STRENGTH
PERFORMANCE
LEADERSHIP
OPPORTUNITY
RESPONSIBILITY
SUSTAINABILITY

2010 Annual Report
Leadership in a Sustainable World

P·F·B™
CORPORATION
Better building ideas

NOTICE OF MEETING

The Annual Meeting of Shareholders of PFB Corporation will be held on May 26, 2011, 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".

FINANCIAL OVERVIEW

Years ended December 31, 2010, 2009, 2008, 2007, and 2006
(Thousands of dollars except per share data)

	2010	2009	2008	2007	2006
Operating Results					
Sales	**$ 65,580**	$ 65,930	$ 79,810	$ 82,918	$ 78,218
Gross profit	**16,864**	19,847	17,849	22,731	21,543
Income before other expenses, interest and taxes	**3,206**	5,654	1,666	5,718	7,858
Net income	**1,874**	3,690	700	3,903	4,977
Funds provided by operations [1]	**5,321**	8,131	4,189	6,790	7,205
Per Common Share Data					
Earnings per share – Basic	**0.28**	0.56	0.11	0.61	0.79
Earnings per share – Diluted	**0.28**	0.56	0.11	0.60	0.79
Dividend paid per share – Regular	**0.24**	0.24	0.24	0.24	0.24
Funds provided by operations [2]	**0.81**	1.24	0.64	1.17	1.14
Book value [3]	**6.83**	6.79	6.45	6.57	5.70

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 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.

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

LETTER TO SHAREHOLDERS

Financial results achieved by PFB Corporation during 2010 were reduced from those achieved in 2009 although sales volumes improved and revenues remained relatively constant. Gross margins were reduced during the year as a result of higher raw material costs and this adverse impact affected bottom line earnings. Other indirect costs showed continued improvement during the year but with no opportunity to raise prices to customers during the year, the margin squeeze resulted in lower operating profits and lower earnings per share. Nevertheless, a strong balance sheet was maintained and at year end the company continues to be in excellent financial condition with cash balances greater than long-term debt.

The general economic recovery that began in 2009 continues and provides a reason for optimism. The risk scenario in our business environment is centered on the cost of raw materials and other commodity inputs that have led to higher costs which are not accompanied by the opportunity to pass these costs on in the form of higher prices to customers. At a point in time, that we expect will occur this year, higher prices will be achieved as there is a general recognition of the general necessity for them throughout the economy. Higher commodity prices affect everyone and a general rise in price levels is the inevitable result.

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.

In the fourth quarter, PFB announced it's intent to acquire Precision Craft Homes. The transaction was closed effective February 1, 2011 at a cost of $2,500,000 USD that was satisfied from working capital and a further payment of 166,667 PFB common shares that are subject to earn-out provisions over a maximum five year period. A wholly owned subsidiary, named PFB America Corporation, has been formed and its focus will be the operation of the Precision Craft, Riverbend Timber Framing and Insulspan operations.

Last year we initiated the reporting of "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 2010 this amount was $0.81 per common share while in 2009 this amount was $1.24.

Our regular quarterly dividends continue at $0.24 per share on an annualized basis and account for approximately 30% of this balance in 2010, approximately 20% in 2009. Currently the PFB balance sheet is strong and access to liquidity through existing bank credit lines remains good.

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 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 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 3, 2011

VERTICALLY INTEGRATED FOR BETTER BUILDING IDEAS

WHAT'S THE BEST WAY TO BUILD GREEN?

There are as many different opinions as there are experts. But one thing the experts agree on is the importance of a high performance building envelope. Loading a home with solar panels and high tech systems may capture all the attention, but behind every LEED® Platinum project is a building shell that is responsible for conserving energy and reducing greenhouse gas emissions.

From popular green building programs like LEED® for Homes and the National Green Building Standard, to the ultra-energy-efficient Passive House certification, insulating building products from PFB provide a direct route to the upper echelons of sustainable construction.

