Consolidated Financial Statements
(Expressed in Canadian dollars)

HARDWOODS DISTRIBUTION INC.

Years ended December 31, 2018 and 2017

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Hardwoods Distribution Inc.

Opinion

We have audited the consolidated financial statements of Hardwoods Distribution Inc. (the Entity), which comprise:

- the consolidated statements of financial position as at December 31, 2018 and December 31, 2017;
- the consolidated statements of comprehensive income for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2018 and December 31, 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions
- the information, other than the financial statements and the auditors' report thereon, included in the "2018 Hardwoods Distribution Annual Report".

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis and the 2018 Hardwoods Distribution Annual Report filed with the relevant Canadian Securities Commissions as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants

The engagement partner on the audit resulting in this auditors' report is Andrew James.

Vancouver, Canada

March 14, 2019

HARDWOODS DISTRIBUTION INC.

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

	Note		December 31, 2018		December 31, 2017
Assets					
Current assets:					
Cash		$	1,547	$	313
Accounts and other receivables	7		112,005		97,263
Income taxes receivable			789		1,582
Inventories	8		223,785		172,106
Prepaid and other assets			4,594		5,268
Total current assets			342,720		276,532
Non-current assets:					
Non-current receivables	7		1,857		1,359
Property, plant and equipment	9		24,184		20,650
Intangible assets	10		16,828		17,215
Deferred income taxes	14		3,051		5,477
Goodwill			56,120		51,670
Total non-current assets			102,040		96,371
Total assets		$	444,760	$	372,903
Liabilities					
Current liabilities:					
Bank indebtedness	11	$	112,940	$	91,146
Accounts payable and accrued liabilities	13(b)		39,387		38,254
Finance lease obligation	12(a)		1,529		1,281
Dividend payable	5		1,717		1,549
Total current liabilities			155,573		132,230
Non-current liabilities:					
Finance lease obligation	12(a)		2,018		1,068
Other liabilities	13(b)		1,237		779
Total non-current liabilities			3,255		1,847
Total liabilities			158,828		134,077
Shareholders’ equity					
Share capital	13(a)		116,524		113,788
Contributed surplus			104,467		105,426
Retained earnings			35,530		9,919
Accumulated other comprehensive income			29,411		9,693
Shareholders’ equity			285,932		238,826
Total liabilities and shareholders’ equity		$	444,760	$	372,903

Subsequent event (note 4 and 5)
Commitments (note 12)
Contingency (note 20)
The accompanying notes are an integral part of these consolidated financial statements.

Approved on behalf of the board of directors:

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

HARDWOODS DISTRIBUTION INC.

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

Years ended December 31, 2018 and 2017

	Note		2018		2017
Sales	16	$	1,134,267	$	1,045,840
Cost of goods sold	8		(933,719)		(853,965)
Gross profit			200,548		191,875
Operating expenses:					
Selling and distribution			(118,215)		(106,402)
Administration			(35,998)		(36,388)
			(154,213)		(142,790)
Profit from operations			46,335		49,085
Finance expense	15		(4,350)		(3,018)
Finance income	15		952		516
Net finance expense			(3,398)		(2,502)
Profit before income taxes			42,937		46,583
Income tax expense:					
Current	14		(8,287)		(10,781)
Deferred	14		(2,491)		(5,848)
			(10,778)		(16,629)
Net profit			32,159		29,954
Other comprehensive income:					
Exchange differences translating foreign operations			19,718		(13,869)
Total comprehensive income		$	51,877	$	16,085
Basic net profit per share	13(c)	$	1.50	$	1.40
Diluted net profit per share	13(c)	$	1.49	$	1.39

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

HARDWOODS DISTRIBUTION INC.

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

Years ended December 31, 2018 and 2017

	Note	Share capital	Contributed surplus	Accumulated other comprehensive income - translation reserve	Retained earnings (deficit)	Total
Balance at January 1, 2017		$ 112,362	$ 104,333	$ 23,562	$ (14,258)	225,999
Share based compensation expense	13 (b)	—	2,806	—	—	2,806
Shares issued pursuant to LTIP	13 (b)	1,426	(1,426)	—	—	—
Shares reclassified to liabilities		—	(287)	—	—	(287)
Profit for the year		—	—	—	29,954	29,954
Dividends declared		—	—	—	(5,777)	(5,777)
Translation of foreign operations		—	—	(13,869)	—	(13,869)
Balance at December 31, 2017		113,788	105,426	9,693	9,919	238,826
Share based compensation expense	13 (b)	—	2,593	—	—	2,593
Shares issued pursuant to LTIP	13 (b)	2,736	(2,736)	—	—	—
Shares reclassified to liabilities		—	(816)	—	—	(816)
Profit for the year		—	—	—	32,159	32,159
Dividends declared		—	—	—	(6,548)	(6,548)
Translation of foreign operations		—	—	19,718	—	19,718
Balance at December 31, 2018		$ 116,524	$ 104,467	$ 29,411	$ 35,530	$ 285,932

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

HARDWOODS DISTRIBUTION INC.

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

Years ended December 31, 2018 and 2017

	Note		2018		2017
Cash flow from operating activities:					
Profit for the year		$	32,159	$	29,954
Adjustments for:					
Depreciation and amortization	9,10		6,847		6,504
Gain on sale of property, plant and equipment	9		(156)		(204)
Gain on bargain purchase	4(b)		(92)		—
Share-based compensation expense	13(b)		2,096		3,287
Income tax expense	14		10,778		16,629
Net finance expense	15		3,398		2,502
Interest received			513		451
Interest paid			(3,938)		(2,736)
Income taxes paid			(7,396)		(14,292)
			44,209		42,095
Changes in non-cash working capital:					
Accounts receivable			(5,915)		(6,813)
Inventories			(33,290)		(8,685)
Prepaid expenses			932		(2,737)
Accounts payable and accrued liabilities			(1,922)		(5,956)
			(40,195)		(24,191)
Net cash provided by operating activities			4,014		17,904
Cash flow from financing activities:					
Increase (decrease) in bank indebtedness			13,955		(1,173)
Principle payments on finance lease obligation			(1,396)		(1,197)
Note repayment			(60)		(467)
Dividends paid to shareholders	5		(6,379)		(5,560)
Net cash provided by (used in) financing activities			6,120		(8,397)
Cash flow from investing activities:					
Additions to property, plant and equipment	9		(4,076)		(2,257)
Proceeds on disposal of property, plant and equipment			452		458
Business acquisitions	4		(4,843)		(8,210)
Additions to internally generated software	10		(280)		(329)
Payments (made) received on non-current receivables			(153)		378
Net cash used in investing activities			(8,900)		(9,960)
Increase (decrease) in cash			1,234		(453)
Cash, beginning of year			313		766
Cash, end of year		$	1,547	$	313
Supplementary information:					
Property, plant and equipment acquired under finance leases, net of disposals		$	2,396	$	1,689
Future cash settlement of LTIP's in accrued liabilities and non-current liabilities			816		287
Transfer of accounts receivable to non-current customer notes receivable			136		632

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

1. Nature of operations:

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

2. Basis of preparation:

(a) Statement of compliance:

These consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The consolidated financial statements were authorized for issue by the Board of Directors on March 14, 2019.

