

Novik Inc.

Interim Financial Statements (unaudited)

June 30, 2009

Notice from management:

The interim financial statements have not been subject to a review by the company's external auditors.

Novik Inc.

Interim Balance Sheets (unaudited)

	<u>As at June 30</u>	<u>As at December 31</u>
	2009	2008
	\$	\$
	(unaudited)	
Assets		
Current assets		
Accounts receivable (note 4, 9 and 11)	3,581,932	2,765,810
Inventories (note 5, 9 and 11)	4,727,945	4,152,812
Refundable tax credits	309,020	309,020
Prepaid expenses	522,305	439,465
	<u>9,141,202</u>	<u>7,667,107</u>
Receivable governmental assistance	185,076	185,076
Tax credits recoverable	366,468	366,468
Property, plant and equipment (note 6)	16,834,419	15,868,657
Intangible assets (note 7)	474,948	445,125
Deferred charges (note 8)	1,288,678	1,050,579
	<u>28,290,791</u>	<u>25,583,012</u>
Liabilities		
Current liabilities		
Bank loan (note 9)	1,735,524	863,043
Accounts payable and accrued liabilities (note 10)	3,138,861	1,992,908
Current portion of long-term debt (note 11)	1,959,318	1,636,355
	<u>6,833,703</u>	<u>4,492,306</u>
Long-term debt (note 11)	10,028,667	9,519,140
Future income tax liabilities	26,329	129,686
	<u>16,888,699</u>	<u>14,141,132</u>
Shareholders' Equity		
Capital stock (note 12)	9,946,318	9,946,318
Stock options and warrants (note 12b and c)	676,632	524,632
Contributed surplus	958,621	958,621
Retained Earnings (Deficit)	(179,479)	12,309
	<u>11,402,092</u>	<u>11,441,880</u>
	<u>28,290,791</u>	<u>25,583,012</u>
Commitments (note 17)		

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

Approved by the Board of Directors

(signed) MICHEL GAUDREAU, Director

(signed) LOUIS-ANDRÉ GAUDREAU, Director

Novik Inc.

Interim Statements of Earnings (unaudited)

	Six Months Ended June 30,	
	2009	2008
	\$	\$
Balance – Beginning of period	12,309	(862,237)
Net earnings (loss) for the period	(191,788)	916,441
Balance – End of period	<u>(179,479)</u>	<u>54,204</u>

Interim Statements of Contributed Surplus (unaudited)

	Six Months Ended June 30,	
	2009	2008
	\$	\$
Balance – Beginning of period	958,621	875,235
Matured conversion option	-	12,812
Cancelled stock options	-	2,870
Balance – End of period	<u>958,621</u>	<u>890,917</u>

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

Novik Inc.

Interim Statements of Earnings and Comprehensive Income (unaudited)

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Revenues	4,171,923	6,771,988	6,816,769	10,153,954
Cost of sales				
Direct costs	2,312,227	3,688,805	3,674,084	5,641,011
Depreciation and amortization of property, plant and equipment and intangible assets	324,324	214,704	642,662	415,304
	2,636,551	3,903,509	4,316,746	6,056,315
Gross margin	1,535,372	2,868,479	2,500,023	4,097,639
Operating expenses				
Selling expenses	1,467,478	934,420	2,327,727	1,574,888
Administrative expenses*	504,336	567,986	902,308	883,379
Research and development costs	31,357	1,036	44,256	40,802
Depreciation of property, plant and equipment	8,986	5,320	17,275	11,205
Amortization of intangible assets	21,541	18,519	43,151	35,590
Amortization of development expenses	75,795	52,501	148,231	105,001
	2,109,493	1,579,782	3,482,948	2,650,865
Earnings (loss) from operations	(574,121)	1,288,697	(982,925)	1,446,774
Financial expenses				
Interest and bank charges	28,887	25,134	60,218	56,810
Interest on long-term debt	153,109	109,101	309,594	206,660
Exchange loss (gain)	(516,724)	64,535	(343,897)	(49,481)
Realized exchange gain on forward contracts	(170,974)	-	(57,899)	(47,820)
Unrealized exchange loss (gain) on forward contracts (note 15)	(714,520)	(28,896)	(685,155)	3,720
Amortization of financing expenses	18,621	10,996	29,359	25,088
	(1,201,501)	180,870	(687,780)	194,977
Earnings (loss) before income taxes	627,480	1,107,827	(295,145)	1,251,795
Income tax expense (recovery)				
Future income taxes	191,844	296,774	(103,357)	335,356
Net earnings (loss) and comprehensive income for the period	435,636	811,053	(191,788)	916,441
Basic and diluted net earnings (loss) per share (note 13)	0.009	0.018	(0.004)	0.020
Basic and diluted weighted average number of shares outstanding (note 13)				
Basic	48,470,858	45,799,429	48,470,858	45,799,429
Diluted	48,576,165	45,966,108	48,584,651	45,915,679
* Stock-based compensation costs included in administrative expenses (note 12b):				
	152,000	164,717	152,000	165,198