LEARN ABOUT LEED®

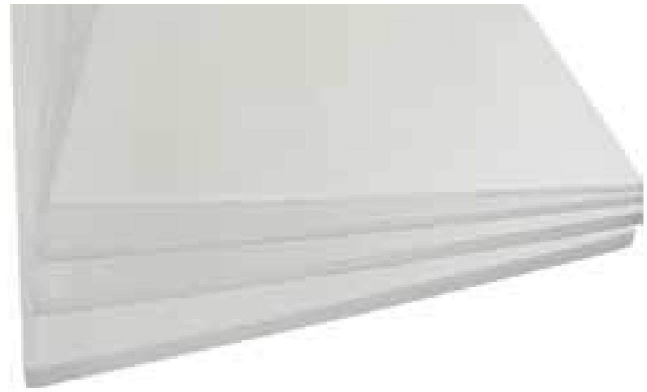
LEED®, is the acronym for Leadership in Energy and Environmental Design, which was launched in March 2000.

LEED® is an internationally recognized green building certification system. It provides third-party verification that a building or community was designed and built using strategies aimed at improving performance across all the metrics that matter most. These include energy savings, water efficiency, CO_2 emissions reduction, improved indoor environmental quality, and stewardship of resources and sensitivity to their impacts.

Learn more @ **http://www.usgbc.org/**

Plasti-Fab® EPS insulation can be used in a variety of applications, including flat roofs, energy-efficient retrofits, and crucial under-slab insulation. Plasti-Fab products are manufactured without HCFCs and maintain a stable R-value over the life of a building.

twitter.com/PlastiFab



The Advantage ICF System® combines the strength and durability of concrete with a continuous layer of EPS insulation for superior insulation and air tightness.

twitter.com/AdvantageICF

Insulspan® Structural Insulating Panels (SIPs) offer unmatched energy performance with their solid EPS core and continuous air barrier. Insulspan's ready-to-assemble system also helps builders save valuable framing time and labor costs.

twitter.com/InsulspanSIPS

Riverbend® Timber Framing is one of North America's premier suppliers of precision-cut timber frames. Inside Riverbend's award-winning design department, the elegance of a natural wood timber frame meets cutting edge insulating building products from PFB to create fully integrated, sustainable homes.

twitter.com/RiverbendTF

To see our products in action, visit our YouTube Channel:

http://www.youtube.com/user/PFBCorporation

Individually, PFB products are powerful insulating components for reducing home energy use. Together, they are much more: a certification-level building envelope for any sustainable project. The PFB line of products creates a whole-building solution, an opportunity to reach net-zero energy, and the future of sustainable building. That is better building, from PFB.

THE LAKESIDE COTTAGE

When a tree fell on the Baker family cottage in Lakeside, Ohio, it crushed what had been the family's beloved summer getaway for the past 15 years. For owner Frank Baker, there was little doubt that he would rebuild his family's cabin, and that he would rebuild it green.

A storm caused a large tree to fall and damage the Baker's original lakeside cottage beyond repair.

As a former engineer and founder of both Insulspan and Riverbend Timber Framing, Baker has devoted 35 years to advancing sustainable homebuilding technology. He set his sights on the Emerald Level of the National Green Building Standard, the top tier of one of the most comprehensive green building rating systems available.

Energy efficiency is a key element in any sustainable home to reduce greenhouse gas emissions and homeowner operating costs. Baker was able to cut energy use in his 1,652 sq. ft. home by over 30 percent using sustainable insulating building products from PFB Corporation.

"You can forget all the rest if you haven't done a good job on the building envelope," said Baker. **"The building envelope is what ultimately determines the overall energy consumption of the building."**

> ***"You can forget all the rest if you haven't done a good job on the building envelope, the building envelope is what ultimately determines the overall energy consumption of the building.*** *- Frank Baker*

Assembling a certification-level building envelope begins below grade with Plasti-Fab DuroFoam® insulation installed beneath the slab. Made with sustainable EPS insulation, DuroFoam prevents heat loss through the concrete slab and will save over one hundred times the energy required to produce the product over the home's lifetime.

"You have to consider the entire envelope in a highly energy-efficient home," said Baker. "You can't leave an area as substantial as a crawlspace ignored; and EPS is a very economical and sustainable way to insulate it."

To insulate the home's below grade walls, Baker constructed the basement with the Advantage ICF System. Above grade, Insulspan structural insulating panels (SIPs) provide equivalent insulation and air tightness for consistent whole-house performance.

