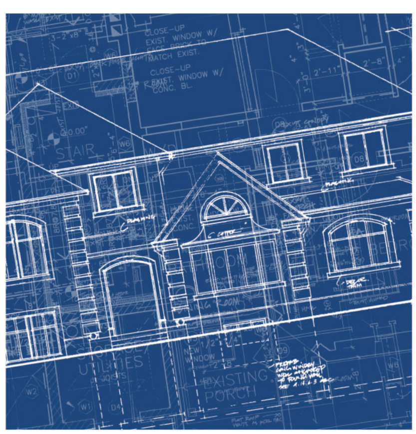
STRENGTH & SUSTAINABILITY

annual report 2009

P·F·B™ CORPORATION
Better building ideas



PFB team members support Better Building Ideas.

NOTICE OF MEETING

The Annual Meeting of Shareholders of PFB Corporation will be held on Wednesday, May 5, 2010, at 1:30 p.m. (MST) at the offices of PFB Corporation which are located at:

100, 2886 Sunridge Way NE
Calgary, Alberta, T1Y 7H9, Canada.

Shareholders who are unable to attend the Annual Meeting are requested to complete and return the Form of Proxy at their earliest convenience.

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CORPORATE PROFILE

PFB Corporation supports sustainability. We manufacture innovative, high-quality insulating building products and technologies that are the core of energy-efficient residential and commercial structures.

"Better Building Ideas from PFB" offer solutions to customers that enable them, through the use of our insulation products and insulating building systems, to conserve scarce energy resources and reduce operating costs in buildings resulting in a reduction of harmful emissions into the atmosphere. PFB conducts its operations responsibly; mindful of the economic, environmental and social impacts that its operations have on customers, employees, shareholders and the communities in which we operate.

Our manufacturing operations are based in eleven facilities in Canada and the United States. Our long term revenue growth strategy is built on extending the presence of our brands across North America.

Shares of PFB Corporation are listed for trading on the Toronto Stock Exchange under the symbol "PFB".

Supported by interactive group learning, knowledge of our product lines is integral to the success of the team.

FINANCIAL OVERVIEW

Years ended December 31, 2009, 2008, 2007, 2006, and 2005
(Thousands of dollars except per share data)

	2009	2008	2007	2006	2005
Operating Results					
Sales	**$ 65,930**	$ 79,810	$ 82,918	$ 78,218	$ 80,415
Gross profit	**19,847**	17,849	22,731	21,543	22,860
Income before other expenses, interest and taxes	**5,654**	1,666	5,718	7,858	8,832
Net income	**3,690**	700	3,903	4,977	5,825
Funds provided by operations [1]	**8,131**	4,189	6,790	7,205	8,079
Per Common Share Data					
Earnings per share – Basic	**0.56**	0.11	0.61	0.79	0.92
Earnings per share – Diluted	**0.56**	0.11	0.60	0.79	0.92
Dividend paid per share – Regular [2]	**0.24**	0.24	0.24	0.24	0.24
Dividend paid per share – Special [2]	**-**	-	-	-	0.10
Funds provided by operations [3]	**1.24**	0.64	1.17	1.14	1.28
Book value [4]	**6.79**	6.45	6.57	5.70	5.21

Non-GAAP financial measures do not have any standardized meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other issuers. Definitions of non-GAAP measures used in the above table along with relevant other notes are as follows:

1 Funds provided by operations is defined as cash flow from operations before changes in non-cash working capital.

2 The regular dividend per share amount in 2005 represents the annualized effect of the quarterly dividend policy announced in July 2005 and the special dividend amount represents the total dividends paid in 2005 less the annualized quarterly dividend amount per the policy.

3 Funds provided by operations per share is defined as cash flow from operations before changes in non-cash working capital divided by the weighted average number of shares issued and outstanding.

4 Book value per share is defined as shareholders' equity divided by the actual number of common shares outstanding at December 31.

LETTER TO SHAREHOLDERS

Management is pleased with the financial results achieved by PFB Corporation during 2009. Despite a reduction in sales volumes and revenues, actions taken by the company in late 2008 and throughout 2009 have resulted in improved bottom line results and a greatly strengthened balance sheet.

Management acknowledges the support and cooperation of all our employees throughout this trying economic period that has led to the achievement of our goals and the strengthening of our operations and of our financial position.

Consolidated net income for the year ended December 31, 2009 was $3,690,000 with basic earnings of $0.56 per share, as compared to net income of $700,000 and basic earnings of $0.11 per share in 2008. Consolidated net sales for the year ended December 31, 2009 were $65,930,000 as compared with $79,810,000 in the prior year. A measure that we have under-emphasized in our public disclosures historically but which we now draw attention to is "Cash flow from operations". This measure is defined as "cash flow from operations before changes in non-cash working capital". This is a non-GAAP financial measure and does not have any standardized meaning prescribed by GAAP and is therefore unlikely to be comparable to similar measures presented by other issuers. For the year 2009, this amount was $1.24 per common share as compared with $0.64 per common share in 2008. Our regular quarterly dividends are $0.24 annually and accounted for 19% of this balance in 2009 and approximately 38% in 2008.

A general recovery from the worst recession in many years appears to have begun to take hold in North America; although, the risk scenario in our business environment still remains somewhat in flux. The principal risk ahead continues to be in our ability to resume growth and meet our targeted revenue and manufacturing volumes during this period when many customers continue to face difficulties in obtaining the necessary funding for their construction projects. PFB plans to continue its measured pace with regard to capital investment projects and to continue vigilance in maintaining cost efficiencies that enable continued profitable operations. Cash management will continue to be a high priority in the year ahead.

At present PFB's balance sheet is strong and access to liquidity through existing bank credit lines remains good. Following significant raw material price drops at the end of 2008 and during early 2009, we experienced progressively rising raw material costs throughout the year, but we were able to maintain traditional margins through strong pricing discipline for our products.

The core of our corporate strategy remains our support of sustainable development principles in our product offering to our customers and in our internal operations. We are working hard to insure that "Better Building Ideas from PFB" meet the needs of the present without compromising the ability of future generations to meet their own needs.

PFB Corporation's brands are innovative, high-quality insulating building products and technologies that provide the core for energy-efficient, residential and commercial structures. The PFB product offering represents "Better Building Ideas" because our brands, when used alone or more effectively integrated together as building systems, provide excellent insulating qualities and structural properties that, in a cost effective way, reduce energy consumption in the heating and cooling of buildings where they are incorporated. Our products used in the construction of buildings lead to reduced energy consumption and reduced operating costs.

Throughout our operations we are constantly measuring and attempting to reduce our inputs of energy, water and materials in the manufacturing process. We attempt to increase our output of products and reduce waste and emissions through our ISO quality programs.

As part of our focus on sustainability, we are attentive and respectful of our relationship with our employees. Our objective is to provide a safe and dignified work environment. We recognize the individual accomplishments and contributions made by each employee. We expect our employees to continuously improve their skills and expertise to support their growth within the organization. We thank them for their diligence and continued support of our teams' efforts.

Respectfully submitted on behalf of the Board,

C. ALAN SMITH
President and Chief Executive Officer
March 2, 2009

*Making sustainability personal: Read the People Stories on **www.pfbsustianability.com** to learn how PFB employees have brought the sustainability concept into their lives.*

SUSTAINABILITY REPORTING INITIATIVE

It is managements' intention that the information with respect to our economic, environmental and social performance, contained in this Annual Report together with the corporate governance disclosures contained in the Annual Management Proxy Circular that is provided to our shareholders, as well as the product information included on our websites at: **www.pfbcorp.com ; www.pfbsustainability.com ; www.plastifab.com ; www.advantageicf.com ; www.insulspan.com ; www.riverbendtf.com** , is a further step in our transparent sustainability reporting.

Our reporting is not complete under the basic disclosure principles of the GRI Sustainability Reporting Framework guidelines. Our reporting initiative has not been checked by the Global Reporting Initiative or received third party assurance; and accordingly, it has not achieved any level of classification level or certification under the Sustainability Reporting Framework. This transparent reporting initiative is undertaken by us to focus our attention internally and to demonstrate to the public externally, the importance that PFB Corporation attributes to the sustainability of our operations and of our products. An objective in our future reporting is to become compliant with the GRI.

C. ALAN SMITH
President and Chief Executive Officer
March 2, 2009

SUPPORTING SUSTAINABILITY

At PFB Corporation, we are concerned with the future of the planet and the effects that modern life styles may be having on climate change. PFB Corporation is committed to conducting its operations responsibly, mindful of the economic, environmental and social impacts. We have always placed environmental protection at the highest level of importance in our products, our processes and our practices. We are focused on improving our performance related to conversion of inputs, such as materials, energy, and water; into outputs of products, by minimizing emissions, effluents and waste through a process of continuous improvement.

For the past 3 years, PFB has collected data and reported this information as part of its commitment to a sustainable future. The following pages contain a summary of our sustainability data for 2009 compared to previous years. In keeping with our sustainability commitment we decided to include a summary of our sustainability report in this Annual Report and additional information can be found on our newly-launched sustainability website www.pfbsustainability.com.

PFB continues to improve in some areas by reducing its environmental impact but we recognize that there are still more opportunities to pursue.

To deliver on its vision for achieving sustainability improvements, PFB has adopted the following philosophies:

- Continue to improve operational performance and to regularly monitor and review progress.
- Optimize energy consumption and raw material usage.
- Prevent or minimize emissions and environmental damage.
- Promote sustainability awareness to everyone in the PFB organization as well as to other stakeholders.

SUSTAINABLE PRODUCTS SUSTAINABLE PROCESSES

PFB manufactures insulating products that assist our customers in improving operational energy efficiency of buildings, making them contributors to sustainability. Additionally, we recognize our responsibilities and we are working to continuously reduce the impact our operations have on the environment.

As a company we are committed to the concepts of sustainable development and of regular sustainability reporting to our stakeholders where we are accountable to them for the success of our continuous improvement efforts. Through continuous measurement and reporting of our environmental impact, we are identifying areas for improvement and acting on them. Through setting objectives and annual reporting of data we focus on the process of continuous improvement through a systems management approach. PFB's key focus is reduction in carbon emissions, reduction in energy consumption, and reduction of waste. Simply, we are trying to produce more and consume less.

PFB's product offering represents "Better Building Ideas" because our brands, when used alone or more effectively integrated together as building systems, provide excellent insulating qualities in a cost effective way that reduce energy consumption in the heating and cooling of buildings in which they are incorporated. PFB's products coupled with our policy to pursue sustainable development goals in all our activities will provide economic and environmental benefits to all our stakeholders.

SUSTAINABILITY THROUGH LEADERSHIP

Our supply chain links are with major corporations that support the Responsible Care® Initiative. Our operating practices are subject to audit by them, which helps the industry to operate safely, profitably and with care for future generations. We train our employees to be experts in their field. We support numerous industry trade associations and encourage our employees to participate in them. Trade associations include: Expanded Polystyrene Manufacturers Association (EPSMA); Structural Insulated Panel Association (SIPA); American Society for Testing and Materials (ASTM); Construction Specifications Canada; local Home Builders Associations; local Built Green programs; regional building supply associations; and regional roofing associations. We are active in our communities. To ensure the best use of our products we provide on-site technical advisory services and product knowledge training to our customers. We provide continuing professional development courses for Architectural AIA, as well as ICF University and SIP School for builders, and Home Planning Seminars for consumers.

INDUSTRY LEADERSHIP

ENVIRONMENTAL CHOICE PROGRAM

Plasti-Fab has developed a certification listing under Environment Canada's Environmental Choice Program (ECP). Plasti-Fab recognizes that its products are key components in creating an energy-efficient building envelope. Please see our listing under the ECP which emphasizes our commitment to environmental responsibility in manufacturing and the use of our products.

ENERGY STAR PROGRAM®

Insulspan Structural Insulating Panel homes are part of the Energy Star rating program which is a joint program of the U.S. Environmental Protection Agency and the U.S. Department of Energy helping buyers save money and protect the environment through energy-efficient products and practices. The Energy Star Program provides many benefits through mortgage credits, grants, and other government agency incentives.

LEED™ RATING SYSTEM

The Leadership in Energy and Environmental Design (LEED) is a third-party certification program for building owners, operators, and construction professionals. LEED certification provides independent, third-party verification that a building product is environmentally responsible, profitable, and a healthy place to live and work. Our products form an integral part of the building envelope for LEED projects providing excellent energy efficiency.

SIPA

The Structural Insulated Panel Association (SIPA) is a non-profit trade association representing manufacturers, suppliers, fabricators/distributors, design professionals, and builders committed to providing quality structural insulated panels for all segments of the construction industry. Insulspan is one of the founding members of SIPA. Company personnel are active members of SIPA's board of directors.

EPS MOLDERS ASSOCIATION (EPSMA)

PFB has been a member of EPSMA since it was formed in 1994. PFB's Chief Operating Officer, Bruce Carruthers, is currently a member of the EPSMA board of directors and holds the office of Vice President. Jim Whalen, Technical Marketing Manager, is Chairman of the EPSMA Technical Committee.

EMPLOYEE PROGRAMS

All employees receive health and safety orientation, safety manuals and extensive training when they commence employment with us. Emphasis on safety is reinforced throughout their careers with PFB. Employees are motivated to bring safety to life, identifying opportunities for safety improvements, and demonstrating safety leadership through the "STAR" (Safety through Thoughts, Actions and Results) Incentive program. PFB is committed to ensuring that all employees are properly trained to complete each and every task in a safe and timely manner.

Health and Safety Committees comprised of hourly, salaried and management representatives, meet regularly to review performance and develop safe work programs.

PFB offers an educational reimbursement program for employees to support individual education and development initiatives.

Training employees is a key component in delivering our brand promise and generating results aligned with our sustainability focus. We offer competency-based training and development opportunities anchored to individual developmental goals coupled with job profiles, career progression and performance management processes.

Employees receive a comprehensive and competitive health benefits program paid for by the Company.

COMMUNITY LEADERSHIP

HABITAT FOR HUMANITY

PFB Corporation participated in a Habitat for Humanity project located in Owen Sound, Ontario where twenty Grey-Bruce students helped build housing as part of a fast-tracked carpentry apprenticeship pilot program at Georgian College.

Three duplex dwellings were built. All the exterior walls and adjoining walls were made from the Advantage ICF System which, when filled with concrete, provided a solid fully insulated concrete building enclosure. Using the Advantage ICF System for the walls of this project will significantly reduce heating and cooling costs compared to using conventional construction products.

HOLMES FOUNDATION

PFB Corporation has been actively involved with several charitable organizations. A recent partnership was formed with the Holmes Foundation. Having worked with Mike Holmes on an episode of his show, Holmes on Homes, we had a chance to see first hand how passionate he is about the industry. This was a natural fit for PFB because his concern for well-trained tradesmen supports our jobsite training initiatives. PFB donated a percentage of its sales from a local trade show to the Holmes Foundation.

UNITED WAY

PFB has donated consistently to the United Way since 2002, with an earlier one-time donation in 1998. United Way is also supported by our employees during annual United Way campaigns.

DEFINITIONS

GREEN HOUSE GAS (GHG) – greenhouse gases are those gases which contribute to global warming. According to the Kyoto protocol significant greenhouse gases, emitted by human activity, include carbon dioxide (CO_2), methane (CH_4), nitrous oxide (N_2O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), and sulphur hexafluoride (SF_6).

OZONE DEPLETING SUBSTANCE (ODS) – A chemical compound that reaches the stratosphere and is capable of reacting with stratospheric ozone causing it to be depleted. Stratospheric ozone protects the earth from harmful UV radiation. PFB does not emit harmful ozone depleting substances from our manufacturing processes.

VOLATILE ORGANIC COMPOUNDS (VOC) – any organic compound that can become vaporized under normal atmospheric conditions. VOCs can contribute to the creation of ground level smog around urban centers. PFB releases VOC's as part of our foam insulation production processes and we are sensitive to this issue and are actively working towards reductions in the amount of VOCs we emit.

Reduce and Re-Use: A Block Molding plant employee stacks bags of regrind, an excess material that gets reground and reintroduced into the manufacturing process.

SUSTAINABILITY THROUGH ACTIONS

WASTE

Waste is a significant issue for manufacturers like PFB both from a cost perspective and its environmental impact. PFB is continually looking for ways to reduce the generation of waste and, wherever possible, reuse and recycle.

Total waste to landfill was reduced by 10% in 2009. This was achieved by introducing products that support in-process waste recycling, by diverting scrap materials to alternate recycling streams and by improving production yields. Additional recycling options are under consideration and, when implemented, will further reduce the volume of waste materials generated in our operations.

ENERGY

Total electricity and natural gas consumption in our operations decreased in 2009 over 2008 due in part to a decrease in production levels caused by the economic downturn; but, more importantly, due to the quantity of energy consumed per unit of product output. In 2008, we experienced some loss in energy efficiency due to sudden changes in demand to which we were unable to efficiently adjust our operations.

Operating personnel were able to effect improvements in 2009 by aligning energy consumption to production levels. In 2010, we have plans to pursue further energy reduction opportunities in our operations to reduce energy consumption.

PFB will continue conducting energy audits and improving the efficiency of its equipment and buildings.

EMISSIONS

Our focus is to reduce greenhouse-gas emissions by using fossil fuels more efficiently.

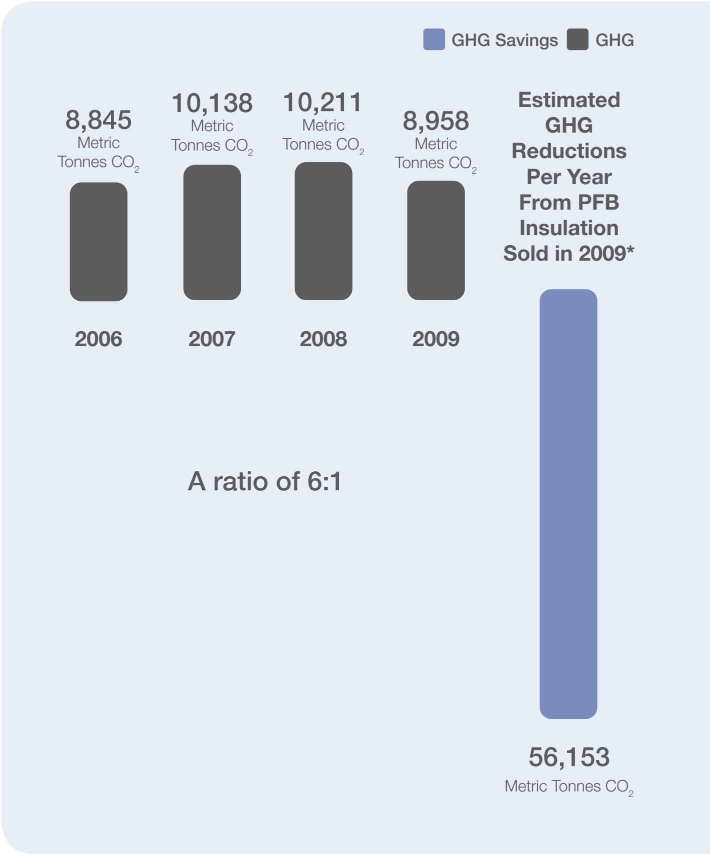
Additionally, PFB has an initiative underway to substitute raw material inputs with materials that contains less VOC expanding agent. In 2008, 7% of our raw materials consumed contained reduced levels of VOCs. In 2009, we further increased our useage of low VOC materials to 26%. Our objective is to utilize low VOC materials in as many product applications as possible.

GHG EMISSIONS VS. SAVINGS POTENTIAL

Carbon dioxide, the principal green house gas (GHG) emitted by PFB, arises from burning natural gas and other fuels in our production operations. We measure GHG emissions in metric tonnes.

Our insulating products provide our customers with the means to reduce their energy consumption and consequently their GHG emissions. In 2009, PFB emitted 8,958 metric tonnes of CO_2 equivalents from its operations. The estimated GHG reductions that could be achieved if all of the EPS insulation products made by PFB in 2009 were applied to exterior walls of single family residential housing in USA/Canada would be 56,153 metric tonnes. A ratio of 6 to 1. Through improvements in energy-efficiency in our processes we intend to reduce our GHG emissions to further improve the net benefit of our products.

*Estimated GHG emissions reductions potential due to the installation of PFB foam insulation products sold during the reporting year - estimates based on data in "Energy and Greenhouse Gas Savings for EPS Foam Insulation Applied to Exterior Walls of Single Family Residential Housing In The U.S. and Canada", Franklin Associates Ltd. February 2009. GHG savings based on reduction in heating when insulation installed as per assumptions in the Franklin report. Note that other insulation materials will provide equivalent reduction in energy and GHG savings if installed to the same level of thermal performance.

