprehensive income						
Foreign currency translation differences related to joint venture (note 5)	–	–	542	–	–	542
Foreign currency translation differences (note 9)	–	–	6,059	–	–	6,059
Total other comprehensive income	–	–	6,601	–	–	6,601
Total comprehensive income for the year	–	–	6,601	525	–	7,126
Transactions with owners, recorded directly in equity						
Stock options exercised (note 8)	245	(38)	–	–	–	207
Dividends to equity holders (note 8)	–	–	–	(1,408)	–	(1,408)
Non-controlling interest (note 10)	–	–	9	(1,357)	(163)	(1,511)
Total transactions with owners	245	(38)	9	(2,765)	(163)	(2,712)
Balance at June 30, 2018	$ 14,231	$ 2,562	$ 8,526	$ 94,106	$ –	$ 119,425

*AOCI – Accumulated other comprehensive income

See accompanying notes to condensed consolidated interim financial statements

Condensed Consolidated Statements of Cash Flows

(unaudited) (tabular amounts in thousands of dollars)

	Six Months Ending June 29, 2019	Six Months Ending June 30, 2018
Cash flows from operating activities		
Net earnings	$ 5,273	$ 525
Adjustments for:		
Share of (income) loss of investment in joint venture	(225)	758
Amortization of property, plant and equipment	3,554	2,063
Amortization of intangible assets	361	1,139
Loss on disposal of equipment	–	(5)
Provisions	(547)	(25)
Interest expense	641	684
Income tax expense	2,806	1,404
Change in unrealized gain (loss) on derivatives included within other assets	4,083	(226)
	15,946	6,317
Change in non-cash working capital (note 15)	(10,431)	(5,970)
Cash generated in operating activities	5,515	347
Income tax paid	(2,692)	(1,282)
Net cash generated by (used in) operating activities	2,823	(935)
Cash flows from investing activities		
Purchase of non-controlling interest (note 10)	–	(1,511)
Proceeds on disposal of equipment	–	117
Acquisition of property, plant and equipment (note 4)	(1,561)	(703)
Acquisition of intangible assets (note 6)	(1)	(275)
Cash used in investing activities	(1,562)	(2,372)
Cash flows from financing activities		
(Repayments) advances of borrowings	(3,366)	5,530
Receipt of lease receivable payments	92	139
Issue of common shares	95	207
Share repurchase (note 8)	(214)	–
Payment of lease liabilities (note 7)	(1,034)	–
Cash dividends paid (note 8)	(1,643)	(1,408)
Interest paid	(641)	(684)
Cash (used in) generated by financing activities	(6,711)	3,784
Foreign exchange on cash held in a foreign currency	558	458
(Decrease) increase in cash	(4,892)	935
Cash and cash equivalents at beginning of period	15,545	10,772
Cash and cash equivalents at end of period	$ 10,653	$ 11,707

Notes to the Condensed Consolidated Financial Statements

Six months ended June 29, 2019 and June 30, 2018 (amounts in thousands of dollars except share and per share amounts)

The accompanying unaudited interim financial statements of Hammond Power Solutions Inc., ("HPS" or the "Company") have been prepared by and are the responsibility of the Company's Management. The Company's independent auditor has not performed a review of these financial statements in accordance with standards adopted by the Canadian Institute of Charted Accountants ("CICA") for a review of interim financial statements by an entity's auditor.

1. Reporting entity

Hammond Power Solutions Inc. is a company domiciled in Canada. The address of the Company's registered office is 595 Southgate Drive Guelph, Ontario. The Company's Class A subordinate voting shares are listed on the Toronto Stock Exchange and trade under the symbol HPS.A.