For Baker, the PFB products offered a complete sustainable solution for his new home and greatly simplified the process of meeting the National Green Building Standard. Alone, each of the products delivers enhanced energy efficiency, but together they create a complete system for optimum whole-house performance, better indoor air quality, and an efficient use of natural resources.

"Once you've used PFB products for the building envelope, you are in line to achieve at least a Silver level on the National Green Building Standard, and Gold is easy to achieve from there," he said. "PFB's insulating products alone garner 248 points of the necessary 406 to meet the Silver level."

Beneath the exterior is an exposed timber frame that ties the home to its 100-year-old predecessor and blends with the historic Lakeside community. A team of experienced designers at Riverbend Timber Framing designed the home to maximize passive solar gain and further reduce the need for mechanical heating.

> ***Once you've used PFB insulating building products for the building envelope, you are in line to achieve at least a Silver level on the National Green Building Standard, and Gold is easy to achieve from there.***
> *- Frank Baker*

"One of the services that PFB provides is design, and green building starts with good design," said Baker. "Once you have a well-designed and well-insulated building envelope, the demand on the HVAC system will be miniscule compared to most other buildings."

Incorporating PFB products provided Baker with more benefits than just energy efficiency. Both the SIPs and ICFs used in his cottage earned points as resource-efficient structural products. With PFB's commitment to environmental sustainability, none of its insulating building products contain volatile organic compounds and most factory waste is recycled into other EPS products.

"Knowing that any scrap that occurred during the fabrication process would be recycled into other products is assuring and helped us qualify for additional green certification points," said Baker. "Because PFB designs and manufactures a whole range of insulating materials that can be incorporated into the entire building envelope, PFB is the one-stop shop of choice."

BURNSIDE'S INN

Since transitioning from his career as an executive at General Motors to homebuilding in 1996, Bob Burnside has built his business around delivering high quality and sustainable custom homes. One of Fireside Home Construction's flagship homes, Burnside's Inn, was the first home in the state of Michigan to receive LEED® for Homes Platinum certification and won an Energy Value Housing Award from the U.S. Department of Energy.

When building to such a rigorous standard as LEED® Platinum, a whole-building design strategy is a crucial element in reaching the strict energy efficiency requirements.

"We look at the house as a complete system. We try to maximize the efficiency of all the pieces, but they have to be designed to work in concert as a system," said Burnside. "The building envelope is one of the most significant factors. You can install the most efficient furnace in the world, but if a house is leaky, the heat is going to be leaking to the outside."

Burnside chose the complete line of PFB insulating products for the building envelope as a sustainable solution to boost energy-efficiency and help him meet the requirements of the LEED® rating system. Starting with the Advantage ICF System below grade, Burnside focused on maintaining a well-insulated and airtight building envelope with the Insulspan SIP system for the above-grade walls and roof of the home.

Burnside's Inn, was the first home in the state of Michigan to receive LEED® for Homes Platinum certification and won an Energy Value Housing Award from the U.S. Department of Energy.

"The SIPs and ICFs work perfectly together because they allow you to continue the high R-value and tightly sealed space as you transition from one system to the other," said Burnside.

The home is supported by an elegant timber frame designed and manufactured by Riverbend Timber Framing. Burnside credits the home's designers, Marty Birkencamp and Jake Lappan, with tailoring the home's design for maximum energy and material efficiency.