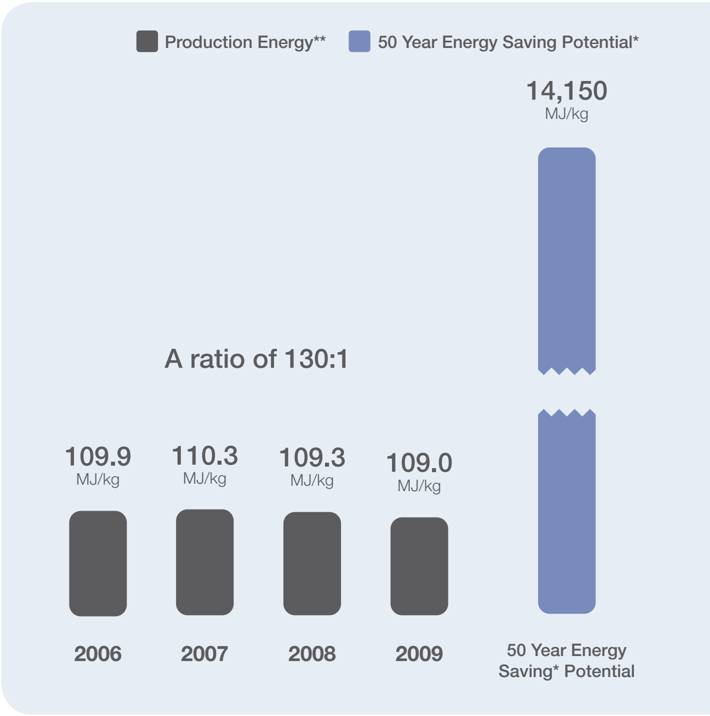


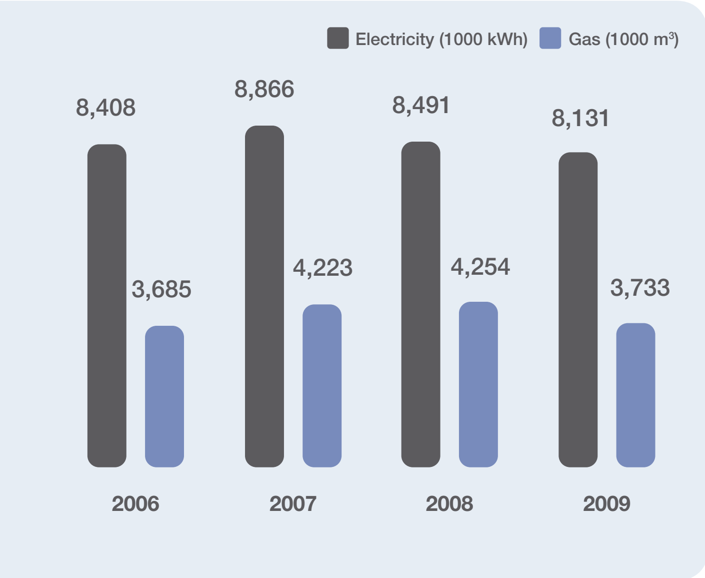
LIFETIME ENERGY SAVINGS VS. ENERGY CONSUMED

The energy savings potential from using PFB's insulating products over the minimum expected lifetime of those products (assumed to be 50 years) exceeds the amount of energy consumed in the manufacturing process by a ratio of approximately 130:1.

** Direct production energy includes embodied energy in raw materials as per "Energy and Environmental Profile of the US Chemical Industry", May 2000 by Energetics Inc. for US Department of Energy.

*Estimated energy savings due to the installation of PFB foam insulation products sold during the reporting year - estimates based on data in "Energy and Greenhouse Gas Savings for EPS Foam Insulation Applied to Exterior Walls of Single Family Residential Housing In The U.S. and Canada", Franklin Associates Ltd. February 2009. Energy savings based on reduction in heating when insulation installed as per assumptions in the Franklin report. Note that other insulation materials will provide equivalent reduction in energy and GHG savings if installed to the same level of thermal performance.

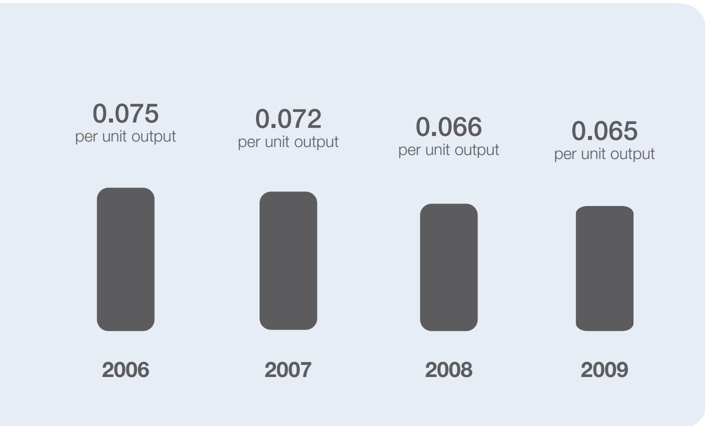




DIRECT ENERGY

We measure the total amount of electricity and natural gas consumed by our operations. Direct energy consumption in 2009 was lower than 2008 partly due to a reduction in production levels.

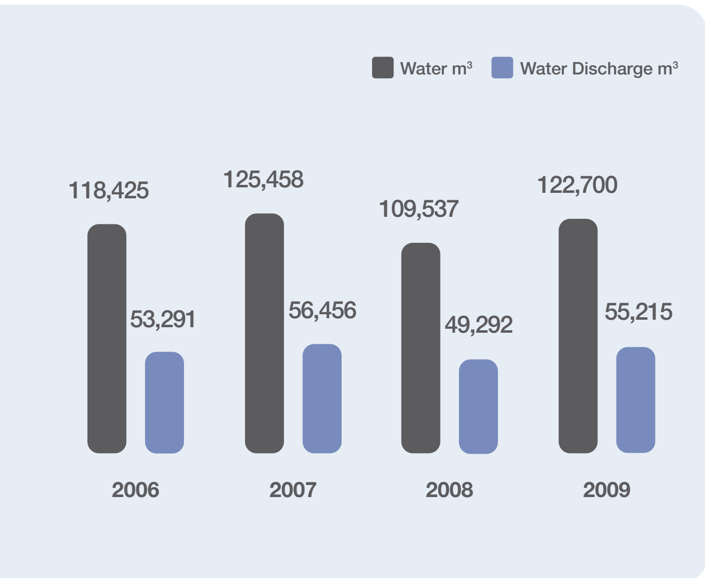
Operations successfully adapted to the changing economic conditions by reducing the average energy consumption per unit of output compared to the previous year. Collecting and monitoring energy consumption data helps us to focus on identifying opportunities for making lasting reductions in future years.



WASTE

Per unit output of EPS foam

PFB's operations maintained a reducing trend for the total amount of waste sent to landfill in 2009 over previous years both in terms of total quantity and as a ratio of production output. This was achieved by obtaining improvements in production yields and recycling more scrap material to make new EPS based products.



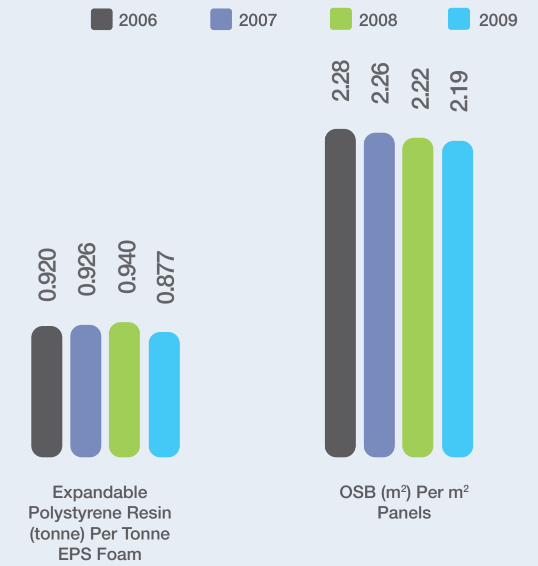
WATER

We measure the amount of water coming into our operations and estimate the amount of water that we discharge. Many of our operations convert water into steam as part of the production process which accounts for most of the difference between inputs and discharges. Water consumption levels increased in 2009 over the previous year even though actual production levels decreased. This prompted us to investigate the cause of the increase and it resulted in several new initiatives being implemented in 2010 to reduce water consumption.

RAW MATERIAL USAGE PER UNIT OF PRODUCT OUTPUT

Units of input per unit output

We measure inputs of raw materials as a ratio of product output to tell us how well we are doing in the conversion process. For EPS foam, we measure inputs and outputs in tonnes and a lower conversion ratio indicates higher levels of recycling. For structural insulating panels, we measure inputs of OSB and outputs of panels in m^2. A lower conversion ratio indicates an improvement in yield.

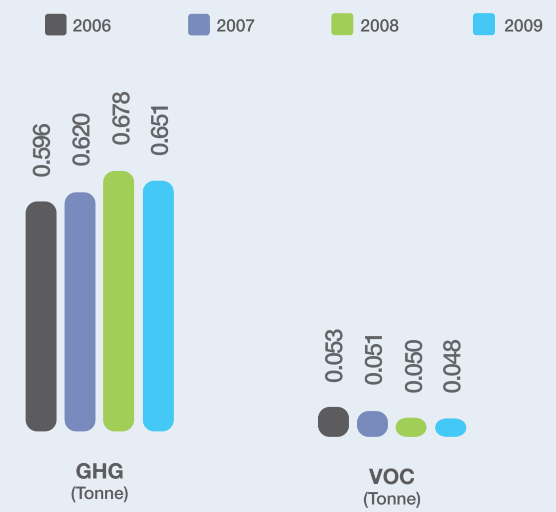


EMISSIONS PER UNIT OF PRODUCT OUTPUT

The key emissions that we track are GHG's, VOCs, NOx and SOx. We monitor the ratio of tonnes emitted as a ratio to tonnes of EPS foam produced. Reductions in the ratios indicate better performace.

In 2009, PFB experienced a decrease in production output as a result of lower sales demand. Lower production output in 2009 was reflected by the lower amount of GHG's emitted as compared to the amount of GHG's emitted in 2008. However, we were unsuccessful in attaining the efficiencies that we obtained in 2006 and 2007.

Our VOC emissions per unit of output decreased again in 2009 over 2008 due to using more raw materials containing less VOCs. This alternate raw material developed by PFB's Technical Centre, has less VOC content and results in less emissions of VOCs into the atmosphere. Expanding the use of low VOC materials into more product applications will continue into 2010 and result in further reductions in VOC emissions.



The emissions of NOx and SOx both represent less than 0.5kg per tonne of product produced.

A STRONG FOUNDATION

In 1970, PFB began building the foundation of its business on good people. Over 40 years later, in a completely different economy, PFB is successful for the very same reason: Good People. While the most recent economic climate put a strain on many industries, the people of PFB pulled together to endure a period of adaptation and challenges, all focused on a common goal. The mindset of our people is not only to succeed in meeting the expectations of our industry, but to lead and exceed in them as well.

TOUGH TIMES NEVER LAST... RESILIENT PEOPLE DO

Nothing rings truer than the idea that the people of PFB are resilient. They are proud of their company, their workmanship, and their ability to endure. It is through the efforts of our people that PFB has come through one of the toughest recessions yet.

PATHS TO SUCCESS

Hard work and dedication in all levels of our business, including manufacturing, sales, support, office, financial, technical, marketing, and more have propelled us forward and allowed our company to continue on its path towards a successful future.


Plasti-Fab PlastiSpan
Insulation · Isolant


INSULSPAN

WHAT THE FUTURE HOLDS

With the future in mind, PFB employees have set goals, taken steps, and begun the journey. Initiatives in sustainability, lean manufacturing, and systems upgrades are just a few of the areas that illustrate the passion exhibited by the people of PFB.

As we move into a new year, pride and enthusiasm has continued to flow, a renewed vigor pushes us forward to pursue our goals and objectives.

PLASTI-FAB, EPS PRODUCT SOLUTIONS

Include the following products: PlastiSpan and DuroFoam insulation boards; flotation for marine construction applications, geotechnical applications where unstable soils are replaced with lightweight fill and compressible fill for in-ground construction projects; and shaped and fabricated component solutions for inclusion by manufacturers in their manufactured products.

Architects and engineers specifying rigid building insulation rely on Plasti-Fab to provide the best thermal resistance ratings and product quality at comparable cost. Plasti-Fab has built its leadership position in the expanded polystyrene insulation industry based on fulfilment of a promise for quality, service and its expertise in providing EPS product solutions.

INSULSPAN SIPS

Structural Insulating Panel Systems (SIPS) consist of pre-cut panel units that are ready to be installed as structural wall, floor or roof components suitable for many residential and commercial building applications. Each Insulspan panel consists of a core of expanded polystyrene insulation with engineered oriented strand board structurally laminated to the inside and outside faces. Insulspan panel components are connected together on the jobsite to form an energy-efficient building envelope. Our design service capability available to our customers forms an important component of the Insulspan SIPS ready-to-assemble products. Insulspan SIPS represent the highest quality design, making on-site assembly faster, easier and of higher structural integrity.

ADVANTAGE ICF SYSTEM

Advantage ICFs are insulating building blocks that lock together as a wall assembly and stay-in-place after the internal cavity is filled with concrete. The result is a concrete wall that is fully insulated both inside and outside. This provides a highly energy-efficient building foundation or building envelope. It reduces the time required by professionals to install building foundations and walls and results in a higher quality construction than using conventional construction materials. Advantage ICF Systems are ideal for use in residential and commercial construction. The Advantage ICF System is designed for use by construction professionals but is easy to install after on-site training provided by us.

RIVERBEND TIMBER FRAMING

Provides strong high-quality timber frame structures with natural wood beauty and traditional joinery with a precise engineered fit. Riverbend Timber Frame structures enclosed by Insulspan SIPS and built on Advantage ICF System foundations are a highly energy-efficient approach to building. A dedicated and experienced design team creates custom designs and on-site crews provide advisory services to ensure customers get a timber frame structure constructed to the highest standards.

2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

ADVISORY REGARDING FORWARD-LOOKING STATEMENTS

Securities laws encourage public issuers to disclose forward-looking information in their management's discussion and analysis (MD&A) so that investors can get a better understanding of the company's future prospects and make informed investment decisions.

Forward-looking information and statements included in this MD&A about PFB's objectives and management's expectations, beliefs, intentions or strategies for the future are not guarantees of future performance and should not be unduly relied upon.

All forward-looking statements reflect management's current views as at March 2, 2010, with respect to future events, and they are subject to certain risks, uncertainties and assumptions that may cause the actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

Such risks, uncertainties and assumptions include, but are not limited to: general economic conditions; the cost and availability of capital; actions by government authorities; actions by regulatory authorities; availability of raw materials; changes in raw materials prices; currency exchange rates; interest rates; competitor activity; industry pricing pressures; seasonality of the construction industry; and weather related factors.

You will find a more detailed assessment of the risks that could cause actual results to materially differ from our current expectations in the Risk Management and Assessment section of this MD&A.

OTHER ADVISORIES REGARDING THIS MD&A

The following MD&A of the operating results and financial condition of PFB Corporation ("PFB" or the "Corporation") for the years ended December 31, 2009 and 2008 should be read in conjunction with the audited consolidated financial statements and related notes included in PFB's 2009 Annual Report.

The consolidated financial statements of PFB are prepared in accordance with Canadian generally accepted accounting principles (GAAP) and are prepared in Canadian dollars. Canadian GAAP require PFB to make certain estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses, and related disclosure of contingent assets and liabilities. Management believes that the estimates and assumptions are reasonably based on information available at the time that such estimates and assumptions were made. These estimates and assumptions have been discussed with the Audit Committee of the Board of Directors of PFB Corporation. Actual results may differ under different assumptions and conditions.

BUSINESS OVERVIEW

PFB, through its wholly-owned subsidiaries and under its "Better Building Ideas from PFB" trademark, is a vertically-integrated manufacturer of proprietary insulating building products based on closed cell expanded polystyrene (EPS) technology. Products are manufactured in nine facilities in Canada and in two facilities in Michigan, USA; and distributed to industrial and commercial customers and to the retail market.

Expandable polystyrene resin is manufactured at PFB's polymer plant located in Crossfield, Alberta, for use exclusively in downstream EPS manufacturing operations. Expandable polystyrene resin is also sourced from other suppliers to supplement internally produced raw materials. Plasti-Fab EPS Product Solutions supply the EPS foam core material used to manufacture Insulspan SIPS (Structural Insulating Panel Systems). Riverbend Timber Framing structures are typically sold with an accompanying Insulspan SIPS enclosure package.

Plasti-Fab EPS Product Solutions distributes the following products through various channels: rigid insulation board; insulating building systems; geotechnical engineered applications; buoyancy, and products for packaging and display applications. The Advantage ICF (Insulating Concrete Forming) System, Insulspan SIPS, and Riverbend Timber Framing systems are leading-edge, energy-efficient building systems that continue to grow in popularity across North America.

PFB's current corporate structure consists of Plasti-Fab Ltd. ("Plasti-Fab"), a wholly-owned Canadian corporation, which is the parent company of Insulspan, Incorporated, a U.S. corporation. Over the last two years, the corporate structure was simplified by the following changes. Insulspan Corporation was voluntarily dissolved in December 2008 and its manufacturing and sales operations for Insulspan SIPS have continued as part of Plasti-Fab's operations. PFB Construction Services Ltd. and Riverbend Timber Framing Corporation ("Riverbend") were voluntarily dissolved in December 2009 and Riverbend's sales and marketing operations in Canada have continued as part of Plasti-Fab's operations. The operations of PFB Construction Services ceased in 2008.

PFB's primary business focus is manufacturing and selling Plasti-Fab EPS, Advantage ICF, Insulspan SIPS, and Riverbend Timber Framing brands of insulating building products that can be integrated to create cost-effective and energy-efficient building structures. PFB is committed to providing superior quality products, excellent customer service and expert technical knowledge. A reputation for quality, service and expertise has positioned PFB as a supplier of leading brands in the EPS industry in North America, which also includes the Advantage ICF product offering. Insulspan and Riverbend brands are leaders in the SIPS and timber framing industries, respectively, across the United States. Revenue growth strategy is built on extending the presence of all four brands and product lines across North America.

PFB is committed to providing superior quality products, excellent customer service and expert technical knowledge.

Through teamwork and dedication, PFB continually works to ensure the highest level of Quality, Service, and Expertise.

FINANCIAL HIGHLIGHTS SUMMARY - QUARTERLY

Years ended December 31, 2009 and 2008
(Thousands of dollars, except gross profit percentage and per share amounts)

	2009				2008			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Sales	**$ 15,856**	**$ 18,834**	**$ 19,651**	**$ 11,589**	$ 18,974	$ 24,625	$ 21,001	$15,210
Gross profit	**4,866**	**6,169**	**6,571**	**2,241**	3,588	5,846	5,074	3,341
Gross profit %	**30.7%**	**32.8%**	**33.4%**	**19.3%**	18.9%	23.7%	24.2%	22.0%
Income (loss) before interest and taxes	**1,401**	**2,550**	**2,940**	**(1,237)**	(313)	1,651	996	(668)
Net income (loss)	**1,180**	**1,594**	**1,977**	**(1,061)**	(437)	1,080	514	(457)
Earnings per share:								
Basic	**0.18**	**0.24**	**0.30**	**(0.16)**	(0.06)	0.16	0.08	(0.07)
Diluted	**0.18**	**0.24**	**0.30**	**(0.16)**	(0.06)	0.16	0.08	(0.07)

PFB's business exhibits seasonal variations concurrent with those that influence the construction industry, including the variability in weather patterns. Typically, reported sales revenues are lowest in the first quarter and highest in the second or third quarters.