The Condensed Consolidated Interim Financial Statements of the Company as at and for the second quarter ended June 29, 2019 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities"). The Group is primarily involved in the design and manufacture of custom electrical magnetics, cast resin, custom liquid filled distribution and power transformers and standard electrical transformers, serving the electrical and electronic industries. The Group has manufacturing plants in Canada, the United States ("U.S."), Mexico and India. The Company also holds a 55% economic interest in a joint venture located in Mexico called Correfficient de R.L. de C.V. ("Corefficient").

2. Basis of preparation

(a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with requirements of IAS 34, Interim Financial Reporting and do not include all of the information required for full annual financial statements.

These condensed consolidated interim financial statements were approved by the Board of Directors on July 29, 2019.

(b) Use of estimates and judgments

The preparation of the condensed consolidated interim financial statements in conformity with IFRS requires Management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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 were the same as those applied to the consolidated financial statements as at and for the year ended December 31, 2018.

3. Summary of significant accounting policies:

These condensed consolidated interim financial statements should be read in conjunction with the Group's 2018 annual audited financial statements, which are available on the System for Electronic Document Analysis and Retrieval ("SEDAR"). The significant accounting policies applied by the Company in these condensed consolidated interim financial statements are the same as those applied by the Company in its Consolidated Financial Statements as at and for the year ended December 31, 2018, with the exception of items noted below:

Six months ended June 29, 2019 and June 30, 2018 (amounts in thousands of dollars except share and per share amounts)

Changes to accounting policies

Leases

On January 13, 2016 the IASB issued IFRS 16, Leases, which became effective for the Company's annual and interim financial statements commencing for the period beginning January 1, 2019.

Under this standard, the Group 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, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements 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 Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate or the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Group has applied judgement to determine the lease term for some leases in which it is a lessee that includes renewal options. The assessment of whether the Group 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.

Previously, the Group classified property and equipment leases as operating leases under IAS 17. At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate at January 1, 2019. A right-of-use asset was recognized at January 1, 2019 at an amount equivalent to its carrying amount as if IFRS 16 had been applied since the commencement of the lease, but discounted using the Company's incremental borrowing rate at the date of initial application.

The Company has elected to apply the following accounting policy exemptions:

- Grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after January 1, 2019.
- Not recognize right-of-use assets and lease liabilities for contracts that have a lease term of 12 months or less.
- Not recognize right-of-use assets and lease liabilities for leases of low-value assets (under $5,000).
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Apply a single discount rate to the portfolio of leases with reasonably similar characteristics.
- Using hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

The modified retrospective approach was applied when implementing this standard. This approach calculated the lease assets and lease liabilities and recognized an equity adjustment at January 1, 2019 and does not restate prior-period financial information. The Group recorded a right-of-use asset for the Company's premises and other leases in the amount of $8,437,000, a corresponding lease obligation of $11,041,000 and an adjustment to retained earnings of $2,603,000. Effective January 1, 2019, amounts which previously would have been characterized as rent expense for these leases are now included in the Statement of Operations as depreciation and interest expense. Comparative amounts have not been restated.

Uncertainty over Income Tax Treatments

On June 7, 2017 the IASB issued IFRIC Interpretation 23, Uncertainty over Income Tax Treatments. The Interpretation provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances which there is uncertainty over income tax treatments. The Interpretation is applicable for annual periods beginning on or after January 1, 2019. Earlier application is permitted.

Six months ended June 29, 2019 and June 30, 2018 (amounts in thousands of dollars except share and per share amounts)

The Interpretation requires:

- An entity to contemplate whether uncertain tax treatments should be considered separately, or together as a group, based on which approach provides better prediction of the resolution;
- An entity to determine if it is probable that the tax authorities will accept uncertain tax treatment; and
- If it is not probable that the uncertain tax treatment will be accepted, measure the tax uncertainty based on the most likely amount or expected value, depending on whichever method better predicts the resolution of the uncertainty.

The Group adopted the Interpretation in its financial statements for the annual period beginning on January 1, 2019. The adoption of the Interpretation did not have a material impact on the consolidated financial statements.