(b) Basis of measurement:

These consolidated financial statements have been prepared on the historical cost basis. Certain comparative figures have been restated to conform with the current years presentation.

(c) Functional and presentation currency:

These consolidated 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 financial statements, with the exception of per share amounts, has been rounded to the nearest thousand dollar.

(d) Use of estimates and judgment:

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

Information about significant areas of estimation uncertainty in applying policies that have the most significant effect on the amounts recognized in the consolidated financial statements is included in the following notes:

- Note 3(j) - the annual goodwill impairment test;
- Notes 6 and 7 - the collectability of accounts receivable and the determination of the allowance for credit loss; and
- Note 8 - the valuation of inventories; and
- Note 14 - the valuation of deferred income taxes and utilization of tax loss carry forwards.

Critical judgments in applying policies that have the most significant effect on the amounts recognized in the consolidated financial statements are included in the following notes:

- Note 12 - the classification and valuation of lease obligations.

In assessing the Company's vehicle and forklift leases judgment is required in determining whether substantially all of the risks and rewards of ownership are transferred to the Company. This involves assessing the term of each lease, the risk associated with the residual value of leased vehicles and assessing the present value of the minimum lease payments in relation to the fair value of the vehicle and forklift at the inception of the lease. For deferred income taxes, judgment is required in determining whether it is probable that the Company's net deferred tax assets will be realized prior to their

2. Basis of preparation (continued):

(d) Use of estimates and judgment (continued):

expiry. In making such a determination, the Company considers the carry forward periods of losses and the Company's projected future taxable income.

3. Significant accounting policies:

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarized below. These accounting policies have been applied consistently by the Company and its subsidiaries to all years presented in these consolidated financial statements.

(a) Principles of consolidation and business acquisitions:

These consolidated financial statements include the accounts of the Company and its subsidiaries. All significant inter-company balances and transactions have been eliminated on consolidation.

The Company accounts for business combinations using the acquisition method when control is transferred to the Company. The consideration transferred in the acquisition is measured at fair value, as are the identifiable net assets acquired. The Company measures goodwill in business acquisitions as the fair value of the consideration transferred less the fair value of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not re-measured and settlement is accounted for within equity. Otherwise, other contingent consideration is re-measured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

Transaction costs, other than those associated with the issuance of debt or equity securities, are expensed as incurred.

(b) Foreign currencies:

Foreign currency transactions

Foreign currency transactions are translated into the respective functional currencies of the Company, and its subsidiaries, using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate in effect at the financial statement date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated to the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognized in the profit or loss and presented within finance costs.

Translation of foreign operations for consolidation

For purposes of consolidation, the assets and liabilities of foreign operations with functional currencies other than the Canadian dollar are translated to Canadian dollars using the rate of exchange in effect at the financial statement date. Revenue and expenses of the foreign operations are translated to Canadian dollars at exchange rates at the date of the transactions. Foreign currency differences resulting from translation of the accounts of foreign operations are recognized directly in other comprehensive income and are accumulated in the translation reserve as a separate component of shareholders' equity.

Gains or losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of the net investment in a foreign operation and are recognized directly in other comprehensive income in the cumulative amount of foreign currency translation differences.

When a foreign operation is disposed of the amount of the associated translation reserve is fully transferred to profit or loss.

3. Significant accounting policies (continued):

(c) Segment reporting:

Operating segments are based on the information about the components of the business that management uses to make decisions about operating matters. The subsidiaries of the Company engage in one main business activity being the sourcing and distribution of architectural grade building products, hence operating segment information is not provided. Geographical segment information is provided by country of operations in note 16.

(d) Revenue recognition:

Revenue from the sale of architectural grade building products is measured based on the consideration specified in the invoice with a customer and excludes amounts collected on behalf of third parties. The Company recognizes revenue at a point in time when control of the goods is transferred to the customer. The Company satisfies its performance obligation and control of the goods is transferred to the customer generally when the customer has taken delivery of the goods. No component of the transaction price is allocated to unsatisfied performance obligations.

(e) Finance expense and income:

Finance expense is primarily comprised of interest on the Company's operating lines of credit, notes payable and the unwinding of the discount on the Company's finance lease obligations. Interest on these liabilities is expensed using the effective interest method.

Finance income is comprised of interest earned on cash balances, imputed interest income on employee loans receivable, and interest charged and received or receivable on trade accounts receivable and notes receivable from customers. Finance income is recognized as it accrues using the effective interest method.

Foreign exchange gains and losses are reported on a net basis as either finance income or finance expense.

(f) Prepaid and other assets:

Prepaid and other assets includes prepaid expenses and inventory purchases for which payment has been made but control of the inventory has not transferred to the Company.

(g) Inventories:

Finished goods are measured at the lower of cost and net realizable value. Raw materials are measured at the lower of cost and replacement cost. Work-in-process and goods-in-transit are measured at cost. For purchased wood products, cost is determined using the weighted average cost method and includes invoice cost, duties, freight, and other directly attributable costs of acquiring the inventory. For manufactured wood products, cost is defined as all costs that relate to bringing the inventory to its present condition and location under normal operating conditions and includes manufacturing costs, such as raw materials and labor and production overhead.

Net realizable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

Volume rebates and other supplier discounts are included in income when earned. Volume rebates and supplier trade discounts are accounted for as a reduction of the cost of the related inventory and are earned when inventory is sold.

(Tabular amounts expressed in thousands of Canadian dollars)

3. Significant accounting policies (continued):

(h) Property, plant and equipment:

Items of property, plant and equipment are carried at acquisition cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Depreciation is provided at straight-line rates sufficient to depreciate the cost of the assets over their estimated useful lives less estimated residual values as follows:

Assets	Estimated useful life
Buildings, machinery and equipment	3 to 30 years
Leased vehicles	Over the term of the lease
Leasehold improvements	Over the term of the lease

Leased assets are depreciated over the lease term unless the useful life is shorter than the lease term. If a significant component of an asset has a useful life that is different from the remainder of the asset, then that component is depreciated separately.

Depreciation methods, material residual value estimates and estimates of useful lives are reviewed at each financial year end and updated as considered necessary.

Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognized in profit or loss at the time of the disposal.

(i) Intangible assets:

Intangible assets with finite lives consist of acquired customer relationships and costs capitalized for internally generated software. The customer relationships are amortized on a straight-line basis over their estimated useful life of 10 years and are measured at cost less accumulated amortization. Costs capitalized for internally generated software consist of costs incurred in the development and implementation of the software and amortization begins when the software is substantially completed and ready for use. Costs capitalized for internally generated software are amortized on a straight-line basis over their estimated useful life of 10 years and are measured at cost less accumulated amortization.

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(j) Goodwill:

Goodwill represents the excess, at the dates of acquisition, of the purchase price over the fair value of the net amounts assigned to individual assets acquired and liabilities assumed relating to business acquisitions. After initial measurement in a business combination, goodwill is recorded at cost less accumulated impairment losses.