FINANCIAL HIGHLIGHTS SUMMARY - ANNUAL

Years ended December 31, 2009, 2008, 2007, 2006, and 2005
(Thousands of dollars except per share data and selected financial ratios)

	2009	2008	2007	2006	2005
Operating Results					
Sales	**$ 65,930**	$ 79,810	$ 82,918	$ 78,218	$ 80,415
Gross profit	**19,847**	17,849	22,731	21,543	22,860
Income before other expenses, interest and taxes	**5,654**	1,666	5,718	7,858	8,832
Net income	**3,690**	700	3,903	4,977	5,825
Funds provided by operations [1]	**8,131**	4,189	6,790	7,205	8,079
Per Common Share Data					
Earnings per share - Basic	**0.56**	0.11	0.61	0.79	0.92
Earnings per share - Diluted	**0.56**	0.11	0.60	0.79	0.92
Dividend paid per share - Regular [2]	**0.24**	0.24	0.24	0.24	0.24
Dividend paid per share - Special [2]	**-**	-	-	-	0.10
Funds provided by operations [3]	**1.24**	0.64	1.17	1.14	1.28
Book value [4]	**6.79**	6.45	6.57	5.70	5.21
Financial Condition					
Total assets	**63,252**	61,668	58,272	53,136	54,037
Working capital [5]	**15,167**	11,946	12,093	13,052	13,510
Capital assets (net)	**31,580**	32,915	25,594	23,764	20,994
Goodwill	**5,887**	5,887	5,887	4,044	4,044
Long-term debt and obligations under capital lease (including current portion)	**9,663**	10,206	3,487	4,310	4,947
Shareholders' equity	**44,587**	42,375	43,204	38,274	34,990
Selected Financial Ratios					
Gross profit margin [6]	**30.1%**	22.4%	27.4%	27.5%	28.4%
Operating profit margin [7]	**8.6%**	2.1%	6.9%	10.0%	11.0%
Net income margin [8]	**5.6%**	0.9%	4.7%	6.4%	7.2%
Current ratio [9]	**2.61x**	2.22x	1.93x	2.20x	1.93x
Return on equity [10]	**8.7%**	1.6%	10.2%	14.2%	18.6%

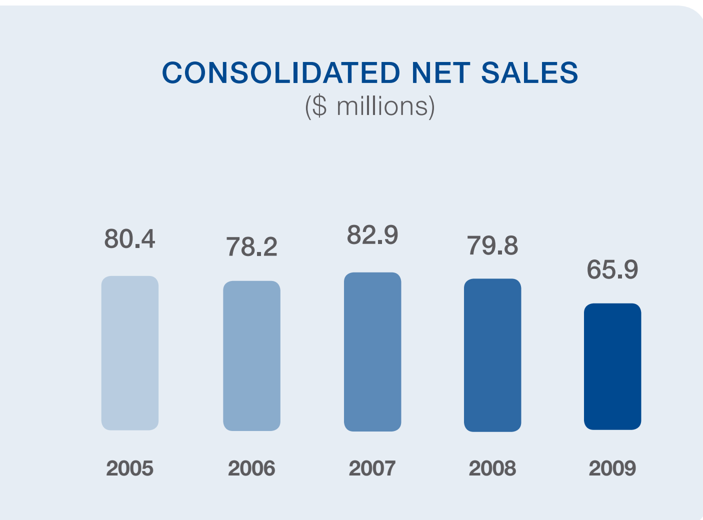
Non-GAAP financial measures do not have any standardized meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other issuers. Definitions of non-GAAP measures used in the above table along with relevant other notes are as follows:

1 Funds provided by operations is defined as cash flow from operations before changes in non-cash working capital.
2 The regular dividend per share amount in 2005 represents the annualized effect of the quarterly dividend policy announced in July 2005 and the special dividend amount represents the total dividends paid in 2005 less the annualized quarterly dividend amount per the policy.
3 Funds provided by operations per share is defined as cash flow from operations before changes in non-cash working capital divided by the weighted average number of shares issued and outstanding.
4 Book value per share is defined as shareholders' equity divided by the actual number of common shares outstanding at December 31.
5 Working capital is defined as current assets less current liabilities.
6 Gross profit margin is defined as gross profit divided by sales.
7 Operating profit margin is defined as income before other expenses, interest and taxes divided by sales.
8 Net income margin is defined as net income divided by sales.
9 Current ratio is defined as current assets divided by current liabilities.
10 Return on equity is defined as net income divided by opening shareholders' equity.

FINANCIAL RESULTS ANALYSIS

The following results of operations should be read in conjunction with PFB`s audited consolidated financial statements for the years ended December 31, 2009 and 2008. All figures are stated in thousands of dollars except shares and per share amounts.

The results of Insulspan, Incorporated, a fully integrated subsidiary located in the United States of America, are translated into Canadian dollars using the temporal method on a periodic basis for inclusion in the consolidated financial results.



SALES

The year ended December 31, 2009, was a challenging year for product sales in both Canada and the United Sates following the dramatic downturn in construction starts spanning the commercial, industrial and residential sectors of the industry.

The government's stimulus package, announced early in 2009, injected significant amounts of capital into public infrastructure projects but large-scale projects take time to go through process before the demand for construction materials is pulled through. Management did not detect any significant increases in demand for PFB's products in 2009 that could be directly accredited to stimulus investments but we remain optimistic that opportunities will emerge in 2010.

Consolidated net sales for the year ended December 31, 2009 were $65,930 as compared with $79,810 in the prior year, a decrease of $13,880 or 17.4%.

A summary of consolidated sales by geographical segment is outlined in the following table:

	2009	2008	% Change
Canada	**$ 55,606**	$ 65,720	(15.4)%
United States	**10,251**	14,064	(27.1)%
Other	**73**	26	180.8%
Total	**$ 65,930**	$ 79,810	(17.4)%

In 2009, sales of $55,606 in Canada decreased by 15.4% compared with sales of $65,720 reported in 2008. PFB's markets in Canada were uncertain and management believes that the decline in PFB's Canadian sales for all products were less severe than the overall sharp reduction in construction starts widely reported across all building sectors.

Year-over-year decreases in sales of EPS products were experienced in all geographical regions of Canada served by PFB. Recessionary conditions were felt in all regions. The refurbishment and renovations market was positively affected by the success of government programs for Home Renovations Tax Credits which ran throughout most of 2009.

PFB's insulating building systems product sales in Canada, consisting of Advantage ICF, Insulspan SIPS, and Riverbend Timber Framing are largely supplied to the residential construction market. This sector of the market also contracted significantly in 2009 which adversely impacted sales of these systems. As with EPS sales, management believes that building systems sales held market share in the down market.

Sales in the United States of $10,521 were 27.1% lower than sales of $14,064 reported in 2008. Product shipments were deferred as customers re-scheduled their orders into the future to fit the changing dynamics of their construction and financing programs. Quoting activity picked up in the fourth quarter of 2009 but the confirmed order backlog ended the year at levels lower than normal.

PFB's subsidiaries in aggregate supply a diverse range of customers with no single customer accounting for more than 5% of consolidated net sales. Sales of $73 were made to Japan in 2009, an increase over sales of $26 in 2008. Japan is not considered a primary market for PFB's products.

COST OF GOODS SOLD AND GROSS PROFIT

Gross profit, expressed as a percentage of sales, increased from 22.4% in 2008 to 30.1% in the current year. Accordingly, gross profit increased from $17,849 in 2008 to $19,847 in the current year.

PFB's main raw material began the current year at much lower price levels than a year earlier. The previous year was very much characterized by extreme price volatility with raw material prices reaching all time highs, mirroring the major run up in crude oil prices, before collapsing in the fourth quarter. Notwithstanding softer prices continuing into the first quarter of 2009, steady price escalation re-emerged progressively throughout the balance of the year, although the peaks reached were lower than those experienced in 2008.

Creating a partial offset to increasing input costs was the appreciating value of the Canadian dollar versus the U.S. dollar. By the end of the year the Canadian dollar settled approximately 16% higher than at the start of the year. Collectively, raw material input costs and foreign exchange were the major contributors to the improvement in amount and quality of gross profit reported in the current year as compared to 2008. Supporting this improvement in gross profit was the positive impact of product pricing discipline. The pricing of other major raw materials input costs displayed less volatility particularly that of oriented strand board used in the manufacturing of Insulspan SIPS and raw timbers used by Riverbend Timber Framing. These tendencies were consistent with immediate prior years as construction demand reduced.

Consistent with management's initiative to generate cash in 2009 to offset the uncertainties of the recession, PFB's entire manufacturing operations responded quickly to the new reality of lower sales volumes by implementing firm action to align headcount numbers and operating costs. Further optimization of production operations was achieved in Alberta operations as manufacturing processes came on stream in the new facility.

In 2009, PFB recorded an accrued benefit asset in the amount of $475 with respect to a defined benefit pension plan for certain union employees based in Ontario. The balance was credited to cost of sales, consistent with periodic service and special payments that are made to the plan, and the offset is reflected as a long-term asset on the balance sheet. Going forward, PFB will monitor changes in the accrued benefit asset calculated by the plan's actuary each year and adjust its financial results for the respective period accordingly.

SELLING AND ADMINISTRATIVE EXPENSES

Selling and administrative expenses, in aggregate, amounted to $14,432 in the current year as compared to $15,701 in 2008, a decrease of $1,269 or 8.1%. In the fall of 2008, in response to the deteriorating economic climate, various cost containment initiatives were implemented across the organization, including SG&A. The resulting actions were successful in scaling back both fixed costs and discretionary expenditures to help mitigate the resulting decrease in gross profit impact from lower sales revenues.

Selling and marketing costs were $9,339 representing 14.2% of consolidated sales in the current year as compared to $10,746 or 13.5% of consolidated sales in 2008. Approved marketing and promotional costs were limited in 2009 and targeted at specific activities. Travel and associated costs were kept to a minimum

Administrative costs amounted to $5,093 or 7.7% of consolidated sales in the current year, as compared to $4,955 or 6.2% of consolidated sales in 2008. In the current year, administrative payroll costs were slightly higher than in 2008 as they included a higher accrual for the Corporation's employee profit sharing plan which was aligned to the improvement in earnings. Other expenditures, including travel costs, were kept to a minimum. Administration expenses in 2008 included one-time, professional fees in the amount of $215 incurred in connection with evaluating strategic corporate development initiatives.

FOREIGN EXCHANGE GAINS AND LOSSES

Foreign exchange gains and losses are classified as either realized or unrealized in the statement of operations. The prior year comparative numbers for foreign exchange gains and losses have been reclassified to conform to the presentation adopted in the current year.

Unrealized foreign exchange differences arise from two main sources: translating U.S. dollar denominated financial instruments into Canadian dollars; and translating the assets and liabilities of United States-based operations into Canadian dollars at the financial statement date.

The exchange rate between the Canadian dollar and the U.S. dollar displayed significant volatility in both 2008 and 2009. In the first six months of 2008, the exchange rate hovered close to parity before the Canadian dollar weakened by approximately 18%. In the spring of 2009, the Canadian dollar progressively strengthened to recover much of the losses of 2008.

Foreign exchange gains and losses reported in fiscal years 2009 and 2008 are given in the following table:

	2009	2008
Realized foreign exchange loss	**$ 202**	$ (237)
Unrealized foreign exchange gain (loss)	**51**	(243)
Adjusted income before interest and taxes	**$ 253**	$ (480)

A stronger Canadian dollar is generally positive for PFB's operations as it has an ongoing net exposure to buy U.S. dollars to pay for raw materials purchases.

INTEREST INCOME AND INTEREST EXPENSE

In the current year, interest income earned on cash and short-term investments reduced to $26 from an amount of $87 in 2008, which was a consequence of interest rates being maintained at historical lows in 2009, despite PFB holding generally higher cash balances than in 2008. Interest expense in the current year increased to $602, an increase of $200 over interest expense of $402 reported in the previous year. The increase is reflective of the current abnormal spread between deposit rates and borrowing rates and is primarily due to the annualized effect of paying interest on the additional long-term debt obligations taken on in each of the second and third quarters of 2008.

INCOME TAX EXPENSE

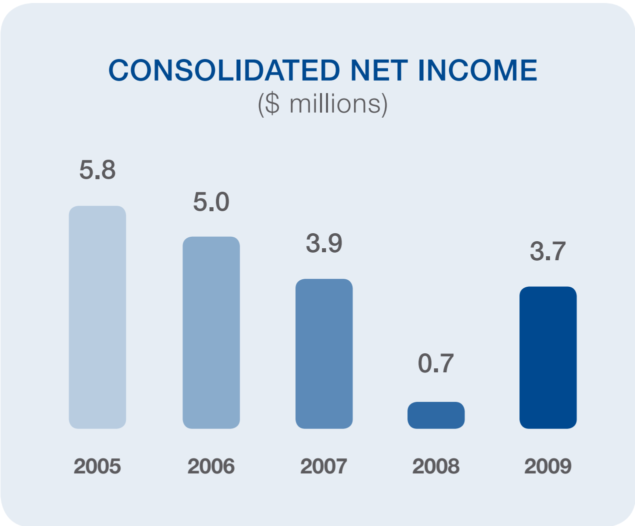
Income tax expense was $1,388 or 27.3% of pre-tax income in the current year as compared to an income tax expense of $651 or 48.2% of pre-tax income in 2008. In 2009, the overall effective tax rate was lower than the weighted average statutory tax rate for the jurisdictions in which PFB has operations. The tax rate reduction in the current year was influenced by permanent differences including a foreign exchange gain on consolidation which has no tax basis.

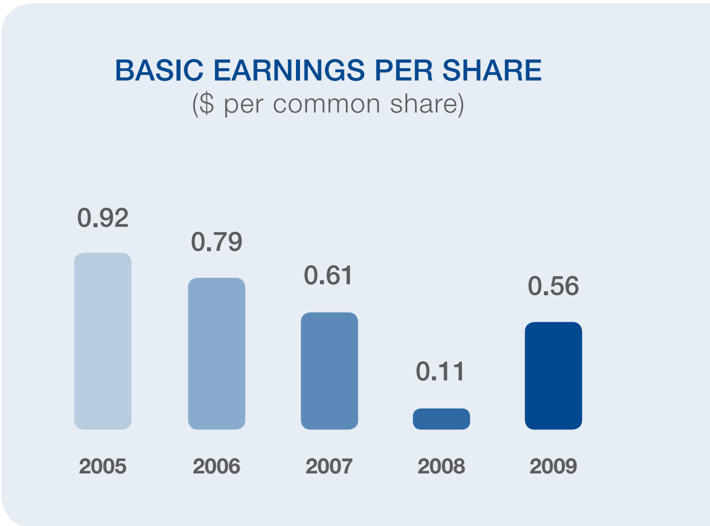
The actual effective tax rate in the previous year was unusually high due to the disparity between pre-tax accounting income and the effects of expenses without tax basis, which included an unrealized foreign exchange loss arising on consolidation of PFB's U.S. operations.

NET INCOME AND EARNINGS PER SHARE

Net income in the current year was $3,690 compared with net income of $700 reported in fiscal 2008, an increase of $2,990. Accordingly, both basic and diluted earnings per common share increased from $0.11 to $0.56 based on the weighted average number of basic and fully diluted common shares outstanding.

The major factors contributing to the improvement in net income in the current year, as compared to net income in 2008, included the benefits arising from lower raw material input costs which outweighed the adverse impact on margins arising from lower sales revenues, together with successful cost containment and reduction measures implemented across the whole organization. Net income in 2009 included the tax effected credit of $353 attributed to recognizing the accrued benefit asset of the defined benefits pension plan (a $475 credit to income less a future income taxes expense of $122).





In the current year, the basic weighted average number of common shares outstanding decreased from 6,579,484 in fiscal 2008 to 6,570,906 and the weighted average number of fully diluted common shares decreased from 6,588,715 in fiscal 2008 to 6,570,906 in the current year.

The decrease in the basic and diluted weighted average number of common shares outstanding in the current year was attributed to purchasing 3,800 common shares for cancellation under a normal course issuer bid. In fiscal 2008, 7,700 common shares were purchased for cancellation under the bid.

RESULTS OF OPERATIONS

FOURTH QUARTER ENDED DECEMBER 31, 2009

The following table discloses the consolidated results of operations of PFB for the fourth quarters ended December 31, 2009 and 2008:

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

Three Months Ended December 31, 2009 and 2008 (Unaudited)

	2009	2008
Sales	**$ 15,856**	$ 18,974
Cost of goods sold	**(10,990)**	(15,386)
	4,866	3,588
Selling and administrative expenses	**(3,459)**	(3,608)
Loss on sale of assets	**-**	(3)
Realized foreign exchange gain (loss)	**18**	(243)
Unrealized foreign exchange loss	**(24)**	(47)
	1,401	(313)
Interest income	**8**	29
Interest expense	**(134)**	(176)
Income (loss) before income taxes	**1,275**	(460)
Income taxes	**(95)**	23
Net income (loss) and other comprehensive income (loss)	**$ 1,180**	$ (437)
Earnings (loss) per common share - basic	**$ 0.18**	$ (0.06)
Earnings (loss) per common share - diluted	**$ 0.18**	$ (0.06)
Weighted average number of common shares outstanding	**6,568,736**	6,572,536

SALES

Consolidated sales for the fourth quarter of 2009 were $15,856, a decrease of $3,118 or 16.4% compared to sales of $18,974 reported in the comparative quarter of 2008.

A summary of consolidated sales by geographical segment for the fourth quarters of 2009 and 2008 are outlined in the following table:

	2009	2008	% Change
Canada	**$ 13,373**	$ 15,112	(11.5)%
United States	**2,455**	3,862	(36.4)%
Japan	**28**	-	- %
Total	**$ 15,856**	$ 18,974	(16.4)%

The overall sales decreases experienced in the fourth quarter of 2009, as compared to the comparative quarter in 2008, reflected generally lower construction activity than one year ago. The decrease in sales in the United States in the fourth quarter expressed in Canadian dollars was adversely influenced by the change in exchange rates between Q4/09 and Q4/08 which accounted for approximately ten percentage points of the adverse 36.4% change.

COST OF GOODS SOLD AND GROSS PROFIT

Gross profit, expressed as a percentage of sales, increased from 18.9 % in the comparative quarter of 2008 to 30.7% in the current quarter. Gross profit in the current quarter included the credit to cost of sales with respect to recognizing the accrued benefit asset of $475 as explained earlier in this MD&A. This had the effect of improving the gross profit margin from 27.7% to 30.7% in the fourth quarter. In addition to the benefit of lower overall raw material input costs in the current quarter, continuing product pricing discipline featured in the improvement in quality of gross profit margin. By contrast, cost of sales in the fourth quarter of 2008 included materials purchased in Q3/08 when prices were at their highest levels.

SELLING AND ADMINISTRATIVE EXPENSES

Selling and administrative expenses in the fourth quarter of 2009 amounted to $3,459, slightly lower than selling and administrative expenses of $3,608 reported in the comparative quarter of 2008.

FOREIGN EXCHANGE GAIN AND LOSS

In comparing the exchange rate between the Canadian and U.S. dollars in the fourth quarter of 2009 with the comparative quarter of 2008, the trends were in the opposite directions. In the current year, the exchange rate of the Canadian dollar was strengthening whereas in 2008 it was in a steep decline. Accordingly, this resulted in significant quarterly foreign exchange losses in Q4/08 as U.S. dollar denominated payables become more expensive to settle.

INTEREST INCOME AND INTEREST EXPENSE

Interest income in the fourth quarter of 2009 was $8 as compared to interest income of $29 in the comparative period. Despite stronger cash balances in the fourth quarter of 2009, interest rates received on deposited cash were at historic lows. Interest expense in the fourth quarter of 2009 was $134, $42 lower than interest expense of $176 in the fourth quarter of 2008, as bank indebtedness was eliminated during 2009.

NET INCOME AND EARNINGS PER SHARE

Net income of $1,180 in the fourth quarter compares to a loss of $437 in the comparative quarter. Net income included a credit of $353 ($475 net of future income taxes of $122) with respect to a defined benefit pension plan for certain union employees based in Ontario

Correspondingly, net income in the fourth quarter of 2009 generated basic and diluted earnings per share of $0.18 as compared to a basic and diluted loss per share of $0.06 reported in the fourth quarter of 2008.

The weighted average number of issued and outstanding shares decreased from 6,572,536 in the fourth quarter of 2008 to 6,568,736 in the current quarter. This small change was attributed to 3,800 shares repurchased for cancellation under the normal course issuer bid in 2009. PFB did not purchase any common shares for cancellation either the fourth quarter of 2009 or 2008.

LIQUIDITY AND CAPITAL RESOURCES

PFB's liquidity is strong. Principal increases in liquidity during 2009 was provided by cash flows from operations and a reduction in non-cash working capital. PFB's principal uses of cash were the financing of capital expenditures and dividend payments. The corporation maintains significant unused bank lines despite its strong cash position and despite the wide spread between borrowing and deposit rates.

PFB ended 2009 with a strong balance sheet which included cash and cash equivalents exceeding its total long-term debt obligations. PFB's cash balances fluctuate with the seasonality of its business and it is anticipated that cash provided by operations, in conjunction with the availability of unused revolving bank lines, will be sufficient to meet its overall cash requirements in the upcoming year.

CASH AND NON-CASH WORKING CAPITAL

At December 31, 2009, PFB had $10,896 (2008 - $3,863) of cash and cash equivalents on hand. The significant increase in cash at year end was attributed to strong cash generation by operations, a reduction in non-cash working capital and limited capital expenditures during the year. Regular quarterly dividends were maintained.

A summary of the main components making up the increase in cash and cash equivalents in 2009 and 2008 is set out in the table below:

	2009	2008
Net cash flows proveded by (used in):		
Operating activities	**$ 11,138**	$ 1,020
Financing activities	**(2,327)**	4,717
Investing activities	**(1,744)**	(10,842)
Effect of foreign exchange gain (loss) on cash held in foreign currency	**(34)**	61
Net increase (decrease) in cash and cash equivalents	**$ 7,033**	$ (5,044)

PFB's non-cash working capital position at December 31, 2009, was $4,271 (2008 - $8,083). Non-cash working capital decreased sharply in the current year as indicated in the table below:

	2009	2008	Change
Accounts receivable	**$ 5,892**	$ 7,891	$ (1,999)
Inventories	**6,257**	6,888	(631)
Income taxes receivable	**276**	1,098	(822)
Prepaid expenses	**648**	769	(121)
Future income tax asset	**637**	1,262	(625)
Accounts payable and accrued liabilities	**(7,016)**	(6,410)	(606)
Customer deposits	**(1,504)**	(2,677)	1,173
Current portion of long-term debt	**(919)**	(738)	(181)
Total non-cash working capital	**$ 4,271**	$ 8,083	$ (3,812)

PFB's current ratio as at December 31, 2009, was 2.61 times, an increase from 2.22 times as at December 31, 2008.