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

Novik Inc.

Interim Statements of Cash Flows (unaudited)

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Cash flows from operating activities				
Net earnings (loss) for the period	435,636	811,053	(191,788)	916,441
Items not affecting cash				
Depreciation and amortization	449,267	291,047	880,678	567,100
Future income taxes	191,844	296,774	(103,357)	335,356
Stock-based compensation costs	152,000	164,717	152,000	165,198
Interest capitalized on long-term debt	5,836	5,775	11,672	11,550
Unrealized loss (gain) on foreign currency forward contracts (note 15)	(714,520)	(28,896)	(685,155)	3,720
	520,063	1,540,470	64,050	1,999,365
Net change in non-cash working capital items (note 14)	314,207	(959,635)	175,252	(1,972,889)
	834,270	580,835	239,302	26,476
Cash flows from financing activities				
Variation in bank loan	(186,780)	606,714	872,481	1,803,169
Long-term debt contracted	785,372	1,254,490	1,526,490	1,679,167
Deferred financing expenses	(35,316)	(27,828)	(62,013)	(37,112)
Long-term debt redemption	(394,965)	(257,792)	(673,018)	(525,396)
	168,311	1,575,584	1,663,940	2,919,828
Cash flows from investing activities				
Additions to property, plant and equipment	(682,064)	(2,031,342)	(1,407,516)	(2,840,072)
Increase in intangible assets	(59,155)	(24,305)	(109,396)	(45,041)
Increase in deferred charges	(261,362)	(100,772)	(386,330)	(173,691)
Government assistance	-	-	-	112,500
	(1,002,581)	(2,156,419)	(1,903,242)	(2,946,304)
Net change in cash	-	-	-	-
Cash – Beginning of period	-	-	-	-
Cash – End of period	-	-	-	-

Additional information (note 14)

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

Novik Inc.

Notes to Interim Financial Statements (unaudited)

1 Statutes and nature of activities

The company, incorporated under Part 1A of the Québec Companies Act, specializes in the design, manufacturing and marketing of new siding and roofing covers of polymer and of a wide variety of exterior and utility decorative products for residential and commercial construction and the home improvement industry.

2 Interim financial information

These interim financial statements have been prepared in accordance with Canadian generally accepted accounting principles and use the same accounting policies and methods used in the preparation of the most recent annual financial statements of the company, except for the new accounting standards as disclosed in note 3. All disclosures required for annual financial statements have not been included in these financial statements. These unaudited interim financial statements should therefore be read in conjunction with the Company's most recent audited annual financial statements.

The financial information as at June 30, 2009 and for six-month periods ended June 30, 2009 and 2008 is unaudited. However, in the opinion of management, all adjustments necessary to present fairly the results of these periods have been included. The adjustments made were of a normal recurring nature. Interim results may not necessarily be indicative of results anticipated for the year. As well, the company's overall business cycle determines the evolution of its working capital.

3 Changes in accounting policies

Adopted accounting policies

On January 1, 2009, the company adopted Section 3064, "Goodwill and Intangible Assets", of the Canadian Institute of Chartered Accountants (CICA) Handbook. This section establishes standards for the recognition, measurement and disclosure applicable to intangible assets. It replaces Section 3062, "Goodwill and Other Intangible Assets", and Section 3450, "Research and Development Costs".