Goodwill is allocated to the cash generating unit or group of cash generating units that are expected to receive the benefits from the business combinations. Rugby Holdings LLC (the "Rugby operations") has been determined to be the cash generating unit to which the goodwill balance of $56.1 million (US$41.1 million) as at December 31, 2018 (December 31, 2017 - $51.2 million (US$41.1 million)) relates. The Company tests goodwill for impairment on an annual basis. The Company also performs an impairment test if events or changes in circumstances arise that suggest the carrying value of goodwill may be impaired. An impairment loss for goodwill is not reversed.

The recoverable amount of the Rugby operations was determined based on value-in-use calculations which require discounting of future cash flows generated from the continuing use of the operations. The calculations use cash flow projections based on financial budgets covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated growth rate of 3.5%. The growth rate is consistent with past experience, market conditions and actual operating results for the Rugby operations.

3. Significant accounting policies (continued):

(j) Goodwill (continued):

Key assumptions used are based on industry sources as well as management estimates. A post-tax discount rate of 9.79% was used in determining the recoverable amount of the Rugby operations. The discount rate was estimated with the assistance of industry data, past experience and the industry targeted capital structure.

The recoverable amount of the Rugby operations as at December 31, 2018, was determined to be higher than the related carrying amount and no impairment has been recognized.

(k) Impairment:

Non-financial assets

The carrying values of the Company's non-financial assets are reviewed at each reporting date to assess whether there is any indication of impairment. If any such indication is present, then the recoverable amount of the assets is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use or its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of impairment testing, assets are grouped at lowest levels that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit and loss. Impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment charge is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, or indications that a debtor or issuer will enter bankruptcy.

The Company considers evidence of impairment for financial assets, and in particular receivables, at both a specific asset and account balance level.

The allowance for credit loss is determined 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 uncollectable amounts. Accounts that are considered uncollectable are written off.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss is recognized. For financial assets measured at amortized cost, this reversal is recognized in profit or loss.

3. Significant accounting policies (continued):

(l) Financial instruments:

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

Financial assets and financial liabilities are measured initially at fair value plus transaction costs.

The classification and measurement of the Company's financial instruments is disclosed in note 6 of these consolidated financial statements.

Financial assets

Cash

The Company considers deposits in banks as cash.

Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortized cost using the effective interest method, less provisions for impairment, if any. Discounting is omitted where the effect of discounting is immaterial.

Individual receivables are considered for impairment when they are past due or when other objective evidence exists that a specific counterparty will default. Impairment of trade receivables is presented within selling and distribution expenses.

Loans receivable consist of notes from customers and loans to employees for relocation costs, discounted using the effective interest method. Interest revenue on these loans is recognized within finance income.

Financial liabilities

Loans and payables are non-derivative financial liabilities with fixed or determinable payments that are not quoted in an active market. After initial recognition these liabilities are measured at amortized cost using the effective interest method. Discounting is omitted when the effect of discounting is immaterial. The revolving bank line of credit is not discounted; rather, actual interest accrued is based on the daily balances and is recorded each month.

(m) Income taxes:

Income tax expense comprises current and deferred tax and is recognized in profit and loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income. Current income tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of the previous years.

Deferred tax is recognized by the Company and its subsidiaries in respect of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future; and taxable differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset only when the Company has a legally enforceable right and intention to set off current tax assets and liabilities from the same taxation authority.

3. Significant accounting policies (continued):

(m) Income taxes (continued):

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(n) Leases:

Automobile and forklift leases for which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments and a lease obligation is recorded equal to the present value of the minimum lease payments.

Subsequent to initial recognition, the leased asset is accounted for in accordance with the accounting policies applicable to property, plant and equipment. Minimum lease payments made under finance leases are apportioned between finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Other leases are operating leases and as such the leased assets are not recognized in the Company's statement of financial position. Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

(o) Provisions:

Provisions are recognized in the statement of financial position when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(p) Basic and diluted profit per share:

The Company presents basic and diluted profit per share data for its outstanding common shares. Basic profit per share attributable to shareholders is calculated by dividing profit by the weighted average number of common shares outstanding during the reporting year. Diluted profit per share is determined by adjusting the profit attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares.

(q) Share based compensation:

The Company has a share based long-term incentive plan as described in note 13(b). At the discretion of the Board of Directors, the Restricted Shares and Performance Shares to which a grantee is entitled may be settled by the Company in Shares or in an amount of cash equal to the fair market value of such Shares, or a combination of the foregoing.

The Company is accounting for half of the Restricted Shares and Performance Shares as employee equity settled awards whereby the compensation cost is determined based on the grant date fair value and is recognized as an expense with a corresponding increase to contributed surplus in equity over the period that the employees unconditionally become entitled to payment. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met. For the remaining 50% of Restricted and Performance Shares that can be settled in either cash or common shares at the employees option, the Company accounts for the award as cash-settled share based compensation. Compensation expense is recorded over the vesting period based on the estimated fair value at the date of grant. The fair value of this 50% portion of the Restricted and Performance Shares is subsequently re-measured at each reporting date with any change in fair value reflected in share based compensation expense in the statement of comprehensive income. The liability associated with cash-settled awards is recorded in

3. Significant accounting policies (continued):

(q) Share based compensation (continued):

accounts payable and accrued liabilities, for amounts expected to be settled within one year, and in non-current liabilities for amounts to be settled in excess of one year.

(r) New accounting policies:

IFRS 15, *Revenue from Contracts with Customers ("IFRS 15")*

Effective January 1, 2018, the Company adopted IFRS 15 which replaced IAS 18, *Revenue* and a number of revenue related standards and interpretations. IFRS 15 contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have also been introduced, which may affect the amount and/or timing of revenue recognized.

The adoption of this standard did not significantly impact the measurement of revenue generated from the sale of the Company's products to customers and therefore, had no impact on earnings. The adoption of this standard did impact the presentation of freight recovered which is now included in sales instead of cost of goods sold on the consolidated statements of comprehensive income. For the year ended December 31, 2018, the freight recovered was $9.4 million (December 31, 2017 - $8.8 million). Comparative figures have been reclassified to conform with the current period presentation.

IFRS 9, *Financial Instruments ("IFRS 9")*

Effective January 1, 2018, the Company adopted IFRS 9 which replaced the multiple classification and measurement models in IAS 39 *Financial Instruments: Recognition and Measurement*, with a single model that has only two classification categories: amortized cost and fair value. IFRS 9 also requires a single impairment method to be used, provides additional guidance on the classification and measurement of financial liabilities, and provides a new general hedge accounting standard.

The adoption of IFRS 9 did not have an impact on the consolidated financial statements given the nature of the Company's operations and the types of financial instruments that it currently holds. There was no change in the classification or measurement of the Company's financial assets and liabilities with the exception of the use of the expected credit loss model to determine the allowance for credit loss for trade accounts receivable. The application of the expected credit loss model to determine the allowance for credit loss had a nominal effect on the December 31, 2017 consolidated financial statements and therefore prior period amounts have not been restated.

The Company's new policy is the allowance for credit loss is determined 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 uncollectable amounts. Accounts that are considered uncollectable are written off.

(s) Future accounting pronouncement:

A number of new standards, amendments to standards and interpretations, are not yet effective for the year ended December 31, 2018, and have not been applied in preparing these consolidated financial statements. The following pronouncement is considered by the Company to be the most significant of several pronouncements that may affect the consolidated financial statements in future periods.