The decrease in accounts receivable was reflective of both a decrease in sales and an improvement in day's sales outstanding. The ratio of day's sales outstanding improved from 38 days in fiscal 2008 to 34 days in the current year. Day's sales outstanding represents the ratio of actual sales in the fourth quarter divided by the ending accounts receivables balance multiplied by the number of days in the quarter. The allowance for doubtful receivables reserve as at December 31, 2009 was $474 compared with $597 in 2008 and commensurate with the decreases in both sales and the ending accounts receivable balance at the end of the current year.

At December 31, 2009, the decrease in inventories reflects action taken by management to align inventories with lower sales activities. The closing inventories balance represented a ratio of 52 days compared with a ratio of 41 days at the end of fiscal 2008.

Income taxes receivable reduced from $1,098 as at December 31, 2008, to $276 at the end of the current year. Aggregate tax instalments made in 2008 resulted in an overpayment position and the excess amount was refunded to PFB in 2009. Non-capital income tax losses carried over from 2008 were fully utilized in the current year and offset against taxable income which resulted in a reduction in cash income taxes payable. Accelerated tax depreciation rates available on additions to machinery and equipment assets further diminished the current tax liability arising in 2009 on Canadian income.

Accounts payable and accrued liabilities at the end of the current year in the amount of $7,016 were $606 higher than the amount of $6,410 in the comparative year. The increased amount was reflective of higher raw material input costs in the fourth quarter of 2009 and the timing of purchases.

The reduction in customer deposits in 2009 was reflective of the decrease in order activity in building systems primarily in the Riverbend Timber Framing operation in the United States.

The current portion of long-term debt increased in the current year by an amount of $181. The increase was mainly attributed to the effect of reclassifying auto leases from operating leases to capital leases in the total amount of $297 of which $160 represented the current portion of the obligation.

CASH PROVIDED BY OPERATING ACTIVITIES

Cash flows provided by operating activities before changes in non-cash working capital increased by $3,942, with $2,990 of the improvement generated from net income. Future income taxes provided a positive change of $1,551 attributed to utilizing available non-capital tax losses. An accrued benefit asset with respect to a defined benefit pension plan was recognized in cost of sales and reduced cash flow by $353, net of $122 representing the income tax effect thereon.

The individual components of the cash provided by operations before changes in non-cash working capital are outlined in the table below:

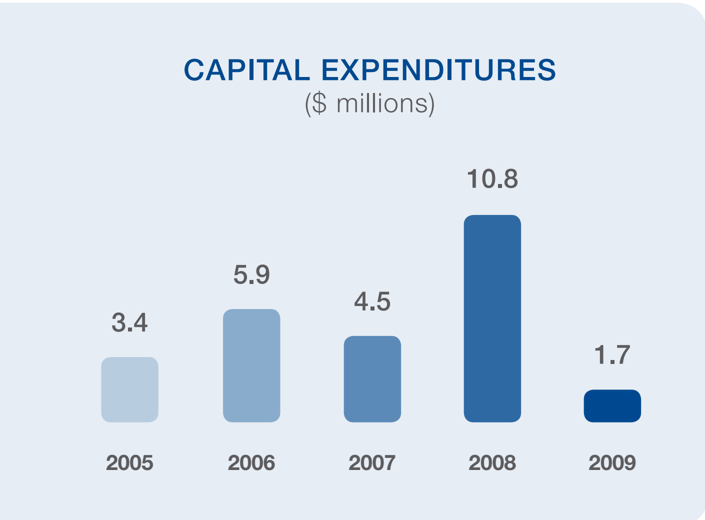
	2009	2008	Change
Net income	**$ 3,690**	$ 700	$ 2,990
Add (deduct) items not requiring cash:			
Depreciation and amortization	**3,668**	3,510	158
Loss on disposal of capital assets	**14**	2	12
Stock-based compensation	**114**	114	-
Accrued benefit asset	**(475)**	-	(475)
Future income taxes	**1,171**	(380)	1,551
Unrealized foreign exchange (gain) loss	**(51)**	243	(294)
Cash provided by operations before changes in non-cash working capital	**$ 8,131**	$ 4,189	$ 3,942

CASH FLOW - FINANCING

No draws on credit facilities were made in 2009. Total cash used in financing activities amounted to $2,327 in the current year as compared with cash provided by financing activities of $4,717 in fiscal 2008. Repayments of long-term debt and capital lease obligations in the current year amounted to $735 as compared to $640 in 2008. In 2008, the proceeds from increases in the non-revolving credit facility were $5,000 and $2,000 in Q2/08 and Q3/08. Monthly repayments on these bank loans commenced in the fourth quarter of 2009 for the first draw and monthly repayments on the second draw will commence in the first quarter of 2010.

Regular quarterly dividends of $0.06 per common share were paid throughout the current year aggregating $1,577 (2008 - $1,577). Dividends were paid in the months of February, May, August, and November of each year. Dividends paid by PFB qualify as eligible dividends and satisfy the enhanced gross-up and dividend tax credit change enacted under Canadian income tax law.

Under a normal course issuer bid, 3,800 (2008 – 7,700) common shares were purchased for cancellation during the current year at an aggregate price of $15 (2008 - $66).



CASH FLOW - INVESTING

Based on the economic uncertainties going into 2009, cash for capital expenditure projects was restricted. Accordingly, a reduced amount of $1,700 for capital expenditures was incurred in 2009. This contrasted with capital expenditures in the amount of $10,800 incurred in 2008 when PFB completed the construction of a new manufacturing facility in Crossfield, Alberta. Other capital expenditures in 2009 included installing equipment purchases and associated infrastructure in the new facility, the purchase of new production tools, various I.T. upgrades; and other minor maintenance capital items. Proceeds received from the sale of capital assets was $7 (2008 - $9).

Additions to intangible assets in 2009 were $5 as compared to $82 in 2008. The additions represented product development costs for regulatory building code approval projects for PFB's insulating building products in both Canada and the United States.

FINANCIAL INSTRUMENTS

PFB is exposed to a variety of risks that may affect the fair value of its financial instruments with each carrying varying degrees of significance which could affect PFB's ability to achieve its strategic objectives of growing its operations and increasing shareholder returns.

A summary of the classifications, carrying values and fair values of financial instruments held by PFB as at December 31, 2009 and 2008, are stated in the following table:

	2009		2008	
	Book Value	Fair Value	Book Value	Fair Value
Financial assets				
Held for trading:				
Cash and cash equivalents	**$ 10,896**	**$ 10,896**	$ 3,863	$ 3,863
Loans and receivables:				
Accounts receivable	**5,892**	**5,892**	7,891	7,891
Financial liabilities				
Other liabilities held for trading:				
Accounts payable and accrued liabilities	**$ 7,016**	**$ 7,016**	$ 6,410	$ 6,410
Other financial liabilities:				
Long-term debt (total)	**9,663**	**9,549**	10,206	9,910

PFB's financial instruments are defined in Note 2(n) and determination of fair value is discussed in Note 2(n)(i) of the 2009 consolidated financial statements.

The CICA Handbook Section 3862, *Financial Instruments – Disclosures* establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The three levels of the fair value hierarchy are described below:

- Level 1: Values based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.
- Level 2: Values based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.
- Level 3: values based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

The following table presents the company's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of December 31, 2009:

	Total	**Level 1**	**Level 2**	**Level 3**
Financial assets				
Held for trading:				
Cash and cash equivalents	**$ 10,896**	$ 10,896	-	-

The principal risks associated with financial instruments, to which PFB is exposed, along with its risk management policies are described below:

(a) Credit Risk

Credit risk is defined as the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge its obligation.

PFB's exposure to credit risk is associated with accounts receivable and the potential risk that a customer will be unable to pay amounts due. Allowances for doubtful accounts and bad debts are estimated and maintained as at the balance sheet date. The amounts reported for accounts receivable in the balance sheet are net of allowances for doubtful accounts and bad debts and the net carrying value represents PFB's maximum exposure to credit risk.

PFB's subsidiaries provide trade credit to their customers in the normal course of business and PFB's credit policy is universally adopted across all businesses. The policy requires the credit history of each new customer to be closely examined before credit is granted, which may involve performing solvency tests if a particular account is expected to become significant. The diversity of PFB's customer base and product offering combine to minimize overall exposures to credit risks.

Customers ordering highly customized manufactured products, usually involving detailed design work, are required to make advance payments at various pre-defined stages of the sales contract. All payments received in advance are reported as customer deposits under the current liability section of the balance sheet. Final contract balances are typically required to be paid in full before products are shipped.

Management diligently reviews past due accounts receivable balances on a weekly basis to monitor potential credit risks. Accounts are considered for impairment on a case-by-case basis when they are past due or when objective evidence is received that a customer may default. A number of factors are considered in determining the likelihood of impairment. All bad debt write-offs and changes in the doubtful accounts receivable reserve are expensed or credited, as applicable, to selling and administrative expenses.

The following table sets forth details of the ageing profile of accounts receivable and allowance for doubtful accounts as at December 31:

	2009	2008
Accounts receivable - current and past due for less than 30 days	**$ 4,031**	$ 5,116
Accounts receivable - past due for between 31 and 90 days	**2,053**	3,242
Accounts receivable - past due for 91 days or longer	**282**	130
Total gross accounts receivable	**6,366**	8,488
Allowance for doubtful accounts	**(474)**	(597)
Accounts receivable, net	**$ 5,892**	$ 7,891

PFB believes that credit risk associated with its accounts receivable is limited for the following reasons:

(i) Accounts receivables balances are spread amongst a broad customer base which is dispersed across a wide geographic range.

(ii) The aging profile of accounts receivables balances are systematically monitored by management.

(iii) Larger customers are offered a discount of 1% off invoice value if full payment is received by an agreed date in the month following the month of sale.

(iv) Payments for highly customized orders are received from customers in advance of products being shipped.

(v) PFB's largest individual customer, determined by annual purchases, represents less than 5% of total consolidated sales revenues.

The credit risk on cash balances, cash equivalent short-term investments, and foreign exchange contracts is limited because the counterparties are a large commercial bank in Canada and its associate in the United States. Short-term investments, reported under cash and cash equivalents, comprise financial instruments issued by Canadian banks. No foreign exchange contracts existed as at either December 31, 2009 or December 31, 2008.

PFB's exposure to credit risk is limited to the carrying amounts of financial assets recognized at the balance sheet date, as summarized in the table below:

	December 31	
	2009	**2008**
Cash and cash equivalents	**$ 10,896**	$ 3,863
Accounts receivable	**5,892**	7,891

(b) Currency Risk

Currency risk is defined as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

PFB operates in both Canada and the United States of America and is exposed to foreign exchange risks arising from changes in foreign exchange rates between the two countries. At the present time, PFB has a net exposure to the United States (U.S.) dollar, as the prices of most raw material supplies used in its businesses are denominated in U.S. dollars. Raw material supplies which are denominated in U.S. dollars are usually paid within thirty days or less of receiving the actual deliveries, which is consistent with industry practices.

At December 31, 2009, the carrying amounts of PFB's foreign currency denominated net monetary assets was USD $4,114 (2008 – USD $2,140) and foreign currency denominated net monetary liabilities was USD $2,667 (2008 – USD $5,402). Based on the net foreign currency liability as at December 31, 2009, and assuming that all other variables remain constant, a fluctuation of +/- 5.0% in the exchange rate between the Canadian dollar and the U.S. dollar would impact net income or loss by approximately $55 (2008 - $139).

Periodically, management may commit to entering into foreign exchange contracts to attempt to protect earnings against relatively short-term fluctuation in exchange rates. In such cases, management attempts to make informed judgements in entering such transactions but there is a possibility that markets may not respond in ways predicted. To the extent that PFB does not fully hedge its foreign currency exposure and exchange rate risk, or PFB's subsidiaries are not able or do not raise their selling prices accordingly when exchange rates are moving in an unfavourable direction, the profitability of the business could be adversely affected. PFB does not enter into currency driven derivative financial instruments for speculative purposes.

As at December 31, 2009 and 2008, PFB and its subsidiaries held no foreign exchange contracts.

(c) Interest Rate Risk

Interest rate risk is defined as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of change in market interest rates.

PFB is exposed to interest rate risk on a portion of its long-term debt and it does not currently hold any financial instruments to mitigate those risks. Management believes that the potential adverse impact of interest rate fluctuations on the current level of borrowings exposed to interest rate risk will not be significant in relation to its expected future earnings.

As at December 31, 2009, PFB's subsidiaries have in place a combination of revolving and non-revolving credit facilities. Maximum revolving credit facilities of $8,000 and USD $1,500 were unused at the balance sheet date. The revolving credit facilities are each secured by accounts receivables and inventories, and the maximum available limits may fluctuate downwards if accounts receivable and inventory balances contract. The unused portion of non-revolving credit facility with a Canadian bank was $4,196 (2008 - $4,200) which represents an approved limit of $4,300 less amounts outstanding on Canadian capital leases.

(d) Liquidity Risk

Liquidity risk is defined as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

Liquidity risk is the risk that PFB is not able to meet its financial obligations as they become due or that it can only do so at an abnormally high cost. PFB's future strategies can be financed through a combination of cash flows provided by operations, borrowing under existing credit facilities, and the issuance of equity. One of management's primary goals is to maintain an optimum level of liquidity by actively managing assets, liabilities and cash flows. Management prepares regular budgets and cash flow forecasts to help predict future changes in liquidity. Based on PFB's aggregate liquid assets as compared to its liabilities and commitments, management assesses PFB's liquidity risk to be low, subject to a continuing ability to generate positive cash flows from operations.

PFB's liabilities having contractual maturities as at December 31, 2009, are as indicated in the following table:

	Current within	Non current	
	12 months	1 - 5 years	Over 5 years
Accounts payable and accrued liabilities	$ 7,016	$ -	$ -
Long-term debt	919	8,744	-
Total liabilities	$ 7,935	$ 8,744	$ -

CAPITALIZATION

The primary objective of PFB is to produce a targeted rate of return while safeguarding corporate assets and ensuring the Corporation's ability to continue as a going concern. The basic components of PFB's current capital structure are shareholders' equity and long-term debt. The core of PFB's capital management activities is the successful management of cash.

PFB's capital structure as at December 31, 2009 and December 31, 2008, is outlined in the following table:

	2009	2008
Long-term debt	**$ 9,663**	$ 10,206
Shareholders' equity	**44,587**	42,375
Balance, end of year	**$ 54,250**	$ 52,581

PFB considers the amount of capital it requires in proportion to the associated risks. Adjustments may be made to PFB's capital structure in light of changes in economic conditions and the risk characteristics of the underlying assets. The capital structure can be maintained or adjusted in a variety of ways as circumstances may change, including: adjusting the amount of dividends paid to shareholders; purchasing shares for cancellation (Normal Course Issuer Bid); issuing new shares; and increasing or repaying long-term debt.

PFB pursues its capital management objectives by prudently managing the capital generated through internal growth of its operations, optimizing the use of lower cost capital when required, and raising share capital, subject to market conditions, to fund significant strategic growth initiatives.

Consistent with many other issuers, PFB monitors capital using the following non-GAAP ratios:

- Return on Shareholders' Equity, which is defined as net income for the most recent twelve-month period divided by total shareholders' equity at the beginning of that twelve month period. Shareholders' Equity is defined as all components of shareholders' equity (i.e. share capital, contributed surplus, and retained earnings).
- Net Debt divided by Shareholders' Equity. Net debt is defined as total debt (the current portion plus long-term portion), as shown in the balance sheet, less cash and cash equivalents.
- Current ratio, which is defined as current assets divided by current liabilities.

Actual ratios calculated at the dates stated are set out in the following table:

	December 31	
	2009	2008
Return on Shareholders' Equity	**8.7%**	1.6%
Net Debt to Shareholders' Equity [1]	**-**	15.0%
Current Ratio	**2.61x**	2.22x

[1] December 31, 2009, cash and cash equivalent balances exceeded total debt.

Two entities within PFB's consolidated group had non-capital tax losses carried forward to be utilized against future taxable income expected to be generated by those entities.

PFB's subsidiaries are subject to certain covenants on their credit facilities, one of which is a financial covenant to maintain a Fixed Charge Coverage of not less than 1.25:1. Fixed Coverage Charge is defined as the ratio of EBITDA (net income from continuing operations, excluding extraordinary gains or losses, plus interest expense and income taxes accrued during the period, plus depreciation and amortization expenses deducted in the period) plus payments under operating leases less cash income taxes and unfunded capital expenditures to fixed charges. Fixed charges are defined as the total of interest expense, scheduled principal payments in respect of funded debt, payments under operating leases, and corporate distributions. PFB has also provided a guarantee and postponement of claim to support certain facilities of subsidiaries. PFB monitors compliance with its covenant ratio on a quarterly basis and reports any exceptions to its board of directors. As at December 31, 2009 and 2008, the financial covenant ratio was in compliance.

SHARE CAPITAL AND SHAREHOLDERS' EQUITY

A summary of PFB's share capital as at December 31, 2009 and 2008 is set forth in the following table:

	2009		2008	
	Shares	**Amount**	**Shares**	**Amount**
Balance, beginning of year	**6,572,536**	**$ 19,829**	6,580,236	$19,851
Cancellation of repurchased shares	**(3,800)**	**(14)**	(7,700)	(22)
Balance, end of year	**6,568,736**	**$ 19,815**	6,572,536	$ 19,829

The individual components making up shareholders' equity as at December 31, 2009 and 2008 are summarized in the table below:

	2009	**2008**	**Change**
Share capital	**$ 19,815**	$ 19,829	$ (14)
Contributed surplus	**365**	251	114
Retained earnings	**24,407**	22,295	2,112
Accumulated other comprehensive income	**-**	-	-
Total Shareholders' Equity	**$ 44,587**	$ 42,375	$ 2,212

A summary of transactions making up the change in shareholders' equity in the twelve month period ended December 31, 2009, are outlined in the table below:

Activity	**Balance Sheet Account**	**Amount**
Shares purchased for cancellation under a normal course issuer bid	Share Capital	$ (14)
Total Change in Share Capital		**$ (14)**
Fair value of stock-based compensation	Contributed Surplus	$ 114
Total Change in Contributed Surplus		**$ 114**
Change in retained earnings resulting from:		
Net income	Retained Earnings	$ 3,690
Dividends paid	Retained Earnings	(1,577)
Premium on redemption of common shares	Retained Earnings	(1)
Total Change in Retained Earnings		**$ 2,112**

STOCK OPTIONS

PFB did not grant any stock options in years 2009 and 2008 under its stock option plan.

The following table sets forth all outstanding stock options as of December 31, 2009 and 2008:

	2009		2008	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of year	**200,000**	**$ 8.45**	200,000	$ 8.45
Granted	**-**	**-**	-	-
Exercised	**-**	**-**	-	-
Cancelled	**-**	**-**	-	-
Expired	**-**	**-**	-	-
Forfeited	**-**	**-**	-	-
Outstanding, end of year	**200,000**	**$ 8.45**	200,000	$ 8.45

CONTRACTUAL OBLIGATIONS

As at December 31, 2009, PFB's long-term contractual obligations of $13,129,000 are as outlined in the table below:

		Payment Due by Period				
Contractual Obligations	**Total**	**2010**	**2011**	**2012**	**2013**	**2014 and Later**
Long-term debt	**$ 9,223**	$ 710	$ 1,358	$ 650	$ 5,528	$ 977
Capital lease obligations	**440**	209	167	58	6	-
Operating leases	**2,993**	787	724	574	309	599
Commitments for capital assets and intangible assets	**424**	424	-	-	-	-
Other long-term obligations[1]	**-**	-	-	-	-	-
Total Contractual Obligations	**$ 13,080**	$ 2,130	$ 2,249	$ 1,282	$ 5,843	$ 1,576

[1] Other long-term obligations exclude future income tax liabilities as the timing of realizing these obligations is not readily determinable.

Capital leases are related to automobiles and materials handling equipment. In 2009, $297 of operating leases for automobiles were reclassified as capital leases. At December 31, 2009, there was an outstanding commitment for capital expenditures in the amount of $424 for projects approved in 2009 but expected to be completed in the first quarter of 2010.

OFF-BALANCE SHEET ARRANGEMENTS AND OPERATING LEASES

As a regular part of its business, PFB's subsidiaries enter into operating lease agreements to use facilities, vehicles, and materials handling equipment. The Corporation has no off-balance sheet arrangements.

RELATED PARTY TRANSACTIONS

In fiscal 2009 and 2008, PFB had transactions with three related parties all of which are summarized in the table below. All related party transactions are constituted in the ordinary course of business and they have been measured at the agreed to exchange amounts which approximate fair value. All transactions with related parties have been approved by PFB's Board of Directors.

Related Party	Nature of Transaction	2009	2008	Change
Aeonian Capital Corporation	Management services	**$ 200**	$ 200	$ -
Baker Investments, LLC	Stipend and travel expenses	**118**	114	4
McCarthy Tetrault LLP	Legal services	**85**	147	(62)
Totals		**$ 403**	$ 461	$ (58)

As at December 31, 2009, Aeonian Capital Corporation ("Aeonian"), and its affiliates, owned 2,921,668 or 44.5% (2008 – 2,921,668 or 44.5%) of PFB's issued and outstanding common shares. Aeonian is controlled by C. Alan Smith, President, Chief Executive Officer, and a Director of the Corporation. PFB is charged fees by Aeonian for management services including those provided by Mr. Smith. The fees for management services are reported under selling and administrative expenses. As at December 31, 2009 and 2008 all fees had been paid in full in each respective year.