4. Property, plant and equipment

Property, plant and equipment comprise owned and leased assets that do not meet the definition of investment property.

		2019
Property, plant and equipment owned	$	27,554
Right-of-use assets		7,668
	$	35,222

The Group had acquisitions of fixed assets for the six months ended June 29, 2019 in the amount of $1,561,000 of machinery and equipment (2018 – $703,000).

The Group leases many assets including buildings, vehicles and office equipment. Information about leases for which the Group is a lessee is presented below.

	Buildings	Vehicles	Office Equipment	Total
Balance at January 1, 2019	$ 7,915	$ 475	$ 47	$ 8,437
Additions	–	197	–	197
Depreciation	(799)	(154)	(13)	(966)
Balance at June 29, 2019	$ 7,116	$ 518	$ 34	$ 7,668

5. Joint venture

The Company has a 55% economic and voting interest in Corefficient, whose principal place of business is in Monterrey, Mexico. The Company treats its investment in Corefficient as a joint arrangement. The carrying value of the Company's interest in Corefficient is as follows:

	June 29, 2019	December 31, 2018
Cost of investment in joint venture	$ 19,304	$ 19,304
Cumulative share of loss in investment in joint venture	(3,437)	(3,662)
Foreign currency translation differences related to the joint venture	(2,960)	(2,340)
	$ 12,907	$ 13,302

Six months ended June 29, 2019 and June 30, 2018 (amounts in thousands of dollars except share and per share amounts)

Selected financial information relating to Corefficient is as follows:

	June 29, 2019	December 31, 2018
Cash	$ 366	$ 1,206
Trade and other receivables	11,682	8,405
Inventories	1,828	1,403
Other current assets	177	429
Total current assets	$ 14,053	$ 11,443
Non-current assets	16,797	17,545
Total assets	$ 30,850	$ 28,988
Current liabilities	$ 7,477	$ 5,070
Non-current liabilities	–	–
Total liabilities	$ 7,477	$ 5,070

	Six Months Ending	
	June 29, 2019	June 30, 2018
Revenue	$ 25,669	$ 14,908
Income (loss) for the period	410	(1,378)

The income for the six months ended June 29, 2019 includes depreciation and amortization expense of $1,187,000 (2018 - $1,025,000), interest income of $17,000 (2018 - $71,000) and an income tax expense of $102,000 (2018 –$7,000) related to Corefficient.

6. Intangible assets

The Group had acquisitions of intangible assets for the six months ended June 29, 2019 in the amount of $1,000 (2018 – $275,000), for the addition of software. None of the intangible assets have been developed internally.

Six months ended June 29, 2019 and June 30, 2018 (amounts in thousands of dollars except share and per share amounts)

7. Lease liabilities

Maturity anlaysis – contractual undiscounted cash flows

		June 29, 2019
Less than one year	$	2,216
One to five years		8,282
More than five years		1,003
Total undiscounted lease liablitilies as of June 29, 2019	$	11,501
Lease liabilities included in the statement of financial position at June 29, 2019	$	10,271
Current	$	2,128
Non-current	$	8,143

Amounts recognized in statement of operations		Six months ended June 29, 2019
Interest on lease liabilities	$	155

Amounts recognized in statement of cash flows		Six months ended June 29, 2019
Payment of lease liabilities	$	1,034

8. Share capital

(a) Share capital:

During the six months ended June 29, 2019, the Company purchased and cancelled 28,518 Class A shares under a normal course issuer bid at a cost of $214,000 of which $45,000, $8,000, $161,000 was applied against share capital, contributed surplus and retained earning respectively.

(b) Dividends:

The following dividends were declared and paid by the Company:

	Six Months Ending			
		June 29, 2019		June 30, 2018
14 cents per Class A common share (2018: 12 cents)	$	1,255	$	1,074
14 cents per Class B common share (2018: 12 cents)		388		334
	$	1,643	$	1,408

(c) Stock option plan:

During the six months ended June 29, 2019, there were 15,000 options exercised, 10,000 at an exercise price of $6.20 and 5,000 at an exercise price of $6.62.