3. Significant accounting policies (continued):

(s) Future accounting pronouncement (continued):

IFRS 16, *Leases ("IFRS 16")*

On January 13, 2016, the IASB published a new standard, IFRS 16, eliminating the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. The main provision of IFRS 16 is the recognition of lease assets and lease liabilities on the balance sheet by lessees for those leases that were previously classified as operating leases. Under IFRS 16, a lessee is required to do the following: (i) recognize a right-of-use asset and a lease liability, initially measured at the present value of the lease payments, on the balance sheet; and (ii) recognize a front-loaded pattern of expense for most leases, even when cash rentals are constant, as the right-of-use asset is depreciated and the lease liability is accreted using the effective interest method. The new standard also requires qualitative disclosures along with specific quantitative disclosures. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with earlier adoption permitted. Upon adoption of IFRS 16, the Company's operating leases, which are principally comprised of its warehouse facilities and automobiles, will be recorded in the statement of financial position with a right-of-use asset and a corresponding lease obligation.

The Company has determined the adoption of IFRS 16 will have a material impact on the consolidated financial statements. The Company expects to apply IFRS 16 retroactively on January 1, 2019. The impact on the opening balance sheet at January 1, 2018, is estimated to be an increase to property, plant and equipment of $105.5 million, increase to finance lease obligations of $118.9 million, increase to net deferred tax assets of $3.3 million, and decrease to retained earnings of $10.1 million. The impact on the consolidated statement of comprehensive income for the year ended December 31, 2018 is estimated to be a decrease to cost of goods sold of $0.7 million, decrease to selling and distribution expenses of $2.7 million, increase to finance expense of $4.6 million, and a decrease to net profit of $0.9 million.

4. Business acquisitions:

(a) Atlanta Hardwood Corporation acquisition

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

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

(b) Downes & Reader Hardwood Company Inc. acquisition

On July 17, 2017, the Company acquired through one of its wholly owned subsidiaries substantially all of the assets and assumed certain liabilities of Downs & Reader Hardwood Company Inc. ("D&R") for a total value of $7.4 million (US$5.9 million). The fair value of D&R's identified assets acquired and liabilities assumed consisted of accounts and other receivables of $1.4 million (US$1.1 million), inventories of $7.8 million (US$6.2 million), property, plant and equipment of $1.9 million (US$1.5 million) and accounts payable and accrued liabilities of $3.7 million (US$2.9 million).

D&R is a distributor of hardwood lumber with four locations in the US Northeast and services both the wholesale and retail customer segments. The D&R acquisition was accounted for as a business combination using the acquisition method, with the Company being the acquirer and D&R being the acquiree, and where the assets acquired and liabilities assumed were recorded at their fair values at the acquisition date.

(Tabular amounts expressed in thousands of Canadian dollars)

4. Business acquisitions (continued):

(c) Eagle Plywood and Lumber acquisition

On March 13, 2017, the Company acquired through one of its wholly owned subsidiaries substantially all of the assets and assumed certain liabilities of Eagle Plywood and Lumber ("Eagle") for a base purchase price of $0.6 million (US$0.5 million).

Eagle is a single site wholesale distributor located in Dallas, Texas distributing architectural grade 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 Eagle being the acquiree, and where the assets acquired and liabilities assumed were recorded at their fair values at the acquisition date.

(d) Far West Plywood Company acquisition

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

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

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:

		December 31, 2018		December 31, 2017
Cash	$	(1,547)	$	(313)
Bank indebtedness		112,940	$	91,146
Shareholder's equity		285,932		238,826
Total capitalization	$	397,325	$	329,659

The terms of the Company's US and Canadian credit facilities are described in note 11. 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 December 31, 2018 and December 31, 2017, and accordingly there were no restrictions on distributions arising from non-compliance with financial covenants.

Dividends and share re-purchases are some of the ways the Company manages its capital. Dividends are declared having given consideration to a variety of factors including the outlook for the business and financial leverage.

5. Capital management (continued):

On November 5, 2018, the Company declared a cash dividend of $0.08 per common share to shareholders of record as of January 14, 2019. The dividend was paid to shareholders on January 25, 2019. On March 14, 2019, the Company declared a cash dividend of $0.08 per common share to shareholders of record as of April 15, 2019, to be paid on April 26, 2019.

6. Financial instruments:

Financial instrument assets include cash and current and non-current receivables, which are designated as subsequently measured at amortized cost. Non-derivative financial instrument liabilities include bank indebtedness, accounts payable and accrued liabilities, income taxes payable, dividend payable, notes payable and finance lease obligation. All financial liabilities are designated as subsequently measured at amortized cost.

Fair value hierarchy

IFRS 13 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. The three levels of the fair value hierarchy are as follows:

Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly, for substantially the full contractual term.

Level 3 - Inputs for the asset or liability are not based on observable market data.

The Company has no financial assets or financial liabilities included in Level 3 of the fair value hierarchy.

Fair values of financial instruments

The carrying values of cash, accounts and other receivables, income taxes receivable, income taxes payable, dividend payable and accounts payable and accrued liabilities approximate their fair values due to the relatively short period to maturity of the instruments. The fair value of non-current receivables, other liabilities and finance lease obligations are not expected to differ materially from their respective carrying values, given the interest rates being charged. The carrying values of the credit facilities approximate their fair values due to the existence of floating market based interest rates.

Financial risk management:

The Board of Directors of the Company and its subsidiaries has the overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and in response to the Company's activities. Through its standards and procedures management has developed a disciplined and constructive control environment in which all employees understand their roles and obligations. Management regularly monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

The Company has exposure to credit, liquidity and market risks from its use of financial instruments.

(*i*) Credit risk:

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises principally from the Company's current and non-current receivables from its customers. Cash held at banks, employee housing loans and security deposits also present credit risk to the Company. The carrying value of these financial assets, which total $115.4 million at December 31, 2018 (December 31, 2017 - $98.9 million), represents the Company's maximum exposure to credit risk.

6. Financial instruments (continued):

Financial risk management (continued):

Trade accounts receivable

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Company is exposed to credit risk in the event it is unable to collect in full amounts receivable from its customers. The Company employs established credit approval practices and engages credit attorneys when appropriate to mitigate credit risk. The Company attempts to secure credit advanced to customers whenever possible by registering security interests in the assets of the customer and by obtaining personal guarantees. Credit limits are established for each customer and are regularly reviewed. In some instances the Company may choose to transact with a customer on a cash-on-delivery basis. The Company's largest individual customer balance amounted to 2.0% (December 31, 2017 - 2.2%) of trade accounts receivable and customer notes receivable at December 31, 2018. No one customer represents more than 1.0% of sales.

More detailed information regarding management of trade accounts receivable is found in note 7 to these consolidated financial statements.

Employee housing loans:

Employee loans are non-interest bearing and are granted to employees who are relocated. Employee loans are secured by a deed of trust or mortgage depending upon the jurisdiction. Employee loans are repaid in accordance with the loan agreement. These loans are measured at their fair market value upon granting the loan and subsequently measured at amortized cost.