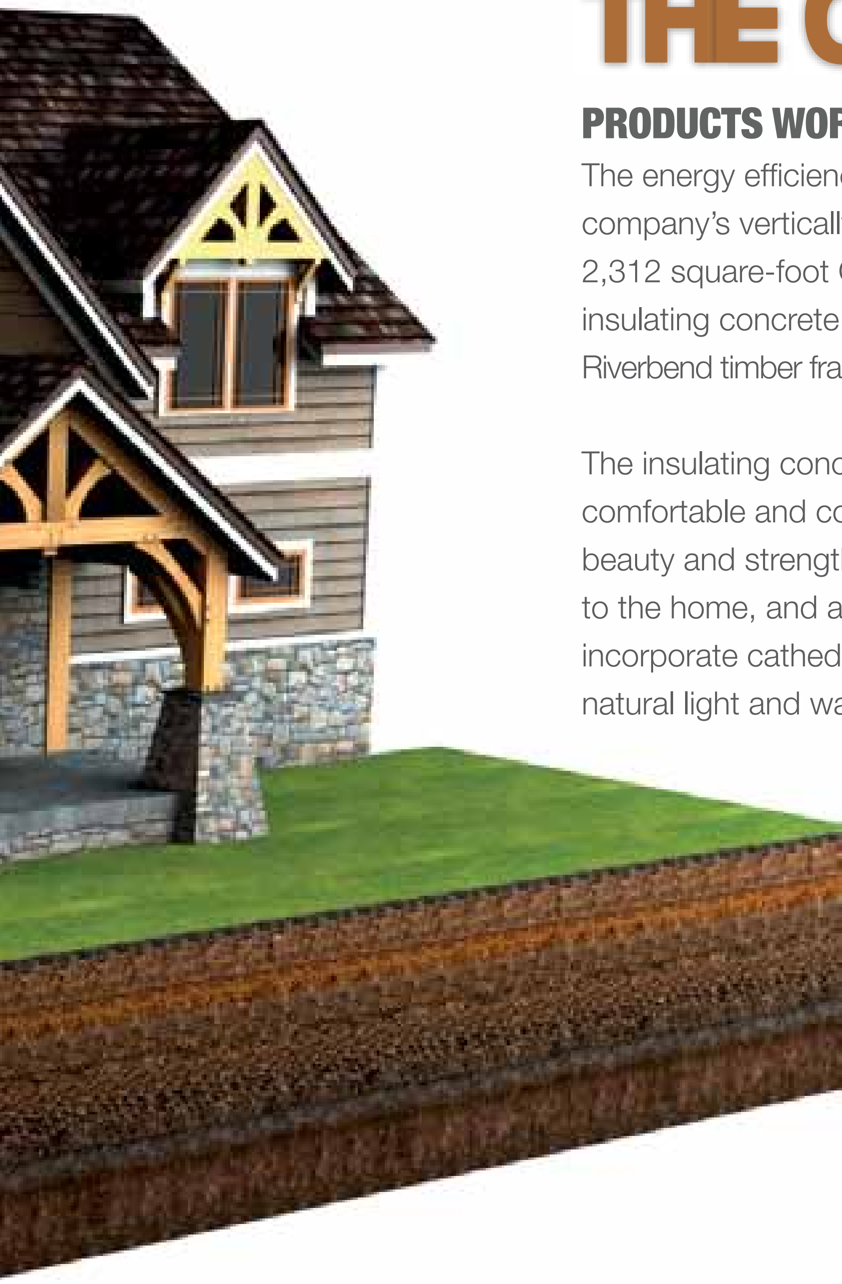
"It starts with the design, and one of the strongest things about working with PFB is that the timber frame and SIP packages are designed in the same design department, manufactured in the same place, and shipped together," said Burnside.

With a single source of design and production, all of the building envelope components are coordinated for easy assembly and create an integrated building design. PFB moves beyond just providing quality products. By combining a line of high performance products with award-winning design, you get a better building, by using PFB products.

"Everything is designed to work together," said Burnside. "This is what they do. They are experts at it, and it is a real advantage to anyone who wants to build one of these homes."

> Everything is designed to work together, this is what they do. They are experts at it, and it is a real advantage to anyone who wants to build one of these homes.
>
> - Bob Burnside

*For Illustrative purposes only, not a representation of code assemblies.



THE CATTAIL LODGE

PRODUCTS WORKING TOGETHER TO BUILD BETTER HOMES

The energy efficiency achieved in a PFB home is a result of the company's vertically integrated suite of insulating products. In the 2,312 square-foot Cattail Lodge, PlastiSpan rigid insulation, Advantage insulating concrete forms, Insulspan structural insulating panels and a Riverbend timber frame were combined together to create a better building.

The insulating concrete forming system used below grade created a comfortable and cozy space in the lower level. Above ground, the beauty and strength of the timber frame adds elegance and charm to the home, and allowed the homeowners the design flexibility to incorporate cathedral ceilings and large windows that bring in plenty of natural light and warmth.

Enclosing the frame is the structural insulating panel system, which created a super-tight enclosure that is strong, efficient and sustainable. This home boasts the SIP system for both the walls and the roof. PFB's PlastiSpan rigid insulation was used beneath floors to insulate the hydronic heating system, also known as radiant floor heating.