During the six months ended June 30, 2018, there were 30,000 options exercised, 10,000 at an exercise price of $6.20, 5,000 at an exercise price of $6.62 and 15,000 at an exercise price of $7.50.

Six months ended June 29, 2019 and June 30, 2018 (amounts in thousands of dollars except share and per share amounts)

(d) Deferred Stock Units:

The Company maintains a deferred share unit plan in order to issue deferred share units ("DSUs") to non-employee directors and senior-executives of HPS.

The movement in DSUs for the six months ended June 29, 2019 was as follows:

	Number of DSUs	Closing Share Price
Balance at January 1, 2019	69,151	$ 5.70
DSUs issued	52,780	7.13
DSUs exercised	(9,027)	7.65
Balance at June 29, 2019	112,904	$ 7.75

An expense of $305,000 (2018 – $181,000) for the six months ended June 29, 2019 was recorded in general and administrative expenses. The liability of $699,000 (December 31, 2018 – $394,000) related to these DSUs is included in accounts payable and accrued liabilities.

9. Accumulated Other Comprehensive Income

Changes to the accumulated other comprehensive income ("AOCI") balance include foreign currency translation differences relating to the net assets of foreign operations which have been determined to have functional currencies under IFRS that are their respective domestic currencies. Total other comprehensive loss for the six months ended June 29, 2019 was $4,223,000 (2018 – income of $6,601,000), of which $3,603,000 (2018 – $6,059,000) relates to the translation of wholly-owned subsidiaries, resulting in an ending balance of accumulated other comprehensive income of $8,517,000 (June 30, 2018 – $8,526,000).

10. Non-controlling interest

On January 10, 2018, the terms and conditions under an agreement to acquire the remaining 15% economic interest of Hammond Power Solutions Private Limited from a minority shareholder, which included the mutually agreed upon resignation from the Board of the minority shareholder, at a discounted amount of 76,933,000 INR (approximately $1,511,000 Canadian dollars) were fulfilled, resulting in the Company's equity ownership in Hammond Power Solutions Private Limited becoming 100%. As a result, the Company recorded an elimination of non-controlling interests on the condensed consolidated statement of financial position in the amount of $163,000, a reduction in retained earnings of $1,357,000 and an increase in accumulated other comprehensive income in the amount of $9,000.

11. Sales

	Three Months Ending		Six Months Ending	
	June 29, 2019	June 30, 2018	**June 29, 2019**	June 30, 2018
Canada	$ 29,283	$ 22,592	$ 55,524	$ 43,312
United States and Mexico	59,246	48,142	113,440	92,854
India	3,408	4,684	7,663	9,649
	$ 91,937	$ 75,418	$ 176,627	$ 145,815
Italy	–	1,975	281	4,651
	$ 91,937	$ 77,393	$ 176,908	$ 150,466

As at June 29, 2019, the Company has deferred revenue of $197,000 (December 31, 2018 – $280,000).

Six months ended June 29, 2019 and June 30, 2018 (amounts in thousands of dollars except share and per share amounts)

12. Discontinued operations

In December 2018, the Company decided to close the Italian operations due to low sales volume and a weak economy. The Italian operation was not previously classified as a discontinued operation. The comparative consolidated statements of operations and comprehensive loss have been represented to show the discontinued operation separately from continuing operations

	Six Months Ending	
	June 29, 2019	June 30, 2018
Revenue	**$ 281**	$ 4,651
Cost of sales	**531**	4,506
Gross margin (loss)	**(250)**	145
Selling and distribution	**45**	532
General and admistrative	**102**	1,353
Restructuring	**–**	560
Loss from operations	**(397)**	(2,300)
Interest expense	**190**	281
Loss from discontinued operations before tax	**(587)**	(2,581)
Income tax	**–**	–
Loss from discontinued operations, net of tax	**$ (587)**	$ (2,581)
Earnings per share		
Basic loss per share from discontinued operations	**$ (0.05)**	$ (0.21)
Diluted loss per share from discontinued operations	**$ (0.05)**	$ (0.21)