Customer notes:

Customer notes are issued to certain customers to provide fixed repayment schedules for amounts owing that have been agreed will be repaid over longer periods of time. The terms of each note are negotiated with the customer. For notes issued the Company requires a fixed payment amount, personal guarantees, general security agreements, and security over specific property or assets. Customer notes bear market interest rates up to 10%.

Security deposits:

Security deposits are recoverable on leased premises at the end of the related lease term. The Company does not believe there is any material credit risk associated with its security deposits.

Cash:

Cash balances are maintained with high credit quality financial institutions. The Company does not believe there is any material credit risk associated with cash.

(*ii*) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure that it will have sufficient cash available to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. At December 31, 2018, in Canada, a subsidiary of the Company had a revolving credit facility of up to $25.0 million, and, in the US, a subsidiary of the Company had a revolving credit facility of up to $170.5 million (US$125.0 million). These credit facilities can be drawn down to meet short-term financing requirements, including fluctuations in non-cash working capital. The amount made available under the revolving credit facilities is limited to the extent of the value of certain

6. Financial instruments (continued):

Financial risk management (continued):

(*ii*) Liquidity risk (continued):

accounts receivable and inventories held by subsidiaries of the Company, as well as by continued compliance with credit ratios and certain other terms under the credit facilities. See note 11 for further information regarding the Company's credit facilities and borrowing capacity.

The Company's accounts payable and accrued liabilities are subject to normal trade terms and have contracted maturities that will result in payment in the following quarter. The undiscounted contractual maturities of finance lease obligations are presented in note 12 to these consolidated financial statements.

(*iii*) Market risk:

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates, and commodity prices will affect the Company's net earnings or value of its holdings of financial instruments.

Interest rate risk

The Company is exposed to interest rate risk on its credit facilities which bear interest at floating market rates.

Based upon the December 31, 2018 bank indebtedness balance of $112.9 million, a 1% increase or decrease in the interest rates charged would result in a decrease or increase to profit after tax by approximately $0.7 million.

Currency risk

As the Company conducts business in both Canada and the United States it is exposed to currency risk. Most of the products sold by the Company in Canada are purchased in U.S. dollars from suppliers in the United States. Although the Company reports its financial results in Canadian dollars, approximately 85% of its sales are generated in the United States. Changes in the currency exchange rates of the Canadian dollar against the U.S. dollar will affect the results presented in the Company's financial statements and cause its earnings to fluctuate. Changes in the costs of products purchased by the Company in the United States as a result of the changing value of the Canadian dollar against the U.S. dollar are usually absorbed by the Canadian market. When the products are resold in Canada it is generally sold at a Canadian dollar equivalent selling price, and accordingly revenues in Canada are effectively increased by decreases in value of the Canadian dollar and vice versa. Fluctuations in the value of the Canadian dollar against the U.S. dollar will affect the amount of cash available to the Company for distribution to its shareholders.

At December 31, 2018, the primary exposure to foreign denominated financial instruments was in the Company's Canadian subsidiaries and relates to US dollar cash balances, accounts receivable from U.S. customers (2018 - US$0.5 million, 2017 - US$0.7 million) and accounts payable to U.S. suppliers (2018 - US$0.2 million, 2017 - US$0.3 million).

Based on the Company's Canadian subsidiaries exposure to foreign denominated financial instruments, the Company estimates a $0.05 weakening or strengthening in the Canadian dollar as compared to the U.S. dollar would not have a material effect on net income for the years ended December 31, 2018 or December 31, 2017.

This foreign currency sensitivity is focused solely on the currency risk associated with the Company's Canadian subsidiaries exposure to foreign denominated financial instruments as at December 31, 2018 and December 31, 2017 and does not take into account the effect a change in currency rates will have on the translation of the balance sheet and operations of the Company's U.S. subsidiaries nor is it intended to estimate the potential impact changes in currency rates would have on the Company's sales and purchases.

Commodity price risk:

The Company does not enter in to any commodity contracts. Inventory purchases are transacted at current market rates based on expected usage and sale requirements and increases or decreases in prices are reflected in the Company's selling prices to customers.

(Tabular amounts expressed in thousands of Canadian dollars)

7. 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.

	December 31, 2018	December 31, 2017
Trade accounts receivable - Canada	$ 13,131	$ 13,458
Trade accounts receivable - United States	97,907	79,880
Sundry receivable (note 20)	4,973	6,745
Current portion of non-current receivables	802	1,360
	116,813	101,443
Less:		
Allowance for credit loss	4,808	4,180
	$ 112,005	$ 97,263
Non-current receivables:		
Employee housing loans	$ 136	$ 257
Customer notes	570	921
Security deposits	1,953	1,541
	2,659	2,719
Less:		
Current portion, included in accounts receivable	802	1,360
	$ 1,857	$ 1,359

The aging of trade receivables is:

	December 31, 2018	December 31, 2017
Current	$ 76,206	$ 65,635
1 - 30 days past due	22,549	19,075
31 - 60 days past due	7,037	5,204
60+ days past due	5,246	3,424
	$ 111,038	$ 93,338

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 December 31, 2018 was $4.8 million (December 31, 2017 - $4.2 million). The amount of the allowance is considered sufficient based on the past experience of the business, current and expected collection trends, the security the Company has in place for past due accounts and management's regular review and assessment of customer accounts and credit risk.

(Tabular amounts expressed in thousands of Canadian dollars)

7. Accounts and other receivables (continued):

The change in the allowance for credit loss can be reconciled as follows:

	2018	2017
Balance as at January 1	$ 4,180	$ 5,038
Additions during the year	599	61
Use during the year	(337)	(588)
Changes due to currency rate fluctuations	366	(331)
Balance as at December 31	$ 4,808	$ 4,180

Bad debt expense, net of recoveries, for the year ended December 31, 2018 was $0.6 million which equates to 0.05% of sales (year ended December 31, 2017 - $0.1 million, being 0.01% of sales).

8. Inventories:

	December 31, 2018	December 31, 2017
Raw materials	$ 780	$ 1,306
Work in process	4,584	4,950
Goods in-transit	12,630	7,947
Finished goods:		
Lumber	55,223	47,807
Sheet goods	110,060	77,922
Specialty	40,508	32,174
	$ 223,785	$ 172,106

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 consolidated statement of comprehensive income as follows:

	2018	2017
Inventory write-downs, included in cost of goods sold	$ 2,065	$ 1,909
Cost of inventory sold	884,405	808,832
Other cost of goods sold	49,579	45,133
Total cost of goods sold	$ 933,984	$ 853,965

(Tabular amounts expressed in thousands of Canadian dollars)