Mr. Frank Baker, a director of PFB and the original vendor of Riverbend Timber Framing Inc., acquired by PFB in 2004, receives an annual stipend of USD $85 plus a travel and subsistence allowance to a maximum of USD $25 per annum for representing and promoting PFB's interests, including representation at various industry and trade organizations. As at December 31, 2009, there was an account payable outstanding to Mr. Baker in the amount of USD $29 with respect to the stipend and expenses which was settled in January 2010.

PFB incurs fees for legal services provided by a law firm in which a director of PFB is Counsel to the firm. As at December 31, 2009, a payable to the law firm in the amount of $25 (2008 - $19) was outstanding.

OUTLOOK

In 2009, PFB management prioritized and implemented various initiatives focused on guiding the Corporation through the volatility and uncertainty of a severe recession. The principal overriding objectives for 2009 was to generate cash and continually strengthen the balance sheet. Management plans to maintain those same disciplines throughout the upcoming year until more certainty prevails.

Recently economists are stating that a post-recession recovery began in late 2009. The rate of decline in new construction starts across all sectors of the industry slowed in late 2009 and, in some cases, the measurements began to turnaround. From PFB's perspective a growth in sales revenues in 2010 over the levels reported in 2009 is an essential milestone in a return to a growth environment. Management sees opportunities for achieving modest sales growth in 2010 in certain sectors; however, evidence of a general recovery is still unclear.

In the United States, PFB's Insulspan SIPS and Riverbend Timber Framing products historically are sold primarily to the custom-home residential sector where the prolonged downturn has created challenging conditions for all participants. PFB has experienced volume declines but to a lesser extent than those in the track residential building sector. Certainly a significant factor required in an economic recovery is for lenders to return to responsible lending practices that will enable our customers to obtain financing for their construction projects. The growing awareness that energy-efficient buildings are setting future building standards continues to increase demand for these products. Reports of market studies obtained by PFB indicate that energy-efficient buildings have gained market share over conventional construction during the economic downturn. PFB continues to invest in its Advantage ICF System.

Pricing of key raw materials continues to exhibit volatility. Prices have continued to increase since year end in line with fluctuations in crude oil prices. A stronger Canadian dollar relative to the U.S. dollar was a contributor to improved earnings in 2009, as most raw materials are priced in U.S. dollars. PFB is expected to continue to have a net overall exposure to buying U.S. dollars in fiscal 2010. The course of the USA dollar index and its impact on raw material costs to the corporation is not clear for the year ahead.

Management is confident that pursuing an EPS-based insulating building products growth strategy will achieve our objectives of increasing shareholder value, increasing sales revenues and earnings per share, and provide the required rate of return on capital invested. Achieving these goals will allow the generation of future cash flows to fund new product developments, increase manufacturing capacity as required, repay contractual obligations, and pay regular dividends. We remain focused on increasing market share in our markets and entering new markets while ensuring that our financial integrity remains intact.

DISCLOSURE CONTROLS AND PROCEDURES

PFB's disclosure controls and procedures have been designed to provide reasonable assurance that all material information relating to PFB and its operations is identified and communicated to the Chief Executive Officer (CEO) and Chief Financial Officer (CFO) as it becomes known so that appropriate decisions can be made regarding public disclosures, as required under the continuous disclosure requirements of securities legislation.

An evaluation of the effectiveness of the design and operation of PFB's disclosure controls and procedures was conducted as of December 31, 2009, under the supervision of the CEO and CFO. Based on this evaluation, the CEO and CFO have concluded that PFB's disclosure controls and procedures, as defined in National Instrument 52-109, Certification of Disclosure in Issuer's Annual and Interim Filings, have been designed to provide reasonable assurance that material information relating to PFB, including its consolidated subsidiaries, is made known to them by others in those entities, and to provide reasonable assurance that accurate and complete disclosures in annual and interim filings is completed within the time periods specified.

Notwithstanding the foregoing, no absolute assurances can be made that PFB's controls over disclosure will detect or prevent all failures of individuals within the organization to disclose material information otherwise required to be set forth in reports or news releases issued by the Corporation.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

PFB Corporation's management is responsible for establishing and maintaining adequate internal controls over financial reporting. These controls include policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transaction and dispositions of the assets of the Corporation;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and ensure that receipts and expenditures are being made only in accordance with authorizations of management and directors of the Corporation; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized, use or disposition of the Corporation's assets that could have a material effect on the financial statements.

All control systems contain inherent limitations, no matter how well designed. As a result, PFB's management acknowledges that its internal controls over financial reporting will not prevent or detect all misstatements due to error or fraud. In addition, management's evaluation of controls can provide only reasonable, not absolute, assurance that all control issues that may result in material misstatements, if any, have been detected.

PFB Corporation's management has used the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework to evaluate the effectiveness of the Corporation's internal control over financial reporting. As at December 31, 2009, management assessed the effectiveness of PFB's internal control over financial reporting and concluded that it was effective and that no material weaknesses in PFB Corporation's internal control over financial reporting had been identified.

RISK MANAGEMENT AND ASSESSMENT

PFB is subject to risks and uncertainties inherent in the operation of its business. Management defines risk as the possibility that an event might happen in the future that could negatively affect the financial condition and/or results of operations of the Corporation. The following section describes specific and general risks that could affect PFB. The Audit Committee and the Board of Directors play an important role in developing risk management programs and reviewing and monitoring them on a quarterly basis. As it is difficult to predict whether any risk will happen or its related consequences, the actual effect of any risk on PFB's business could be materially different from anticipated. The following descriptions of risk do not include all possible risks as there may be other risks of which PFB is unaware.

RAW MATERIAL PRICE AND SUPPLY

The price of raw materials, in particular, styrene monomer, expandable polystyrene resin, polypropylene copolymers, oriented strand board, and raw timbers represent a significant portion of the manufacturing costs in PFB's businesses. Historically, there has been considerable volatility in the price of these products which is outside the control of PFB. There is no futures market for these products available to the Corporation, which limits the ability to lock in prices for fixed periods of time.

Nevertheless, PFB may from time to time build inventories of both raw materials and finished goods which can lead to the assumption of risk due to an inability to match carrying costs to selling prices under fixed price sales contracts. Conversely, from time to time, PFB may be short of inventory that has been contracted to be delivered under fixed price sales contracts that can lead to the assumption of risk due to an inability to match costs to selling prices.

Management continues to explore opportunities to minimize the impact that price swings can have on earnings. The changing dynamics in the petrochemical industry, primarily driven by world oil prices and other global events, and changing dynamics affecting other industries are difficult to predict. Such changes may create the potential for raw material supply disruptions or shortages which would be detrimental to PFB's operations.

ECONOMIC AND MARKET CONDITIONS

PFB's business is affected by prevailing general economic conditions, consumer confidence and spending, and both the demand for and prices of its EPS products and insulating building systems. Weaker economic conditions, the impact of changing mortgage rates and other interest rates potentially affecting the construction industry, and the possibility of a slow down in residential and/or commercial construction activity, typically evidenced by the change in the number of building permits issued, may translate into lower demand for PFB's products. Such effects may also adversely affect the financial condition and credit risk of its customers, including their ability to obtain credit to finance their businesses, which could create uncertainty over the collectability of receivables.

COMPETITION

As a market leader in its industry, PFB faces intense and growing competition from other manufacturers of all sizes located in both Canada and the United States, new entrants in the markets we serve, along with manufacturers of competing substitute products. Competition can affect PFB's pricing strategies and lower its sales revenues and net income. Competition can also affect PFB's ability to retain existing customers and attract new ones. A competitive business climate increases the resolve to provide exceptional customer service, quality products, and the need to be price competitive. Management continues to identify ways to reduce costs, grow revenues, manage expenses and increase productivity. This requires anticipating and responding quickly to the constant changes in its businesses and markets.

CURRENCY

PFB has a net exposure to the U.S. dollar which makes it vulnerable to fluctuations in the foreign exchange rate between the Canadian dollar and the U.S. dollar. The timing of foreign exchange rate fluctuations between the Canadian dollar and the U.S. dollar can have a significant effect on PFB's operating results, the effect and magnitude of which depends on the product mix of sales and raw material purchases.

Management may commit to entering into foreign exchange contracts to attempt to protect earnings against relatively short-term fluctuations in the exchange rate. Management attempts to make informed judgements in such transactions but there is the possibility that markets may respond in ways not predicted. To the extent that PFB does not fully hedge its foreign currency exposure and exchange rate risk, or PFB's subsidiaries are not able or do not raise their selling prices accordingly when exchange rates are moving in an unfavourable direction, the profitability of the business could be adversely affected.

ACQUISITIONS

PFB's growth strategy includes making strategic acquisitions when possible. There is no assurance that it will find suitable companies to acquire or that it will have the financial resources needed to complete any acquisition. There could also be challenges integrating the operations of any acquired company with existing operations.

FUNDING

In developing its Plasti-Fab EPS, Advantage ICF, Insulspan SIPS and Riverbend Timber Framing businesses to their full potential, significant capital and operating expenditures are incurred on an ongoing basis. PFB has historically generated sufficient cash flow from its operations to fund capital expenditures and maintain regular dividend payments. Future development of new products and the growth of PFB's businesses through internal expansion or further acquisitions may depend on access to external funding. PFB's cash position and existing debt facilities are considered adequate to meet its current and medium-term needs. There is no guarantee that funding for future expansion of PFB's operations will be available on acceptable terms if required.

REPUTATION

Negative publicity regarding PFB's business practices regardless of whether true or false could adversely affect PFB's reputation which could in turn affect its operations, customers, and share value. PFB manages this risk by placing the utmost importance on corporate governance and full and fair disclosure. Good corporate governance practice emanates from an effective board of directors. The majority of PFB's board of directors consists of independent directors and the board and its committees have been shaped to competently perform the role of overseeing the appropriate management of PFB's affairs with the objective of maximizing the long-term value of the Corporation. A detailed summary outlining PFB's corporate governance practices can be found in PFB's Management Information Circular.

TRADE CREDIT

PFB's subsidiaries provide trade credit to their customers in the normal course of business. PFB's credit policy is universally adopted across its businesses. The policy requires the credit history of each new customer to be closely examined before credit is granted, which may include performing solvency tests if a particular account is expected to become significant. Management diligently reviews past due receivables on a weekly basis which helps minimize credit risk. The diversity of PFB's activities and customer base also helps minimize the credit risk to which it may be exposed.

ENVIRONMENTAL CONSIDERATIONS

Environmental issues are gaining in importance for PFB's stakeholders. PFB is committed to responsibly manage the direct and indirect impact it has on the environment. PFB believes that it is in compliance with applicable environmental laws in jurisdictions where it has operations. All construction materials must adhere to fire safety requirements during their manufacture, transportation and storage. Hexabromocyclododecane (HBCD) is a brominated flame retardant used in EPS resin by manufacturers to ensure insulation products meet strict building code fire performance requirements when used as a component in building assemblies. HBCD is one of a large number of chemical substances manufactured or imported into Canada that are currently undergoing screening level risk assessment by Environment Canada.

INFORMATION TECHNOLOGY

PFB makes extensive use of information technology in conducting its businesses. This involves web-based connections, access to secure centralized databases, and maintaining existing and implementing new business software applications. The security and safeguarding of information technology assets and protocols will continue to be increasingly important to PFB. PFB minimizes its exposure to I.T. risks by continuously reviewing its access and application controls, performing disaster recovery testing, locating its backbone I.T. assets in an industry-leading secure location, and hiring and training specialist employees with respect to the protection and use of I.T. assets and related intellectual property.

SEASONALITY AND CLIMATIC FACTORS IN THE CONSTRUCTION INDUSTRY

Due to the seasonal nature of the construction industry, PFB's actual reported sales show variations when viewed on a quarter-by-quarter basis. Typically, sales are weakest in the first quarter of the year and strongest in the third quarter. Sales in any quarter can be significantly influenced by weather, specifically when winter begins and ends and its severity.

EMPLOYEE FUTURE BENEFITS

A defined benefits pension plan (the Plan) exists for certain Ontario-based employees who are members of the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied industrial and Service Workers International union. The latest actuarial valuation was completed on March 31, 2009, and identified that the Plan had a funding deficit on a going-concern basis of $119 (2008 - $66) and, on a solvency basis, the actuarial liabilities exceeded the value of assets by $30 (2008 - $45). As a result, throughout 2009, PFB made regular service and special payment contributions to the Plan. In fiscal 2009, total contributions of $130 (2008 - $121) were made and PFB expects future annual contributions to continue at similar amounts until the deficits are eliminated. However, the actual rate of return on plan assets and changes in interest rates and other variables could result in changes in PFB's funding requirements for the Plan. The Plan assets are not immune to market fluctuations and, as a result, PFB may be required to make additional cash contributions in future.

OFF-BALANCE SHEET ARRANGEMENTS AND OPERATING LEASES

PFB enters into operating lease contracts for certain properties, vehicles, and for materials handling equipment requirements. The total non-discounted operating lease commitments as at December 31, 2009, total $2,993 as disclosed in Note 18(b) to the consolidated financial statements. In the case of property leases, PFB's subsidiaries are also responsible for their share of operating costs. The Corporation has no off-balance sheet arrangements.

HUMAN RESOURCES

PFB's ability to attract and retain qualified employees is an area of risk and uncertainty, particularly as it relates to its Western Canadian operations, where labour shortages in recent years have been severe. In this uncertain climate, PFB mitigates this risk by offering a competitive compensation and benefits package, training, and a positive cultural environment.

SUMMARY OF ACCOUNTING POLICIES AND MANAGEMENT ESTIMATES

The Corporation's consolidated financial statements for the year ended December 31, 2009 have been prepared in accordance with Canadian GAAP. This section discusses key estimates and assumptions that management has made under these principles, and how they affect the amounts reported in the financial statements and notes. Please refer to Note 2 – Significant Accounting Policies in the consolidated financial statements for more detailed information concerning PFB's accounting policies used to prepare its consolidated financial statements.

KEY ESTIMATES AND ASSUMPTIONS

In conformity with Canadian GAAP, management make certain estimates and assumptions when accounting for and reporting assets, liabilities, revenues and expenses in the consolidated financial statements. Estimates and assumptions are based on past experience and other factors which are believed to be reasonable under the circumstances. Management has discussed the development and selection of these key estimates and assumptions with the Audit Committee of the Board of Directors and the Audit Committee has reviewed the disclosures described in this section.

ACCOUNTS RECEIVABLE

Management frequently evaluates the recoverability of accounts receivable on a customer-by-customer basis taking into account past trading experience, approved credit limits, the ageing profile of past due receivables, current market and economic conditions, and credit information obtained from third parties. Allowances are maintained for doubtful accounts when management determines that a customer's ability to pay may be doubtful. The allowance is estimated based on the likelihood of recovery. Credit losses absorbed in 2009 and in recent prior years have been within management's expectations. The provision for doubtful accounts represents approximately 8.0% of the year-end accounts receivable balance. The provision is consistent with that of the most recent prior year.

INVENTORY OBSOLESCENCE

The value of PFB's inventory is reviewed by management on a monthly basis. Items identified as obsolete and items not saleable at prices in excess of carrying amounts are written down to estimated net realizable amounts and the write down amount charged to cost of sales. Inventory obsolescence provisions are determined by reviewing inventory turns, seasonality trends, and slow moving inventory reports. To the extent that estimates made by management are incorrect, PFB's operating expenses and inventory carrying values may be higher or lower than the amounts reported. PFB's customized products are manufactured to order which limits the potential risk of inventory obsolescence for those products.

INCOME TAX VALUATION ALLOWANCE

PFB has net future income tax assets resulting from operating losses that are available to reduce taxable income in future periods. CICA Handbook Section 3465, Income Taxes requires that a valuation allowance be established when it is 'more likely than not' that all or a portion of the future income tax assets will not be realized. At December 31, 2009, management has not recorded a valuation allowance against future income tax assets as it believes that it is more likely than not that sufficient taxable income in future years will be sufficient to fully recover the future income tax assets.

USEFUL LIFE OF PROPERTY, PLANT AND EQUIPMENT

Management estimates the useful life of long-lived assets at the time of acquisition, which is then used to determine depreciation expense. The estimated useful life of an asset is usually based on a combination of past experience, the purpose for which an individual asset will be used, and the likelihood of future technological changes. A change in estimate may result in a higher depreciation charge in future periods or an impairment charge to reflect a write-down in the carrying value of the asset.

FAIR MARKET VALUE FOR GOODWILL AND IMPAIRMENT TESTING

In connection with the business acquisitions completed by PFB in fiscal 2003 and 2004, PFB identified and estimated the fair value of assets acquired and liabilities assumed. Any excess of the purchase price over the estimated fair value of the identified net assets was assigned to goodwill.

PFB assesses the impairment of goodwill on an annual basis, or whenever a change in events or circumstances indicates that carrying values may not be recoverable. In 2009 and 2008, no impairments in the carrying costs of goodwill were identified.

INTANGIBLE ASSETS

Intangible assets include computer software, product development costs, and patents. Product development costs that meet specified criteria related to technology, market, and financial feasibility are deferred and amortised over a period of three years post completion of the project. Costs that do not meet the criteria for deferral are expensed in the period they are incurred.

PFB's policy for intangible assets requires the periodic review of the carrying value of such costs in order to determine if there has been impairment in value based on a reduction in expected future cash flows. If it is determined that the carrying value exceeds the recoverable amounts, the net asset is written down to the net recoverable amount.

RECENT CHANGES TO ACCOUNTING STANDARDS

On January 1, 2008, PFB adopted the following Canadian Institute of Chartered Accountants (CICA) Handbook Recommendations:

Section 1400, *General Standards of Financial Statement Presentation*
Section 1535, *Capital Disclosures*
Section 3031, *Inventories*
Section 3862 and 3863, *Financial Instruments – Disclosure and Presentation*

These accounting policies were adopted on a retrospective basis with no restatement of prior period consolidated financial statements.

Section 1400, *General Standards of Financial Statement Presentation* was applicable to financial statements relating to fiscal years beginning on or after January 1, 2008, to include requirements to assess and disclose the Company's ability to continue as a going concern. The adoption of this new section had no material impact on the consolidated financial statements.

Section 1535, *Capital Disclosures* requires an entity to disclose: its objectives, policies and processes for managing capital; quantitative data about what the entity regards as capital; whether the entity has complied with any capital requirements; and, if it has not complied, the consequences of such non-compliance. The adoption of this section resulted in additional disclosure in the Corporation's financial statements (see Note 11).

Section 3031, *Inventories* prescribes the accounting treatment for inventories. The new standard provides guidance on the amount of cost to be recognized as an asset and carried forward until the related revenues are recognized, the determination of cost, and the cost formulas that can be used to assign costs to inventories. Inventories are required to be valued at the lower of cost and net realizable value. The new standard also requires the reversal of any previously recorded write-downs from cost to net realizable value when there is clear evidence that net realizable value has subsequently increased. The adoption of Section 3031, Inventories did not have a material impact on the Company's financial statements.

Sections 3862 and 3863 replace Handbook Section 3861, *Financial Instruments – Disclosure and Presentation*, revising and enhancing its disclosure presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. The adoption of those sections resulted in additional disclosure in the Corporation's financial statements (see Note 12).

In January 1, 2009, PFB adopted the following Canadian Institute of Chartered Accountants (CICA) Handbook Recommendations:

Section 3064, *Goodwill and Intangible Assets*
Emerging Issues Committee (EIC) Abstract No. 173, *Credit Risk and the Fair Value of Financial Assets and Financial Liabilities*

Section 3064, *Goodwill and Intangible Assets* replaces Section 3062, *Goodwill and Other Intangible Assets* and Section 3450, *Research and Development Costs*. Various changes have been made to other sections of the CICA Handbook for consistency purposes. Section 3064 establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. The adoption of this standard did not have a material impact on PFB's consolidated financial statements, except that certain existing capital assets have been reclassified as intangible assets under the new standard.

On January 1, 2009, the Corporation adopted EIC 173, *Credit Risk and the Fair Value of Financial Assets and Financial Liabilities*. EIC 173 clarifies how an entity's own credit risk and that of the relevant counterparty should be taken into account in determining the fair value of financial assets and financial liabilities, including derivative instruments. The new guidance did not have any impact on the financial position or earnings of the Corporation.

On June 1, 2009, the CICA amended Section 3862, *Financial Instruments – Disclosures* to improve disclosures related to fair value measurements of financial instruments, including the relative reliability of the inputs used in those measurements, and liquidity risk, in light of concerns that the nature and extent of liquidity risk requirements were unclear and difficult to apply. These disclosures are effective for PFB's December 31, 2009, annual consolidated financial statements. Adopting these amendments did not have a significant impact on PFB's results of operations or financial position. The adoption of those sections resulted in additional disclosure in the Corporation's consolidated financial statements (see Note 13).