Alone these products are effective and efficient. Combined together, they create a better structure that is built with high-quality materials and offers superior energy-efficiency, strength & sustainability.

That is what you get with a PFB home: Better Building Ideas.

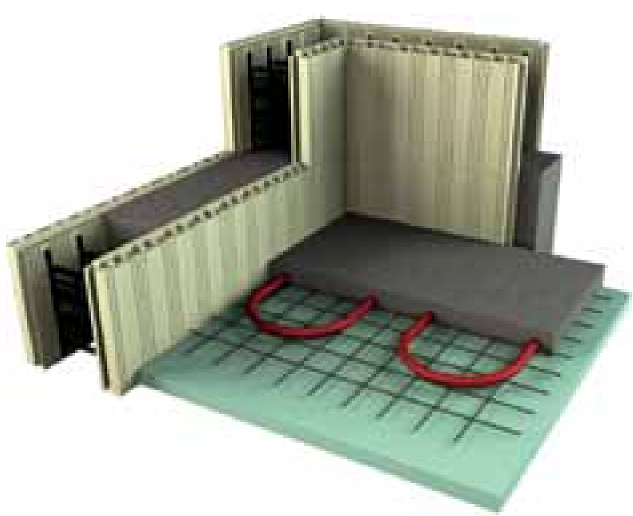
The Cattail Lodge is a home designed by Riverbend Timber Framing. To see more of this home visit: http://www.riverbendtf.com/galleries/gallery_cattaillodge.html

*For Illustrative purposes only, not a representation of code assemblies.

THE TIMBER FRAME - RIVERBEND TIMBER FRAMING

In timber framing, wooden posts and beams are joined with a centuries-old mortise-and-tenon technique. One of the timber elements has wood cut away, leaving a tongue or “tenon” at its end. The piece it joins has a pocket or “mortise” carved out to accept the tenon. Once the pieces are precision cut and fitted together, wooden pegs are driven through the joint to keep the mortise and tenon from separating.

We believe traditional wooden joinery is the best way to construct a durable and inherently beautiful framework.



THE FLOOR - PLASTISPAN HYDRONIC INSULATION

PlastiSpan insulation board is used as a component in the hydronic heating systems (also known as Radiant floor heating) where uniform heat distribution is desired throughout a floor area. PlastiSpan insulation ensures that heat loss will be minimized and the entire floor area will be warmed faster.

PlastiSpan insulation is ideal for use beneath concrete slabs as a component in radiant floor heating systems as an effective means to heat basements and turn them into comfortable living space.”

*For Illustrative purposes only, not a representation of code assemblies.

THE FOUNDATION - ADVANTAGE ICF

The Advantage ICF System is a patented insulating concrete forming system consisting of two layers of expanded polystyrene (EPS) insulation connected with web connectors molded into the EPS insulation.

When the installed Advantage ICF System blocks are filled with concrete, an insulated, monolithic concrete wall of uniform thickness is formed. The result is a superior, energy-efficient wall that will provide long-term energy cost savings while adding resale value to the building.

THE ENVELOPE - INSULSPAN SIPS

Structural insulating panel systems (SIPS) provide a building envelope that is strong, energy-efficient, and comfortable to live in. With the numerous sustainability attributes of panels, they are ideal for incorporating in LEED certified projects.

SIPS are an "insulation sandwich" made of two sheets of structural oriented strand board (OSB) laminated to a continuous core of expanded polystyrene insulation (EPS). The resulting panel can be used for walls and roofs, allowing the structure to be erected and insulated in one step. The span of solid insulation leaves no room for air movement, vastly improving energy efficiency compared to traditionally framed construction.

*For Illustrative purposes only, not a representation of code assemblies.

COMMERCIAL STRUCTURES

SIMPLY, BETTER BUILDINGS

Energy efficiency is just as important in a commercial structure as it is for a home.

PFB Better Building Ideas are used in a multitude of commercial applications and result in an energy-efficient building system. These applications include GeoSpan compressible fill material beneath the grade beam, PlastiSpan insulation for insulating the foundation wall, PlastiSpan insulation for insulating the concrete slab, PlastiSpan insulation as the insulating component in the Exterior Insulation Finish System (EIFS), and PlastiSpan tapered roofing insulation.