9. Property, plant and equipment:

	Land	Leased vehicles and forklifts (note 12(a))	Buildings, machinery and equipment	Leasehold improvements	Total
Cost					
Balance at January 1, 2017	$ 824	$ 3,815	$ 28,796	$ 1,272	$ 34,707
Additions	—	1,832	2,106	151	4,089
Acquisition of Eagle and D&R (note 4(b,c))	—	—	1,994	13	2,007
Disposals	—	(1,185)	(721)	(95)	(2,001)
Adjustments:					
Foreign currency transaction	(54)	(240)	(1,798)	(42)	(2,134)
Balance at December 31, 2017	770	4,222	30,377	1,299	36,668
Additions	—	2,545	3,696	380	6,621
Acquisition of Atlanta (note 4(a))	—	—	390	—	390
Disposals	—	(1,138)	(896)	(31)	(2,065)
Adjustments:					
Foreign currency transaction	68	340	2,567	74	3,049
Balance at December 31, 2018	$ 838	$ 5,969	$ 36,134	$ 1,722	$ 44,663
Accumulated depreciation					
Balance at January 1, 2017	$ —	$ 1,614	$ 11,527	$ 856	$ 13,997
Depreciation	—	1,027	3,246	187	4,460
Disposals	—	(907)	(599)	(96)	(1,602)
Adjustments:					
Foreign currency transaction	—	(118)	(695)	(24)	(837)
Balance at December 31, 2017	—	1,616	13,479	923	16,018
Depreciation	—	1,256	3,387	131	4,774
Disposals	—	(850)	(740)	(29)	(1,619)
Adjustments:					
Foreign currency transaction	—	120	1,146	40	1,306
Balance at December 31, 2018	$ —	$ 2,142	$ 17,272	$ 1,065	$ 20,479
Net book value:					
December 31, 2017	$ 770	$ 2,606	$ 16,898	$ 376	$ 20,650
December 31, 2018	$ 838	$ 3,827	$ 18,862	$ 657	$ 24,184

(Tabular amounts expressed in thousands of Canadian dollars)

9. Property, plant and equipment (continued):

Depreciation of property, plant and equipment for the year ended December 31, 2018 was $4.8 million (2017 - $4.5 million) and is included in the statement of comprehensive income as follows:

		2018		2017
Cost of sales	$	1,614	$	1,596
Selling and distribution		2,936		2,610
Administration		224		254
	$	4,774	$	4,460

Gains and losses on disposal of property, plant and equipment for the year ended December 31, 2018 was a net gain of $156,000 (2017 - net gain of $204,000) and is included in selling and distribution in the statement of comprehensive income.

(Tabular amounts expressed in thousands of Canadian dollars)

10. Intangible assets:

	Internally generated software	Customer relationships	Total
Cost			
Balance at January 1, 2017	$ —	$ 21,080	$ 21,080
Acquired through acquisitions	—	82	82
Additions	329	—	329
Adjustments:			
Foreign currency transaction	(11)	(1,387)	(1,398)
Balance at December 31, 2017	318	19,775	20,093
Additions	280	—	280
Adjustments:			
Foreign currency transaction	38	1,729	1,767
Balance at December 31, 2018	$ 636	$ 21,504	$ 22,140
Accumulated amortization			
Balance at January 1, 2017	$ —	$ 966	$ 966
Amortization	—	2,044	2,044
Adjustments:			
Foreign currency transaction	—	(132)	(132)
Balance at December 31, 2017	—	2,878	2,878
Amortization	6	2,067	2,073
Adjustments:			
Foreign currency transaction	—	$ 361	$ 361
Balance at December 31, 2018	$ 6	$ 5,306	$ 5,312
Net book value:			
December 31, 2017	$ 318	$ 16,897	$ 17,215
December 31, 2018	$ 630	$ 16,198	$ 16,828

Amortization of intangible assets for the year ended December 31, 2018 was $2.1 million (2017 - $2.0 million) and is included in selling and distribution expenses in the statement of comprehensive income.

(Tabular amounts expressed in thousands of Canadian dollars)

11. Bank indebtedness:

		December 31, 2018		December 31, 2017
Cheques issued in excess of funds on deposit	$	1,011	$	866
Credit facility, Hardwoods LP		10,626		7,270
Credit facility, Hardwoods USLP II (December 31, 2018 - US$74,369 December 31, 2017 - US$66,323)		101,303		83,010
	$	112,940	$	91,146

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”).

Each of the Credit Facilities is separate, is not guaranteed by the other partnership, and does not contain cross default provisions to the other Credit Facility. The Credit Facility made available to Hardwoods LP is secured by a first security interest in all of the present and after acquired property of Hardwoods LP and the Hardwoods LP partnership units held directly and indirectly by the Company. The Credit Facility made available to Hardwoods USLP II is secured by a first security interest in all of the present and after acquired property of Hardwoods Specialty Products US LP ("Hardwoods USLP"), Rugby Holdings LLC, Paxton Hardwoods LLC and HMI Hardwoods LLC, and the Hardwoods USLP partnership units held indirectly by the Company.

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")

In February 2017 the LP Credit Facility was amended to increase the amount made available under the facility from $20.0 million to $25.0 million. The LP Credit Facility matures in August 2021. The amount made available under the LP Credit Facility is 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. 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 December 31, 2018, the LP Credit Facility has unused availability of $11.9 million, before cheques issued in excess of funds on deposit of $1.0 million (December 31, 2017 - $13.5 million, cheques issued in excess of funds on deposit - $0.9 million).

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

The USLP II Credit Facility consists of a revolving credit facility of up to US$125.0 million with the amount made available limited to the extent of 85% of the value of eligible accounts receivable, and 60% of the value of eligible inventory plus the lesser of (i) 55% of the book value of eligible in-transit inventory or (ii) $2.0 million. The USLP II Credit Facility matures in July 2021. The USLP II Credit Facility is guaranteed by certain of the Company's subsidiaries.

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

(Tabular amounts expressed in thousands of Canadian dollars)

11. Bank indebtedness (continued):

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

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 December 31, 2018, the USLP II Credit Facility has unused availability of $66.5 million (US$48.7 million), before cheques issued in excess of funds on deposit of nil. At December 31, 2017, the USLP II Credit Facility had unused availability of $53.2 million (US$42.4 million), before cheques issued in excess of funds on deposit of nil.

The Company has letters of credit outstanding at December 31, 2018 totaling $2.6 million (US$1.9 million) (2017 - $1.3 million (US$1.0 million)) against the USLP II Credit Facility to support self-insured benefit claims.

The average annual interest rates paid in respect of bank indebtedness for the year ended December 31, 2018 were 3.5% and 3.6% (2017 - 3.0% and 2.7%) for the LP and USLP II Credit Facilities, respectively.

12. Leases:

(a) Finance leases as lessee:

Subsidiaries of the Company lease vehicles and forklifts with terms ranging from 24 to 72 months. In Canada, the Company guarantees the residual value under the terms of the vehicle leases, and any difference between the amount realized and the guaranteed residual value is either paid to or paid by the Company. In the US, the vehicle lease payments cover the full capitalized cost over the term of the lease, and any proceeds from the sale of the vehicle are paid to the Company. These vehicle and forklift leases are considered finance leases and are recorded on the statement of financial position.

Finance lease liabilities are payable as follows:

Minimum lease payments due	Within one year	One to three years	Total
December 31, 2018:			
Future minimum lease payments	$ 1,699	$ 2,288	$ 3,987
Interest	170	270	440
Present value of minimum payments	$ 1,529	$ 2,018	$ 3,547
December 31, 2017:			
Future minimum lease payments	$ 1,378	$ 1,128	$ 2,506
Interest	97	60	157
Present value of minimum payments	$ 1,281	$ 1,068	$ 2,349

The present value of the lease payments is calculated using the interest rate implicit in the lease, which range from 2.6% - 8.1%.