FUTURE CHANGES TO ACCOUNTING STANDARDS

CICA HANDBOOK CHANGES

The following changes to CICA Handbook Recommendations have been announced and will be applicable to PFB commencing January 1, 2011, with earlier adoption permitted:

Section 1582, *Business Combinations*
Section 1601, *Consolidated Financial Statements*
Section 1602, *Non-Controlling Interests*

Section 1582, *Business Combinations* is effective for business combinations with an acquisition date after January 1, 2011. The standard was amended to require additional use of fair value measurements, recognition of additional assets and liabilities, and increased disclosure. Adoption of the standard is expected to have a material effect on the way that the Corporation accounts for future business combinations. Entities adopting Section 1582 will also be required to adopt Section 1601, *Consolidated Financial Statements* and Section 1602, *Non-Controlling Interests*. These standards will require a change in the measurement of non-controlling interest and will require the change to be presented as part of shareholders' equity on the balance sheet. In addition, the income statement of the controlling parent company will include 100 per cent of the subsidiary's financial results and present the allocation between the controlling interest and non-controlling interest. The changes resulting from adopting Section 1582 will be applied prospectively and changes from adopting Section's 1601 and 1601 will be applied retrospectively. The Corporation does not currently have any non-controlling interests.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

On February 13, 2008, the Canadian Accounting Standards Board confirmed a change-over date of January 1, 2011, as the date on which all publicly accountable enterprises are required to prepare financial statements that are fully converged with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board.

There are several phases making up PFB's project plan for changing over to IFRSs:

- **Initial impact assessment and scoping** – This phase includes identifying the significant differences between Canadian GAAP and IFRSs and focusing on those which will have the most significant impact on PFB's financial reporting. During the initial impact assessment and scoping phase, a modest number of elements have been identified which will likely impact either PFB's financial results and/or PFB's efforts required to successfully adopt IFRSs.

- **Key elements** – This phase includes identification, evaluation and selection of accounting policies necessary for PFB to change over to IFRSs. Also included in this phase is consideration of other operational elements such as the impact the change over will have on information technology, internal control over financial reporting, disclosure controls and procedures, and the potential impact on other business activities such as debt covenants, capital requirements, and compensation arrangements.

  An IFRS senior level project team has been formed to steer the change over project and monitor progress against identified milestones in order to meet the January 1, 2011, deadline. Key members of the team have undertaken various, targeted training activities and both internal and external resources will be utilized by the project team. The team has analyzed the applicable IFRSs, assessed the likely impact of major financial reporting differences identified between Canadian GAAP and IFRSs, and identified the information requirements necessary for a successful transition. The expected impacts on PFB's consolidated financial statements of adopting IFRSs have not yet been fully determined.

- **Implementation** – This phase will integrate applicable IFRSs, including first-time adoption exemption choices available therein, into PFB's underlying financial systems and processes so as to capture IFRS comparative data commencing January 1, 2010. PFB`s IFRS accounting policies are expected to be finalized mid-2010.

  PFB will continue to update its IFRS changeover plan to reflect new and amended accounting standards issued by the International Accounting Standards Board.

  PFB will present its consolidated financial statements for fiscal 2010 in compliance with Canadian GAAP. In 2011, PFB will present its financial results in compliance with IFRSs complete with comparative financial results for 2010 that are also in compliance with IFRSs.

- **First-Time Adoption** – IFRS 1, First-time Adoption of International Reporting Standards provides guidance to entities adopting IFRSs for the first time providing a number of optional exemptions and mandatory exceptions to the general requirement of full retrospective application of IFRSs. Based on an initial review of IFRS 1 options and exceptions, PFB has noted that many do not lead to a material difference when comparing IFRSs and Canadian GAAP thus minimizing the number of adjustments required to the Corporation's opening balance sheet upon adoption of IFRSs.

  Set out below are key areas where changes in accounting policies are expected to or may impact PFB`s consolidated financial statements. The list and comments thereon should not be regarded as a complete list of changes that will result from transitioning to and adopting IFRSs. The board of directors will review and approve the accounting policy choices that management has recommended during the interim periods of 2010. Accordingly, the conclusions that management has reached at this point may change.

  - **Foreign Exchange Translation**
    Canadian GAAP requires a company to classify foreign operations as either integrated or self-sustaining operations. PFB's U.S. operations are considered to be integrated operations and, under Canadian GAAP, monetary assets and liabilities are translated at rates prevailing at the balance sheet date and non-monetary assets and liabilities are translated at historic rates. Revenues and expenses are translated at the weighted average rates throughout the year with the exception of depreciation and amortization which are translated at the same historic rates as the related assets. Translation gains and losses are included in income.

    IAS 21, *The Effects of Changes in Foreign Exchange Rates* requires an entity to determine its presentation currency in accordance with the standard. PFB's presentation currency will remain Canadian dollars. IAS 21 also indicates that for financial statements of entities within a group whose functional currency is not the presentation currency of the group, assets and liabilities are translated at rates prevailing at the balance sheet date. Revenue and expenses, including depreciation and amortization, are translated at average rates throughout the year. Exchange gains and losses arising on these translations are included in accumulated other comprehensive income.

  - **Provisions**
    IAS 37, Provision, Contingent Liabilities and Contingent Assets, requires a provision to be recognized when all of the following conditions can be satisfied: there is a present obligation as a result of a past transaction or event; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate can be made of the obligation. "Probable" under IAS 37 means more likely than not. Under Canadian GAAP, the criterion for recognition in the financial statements is "likely" which a higher threshold than "probable". Therefore, it is possible that some contingent liabilities which would meet the recognition criteria under IFRS were not recognized under Canadian GAAP.

Other differences between IFRS and Canadian GAAP exist in relation to the measurement of provisions such as the methodology for determining the best estimate where there is a range of equally possible outcomes.

- **Impairment of Assets**

  Canadian GAAP generally uses a two-step approach to impairment testing: firstly, comparing asset carrying values with undiscounted future cash flows to determine whether impairment exists; and, secondly, measuring any impairment by comparing asset carrying values with fair values. IAS 16, *Impairment of Assets*, uses a one-step approach for testing and measurement of impairment with asset carrying values compared directly with the higher of the following two calculations: fair value less costs to sell; and value in use (which uses discounted future cash flows). This may potentially result in write-downs where carrying values of assets were previously supported under Canadian GAAP on an undiscounted cash flow basis. IAS 36 allows previous impairment losses to be reversed (except for goodwill) where circumstances have changed such that the impairments have been reduced. Canadian GAAP prohibits reversal of impairment losses.

  Under Canadian GAAP, impairment testing of goodwill is done at reporting unit level. Under IAS 36, impairment testing is performed at the cash generating unit level. A cash generating unit is defined as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash flows from other assets or group of assets.

- **Income Taxes**

  IAS 12, *Income Taxes*, in its current form, is similar to Canadian GAAP with the exception that all deferred taxes assets and liabilities are treated as long-term on the balance sheet whereas Canadian GAAP approach is to allocate between current and long-term portions.

STEPHEN P. HARDY
Vice President and Chief Financial Officer
March 2, 2010

MANAGEMENT'S REPORT

The accompanying consolidated financial statements of PFB Corporation and all information included in this annual report are the responsibility of the management of the Corporation and have been reviewed and approved by the Board of Directors upon recommendation by the Audit Committee. Management has prepared the consolidated financial statements based on the information available and in accordance with Canadian generally accepted accounting principles. The consolidated financial statements and other financial information have been prepared using the accounting policies described in Note 2 to the consolidated financial statements and reflect management's best estimates and judgements based on available information. Financial information presented throughout this report is consistent with data presented in the consolidated financial statements.

PFB Corporation maintains systems of internal controls in order to provide reasonable assurance that the consolidated financial statements are accurate and complete in all material respects. These systems include established policies and procedures, the selection and training of qualified personnel, and an organisation structure providing for appropriate delegation of authority and segregation of responsibilities.

The Board of Directors discharges its duties related to the consolidated financial statements by reviewing and approving financial information prepared by management and through the activities of its Audit Committee. The Audit Committee, made up of five unrelated and independent directors, periodically meets with management and its responsibilities include reviewing the consolidated financial statements and other information in this annual report. The Audit Committee also meets with the independent auditors to discuss the audit approach, their review of internal controls, and the results of their audit examination prior to recommending approval of the consolidated financial statements to the board of directors.

The shareholders' auditors, Deloitte & Touche LLP, Chartered Accountants, have audited the consolidated financial statements in accordance with Canadian generally accepted accounting principles, and their independent report is presented herein.

C. ALAN SMITH
Chairman, President and
Chief Executive Officer
March 2, 2010

STEPHEN P. HARDY
Vice President and
Chief Financial Officer
March 2, 2010

AUDITORS' REPORT

To the Shareholders of
PFB Corporation:

We have audited the consolidated balance sheets of **PFB Corporation** (the "Corporation") as at December 31, 2009 and 2008 and the consolidated statements of operations and comprehensive income, retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Deloitte + Touche LLP

DELOITTE & TOUCHE LLP
Chartered Accountants
Calgary, Alberta
March 2, 2010

2009

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS

Years Ended December 31, 2009 and 2008

In thousands of dollars

	2009	2008
ASSETS		
Current assets		
Cash and cash equivalents [Note 3]	**$ 10,896**	$ 3,863
Accounts receivable	**5,892**	7,891
Inventories [Note 4]	**6,257**	6,888
Income taxes receivable	**276**	1,098
Prepaid expenses	**648**	769
Future income taxes asset [Note 14]	**637**	1,262
Total current assets	**24,606**	21,771
Capital assets [Note 5]	**31,580**	32,915
Goodwill	**5,887**	5,887
Intangible assets [Note 6]	**260**	534
Accrued benefit asset [Note 16]	**475**	-
Future income taxes asset [Note 14]	**444**	561
Total assets	**$ 63,252**	$ 61,668
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	**$ 7,016**	$ 6,410
Customer deposits	**1,504**	2,677
Current portion of long-term debt [Note 8]	**919**	738
Total current liabilities	**9,439**	9,825
Long-term debt [Note 8]	**8,744**	9,468
Future income taxes liability [Note 14]	**482**	-
Total liabilities	**18,665**	19,293
SHAREHOLDERS' EQUITY		
Share capital [Note 9]	**19,815**	19,829
Contributed surplus [Note 10]	**365**	251
Retained earnings	**24,407**	22,295
Accumulated other comprehensive income	-	-
Total shareholders' equity	**44,587**	42,375
Total liabilities and shareholders' equity	**$ 63,252**	$ 61,668

Commitments and contingencies [Note 18]

See accompanying notes to the consolidated financial statements.

Approved by the Board of Directors

C. ALAN SMITH
Director

DONALD J. DOUGLAS
Director

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

Years Ended December 31, 2009 and 2008

In thousands of dollars except shares and per share amounts

	2009	2008
Sales	**$ 65,930**	$ 79,810
Cost of goods sold	**(46,083)**	(61,961)
	19,847	17,849
Selling and administrative expenses	**(14,432)**	(15,701)
Loss on sale of assets	**(14)**	(2)
Realized foreign exchange gain (loss) [Note 12 (b)]	**202**	(237)
Unrealized foreign exchange gain (loss) [Note 12 (b)]	**51**	(243)
	5,654	1,666
Interest income	**26**	87
Interest expense	**(602)**	(402)
Income before income taxes	**5,078**	1,351
Income taxes [Note 14]	**(1,388)**	(651)
Net income and other comprehensive income	**$ 3,690**	$ 700
Earnings per common share - basic: [Note 13]	**$ 0.56**	$ 0.11
Earnings per common share - diluted: [Note 13]	**$ 0.56**	$ 0.11
Weighted average number of common shares outstanding [Note 13]	**6,570,906**	6,579,484

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

Years Ended December 31, 2009 and 2008

In thousands of dollars

	2009	2008
Retained earnings, beginning of the year	**$ 22,295**	$ 23,216
Net income	**3,690**	700
Dividends paid	**(1,577)**	(1,577)
Premium on redemption of common shares [Note 9 (d)]	**(1)**	(44)
Retained earnings, end of the year	**$ 24,407**	$ 22,295

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31, 2009 and 2008

In thousands of dollars

	2009	2008
CASH PROVIDED BY (USED IN):		
OPERATING		
Net income	**$ 3,690**	$ 700
Add (deduct) items not requiring cash:		
Depreciation and amortization	**3,668**	3,510
Loss on disposal of capital assets	**14**	2
Stock-based compensation	**114**	114
Accrued benefit asset	**(475)**	-
Future income taxes	**1,171**	(380)
Unrealized foreign exchange (gain) loss	**(51)**	243
	8,131	4,189
Changes in non-cash working capital [Note 15]	**3,007**	(2,948)
Urealized foreign exchange loss relating to non-cash working capital	**-**	(221)
	11,138	1,020
FINANCING		
Proceeds from long-term debt	**-**	7,000
Repayment of long-term debt	**(735)**	(640)
Dividends paid	**(1,577)**	(1,577)
Purchase of common shares for cancellation	**(15)**	(66)
	(2,327)	4,717
INVESTING		
Purchase of capital assets	**(1,746)**	(10,769)
Purchase of intangible assets [Note 6]	**(5)**	(82)
Proceeds from sale of capital assets	**7**	9
	(1,744)	(10,842)
Foreign exchange gain (loss) on cash held in foreign currency	**(34)**	61
Increase (decrease) in cash and cash equivalents	**7,033**	(5,044)
Cash and cash equivalents, beginning of the year	**3,863**	8,907
Cash and cash equivalents, end of the year	**$ 10,896**	$ 3,863

Supplemental cash flow information:

Interest paid	**$ 597**	$ 393
Interest received	**26**	87
Income taxes paid (refunded)	**(586)**	1,625
Capital asset additions financed by capital leases	**328**	164

See accompanying notes to the consolidated financial statements.

2009

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2009 and 2008

In thousands of dollars except shares and per share amounts

1. DESCRIPTION OF THE BUSINESS

PFB Corporation ("PFB" or the "Corporation") is incorporated under the Alberta Business Corporations Act and has its headquarters in Calgary, Alberta, Canada.

The principal business activity of PFB is manufacturing insulating building products from expanded polystyrene materials and marketing these products in North America and Japan. These integrated product lines are marketed under Plasti-Fab, EPS Product Solutions®, Advantage ICF Systems®, Insulspan® SIPS, and Riverbend Timber Framing® brand names and trade marks.

The Corporation wholly-owns the following operating subsidiaries: Plasti-Fab Ltd. ("Plasti-Fab") and Insulspan Incorporated ("Insulspan"). These subsidiaries operate manufacturing facilities and sales operations in the provinces of British Columbia, Alberta, Saskatchewan, Manitoba, and Ontario in Canada, and in the State of Michigan, USA. In 2008, as part of a corporate reorganization, Insulspan Corporation was voluntarily dissolved and its ongoing operations merged with Plasti-Fab. In 2009, two Canadian subsidiaries, Riverbend Timber Framing Corporation (`Riverbend`) and PFB Construction Services Ltd. ("Construction Services"), were voluntarily dissolved. Riverbend`s ongoing operations were merged with Plasti-Fab and Construction Services ceased operations in 2008.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) **Basis of Presentation and Consolidation**

These consolidated financial statements of PFB include the accounts of the Corporation and all of its wholly-owned subsidiaries. The consolidated financial statements and notes thereto have been prepared by management in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") and are stated in Canadian dollars unless otherwise stated. All of PFB's operating subsidiaries are considered to be fully integrated operations. All inter-company accounts and transactions have been eliminated on consolidation. In preparing the consolidated financial statements, management assessed the Corporation's ability to continue as a going concern.

The consolidated financial statements reflect the accounting policies described below.

(b) Recent Changes to Accounting Standards

On January 1, 2008, PFB adopted the following Canadian Institute of Chartered Accountants (CICA) Handbook Recommendations:

Section 1400, *General Standards of Financial Statement Presentation*
Section 1535, *Capital Disclosures*
Section 3031, *Inventories*
Section 3862 and 3863, *Financial Instruments – Disclosure and Presentation*

These accounting policies were adopted on a retrospective basis with no restatement of prior period consolidated financial statements.

Section 1400, *General Standards of Financial Statement Presentation* was applicable to financial statements relating to fiscal years beginning on or after January 1, 2008, to include requirements to assess and disclose the Company's ability to continue as a going concern. The adoption of this new section had no material impact on the consolidated financial statements.

Section 1535, *Capital Disclosures* requires an entity to disclose: its objectives, policies and processes for managing capital; quantitative data about what the entity regards as capital; whether the entity has complied with any capital requirements; and, if it has not complied, the consequences of such non-compliance. The adoption of this section resulted in additional disclosure in the Corporation's financial statements (see Note 11).

Section 3031, *Inventories* prescribes the accounting treatment for inventories. The new standard provides guidance on the amount of cost to be recognized as an asset and carried forward until the related revenues are recognized, the determination of cost, and the cost formulas that can be used to assign costs to inventories. Inventories are required to be valued at the lower of cost and net realizable value. The new standard also requires the reversal of any previously recorded write-downs from cost to net realizable value when there is clear evidence that net realizable value has subsequently increased. The adoption of Section 3031, Inventories did not have a material impact on the Company's financial statements.

Sections 3862 and 3863 replace Handbook Section 3861, *Financial Instruments – Disclosure and Presentation,* revising and enhancing its disclosure presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. The adoption of those sections resulted in additional disclosure in the Corporation's financial statements (see Note 12).

On January 1, 2009, PFB adopted the following Canadian Institute of Chartered Accountants (CICA) Handbook Recommendations:

Section 3064, *Goodwill and Intangible Assets*
Emerging Issues Committee (EIC) Abstract No. 173, *Credit Risk and the Fair Value of Financial Assets and Financial Liabilities*

Section 3064, *Goodwill and Intangible Assets* replaces Section 3062, *Goodwill and Other Intangible Assets* and Section 3450, *Research and Development Costs*. Various changes have been made to other sections of the CICA Handbook for consistency purposes. Section 3064 establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. The adoption of this standard did not have a material impact on PFB's consolidated financial statements, except that certain existing capital assets have been reclassified as intangible assets under the new standard.

On January 1, 2009, the Corporation adopted EIC 173, *Credit Risk and the Fair Value of Financial Assets and Financial Liabilities*. EIC 173 clarifies how an entity's own credit risk and that of the relevant counterparty should be taken into account in determining the fair value of financial assets and financial liabilities, including derivative instruments. The new guidance did not have any impact on the financial position or earnings of the Corporation.

On June 1, 2009, the CICA amended Section 3862, *Financial Instruments – Disclosures* to improve disclosures related to fair value measurements of financial instruments, including the relative reliability of the inputs used in those measurements, and liquidity risk, in light of concerns that the nature and extent of liquidity risk requirements were unclear and difficult to apply. These disclosures are effective for PFB's December 31, 2009, annual consolidated financial statements. Adopting these amendments did not have a significant impact on PFB's results of operations or financial position. The adoption of those sections resulted in additional disclosure in the Corporation's consolidated financial statements (see Note 12).

(c) Future Changes to Accounting Standards

The following changes to CICA Handbook Recommendations have been announced and will be applicable to PFB commencing January 1, 2011, with earlier adoption permitted:

Section 1582, *Business Combinations*
Section 1601, *Consolidated Financial Statements*
Section 1602, *Non-Controlling Interests*

Section 1582, *Business Combinations* is effective for business combinations with an acquisition date after January 1, 2011. The standard was amended to require additional use of fair value measurements, recognition of additional assets and liabilities, and increased disclosure. Adoption of the standard is expected to have a material effect on the way that the Corporation accounts for future business combinations. Entities adopting Section 1582 will also be required to adopt Section 1601, *Consolidated Financial Statements* and Section 1602, *Non-Controlling Interests*. These standards will require a change in the measurement of non-controlling interest and will require the change to be presented as part of shareholders' equity on the balance sheet. In addition, the income statement of the controlling parent company will include 100 per cent of the subsidiary's financial results and present the allocation between the controlling interest and non-controlling interest. The changes resulting from adopting Section 1582 will be applied prospectively and changes from adopting Section's 1601 and 1601 will be applied retrospectively. The Corporation does not currently have any non-controlling interests.

(d) Goodwill

Goodwill represents the excess of the purchase price of business acquisitions over the value attributed to the fair values of identifiable tangible and intangible assets acquired in such transactions. Goodwill is not subject to amortization into income, but is periodically tested (at least annually) for impairment. The impairment test is based on management's best estimate of the fair value of the acquired businesses compared to their carrying amount. Fair value is estimated based on expected future cash flows discounted to present value. In determining expected future cash flows, management takes into account in its assumptions any uncertainties which may affect financial and economic conditions, and the markets served.

(e) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, balances with banks, and investments in highly liquid money market instruments with original maturities of 90 days or less on the date acquired.

(f) Inventories

Inventories, which comprise raw materials and supplies, work-in-progress and finished products, are carried at the lower of cost and net realizable value. Cost is determined using the weighted average method and includes the purchase price and other costs directly related to the acquisition of materials. Net realizable value is determined as selling price less the cost to sell. The cost of work-in-process and finished product inventories include the cost of materials, the cost of direct labour, and a systematic allocation of fixed and variable manufacturing overheads based on a normal range of capacity for the respective production facilities.