The adoption of this section had no impact on the company's financial position or results of operations.

Future accounting changes

On February 13, 2008, the Accounting Standards Board confirmed the date of changeover from Canadian GAAP to International Financial Reporting Standards ("IFRS"). Canadian publicly accountable enterprises must adopt IFRS for their interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The company has developed a plan for the conversion of its consolidated financial statements to IFRS. An analysis of the differences between IFRS and the company's accounting standards is underway. This analysis is being conducted by taking into account the potential impacts, among others, on accounting policies, financial reporting and information technologies.

To date, the company is unable to expose the consequences of the conversion from Canadian GAAP to IFRS on its financial statements.

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Notes to Interim Financial Statements (unaudited)

The CICA published the following sections of the CICA Handbook that apply to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011:

- Section 1582, "Business Combinations", which replaces the former Section 1581 with the same title, establishes accounting standards for a business combination. It provides the Canadian equivalent to International Financial Reporting Standard IFRS3, "Business Combinations".
- Section 1601, "Consolidated Financial Statements", which replaces the former Section 1600 with the same title, establishes standards for the preparation of consolidated financial statements.
- Section 1602, "Non-Controlling Interests". This new section establishes standards on accounting for non-controlling interests in a subsidiary in consolidated financial statements prepared subsequent to a business combination. It is equivalent to the corresponding provisions of International Accounting Standard IAS 27, "Consolidated and Separate Financial Statements".

The company is currently evaluating the impact of these new standards on its financial statements.

4 Accounts receivable

	<u>As at June 30, 2009</u>	<u>As at December 31, 2008</u>
	\$	\$
Trade	2,648,097	2,552,678
Government assistance receivable	62,500	62,500
Commodity taxes receivable	105,087	70,380
Deposits and others	81,093	80,252
Fair value of forward contracts (note 15)	685,155	-
	<u>3,581,932</u>	<u>2,765,810</u>

5 Inventories

	<u>As at June 30, 2009</u>	<u>As at December 31, 2008</u>
	\$	\$
Raw materials	1,388,108	1,298,555
Work in process	449,948	748,623
Finished goods	2,889,889	2,105,634
	<u>4,727,945</u>	<u>4,152,812</u>

Novik Inc.

Notes to Interim Financial Statements (unaudited)

6 Property, plant and equipment

	As at June 30, 2009		As at December 31, 2008	
	Cost \$	Accumulated depreciation \$	Cost \$	Accumulated depreciation \$
Land	476,348	-	476,348	-
Plant	5,290,151	538,138	5,123,308	441,910
Equipment	8,590,967	2,036,216	8,279,097	1,695,667
Molds	4,964,063	1,729,436	5,055,046	1,563,968
Office furniture	72,759	46,157	65,923	43,961
Computer equipment	256,399	131,551	215,303	112,477
Deposits on property, plant and equipment	1,665,230	-	511,615	-
	21,315,917	4,481,498	19,726,640	3,857,983
Less:				
Accumulated depreciation	4,481,498		3,857,983	
Net amount	16,834,419		15,868,657	

7 Intangible assets

	As at June 30, 2009		As at December 31, 2008	
	Cost \$	Accumulated amortization \$	Cost \$	Accumulated amortization \$
Brevets	13,358	647	-	-
Software	1,100,465	679,667	1,007,684	608,517
Web site	37,720	20,644	37,720	17,419
Trademark	36,063	11,700	32,806	7,149
	1,187,606	712,658	1,078,210	633,085
Less:				
Accumulated amortization	712,658		633,085	
Net amount	474,948		445,125	

Novik Inc.