(Tabular amounts expressed in thousands of Canadian dollars)

12. Leases (continued):

(b) Operating leases as lessee:

The Company's subsidiaries are obligated under various operating leases, including building and automobile leases that require future minimum rental payments as follows:

	With one year	One to five years	After five years	Total
Minimum lease payments due:				
December 31, 2018	$ 23,471	$ 83,264	$ 18,128	$ 124,863

Minimum lease payments recognized as an expense during the year ended December 31, 2018 amounted to $22.2 million (2017 - $20.8 million). Sublease payments received during the year were $0.3 million (2017 - $0.1 million) and are recognized as a reduction to selling and distribution costs in the statement of comprehensive income.

The Company's warehouse leases are combined leases of the land and building; however both the land and building elements are considered operating leases as the risk and reward of ownership remains with the landlord. The Company's operating lease agreements do not contain any contingent rent clauses. Some operating warehouse lease agreements contain renewal options. Renewal options are reviewed regularly by management. The operating lease agreements do not contain any restrictions regarding distributions, further leasing or additional debt.

13. Share capital:

(a) Share capital

At December 31, 2018, the authorized share capital of the Company comprised an unlimited number of common shares without par value ("Shares").

A continuity of share capital is as follows:

	Shares	Total
Balance at December 31, 2016	21,350,572	$ 112,362
Issued pursuant to long term incentive plan	69,413	1,426
Balance at December 31, 2017	21,419,985	113,788
Issued pursuant to long term incentive plan	119,131	2,736
Balance at December 31, 2018	21,539,116	$ 116,524

13. Share capital (continued):

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

The Company has an approved long term incentive plan which authorizes the issuance of a maximum of 2,100,000 Shares to qualified trustees, directors, officers, employees and consultants to align the interests of such persons with the interests of shareholders.

The LTIP is comprised of Restricted Shares and Performance Shares. Each Restricted Share will entitle the holder to be issued the number of Shares of the Company designated in the grant agreement for that Restricted Share. Shares issuable pursuant to Restricted Share grants will vest and be issued on the date or dates determined by the Company's Compensation Committee and set out in the grant agreement, provided such date or dates are not later than December 31st following the third anniversary of the date the Restricted Share was granted. Each Performance Share will entitle the holder to be issued the number of Shares designated in the grant agreement for the Performance Share multiplied by a payout multiplier which may range from a minimum of zero to a maximum of two depending on the achievement of the defined performance criteria. Shares issuable pursuant to Performance Shares will be issued on the date set out in the grant agreement if the performance criteria are satisfied, provided such date is not later than December 31st following the third anniversary of the date the Performance Share was granted.

The Shares to which a grantee is entitled under a Restricted Share or Performance Share may, at the discretion of the Board of Directors, be settled by the Company in Shares issued from treasury, Shares purchased by the Company in the secondary market, in an amount of cash equal to the fair market value of such Shares, or any combination of the foregoing. Grantees have the option to settle up to 50% of the Restricted Shares and Performance Shares in cash. The Company has made an estimate of the amount it expects to settle in cash related to future vestings of Restricted Shares and Performance Shares. As at December 31, 2018 the fair value of the Restricted Shares and Performance Shares estimated to be settled in the future in cash was $0.4 million (December 31, 2017 - $1.4 million) and this value has been removed from contributed surplus and classified within accounts payable and accrued liabilities and non-current liabilities.

If any Restricted Shares or Performance Shares granted under LTIP expire, terminate or are cancelled for any reason without the Shares issuable under the Restricted Share or Performance Share having been issued in full, those Shares will become available for the purposes of granting further Restricted Shares or Performance Shares under the LTIP. To the extent any Shares issuable pursuant to Restricted Shares or Performance Shares are settled in cash or with Shares purchased in the market, those Shares will become available for the purposes of granting further Restricted Shares or Performance Shares.

The LTIP provides for cumulative adjustments to the number of Shares to be issued pursuant to Restricted Shares or Performance Shares on each date that dividends are paid on the Shares by an amount equal to a fraction having as its numerator the amount of the dividends per Share and having as its denominator the fair market value of the Shares on the trading day immediately preceding the dividend payment date. Fair market value is the weighted average price that the Shares traded on the Toronto Stock Exchange for the five trading days on which the Shares traded immediately preceding that date.

The LTIP provides that the number of Shares issued to insiders pursuant to the plan and other Share compensation arrangements of the Company within a one year period, or at any one time, may not exceed 10% of the issued and outstanding Shares.

(Tabular amounts expressed in thousands of Canadian dollars)

13. Share capital (continued):

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

A continuity of the LTIP Shares outstanding is as follows:

	Performance Shares	Restricted Shares
Balance at December 31, 2016	58,601	73,661
LTIP shares issued during the year	87,594	128,197
LTIP shares forfeited during the year	(10,975)	(2,119)
LTIP shares settled	(13,714)	(83,089)
Balance at December 31, 2017	121,506	116,650
LTIP shares issued during the year	55,079	94,373
LTIP shares forfeited during the year	—	—
LTIP shares settled	(88,050)	(82,509)
Balance at December 31, 2018	88,535	128,514

During the year ended December 31, 2018, 88,050 (December 31, 2017 - 13,714) Performance Shares and 82,509 (December 31, 2017 - 83,089) Restricted Shares became fully vested and were settled by the issuance of 119,131 (December 31, 2017 - 69,413) Shares and $0.9 million in cash (December 31, 2017 - $0.6 million). On issuance of the Shares, the accumulated share-based compensation expense of $2.7 million (December 31, 2017 - $1.4 million) associated with the settled Performance Shares and Restricted Shares was transferred from contributed surplus to share capital.

LTIP compensation expense of $2.1 million was recognized in the consolidated statement of comprehensive income for the year ended December 31, 2018 (2017 - $3.3 million). The equity classified portion of the LTIP compensation expense was $2.6 million (December 31, 2017 - $2.8 million) and the liability classified portion was a recovery of $0.5 million as at December 31, 2018 (December 31, 2017 - expense of $0.5 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 in excess of 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 year ended December 31, 2018 of $32.2 million (December 31, 2017 - $30.0 million). The weighted average number of common shares outstanding in each of the reporting years was as follows:

	December 31, 2018	December 31, 2017
Issued ordinary shares at		
beginning of year	21,419,985	21,350,572
Effect of shares issued during the year		
Pursuant to long-term incentive plan	34,863	3,594
Weighted average common shares - basic	21,454,848	21,354,166
Effect of dilutive securities:		
Long-term incentive plan	124,331	119,373
Weighted average common shares - diluted	21,579,179	21,473,539

(Tabular amounts expressed in thousands of Canadian dollars)

14. Income taxes:

		2018		2017
Current tax expense	$	(8,287)	$	(10,781)
Deferred tax expense		(2,491)		(5,848)
	$	(10,778)	$	(16,629)

Under current income tax regulations, subsidiaries of the Company are subject to income taxes in Canada and the United States. The applicable statutory rate in Canada for the year ended December 31, 2018 is 26.9% (2017 - 26.4%) and in the United States is 26.0% (2017 - 39.4%). The majority of the Company's tax expense is generated from its US subsidiaries, and as such the Company reconciles its consolidated income tax expense to the statutory tax rate applicable to the United States.