(g) Impairment of Long-lived Assets

PFB reviews long-lived assets such as capital assets and intangible assets with finite useful lives for potential impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the fair value of undiscounted future cash flows expected from the use of an asset or group of assets is less than the carrying amount, an impairment loss is recognized for the difference. Factors which could trigger can impairment review include, but are not limited to, significant underperformance relative to historical or projected future operating results, significant changes in the nature of use of the asset, a change in the overall strategy of the business, and significant negative industry or economic trends.

(h) Capital Assets

Capital assets, including equipment under capital leases, are carried at cost less accumulated depreciation. Gains and losses arising on the disposal of individual assets are recognized in earnings in the year of disposal. Depreciation is provided for using the following rates and methods, which are designed to amortize the assets over their estimated useful lives:

Assets	Rate and Method
Buildings	5% straight line
Machinery and equipment and capital leases	At rates varying from 10% to 20% declining balance or the term of the lease
Computer and office equipment	At rates varying from 10% to 33% straight line and 20% declining balance
Assets under construction	Depreciation commences when the asset is completed and available for use.

The costs for periodic repairs and maintenance are expensed in the period incurred to the extent the expenditures serve only to restore the assets to their normal operating condition without enhancing the service potential or extending their useful lives.

(i) Intangible Assets

Intangible assets subject to amortization comprise product development costs (3 year amortization), non-integral computer software applications (3 year amortization), and patents (17 year amortization). All intangible asset classes are amortized on a straight-line basis and amortization commences when the asset is available for use.

(j) Employee Future Benefits

The Corporation administers a defined benefits pension plan (the Plan) for specific Ontario-based employees who are members of the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International union, which is their certified bargaining agent.

The Plan is registered with the Financial Services Commission of Ontario and with the Canada Revenue Agency and is funded in accordance with applicable legislation. The Plan's assets are held by an independent trustee and monthly contributions are paid into the Plan by the Corporation based on amounts determined by an independent actuary using assumptions approved by the Corporation. As the Plan currently has a transfer ratio of less than 0.8 an actuarial valuation is performed annually.

(k) Revenue Recognition

Sales revenue is recognized upon shipment of products, which is the date ownership risks and benefits transfer to the customer, or when services have been provided to the customer and the collection of receivables is reasonably assured. Sales revenue is reported net of any customer discounts, rebates, and freight expenses, where applicable.

Sales contracts for certain product lines that involve custom manufacturing require customers to sign a formal agreement which typically requires deposits and/or progress payments to be made at various pre-determined stages of completion of the contracts. All deposits and progress payments received are classified as customer deposits on the consolidated balance sheet until such time the project is completely manufactured and shipped to the customer. Revenue from these custom manufacturing contracts is recognized upon completion and shipment of these projects.

(l) Future Income Taxes

PFB uses the liability method of accounting for the tax effect of temporary differences between the tax bases of assets and liabilities and their carrying amounts. Temporary differences arise when the realization of an asset or the settlement of a liability would give rise to an increase or decrease in PFB's income taxes payable for the year or a later period.

Future income taxes assets and liabilities are measured at the income tax rates that, at the balance sheet date, are expected to apply when the future tax liability is settled or the future tax asset is realized. Future income tax assets are recognized only to the extent that, in the opinion of PFB's management, it is more likely than not that the future income tax asset will be realized.

(m) Earnings per Common Share

Basic earnings per common share is computed by dividing net income available to common shareholders by the weighted average number of shares outstanding during the year.

PFB uses the treasury stock method of calculating diluted earnings per common share. The treasury stock method is used to compute the dilutive effect of stock options, warrants, and similar instruments. Under this method, the exercise of stock options is assumed to have occurred at the beginning of a period and the related common shares are assumed issued at that time. The proceeds from exercise are assumed to have purchased common shares of the Corporation for cancellation at the average market value price during the period. The incremental shares (the difference between the number of shares assumed issued and the number of shares assumed purchased) are included in the denominator of the diluted earnings per common share calculation. Diluted earnings per common share exclude all potential dilutive common shares where the effect is anti-dilutive.

(n) Financial Instruments

PFB's cash and cash equivalents, accounts receivable, accounts payables and accrued liabilities, customer deposits, and long-term debt constitute financial instruments.

(i) Fair Value of Financial Assets and Liabilities

The carrying amounts of the financial instruments included in the consolidated balance sheet, other than long-term debt, approximate their fair value due to the short-term maturity of those instruments (see Note 12 for additional disclosures). The fair value of fixed interest rate long-term debt is determined by comparing the floating interest rate that PFB could obtain in the market for debt with similar terms to its fixed-rate debt. The fair value of the variable interest rate debt does not differ significantly from its carrying value as the interest rate is subject to market fluctuations.

(ii) Commodity Price Risk

PFB's main raw materials used in manufacturing its products are styrene monomer, expandable polystyrene resin, polypropylene resin, oriented strand board (OSB), and various species of raw timbers. PFB is exposed to fluctuations in the price of those raw materials.

(iii) Credit Risk

The concentration of credit risk in accounts receivable is limited due to a large number of diverse customers and geographical spread. PFB's subsidiary companies monitor the financial condition of their respective customers and perform ongoing credit evaluations, but do not generally require collateral to support amounts receivable. Contracts for the sale of customized building systems typically require customers to pay all or a significant amount of the contract value in advance of shipping the products. Allowances for doubtful accounts are established based upon the credit risk for particular customers, historical trends and other relevant information. PFB's management does not believe that the Corporation is exposed to an unusual level of credit risk.

(iv) Foreign Currency Risk

In the normal course of its operations, PFB is exposed to movements in the U.S. dollar. From time to time, PFB may utilize derivative financial instruments in the normal course of its operations as a means of managing its foreign currency exposure. PFB may purchase forward foreign exchange contracts to hedge anticipated purchases which are denominated in United States dollars when management deems it appropriate. PFB does not hold or issue derivative financial instruments for trading or speculative purposes.

(v) Interest Rate Risk

PFB's long-term debt is primarily contracted at fixed rates of interest except for a term loan facility held by Insulspan which currently operates on a floating interest rate. PFB is exposed to changes in interest rates in the United States.

(o) Stock-Based Compensation Plan

PFB recognizes compensation expense in each reporting period using the fair value method of accounting for stock options. PFB determines the fair value of each stock option grant using the Black-Scholes option pricing model and compensation expense is charged to income over the related vesting period. The accumulated compensation expenses, less amounts transferred to share capital on the exercise of options, are captured in the contributed surplus account.

(p) Use of Estimates

The preparation of PFB's consolidated financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect: the reported amounts of assets and liabilities; the disclosure of contingent assets and liabilities at the date of the consolidated financial statements; and the reported amounts of revenues and expenses during the reporting period presented.

Significant areas requiring the use of management estimates include: the useful life of capital assets for depreciation and amortization purposes; the allowance for doubtful receivables; customer rebates; the provision for inventory obsolescence; the estimated useful life of deferred product development costs; goodwill valuation; the provision for income taxes; the fair value of financial instruments; the determination of future cash flows for the purpose of impairment testing of long-lived assets; pension assets and obligations; and the determination of future income taxes assets and liabilities. Actual results could differ from those estimates.

(q) Foreign Currency Translation

The consolidated financial statements of PFB are reported in Canadian dollars. PFB's subsidiary in the United States uses the United States dollar as the currency of measurement and that subsidiary is considered a fully integrated foreign operation, the results of which are translated using the temporal method. Monetary assets and liabilities denominated in a foreign currency are translated to Canadian dollars at the exchange rate prevailing at the consolidated balance sheet dates. Transactions and non-monetary items are translated at the exchange rate prevailing on the transaction date. Income and expenses are translated at the average exchange rates prevailing during the period in which the transactions take place. Unrealized gains and losses arising from foreign currency translation are included in the consolidated statement of operations and comprehensive income.

(r) Management of Capital

The Corporation discloses its objectives, policies and processes for managing capital; quantitative data about what the entity regards as capital; whether the entity has complied with any capital requirements; and, if it has not complied, the consequences of such non-compliance. Additional disclosure in the Corporation's financial statements can be found in Note 11.

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are comprised as follows:

	2009	2008
Balances with banks	$ 4,394	$ 3,863
Short-term investments	6,502	-
	$ 10,896	$ 3,863

Short-term investments represented cash invested in a premium investment account with a major Canadian bank with maturities of 90 days or less as at December 31. The interest rate available on the premium investment account as at December 31, 2009, was in the range of 0.35% to 0.47% varying by the principal amount invested.

4. INVENTORIES

Inventories are comprised as follows:

	2009	2008
Raw materials and supplies	**$ 3,510**	$ 2,898
Work-in-progress	**1,068**	1,611
Finished goods	**1,679**	2,379
	$ 6,257	$ 6,888

The carrying amount of inventories recognized as an expense in the year in which revenue was recognized was $45,236 (2008 - $61,961). The cost of inventories recognized as an expense in the current year included $229 (2008 – $17) in respect of write-downs from cost to net realizable value. There were no reversals of any write-downs during the current year.

5. CAPITAL ASSETS

Capital assets are comprised as follows:

	2009	2008
Cost:		
Land	**$ 5,205**	$ 5,205
Buildings	**24,456**	24,434
Machinery and equipment	**30,409**	29,946
Computer and office equipment	**2,435**	2,327
Capital leases	**608**	280
	63,113	62,192
Accumulated depreciation:		
Land	**-**	-
Buildings	**8,462**	7,384
Machinery and equipment	**21,167**	20,167
Computer and office equipment	**1,741**	1,605
Capital leases	**163**	121
	31,533	29,277
Net book value:		
Land	**5,205**	5,205
Buildings	**15,995**	17,050
Machinery and equipment	**9,241**	9,779
Computer and office equipment	**694**	722
Capital leases	**445**	159
	$ 31,580	$ 32,915

In the current year, capital assets were acquired at an aggregate cost of $2,074 (2008 - $10,933) of which $328 (2008 - $164) was acquired by means of capital leases.

In the current year, $1,156 (2008 - $1,970) of redundant assets were written off. The aggregate net book value of the write-off was $21 (2008 - $11) and was charged against income as a loss on disposal of capital assets.

Depreciation commences when the asset is available for use. Depreciation and amortization expense in the amount of $3,094 (2008 - $3,122) is included in cost of goods sold, with an amount of $294 (2008 - $388) included in selling and administrative expenses.

6. INTANGIBLE ASSETS

PFB adopted Section 3064, Goodwill and Intangible Assets on January 1, 2009. Computer software and patents previously reported as capital assets have been reclassified as intangible assets under the new standard.

Intangible assets are comprised as follows:

	2009	2008
Cost:		
Product development costs	**$ 925**	$ 952
Software	**1,831**	1,831
Patents	**70**	70
	2,826	2,853
Accumulated amortization:		
Product development costs	**788**	649
Software	**1,758**	1,652
Patents	**20**	18
Balance as at December 31	**2,566**	2,319
Net book value:		
Product development costs	**137**	303
Software	**73**	179
Patents	**50**	52
	$ 260	$ 534

Amortization expense in the amount of $183 (2008 - $142) is included in cost of goods sold, with an amount of $96 (2008 - $Nil) included in selling and administrative expenses. In addition to normal amortization, an additional amount of $34 attributed to product development costs was written off in the second quarter of 2009 and included in the amount of $183 charged to cost of goods sold.

PFB has a continuous program of product development initiatives to obtain various code listings for its insulating building products and, where applicable, obtain listings for the respective manufacturing locations in Canada and the USA. Code listings increase selling opportunities for insulating building systems by making it easier for designers, architects and specifiers to incorporate these products in their plans. Deferred product development costs are amortized over a three year period commensurate with the validity period of the building code approvals. As at December 31, 2009, there were no in-process product development projects.

PFB's policy for product development costs requires the periodic review of the carrying values to determine if there has been impairment in value-based expected future cash flows. If it is determined that the carrying value exceeds the recoverable amount, the net asset is written down to the net recoverable amount.

7. OPERATING CREDIT FACILITIES

Plasti-Fab has a revolving demand credit facility with a major Canadian bank of $8,000 (2008 - $8,000). The revolving credit facility is secured by a first ranking security interest in accounts receivable and inventories of Plasti-Fab. On March 27, 2009, the terms of Plasti-Fab's non-revolving credit facility were revised to extend the maturity dates of existing loans (See Note 8). Concurrent with this change, the interest rate on Plasti-Fab's revolving credit facility was increased from the Canadian bank's prime rate plus 0.15% to the bank's prime rate plus 0.50%. The arrangement fee for the change to the revolving credit facility was five hundred dollars and there was no standby fee. As at December 31, 2009 and 2008, the revolving credit facility of $8,000 was unused. Plasti-Fab is subject to certain covenants on its credit facilities, one of which is a financial covenant to maintain a Fixed Charge Coverage of not less than 1.25:1.

On April 22, 2009, Insulspan completed the annual renewal of its revolving credit facility with a U.S. bank, whose parent company is a major Canadian bank. The maximum borrowing limit of USD $1,500 remained unchanged. The actual borrowing limit is determined by eligible accounts receivable and inventories as defined by the bank. The interest rate on bank indebtedness under the facility is the bank's prime rate plus 0.25% but, under the renewal agreement, is subject to a minimum rate of 4.0% at any time. As at December 31, 2009 and 2008, the revolving credit facility of USD $1,500 was unused. The revolving credit facility has a standby fee per month of minimal value.

8. LONG-TERM DEBT

As at December 31, 2009, the total aggregate principal repayment amount outstanding on Plasti-Fab's non-revolving credit facility was $8,437 (2008 - $8,636). At that date, the unused portion of the non-revolving facility of $4,196 (2008 - $4,364) represents an approved limit of $4,300 less amounts outstanding on Canadian capital leases. Plasti-Fab is subject to certain covenants on its credit facilities, one of which is a financial covenant to maintain a Fixed Charge Coverage of not less than 1.25:1. As at December 31, 2009 and 2008, the financial covenant ratio was in compliance. On December 24, 2009, the 5-year term for the fixed interest rate on the loan dated December 24, 2004, expired (see table below). From that the date, the interest rate was reset to the equivalent of the bank's prime rate plus 0.85%.

On June 25, 2008, Plasti-Fab made a draw of $5,000 on its non-revolving credit facility. The loan is being amortized over a 15-year period at a fixed rate of interest of 6.05% per annum for a five-year term. The first monthly principal repayment was deferred for one year and monthly repayments commenced on October 31, 2009. On September 30, 2008, Plasti-Fab made a second draw of $2,000 on the non-revolving credit facility with an amortization period of 15-years and a fixed rate of interest of 5.55% per annum for a five-year term. The first monthly principal repayment of that draw was also deferred for one year and is scheduled to commence on January 31, 2010.

On March 27, 2009, the terms of Plasti-Fab's non-revolving credit facility were revised to extend the maturity dates of existing loans.

In April 2008, Insulspan refinanced a term loan facility for a period of 5-years with a U.S. bank, whose parent company is a major Canadian bank. The term loan is secured by manufacturing properties in Michigan, USA, At December 31, 2009, the outstanding principal amount of the term loan was USD $747 (2008 – USD $815). The loan bears an interest rate of U.S. prime plus 0.25%. PFB provided a guarantee and postponement of claim to the U.S. bank in the maximum amount of USD $1,050. Applicable financing costs were expensed as incurred.

In the current year, new capital lease agreements in the total amount of $328 (2008 - $164) were entered into by PFB's subsidiaries principally for materials handling equipment and automobiles.

Long-term debt commitments as at December 31, 2009 and 2008 were as follows:

	Date of Loan	Interest Rate	Interest Term	2009	2008
Payable in Canadian Dollars:					
Term loan	Dec 24/04	3.10%	-	**$ 755**	$ 810
Term loan	Mar 30/05	5.90%	5 years	**773**	826
Term loan	Jun 25/08	6.05%	5 years	**4,909**	5,000
Term loan	Sep 30/08	5.55%	5 years	**2,000**	2,000
Vendor take-back mortgage	Jan 11/05	2.70%	4 years	**-**	418
Capital leases	Various	4.40% to 6.60%	3 to 5 years	**402**	100
Payable in U.S. dollars:					
Term loan	Renewed Apr 28/08	Prime +0.25%	5 years	**785**	993
Capital leases	Various	3.70% to 7.50%	3 to 5 years	**39**	59
				9,663	10,206
Less: Current portion				**(919)**	(738)
				$ 8,744	$ 9,468

All figures in the above table are stated in Canadian dollars.

Estimated long-term debt repayments for fiscal years 2010 through to maturity are set out below:

For the year ending:	
2010	$ 919
2011	1,525
2012	708
2013	5,534
2014 and beyond	977
Total	$ 9,663

The fair value of long-term debt as at December 31, 2009 is $9,549 (2008 - $9,910). The fair value of long-term debt is determined by taking each existing loan component and applying the prevailing interest rate at the balance sheet dates that are representative for the remaining interest rate term (where applicable).

In the current year, interest expense on long-term debt commitments in the amount of $542 (2008 - $347) is included in interest expense in the Consolidate Statements of Operations and Comprehensive Income.

9. SHARE CAPITAL

Share capital represents:

(a) **Authorized**

Unlimited number of voting common shares without nominal or par value.

Unlimited number of preferred shares without nominal or par value, issuable in series at the discretion of the directors of the Corporation, of which none are outstanding.

(b) Common Shares Issued

	2009		2008	
	Shares	Amount	Shares	Amount
Balance, beginning of year	**6,572,536**	**$ 19,829**	6,580,236	$19,851
Cancellation of repurchased shares	**(3,800)**	**(14)**	(7,700)	(22)
Balance, end of year	**6,568,736**	**$ 19,815**	6,572,536	$ 19,829

(c) Stock-Based Compensation

A stock option entitles the option holder to acquire common shares of PFB at the strike price established at the time of grant, after vesting and before expiry. The strike price of each stock option equals the weighted average market price of the Corporation's common shares determined two business days preceding the effective date of grant, and the stock options expire on the fifth anniversary of the effective date. The maximum number of common shares issuable under PFB's stock option plan is equal to 10% of the common shares that are issued and outstanding. At December 31, 2009, 6,568,736 (2008 – 6,572,536) common shares were issued and outstanding and total stock options of 200,000 (2008 – 200,000) representing 3.0% (2008 – 3.0%) of the total issued and outstanding common shares had been granted but not exercised. No stock options were granted in 2009 or 2008.

The following table sets forth all outstanding stock options as of December 31:

	2009		2008	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of year	**200,000**	**$ 8.45**	200,000	$ 8.45
Granted	**-**	**-**	-	-
Exercised	**-**	**-**	-	-
Cancelled	**-**	**-**	-	-
Expired	**-**	**-**	-	-
Forfeited	**-**	**-**	-	-
Outstanding, end of year	**200,000**	**$ 8.45**	200,000	$ 8.45

The following table sets forth information concerning share options granted and vested under the stock option plan as at December 31, 2009:

	Options Outstanding			Options Exercisable	
Exercise Price in Dollars	Number of Options Outstanding	Weighted Average Remaining Contract Life (months)	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
$ 5.30	50,000	6.0	$5.30	50,000	$ 5.30
$ 9.50	150,000	31.0	9.50	100,000	9.50
	200,000	24.8	$ 8.45	150,000	$ 8.10

Amortization of the fair value amounts attributed to stock options are reported as compensation expense each period with the off-set booked to the contributed surplus account on the balance sheet.

(d) **Normal Course Issuer Bid**

In August 2009, PFB obtained approval from The Toronto Stock Exchange to renew its Normal Course Issuer Bid program for a 12-month period which commenced on August 31, 2009 and ending no later than August 30, 2010. The renewal allows PFB to purchase, no later than August 30, 2009, up to a maximum of 328,537 of its common shares, representing 5% of PFB's 6,570,736 issued and outstanding common shares as at August 27, 2009, subject to daily maximum purchases of 1,000 common shares. PFB will purchase, from time to time, its common shares at market price by means of open market transactions on The Toronto Stock Exchange.

In the year ended December 31, 2009, PFB purchased and cancelled 3,800 (2008 – 7,700) of its common shares under the normal course issuer bid for an aggregate price of $15 (2008 - $66), of which $1 (2008 - $44) was charged to retained earnings as premium on redemption of the common shares.

10. CONTRIBUTED SURPLUS

The following table sets forth the reconciliation of contributed surplus with respect to stock-based compensation:

	2009	2008
Balance, beginning of year	$ 251	$ 137
Stock-based compensation expense	114	114
Balance, end of year	$ 365	$ 251

11. MANAGEMENT OF CAPITAL

The primary objective of PFB is to produce a targeted rate of return while safeguarding corporate assets and ensuring the Corporation's ability to continue as a going concern. The basic components of PFB's current capital structure are shareholders' equity and long-term debt. The core of PFB's capital management activities is the successful management of cash.

PFB's capital structure as at December 31, 2009 and December 31, 2008, is outlined in the following table:

	2009	2008
Long-term debt	$ 9,663	$ 10,206
Shareholders' equity	44,587	42,375
Balance, end of year	$ 54,250	$ 52,581

PFB considers the amount of capital it requires in proportion to the associated risks. Adjustments may be made to PFB's capital structure in light of changes in economic conditions and the risk characteristics of the underlying assets. The capital structure can be maintained or adjusted in a variety of ways as circumstances may change, including: adjusting the amount of dividends paid to shareholders; purchasing shares for cancellation (Normal Course Issuer Bid); issuing new shares; and increasing or repaying long-term debt.