Notes to Interim Financial Statements (unaudited)

8 Deferred charges

	<u>As at June 30,</u> <u>2009</u>	<u>As at December 31,</u> <u>2008</u>
	\$	\$
Development expenses	1,917,597	1,531,267
Less:		
Accumulated amortization	628,919	480,688
Net amount	<u>1,288,678</u>	<u>1,050,579</u>

9 Credit Facilities

The company has an available authorized line of credit of \$4,000,000, bearing interest at prime rate plus 1.50% and renewable annually. Accounts receivable and inventories have been given as security for the line of credit.

10 Accounts payable and accrued liabilities

	<u>As at June 30,</u> <u>2009</u>	<u>As at December 31,</u> <u>2008</u>
	\$	\$
Trade payable	1,491,438	1,039,932
Salaries and employee benefits payable	394,077	316,087
Accrued liabilities	1,253,346	542,059
Fair value of forward contracts	-	94,830
	<u>3,138,861</u>	<u>1,992,908</u>

Novik Inc.

Notes to Interim Financial Statements (unaudited)

11 Long-term debt

	<u>As at June 30,</u>	<u>As at December 31,</u>
	<u>2009</u>	<u>2008</u>
	\$	\$
Immoveable hypothec, at prime rate plus 1%, payable in monthly principal instalments plus interest, starting in December 2010 and maturing in November 2035	5,150,000	5,150,000
Notes payable for which a moveable hypothec on equipment, molds and all tangible assets has been given as security, at prime rate plus 1.5% to fixe rate of 4.50%, payable in monthly principal instalment plus interest, maturing between 2011 and 2013	4,273,070	3,846,813
Notes payable for which a moveable hypothec on equipment and molds has been given as security, at prime rate plus 1.0% to fixe rate of 9.25%, payable in monthly principal instalment plus interest, maturing between 2009 and 2015	1,673,457	2,032,777
Notes payable to Canada Economic Development, non-interest bearing, payable in equal and consecutive monthly or annual instalment, maturing between 2011 and 2017, discounted with an effective rate of 15%	331,851	249,499
Note payable under a Strategic Support for Investment Program, non-interest bearing, payable in equal and consecutive monthly principal instalment, starting in April 2012 and maturing in March 2019	715,855	-
Deferred financing charges	(156,248)	(123,594)
	11,987,985	11,155,495
Less: Current portion	1,959,318	1,636,355
	<u>10,028,667</u>	<u>9,519,140</u>

The company has a long-term debt totaling \$2,655,804 which is payable in US dollars.

The annual principal instalments required over the next five years are as follow: \$1,020,741 in 2009, \$1,968,699 in 2010, \$2,497,837 in 2011, \$797,144 in 2012 and \$681,068 in 2013.

The company has committed to meeting certain financial ratios in connection with certain of these loans. As at June 30, 2009, all financial ratios have been met.

Novik Inc.

Notes to Interim Financial Statements (unaudited)

12 Capital stock

- (a) The company's authorized capital stock is composed of an unlimited number of common shares, without par value, voting and participating.

Issued and fully paid

	As at June 30, 2009 \$	As at December 31, 2008 \$
48,470,858 common shares	9,946,318	9,946,318
	<u>9,946,318</u>	<u>9,946,318</u>

- (b) Stock options

The following table summarizes information about outstanding and exercisable stock options under of the plan since January 1, 2009:

	Number	Carrying value \$	Weighted average exercise price \$
Outstanding – Beginning of period	2,024,000	524,632	0.42
Granted during the period	575,000	152,000	0.32
Outstanding and exercisable – End of period	<u>2,599,000</u>	<u>676,632</u>	<u>0.39</u>

The following table summarizes information on outstanding and exercisable stock options under the plan as at June 30, 2009:

Exercise price	Options outstanding		Options exercisable	
	Number	Weighted average contractual life (years)	Number	Weighted average contractual life (years)
\$0.19	330,000	2.90	330,000	2.90
\$0.32	575,000	4.91	575,000	4.91
\$0.40	425,000	3.92	425,000	3.92
\$0.45	400,000	1.90	400,000	1.90
\$0.46	120,000	1.75	120,000	1.75
\$0.50	749,000	1.28	749,000	1.28
	<u>2,599,000</u>	<u>2.84</u>	<u>2,599,000</u>	<u>2.84</u>