*For Illustrative purposes only, not a representation of code assemblies.

INSULATING FROM THE GROUND UP

GeoSpan compressible fill material is an engineered product designed to act as a compressible inclusion beneath concrete structures to reduce the effect of expansive soils.

With its outstanding resistance to moisture absorption, PlastiSpan exterior foundation insulation provides dependable long-term thermal performance for foundation walls.

PlastiSpan insulation used to insulate underneath a concrete slab reduces heat loss to the soil to reduce energy consumption. It can also be used as a component in hydronic floor heating systems.

> **“** ***I love working with energy-efficient products—there is really no other way to build,*** *- Scott Jackel*

As you move up to the above ground portion of the building, the walls are insulated with PlastiSpan insulation which, when used as a component in EIFS, provides a fully insulated wall.

But don't forget the roof! Insulating the roof is integral to the success of the structure's overall energy efficiency.

PlastiSpan tapered roof insulation ensures positive drainage while maintaining the economic advantages of a structurally flat roof deck. The PlastiSpan tapered roof insulation system completes an energy-efficient structure.

PlastiSpan insulation reduces heat loss to improve the energy efficiency of heating and cooling systems, and can be used in either new construction or remodeling and renovation projects.

NOT JUST FOR STRUCTURES

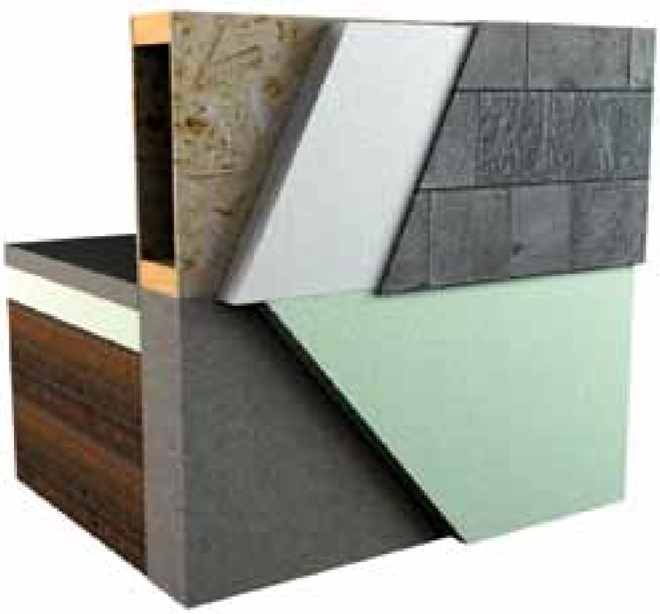
The suite of PFB Better Building Ideas extends beyond uses in homes or commercial structures. With sustainability and conservation being a key incentive, PFB Better Building Ideas are used for geotechnical applications, buoyancy, and packaging.

*For Illustrative purposes only, not a representation of code assemblies.

THE ROOF - PLASTISPAN TAPERED ROOF INSULATION

PlastiSpan tapered roof insulation provides the required positive slope to drain water while retaining the structural and economic advantages provided by a flat roof deck.

PlastiSpan tapered roof insulation board can be used in new roof or reroofing projects of all sizes. It is suitable for use with all types of roofing systems, which makes it an ideal, cost-effective roofing solution.



THE WALLS - PLASTISPAN FOUNDATION WALL INSULATION

PlastiSpan or DuroFoam insulation board can be used as an exterior insulating sheathing over wood or steel studs to increase the thermal resistance of a wall to any desired value. To obtain maximum energy efficiency, a layer of PlastiSpan insulation should be placed over the entire exterior of the building envelope.

*For Illustrative purposes only, not a representation of code assemblies.

THE FINISH - PLASTISPAN EFS INSULATION BOARD

PlastiSpan EFS insulation is a moulded expanded polystyrene (EPS) insulation board used in Exterior Insulation Finish Systems (EIFS). EIFS are non-load bearing exterior wall cladding systems typically consisting of PlastiSpan EFS insulation with an exterior finish applied to it.

PlastiSpan EFS insulation when used in EIFS applications covers the outside of a building so that the inside of the structure is protected from wide climatic temperature fluctuations. This reduces expansion and contraction of the structure and stabilizes interior temperatures.