PFB pursues its capital management objectives by prudently managing the capital generated through internal growth of its operations, optimizing the use of lower cost capital when required, and raising share capital, subject to market conditions, to fund significant strategic growth initiatives.

Consistent with many other issuers, PFB monitors capital using the following non-GAAP ratios:

- Return on Shareholders' Equity, which is defined as net income for the most recent twelve-month period divided by total shareholders' equity at the beginning of that twelve month period. Shareholders' Equity is defined as all components of shareholders' equity (i.e. share capital, contributed surplus, and retained earnings).
- Net Debt divided by Shareholders' Equity. Net debt is defined as total debt (the current portion plus long-term portion), as shown in the balance sheet, less cash and cash equivalents.
- Current ratio, which is defined as current assets divided by current liabilities.

Actual ratios calculated at the dates stated are set out in the following table:

	December 31	
	2009	**2008**
Return on Shareholders' Equity	**8.7%**	1.7%
Net Debt to Shareholders' Equity [1]	**-**	15.0%
Current Ratio	**2.61x**	2.22x

[1] At December 31, 2009, cash and cash equivalent balances exceeded total debt.

Two entities within PFB's consolidated group have non-capital tax losses carried forward to be utilized against future taxable income expected to be generated by those entities.

PFB's subsidiaries are subject to certain covenants on their credit facilities, one of which is a financial covenant to maintain a Fixed Charge Coverage of not less than 1.25:1. Fixed Coverage Charge is defined as the ratio of EBITDA (net income from continuing operations, excluding extraordinary gains or losses, plus interest expense and income taxes accrued during the period, plus depreciation and amortization expenses deducted in the period) plus payments under operating leases less cash income taxes and unfunded capital expenditures to fixed charges. Fixed charges are defined as the total of interest expense, scheduled principal payments in respect of funded debt, payments under operating leases, and corporate distributions. PFB has also provided a guarantee and postponement of claim to support certain facilities of subsidiaries. PFB monitors compliance with its covenant ratio on a quarterly basis and reports any exceptions to its board of directors. As at December 31, 2009 and 2008, the financial covenant ratio was in compliance.

12. FINANCIAL INSTRUMENTS

PFB is exposed to a variety of risks that may affect the fair value of its financial instruments with each carrying varying degrees of significance which could affect PFB's ability to achieve its strategic objectives of growing its operations and increasing shareholder returns.

A summary of the classifications, carrying values and fair values of financial instruments held by PFB as at December 31, 2009 and 2008, are stated in the following table:

	2009		2008	
	Book Value	**Fair Value**	**Book Value**	**Fair Value**
Financial assets				
Held for trading:				
Cash and cash equivalents	**$ 10,896**	**$ 10,896**	$ 3,863	$ 3,863
Loans and receivables:				
Accounts receivable	**5,892**	**5,892**	7,891	7,891
Financial liabilities				
Other liabilities held for trading:				
Accounts payable and				
accrued liabilities	**$ 7,016**	**$ 7,016**	$ 6,410	$ 6,410
Other financial liabilities:				
Long-term debt (total)	**9,663**	**9,549**	10,206	9,910

PFB's financial instruments are defined in Note 2(n) and determination of fair value is discussed in Note 2(n)(i).

The CICA Handbook Section 3862, Financial Instruments – Disclosures establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The three levels of the fair value hierarchy are described below:

Level 1: Values based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.

Level 2: Values based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.

Level 3: values based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

The following table presents the company's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of December 31, 2009:

	Total	**Level 1**	**Level 2**	**Level 3**
Financial assets				
Held for trading:				
Cash and cash equivalents	**$ 10,896**	**$ 10,896**	-	-

The principal risks associated with financial instruments, to which PFB is exposed, along with its risk management policies are described below:

(a) Credit Risk

Credit risk is defined as the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge its obligation.

PFB's exposure to credit risk is associated with accounts receivable and the potential risk that a customer will be unable to pay amounts due. Allowances for doubtful accounts and bad debts are estimated and maintained as at the balance sheet date. The amounts reported for accounts receivable in the balance sheet are net of allowances for doubtful accounts and bad debts and the net carrying value represents PFB's maximum exposure to credit risk.

PFB's subsidiaries provide trade credit to their customers in the normal course of business and PFB's credit policy is universally adopted across all businesses. The policy requires the credit history of each new customer to be closely examined before credit is granted, which may involve performing solvency tests if a particular account is expected to become significant. The diversity of PFB's customer base and product offering combine to minimize overall exposures to credit risks.

Customers ordering highly customized manufactured products, usually involving detailed design work, are required to make advance payments at various pre-defined stages of the sales contract. All payments received in advance are reported as customer deposits under the current liability section of the balance sheet. Final contract balances are typically required to be paid in full before products are shipped.

Management diligently reviews past due accounts receivable balances on a weekly basis to monitor potential credit risks. Accounts are considered for impairment on a case-by-case basis when they are past due or when objective evidence is received that a customer may default. A number of factors are considered in determining the likelihood of impairment. All bad debt write-offs and changes in the doubtful accounts receivable reserve are expensed or credited, as applicable, to selling and administrative expenses.

The following table sets forth details of the ageing profile of accounts receivable and allowance for doubtful accounts as at December 31:

	2009	2008
Accounts receivable - current and past due for less than 30 days	**$ 4,031**	$ 5,116
Accounts receivable - past due for between 31 and 90 days	**2,053**	3,242
Accounts receivable - past due for 91 days or longer	**282**	130
Total gross accounts receivable	**6,366**	8,488
Allowance for doubtful accounts	**(474)**	(597)
Accounts receivable, net	**$ 5,892**	$ 7,891

PFB believes that credit risk associated with its accounts receivable is limited for the following reasons:

(i) Accounts receivables balances are spread amongst a broad customer base which is dispersed across a wide geographic range.
(ii) The aging profile of accounts receivables balances are systematically monitored by management.
(iii) Larger customers are offered a discount of 1% off invoice value if full payment is received by an agreed date in the month following the month of sale.
(iv) Payments for highly customized orders are received from customers in advance of products being shipped.
(v) PFB's largest individual customer, determined by annual purchases, represents less than 5% of total consolidated sales revenues.

The credit risk on cash balances, cash equivalent short-term investments, and foreign exchange contracts is limited because the counterparties are a large commercial bank in Canada and its associate in the United States. Short-term investments, reported under cash and cash equivalents, comprise financial instruments issued by Canadian banks. No foreign exchange contracts existed as at either December 31, 2009 or December 31, 2008.

PFB's exposure to credit risk is limited to the carrying amounts of financial assets recognized at the balance sheet date, as summarized in the table below:

	December 31	
	2009	**2008**
Cash and cash equivalents	**$ 10,896**	$ 3,863
Accounts receivable	**5,892**	7,891

(b) Currency Risk

Currency risk is defined as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

PFB operates in both Canada and the United States of America and is exposed to foreign exchange risks arising from changes in foreign exchange rates between the two countries. At the present time, PFB has a net exposure to the United States (U.S.) dollar, as the prices of most raw material supplies used in its businesses are denominated in U.S. dollars. Raw material supplies which are denominated in U.S. dollars are usually paid within thirty days or less of receiving the actual deliveries, which is consistent with industry practices.

At December 31, 2009, the carrying amounts of PFB's foreign currency denominated net monetary assets was USD $4,114 (2008 – USD $2,140) and foreign currency denominated net monetary liabilities was USD $2,667 (2008 – USD $5,402). Based on the net foreign currency liability as at December 31, 2009, and assuming that all other variables remain constant, a fluctuation of +/- 5.0% in the exchange rate between the Canadian dollar and the U.S. dollar would impact net income or loss by approximately $55 (2008 - $139).

Periodically, management may commit to entering into foreign exchange contracts to attempt to protect earnings against relatively short-term fluctuation in exchange rates. In such cases, management attempts to make informed judgements in entering such transactions but there is a possibility that markets may not respond in ways predicted. To the extent that PFB does not fully hedge its foreign currency exposure and exchange rate risk, or PFB's subsidiaries are not able or do not raise their selling prices accordingly when exchange rates are moving in an unfavourable direction, the profitability of the business could be adversely affected. PFB does not enter into currency driven derivative financial instruments for speculative purposes.

As at December 31, 2009 and 2008, PFB and its subsidiaries held no foreign exchange contracts.

(c) Interest Rate Risk

Interest rate risk is defined as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of change in market interest rates.

PFB is exposed to interest rate risk on a portion of its long-term debt and it does not currently hold any financial instruments to mitigate those risks. Management believes that the potential adverse impact of interest rate fluctuations on the current level of borrowings exposed to interest rate risk will not be significant in relation to its expected future earnings.

As at December 31, 2009, PFB's subsidiaries have in place a combination of revolving and non-revolving credit facilities. Maximum revolving credit facilities of $8,000 and USD $1,500 were unused at the balance sheet date. The revolving credit facilities are each secured by accounts receivables and inventories, and the maximum available limits may fluctuate downwards if accounts receivable and inventory balances contract. The unused portion of non-revolving credit facility with a Canadian bank was $4,196 (2008 - $4,200) which represents an approved limit of $4,300 less amounts outstanding on Canadian capital leases.

(d) Liquidity Risk

Liquidity risk is defined as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

Liquidity risk is the risk that PFB is not able to meet its financial obligations as they become due or that it can only do so at an abnormally high cost. PFB's future strategies can be financed through a combination of cash flows provided by operations, borrowing under existing credit facilities, and the issuance of equity. One of management's primary goals is to maintain an optimum level of liquidity by actively managing assets, liabilities and cash flows. Management prepares regular budgets and cash flow forecasts to help predict future changes in liquidity. Based on PFB's aggregate liquid assets as compared to its liabilities and commitments, management assesses PFB's liquidity risk to be low, subject to a continuing ability to generate positive cash flows from operations.

PFB's liabilities having contractual maturities as at December 31, 2009, are as indicated in the following table:

	Current within 12 months	Non current	
		1 - 5 years	Over 5 years
Accounts payable and accrued liabilities	$ 7,016	$ -	$ -
Long-term debt	919	8,744	-
Total liabilities	$ 7,935	$ 8,744	$ -

13. EARNINGS PER COMMON SHARE

The following table sets forth the reconciliation of basic and diluted earnings per share:

	2009	2008
Net income	**$ 3,690**	$ 700
Weighted average number of common shares outstanding - basic	**6,570,906**	6,579,484
Shares assumed issued [1]	**-**	50,000
Shares assumed purchased [1]	**-**	(40,769)
Weighted average number of common shares outstanding - diluted	**6,570,906**	6,588,715
Earnings per share:		
Basic	**$ 0.56**	$ 0.11
Diluted	**$ 0.56**	$ 0.11

[1] 150,000 stock options granted in the third quarter of 2007 (See Note 9(c)) were anti-dilutive as at December 31, 2009 and 2008 and, therefore, they have not been included in the calculation of shares assumed issued and shares assumed purchased. 50,000 stock options granted in the 2005 (See Note 9(c)) were anti-dilutive as at December 31, 2009 and, therefore, they have not been included in the calculation of shares assumed issued and shares assumed purchased.

14. INCOME TAXES

The effective income tax rate of PFB differed from the expected combined federal and provincial income tax rate for the following reasons:

	2009		2008	
	Amount	% of Pre-Tax Earnings	Amount	% of Pre-Tax Earnings
Income before income taxes	**$ 5,078**	**-**	$ 1,351	-
Rates applied to income before income taxes	**1,534**	**30.2**	420	31.1
Higher tax jurisdiction (USA)	**(112)**	**(2.2)**	5	0.4
Enacted tax rate reduction	**(100)**	**(2.0)**	(11)	(0.8)
Expenses without tax basis	**64**	**1.3**	96	7.1
Foreign exchange translation of U.S. subsidiary	**(168)**	**(3.3)**	141	10.4
Prior year rate adjustments	**213**	**4.2**	-	-
Other	**(43)**	**(0.9)**	-	-
	$ 1,388	**27.3**	$ 651	48.2

The provision for income taxes is comprised of the following:

	2009	2008
Current	**$ 217**	$ 1,031
Future	**1,171**	(380)
	$ 1,388	$ 651

The table below shows PFB's future income taxes resulting from temporary differences between the carrying amounts of assets for accounting purposes and the amounts used for tax purposes:

	2009	2008
Future income taxes asset (liability):		
Capital assets	**$ (286)**	$ 58
Intangible assets	**(21)**	(3)
Non-capital losses carried forward	**414**	1,460
Reserves	**243**	194
Other	**249**	114
	$ 599	$ 1,823

Non-capital losses carried forward expire in 2029. As a result of a corporate reorganization in the fourth quarter of 2009, the non-capital losses carried forward are expected to be utilized in fiscal 2010.

Future income taxes are presented in the consolidated financial statements as follows:

	2009	2008
Future income taxes asset - current	**$ 637**	$ 1,262
Future income taxes asset - long term	**$ 444**	$ 561
Future income taxes liability - long-term	**(482)**	-
	$ 599	$ 1,823

15. CHANGES IN NON-CASH WORKING CAPITAL

	2009	2008
Accounts receivable	**$ 1,999**	$ (240)
Inventories	**631**	169
Income taxes receivable	**822**	(622)
Prepaid expenses	**121**	239
Accounts payable and accrued liabilities	**607**	(2,253)
Customer deposits	**(1,173)**	(241)
	$ 3,007	$ (2,948)

16. EMPLOYEE FUTURE BENEFITS

The Corporation has a defined benefits pension plan for specific Ontario-based employees who are members of the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International union. The latest actuarial valuation was completed on March 31, 2009, and identified that the Plan had a funding deficit on a going-concern basis of $119 (2008 - $66) and, on a solvency basis, the actuarial liabilities exceeded the value of assets by $30 (2008 - $45).

In addition to having actuarial valuations performed on March 31 each year, the Plan's accrued benefit obligation and the fair value of plan assets for accounting purposes was also measured as at December 31, 2009.

Information about the Plan as at December 31 is as follows:

	2009	2008
Fair value of plan assets:		
Balance at beginning of year	**$ 763**	$ 802
Actual return on plan assets	**44**	(139)
Employer contributions	**130**	121
Employee contributions	**-**	-
Benefits paid	**(21)**	(21)
Balance at end of year	**$ 916**	$ 763
Accrued benefit obligation:		
Balance at beginning of year	**$ 757**	$ 887
Valuation effect	**-**	-
Total current service costs	**24**	33
Interest cost	**58**	53
Benefits paid	**(21)**	(21)
Actuarial gains	**53**	(265)
Plan amendments (prior service costs)	**-**	70
Balance at end of year	**$ 871**	$ 757
Funded status:		
Fair value of plan assets	**$ 916**	$ 763
Accrued benefit obligation	**(871)**	(757)
Funded status at end of year - excess	**45**	6
Unamortized net actuarial gains	**267**	217
Unamortized past service costs	**163**	174
Accrued benefit asset at end of year	**$ 475**	$ 397

Employer contributions to the Plan are expensed in the period and reported in cost of sales.

Plan assets by category as at December 31 are as follows:

	2009	2008
Equity	**-%**	37.2%
Fixed income	**95.1%**	62.1%
Other	**4.9%**	0.7%
Balance at end of year	**100%**	100.0%

17. RELATED PARTY TRANSACTIONS

In 2009 and 2008, PFB had transactions with three related parties which are summarized in the table below. All related party transactions are constituted in the ordinary course of business and they have been measured at the agreed to exchange amounts which approximate fair value.

	2009	2008
Aeonian Capital Corporation	**200**	200
Baker Investments LLC	**118**	114
McCarthy Tetrault LLP	**85**	147
	403	461

All figures in the above table are stated in Canadian dollars.

As at December 31, 2009, Aeonian Capital Corporation ("Aeonian"), and its affiliates, owned 2,921,668 or 44.5% (2008 – 2,921,668 or 44.5%) of PFB's issued and outstanding common shares. Aeonian is controlled by C. Alan Smith, President, Chief Executive Officer, and a Director of the Corporation. PFB is charged fees by Aeonian for management services provided by Mr. Smith. The fees for management services are reported under selling and administrative expenses. As at December 31, 2009 and 2008 all fees had been paid in full in each respective year.

Mr. Frank Baker, a director of PFB and the original vendor of Riverbend Timber Framing Inc., acquired by PFB in 2004, receives an annual stipend of USD $85 plus a travel and subsistence allowance to a maximum of USD $25 per annum for representing and promoting PFB's interests, including representation at various industry and trade organizations. As at December 31, 2009, there was an account payable outstanding to Mr. Baker in the amount of USD $29 with respect to the stipend and expenses which was settled in January 2010.

PFB incurs fees for legal services provided by a law firm in which a director of PFB is Counsel to the firm. As at December 31, 2009, a payable to the law firm in the amount of $25 (2008 - $19) was outstanding.

18. COMMITMENTS AND CONTINGENCIES

(a) Commitments

The Corporation is required, from time to time under the terms of certain sales contracts, to provide performance bonds that ensure that it performs under such contracts. As at December 31, 2009, performance bonds outstanding aggregate $22,048, (2008 - $Nil).

(b) Operating Leases

The Corporation's subsidiaries rent assets under operating lease commitments with respect to certain premises, equipment and vehicles. Annual future rental commitments on operating lease agreements require annual payments as follows:

2010	$ 787
2011	724
2012	574
2013	309
2014 and beyond	599
	$ 2,993

In addition, PFB's subsidiaries are obligated to pay their share of the operating costs for property leases.

(c) Capital Expenditures and Product Development Costs

PFB has an ongoing program of investment in property, plant and equipment and intangible assets in the normal course of its business and outstanding commitments for capital expenditures as at December 31, 2009 amounted to $424 (2008 - $707).

(d) Contingent Liabilities

In the normal course of operations, PFB and its subsidiaries may occasionally become involved in various claims. While the final outcome with respect to any claims pending cannot be predicted with certainty, it is the opinion of management that their resolution will not have a material adverse effect on PFB's consolidated financial position or consolidated results of operations.

(e) Environment

PFB's subsidiaries are subject to various laws, regulations and government policies relating to health and safety, production operations, storage and transportation of goods, disposal and environmental emissions of various substances and materials, and to the protection of the environment in general. It is the opinion of management that PFB and its subsidiaries are in compliance with such laws, regulations and government policies in all material respects.

19. SEGMENTED INFORMATION

PFB is organized and managed as a single reportable business focused on selling proprietary products that use expanded polystyrene rigid insulation. All of PFB's subsidiaries in Canada and the United States are wholly-owned and considered to be fully integrated operations.

Selected financial information is as follows:

	2009	2008
Sales		
Canada	**$ 55,606**	$ 65,720
United States	**10,251**	14,064
Japan	**73**	26
	$ 65,930	$ 79,810
Capital assets, intangible assets and goodwill		
Canada	**$ 30,049**	$ 31,268
United States	**7,677**	8,068
	$ 37,726	$ 39,336
Total assets		
Canada	**$ 52,607**	$ 49,637
United States	**10,645**	12,031
	$ 63,252	$ 61,668

20. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the presentation adopted in the current year.

DIRECTORS

The Honourable Harvie Andre [1]
President
Cresvard Corporation

Frank B. Baker
Director

Bruce M. Carruthers
Chief Operating Officer
PFB Corporation

Donald J. Douglas [1]
President and CEO
United Communities Inc.

John R. McDougall [1]
President and General Manager
McDougall & Secord Limited

John K. Read [1]
President
John K. Read Investments Ltd.

C. Alan Smith
President
Aeonian Capital Corporation

William H. Smith, Q.C.
Counsel to McCarthy Tetrault, LLP

Gordon G. Tallman [1]
Corporate Director

OFFICERS

C. Alan Smith
Chairman, President and
Chief Executive Officer

Stephen P. Hardy
Vice President and
Chief Financial Officer

Bruce M. Carruthers
Chief Operating Officer

William H. Smith, Q.C.
Corporate Secretary

[1] Member of the Audit Committee

SUBSIDIARIES

Plasti-Fab Ltd.
Delta, British Columbia
Calgary, Alberta
Crossfield, Alberta
Edmonton, Alberta
Saskatoon, Saskatchewan
Winnipeg, Manitoba
Kitchener, Ontario
Ajax, Ontario

Insulspan Division of Plasti-Fab Ltd.
Delta, British Columbia

Insulspan, Incorporated
Riverbend Timber Framing, LLC
Blissfield, Michigan, USA

Riverbend Timber Framing Division of Plasti-Fab Ltd.
Calgary, Alberta

WEBSITES

www.pfbcorp.com
www.plastifab.com
www.insulspan.com
www.advantageicf.com
www.riverbendtf.com
www.pfbsustainability.com

BANKERS

Royal Bank of Canada

TRANSFER AGENT AND REGISTRAR

Alliance Trust Company

AUDITORS

Deloitte & Touche LLP

LEGAL COUNSEL

McCarthy Tétrault LLP

STOCK EXCHANGE LISTING

The Toronto Stock Exchange

STOCK SYMBOL

PFB

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