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Notes to Interim Financial Statements (unaudited)

13 Earnings per share

The following table summarizes the basic and potentially dilutive weighted average number of common shares outstanding used in the basic and diluted net earnings per share calculations:

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	2009	2008	2009	2008
	\$	\$	\$	\$
Basic weighted average number of shares outstanding	48,470,858	45,799,429	48,470,858	45,799,429
Dilutive stock options	105,307	166,679	113,793	116,250
Diluted weighted average number of shares outstanding	<u>48,576,165</u>	<u>45,966,108</u>	<u>48,584,651</u>	<u>45,915,679</u>

For the three and six-month periods ended June 30, 2009 and 2008, the following securities were not included in the calculation of dilutive shares as the effect is anti-dilutive: 2,269,000 stock options (1,700,000 in 2008) and nil warrants (3,285,715 in 2008).

14 Additional disclosures on the statements of cash flows

- a) Net change in non-tresorery working capital items

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	2009	2008	2009	2008
	\$	\$	\$	\$
Accounts receivable	30,937	(984,446)	(130,967)	(1,973,036)
Inventories	(182,162)	(332,433)	(575,133)	(756,019)
Refundable tax credits	-	(72,857)	-	(114,841)
Prepaid expenses	(14,354)	(84,882)	(82,840)	(14,109)
Accounts payable and accrued liabilities	<u>479,786</u>	<u>514,983</u>	<u>964,192</u>	<u>885,116</u>
	<u>314,207</u>	<u>(959,635)</u>	<u>175,252</u>	<u>(1,972,889)</u>

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Notes to Interim Financial Statements (unaudited)

- b) Items not affecting cash related to:

Operating and investing activities

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	2009	2008	2009	2008
	\$	\$	\$	\$
Acquisition of property, plant and equipment included in accounts payable and accrued liabilities	181,761	-	181,761	-

- c) Additional information

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	2009	2008	2009	2008
	\$	\$	\$	\$
Interest paid	153,109	109,101	309,594	206,660

15 Financial instruments

The fair value of foreign currency forward contracts at the end of the year is as follows as at June 30, 2009:

Purchasing currency	Selling currency	Par value in selling currency	Maturity	Fair value as at March 31, 2009 (a)	Average rate
		\$		\$	\$
CAN\$	US\$	5,182,500	2009 - 2010	685,155	1.26

- (a) Fair value of foreign currency forward contracts generally reflects the estimated amounts that the company would receive by way of settlement of favourable contracts or would be required to pay to terminate unfavourable contracts at the balance sheet date.

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Notes to Interim Financial Statements (unaudited)

16 Segment information

The company is organized under one single operating segment, as described in note 1.

Revenues by geographic region are detailed as follows:

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	2009	2008	2009	2008
	\$	\$	\$	\$
Canada	1,531,582	1,396,992	2,119,539	2,027,395
United States	2,252,314	1,790,356	3,097,844	2,685,688
North America	3,783,896	3,187,348	5,217,383	4,713,083
Europe and Asia-Pacific	388,027	3,584,640	1,599,386	5,440,871
	<u>4,171,923</u>	<u>6,771,988</u>	<u>6,816,769</u>	<u>10,153,954</u>

Revenues have been allocated based on the country of residence of the customer. All of the company's long-lived assets are located in Canada.

Major customers

Customers representing 10% or more of revenues are allocated as follows:

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	2009	2008	2009	2008
	%	%	%	%
Customer 1	36.17	20.26	29.02	16.60
Customer 2	9.36	37.20	9.27	31.84
Customer 3	0.00	11.16	9.25	17.98

17 Commitments

As at June 30, 2009, the company's minimum aggregate commitments under long-term equipment and vehicle lease agreements amount to \$43,588. Minimum lease payments required over the next four years amount to \$20,278 in 2009, \$19,844 in 2010, \$3,466 in 2011.

The company has also agreed to pay an approximate amount of \$1,800,000 in molds related to new products. An amount of \$1,665,230 has been paid on June 30, 2009 regarding these commitments and has been accounted for as "Deposits on property, plant and equipment".