THE FOUNDATION - GEOSPAN COMPRESSIBLE FILL MATERIAL

GeoSpan compressible fill materials are expanded polystyrene (EPS) products designed to act as a compressible medium, reducing potential forces on structures in the event soil expansion occurs after construction is completed. They are designed for use beneath structures that are self-supporting (typically supported on pile foundations).

GeoSpan compressible fill materials act as a compressible medium between the expansive soil and the structure to reduce long-term stresses transferred to the structure.

*For Illustrative purposes only, not a representation of code assemblies.

SUSTAINABILITY THROUGH ACTION

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 eliminate waste by reusing and recycling.

Total waste to landfill was reduced significantly in 2010. 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.

ENERGY

Total electricity and natural gas consumption in our operations remained relatively unchanged in 2010 over the previous year.

During 2010, operations were able to maintain energy efficiency levels by aligning energy consumption to production levels.

PFB will continue conducting energy audits and identifying ways of improving the efficiency of its operations, equipment, and buildings.

EMISSIONS

Our focus has always been to reduce greenhouse-gas emissions by using fossil fuels more efficiently.

PFB has an ongoing initiative underway to substitute raw material inputs with materials that contain less VOC expanding agent. In 2008, 7% of raw materials consumed contained reduced levels of VOCs. In 2009, we further increased usage of low VOC materials to 26%. In 2010, we successfully increased the usage of low VOC alternatives to 59% of the total input. These changes resulted in a significant reduction in VOC emissions per unit output.

For more information on our sustainability initiative, visit:

www.pfbsustainability.com

twitter.com/FrankGreenSpeak

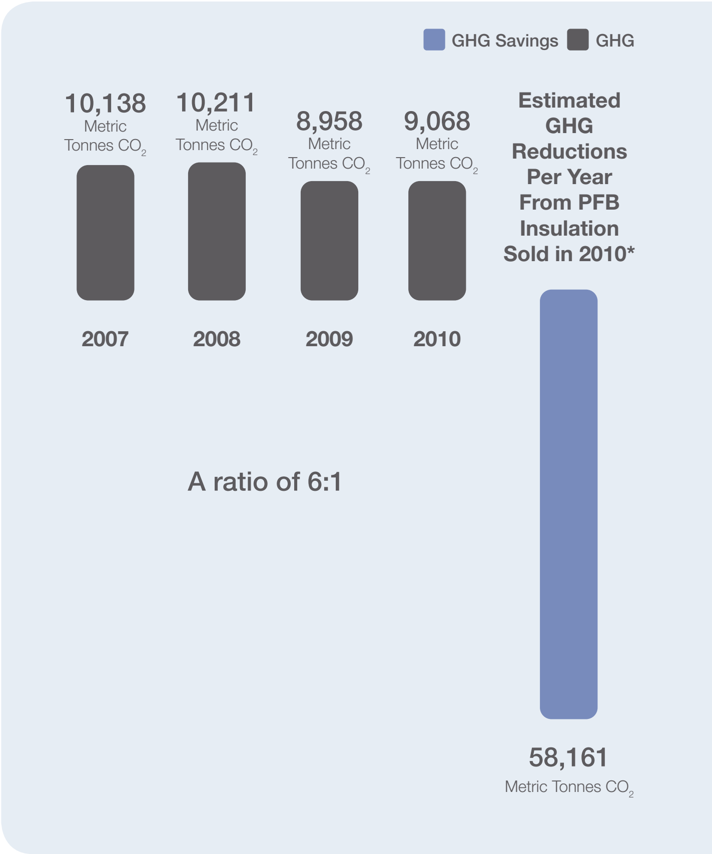
http://franksgreenspeak.com/

GHG EMISSIONS VS. SAVINGS POTENTIAL

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

Our insulating products provide customers with the means to reduce their energy consumption and, consequently, their GHG emissions. In 2010, PFB emitted 9,068 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 2010 were applied to exterior walls of single family residential housing in USA/Canada would be 58,161 metric tonnes. A ratio of 6 to 1. Through improvements in the energy-efficiency of our processes we intend to focus on reducing our GHG emissions to further improve the net benefits provided by 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.