Income tax expense differs from that calculated by applying U.S. federal and state income tax rates to earnings before income taxes for the following reasons:

		2018		2017
Profit before income tax	$	42,937	$	46,583
Statutory rate		26.0%		39.4%
Computed tax expense at statutory rate		(11,164)		(18,354)
Effect of tax rate differentials and other restructuring		962		3,271
Non-deductible expenses		350		(164)
Prior year tax true-ups		300		222
Change in unrecognized deferred tax assets		(1,081)		(1,839)
Other		(145)		235
Income tax expense	$	(10,778)	$	(16,629)

The tax effect of temporary differences that give rise to significant portions of the deferred income tax assets and liabilities is as follows:

		December 31, 2018		December 31, 2017
Deferred tax assets:				
Accounts receivable	$	1,115	$	1,014
Accounts payable and provisions		764		532
Inventory		2,672		1,867
Finance lease obligations		929		616
Goodwill and intangibles		1,047		3,088
Tax loss carry forwards and future interest deductions		115		252
Share and debt issuance costs		518		746
Other		91		104
		7,251		8,219
Deferred tax liabilities:				
Prepaid expenses		(72)		(80)
Property, plant and equipment		(4,128)		(2,662)
		(4,200)		(2,742)
Deferred tax asset	$	3,051	$	5,477

(Tabular amounts expressed in thousands of Canadian dollars)

14. Income taxes (continued):

Deferred tax assets and liabilities are measured at the substantively enacted rates expected to apply at the time such temporary differences are forecast to reverse. As at December 31, 2017, the US deferred tax assets reflect the new US Federal corporate tax rate of 21.0% compared to 35.0% in 2016. The revaluation of the US deferred tax assets to account for the change in the US corporate tax rate from 35.0% to 21.0% resulted in an increase of $1.0 million in deferred tax expense for the year ended December 31, 2017.

At December 31, 2018, the Company and its subsidiaries have operating loss carry forwards for income tax purposes of approximately $0.4 million in Canada that may be utilized to offset future taxable income (December 31, 2017 - $0.9 million). These losses, if not utilized, expire between 2030 and 2031. The Company's US subsidiaries have no operating loss carry forwards.

At December 31, 2018, the Company and its Canadian subsidiaries have capital losses of approximately $24.7 million (December 31, 2017 - $25.0 million), and suspended capital losses of approximately $44.7 million (December 31, 2017 - $44.7 million) available to offset future Canadian taxable capital gains. These capital losses arose as a result of internal restructuring and inter-entity transactions during the year ended December 31, 2009. The deferred income tax asset of $12.7 million (December 31, 2017 - $8.6 million) associated with these capital losses has not been recorded because it is not probable that future taxable capital gains will be generated to utilize the benefit.

15. Finance income and expense:

	Note	2018	2017
Finance expense:			
Interest on bank indebtedness	11	$ (4,106)	$ (2,823)
Accretion of finance lease obligation		(244)	(195)
Total finance expense		(4,350)	(3,018)
Finance income:			
Interest on trade receivables, customer notes, and employee loans	7	513	451
Foreign exchange gain		439	65
Total finance income		952	516
Net finance expense		$ (3,398)	$ (2,502)

(Tabular amounts expressed in thousands of Canadian dollars)

16. Segment reporting:

Information about geographic areas is as follows:

	2018	2017
Revenue from external customers:		
Canada	$ 140,903	$ 137,110
United States	993,364	908,730
	$ 1,134,267	$ 1,045,840

	December 31, 2018	December 31, 2017
Non-current assets[(1)]:		
Canada	$ 1,972	$ 1,616
United States	95,160	87,919
	$ 97,132	$ 89,535

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

17. Employee remuneration:

(a) Employee benefits expense:

Expenses recognized for employee benefits are summarized below.

	2018	2017
Wages, salaries and benefits	$ 112,419	$ 103,578
Pensions - defined contribution plans	1,399	1,307
LTIP share based compensation	2,096	3,287
	$ 115,914	$ 108,172

Employee benefit expenses are included in the consolidated statement of comprehensive income as follows:

	2018	2017
Cost of sales	$ 24,571	$ 21,696
Selling and distribution	66,054	59,864
Administration	25,289	26,612
	$ 115,914	$ 108,172

(b) Pensions:

Hardwoods USLP, Rugby Holdings LLC, Paxton Hardwoods LLC and HMI Hardwoods LLC maintain defined contribution 401(k) retirement savings plans ("Plans"). The assets of these Plans are held and related investment transactions are executed by the Plan's Trustees who are third parties and, accordingly, are not reflected in these consolidated financial statements. During the year ended December 31, 2018, Hardwoods USLP, Rugby Holdings LLC and Paxton Hardwoods LLC contributed and expensed $1.0 million (US $0.8 million) (2017 - $0.9 million (US $0.7 million)) in relation to these Plans. There is no requirement for an employer contribution to the plan maintained by HMI Hardwood LLC and accordingly HMI Hardwoods LLC did not make any contributions to this plan.

(Tabular amounts expressed in thousands of Canadian dollars)

17. Employee remuneration (continued):

(b) Pensions (continued):

Hardwoods LP does not maintain a pension plan. Hardwoods LP does, however, administer a group registered retirement savings plan (“LP Plan”) that has a matching component whereby Hardwoods LP makes contributions to the LP Plan which match contributions made by employees up to a certain level. The assets of the LP Plan are held and related investment transactions are executed by LP Plan's Trustee who is a third party, and, accordingly, are not reflected in these consolidated financial statements. During the year ended December 31, 2018, Hardwoods LP contributed and expensed $0.4 million (2017 - $0.4 million) in relation to the LP plan.

18. Related party transactions:

The Company’s related parties include key management personnel and post-employment benefit plans for the employees of the Company’s subsidiaries.

(a) Transactions with key management personnel:

Key management of the Company includes members of the Board of Directors, the President and Chief Executive Officer, Chief Financial Officer, Senior Vice President and Vice Presidents. Key management personnel remuneration includes the following expenses:

	2018	2017
Short-term employee benefits:		
Salaries and benefits including bonuses	$ 3,732	$ 4,265
Automobile benefit	40	21
LTIP Share compensation	1,595	2,124
Total remuneration	$ 5,367	$ 6,410

(b) Transactions with post-employment benefit plans:

The defined contribution plans referred to in note 17(b) are related parties of the Company. The Company’s transactions with the pension plans include contributions paid to the plans, which are disclosed in note 17(b). The Company has not entered into other transactions with the pension plans, nor has it any outstanding balances at December 31, 2018 or December 31, 2017.

19. 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 December 31, 2018.

20. Contingency:

On December 1, 2017, the International Trade Commission (a US government body) affirmed final countervailing duties ("CVD") and antidumping duties ("AD") of 22.98% and 183.36%, respectively on hardwood plywood imported from China. In 2017 the Company had paid $3.5 million in AD deposits to US Customs and Border Patrol ("CBP").

As at December 31, 2018 the Company has received $2.1 million in refunded AD deposits, and expects to receive another $0.5 million during 2019. As at December 31, 2018, $0.5 million in AD deposits are included within accounts and other receivables.

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