	Six Months Ending	
	June 29, 2019	June 30, 2018
Net cash used in operating activites	**$ (2,502)**	$ 1,679
Net cash used in investing activites	**–**	(62)
Cash used in financing activites	**(190)**	(281)
Add: Intercompnay transfer of cash	**3,965**	–
Net cash generated by (used in) financing activites	**3,775**	(281)
Net cash generated in the period	**$ 1,273**	$ 1,336

Six months ended June 29, 2019 and June 30, 2018 (amounts in thousands of dollars except share and per share amounts)

13. Restructuring charges

During the year ended December 31, 2018, the Company decided to cease operating and close the Italian operations as the entity struggled to generate adequate sales and profits. The restructuring charges were comprised of severance and benefit costs related to workforce reductions, closure and cancellation costs and are included in provisions. The restructuring activities were undertaken to adjust the Company's cost structure and streamline various support activities in consideration of the current and expected industry market conditions. These charges are reported in the discontinued operations within the consolidated statements of operations.

The following table highlights the activity and balance of the restructuring charges for the six month period ending June 29, 2019:

		Restructuring Charges
Opening balance January 1, 2019	$	6,232
Cash payments		(2,208)
Non-cash adjustments		319
Accrued balance at June 29, 2019	$	3,705

During 2017, the Company recognized a restructuring provision comprised of severance and benefit costs relating to workforce reductions. The restructuring activities were undertaken to adjust the Company's cost structure, to streamline various support activities in consideration of the current and expected industry market conditions.

The following table highlights the activity and balance of the restructuring charges for the six month period ending June 30, 2018:

		Employee Termination Benefits
Opening balance January 1, 2018	$	329
Cash payments		(329)
Accrued balance at June 30, 2018	$	–

14. Related party transactions

Related parties

Arathorn Investments Inc. beneficially owns 2,778,300 (2018 – 2,778,300) Class B common shares of the Company, representing 100% of the issued and outstanding Class B common shares of the Company and 1,061,202 (2018 – 1,058,420) Class A subordinate voting shares of the Company, representing approximately 11.9% (2018 – 11.8%) of the issued and outstanding Class A subordinate voting shares of the Company and as a result controls the Company. William G. Hammond, Chief Executive Officer and Chairman of the Company, owns all of the issued and outstanding shares of Arathorn Investments Inc. Total dividends paid during the quarter, directly and indirectly to William G. Hammond were $269,000 (Quarter 2 2018 – $230,000).

Transactions with key management personnel

During the six months ended June 29, 2019, the Company purchased $173,000 (2018 – $147,000) of inventory from ILSCO of Canada Limited ("ILSCO"), a company in which HPS director David J. FitzGibbon serves as a Vice Chairman. The Company purchases a component part from ILSCO, which is utilized in the manufacture of transformers. The purchases were measured at the exchange amount. Accounts payable and accrued liabilities include $40,000 (2018 – $23,000), which is owed to this company.

Six months ended June 29, 2019 and June 30, 2018 (amounts in thousands of dollars except share and per share amounts)

15. Change in non-cash operating working capital

The table below depicts the receipt of (use of) cash for working capital purposes by the Company:

	Six Months Ending	
	June 29, 2019	June 30, 2018
Accounts receivable	$ 2,055	$ (3,387)
Inventories	(4,296)	(8,816)
Prepaid expenses	338	560
Accounts payable and accrued liabilities	(3,655)	689
Provisions	(2,208)	–
Foreign exchange	(2,665)	4,984
	$ (10,431)	$ (5,970)