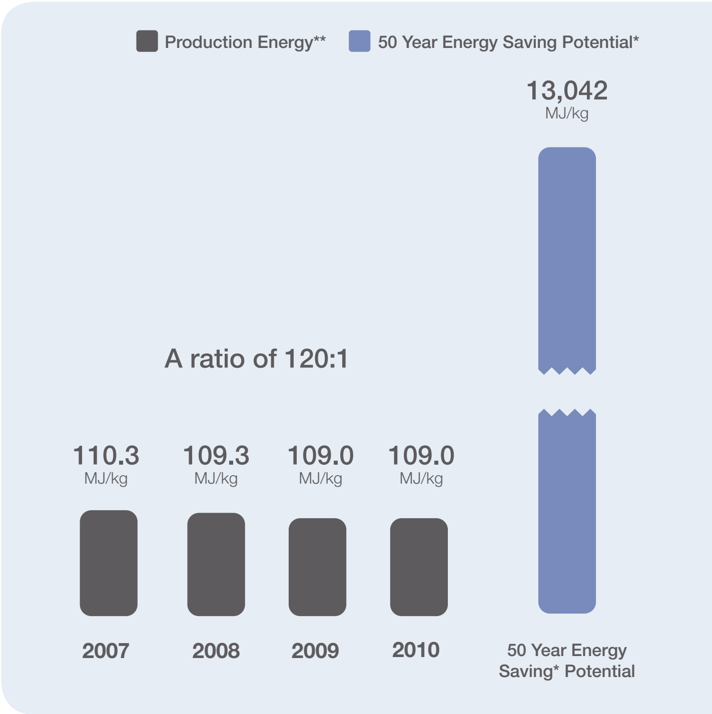


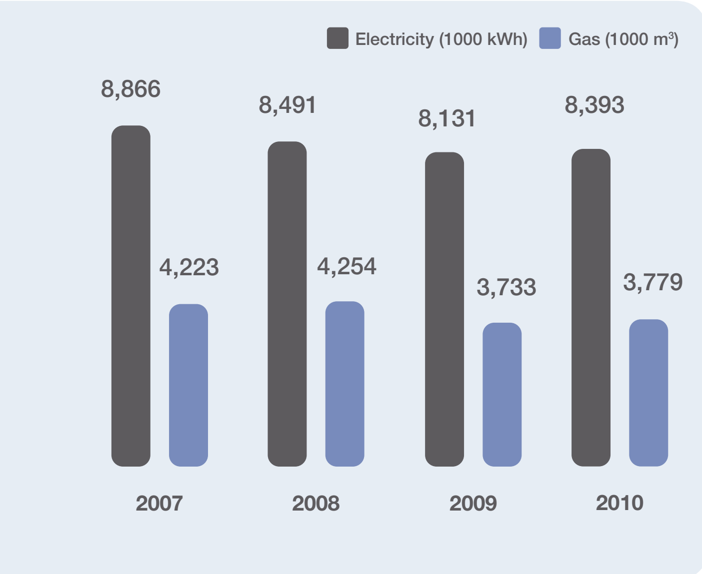
ENERGY USED IN MAKING PFB PRODUCTS VS. ENERGY SAVED BY CUSTOMERS

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 120:1.

*Estimated energy savings due to the installation of PFB foam insulation products per unit mass. 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 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.

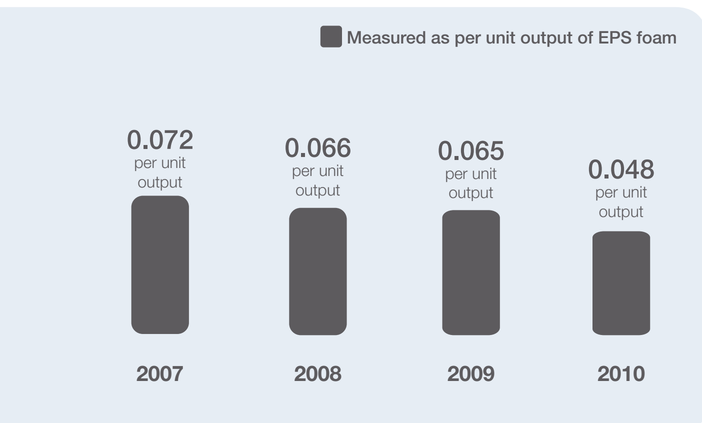




DIRECT ENERGY

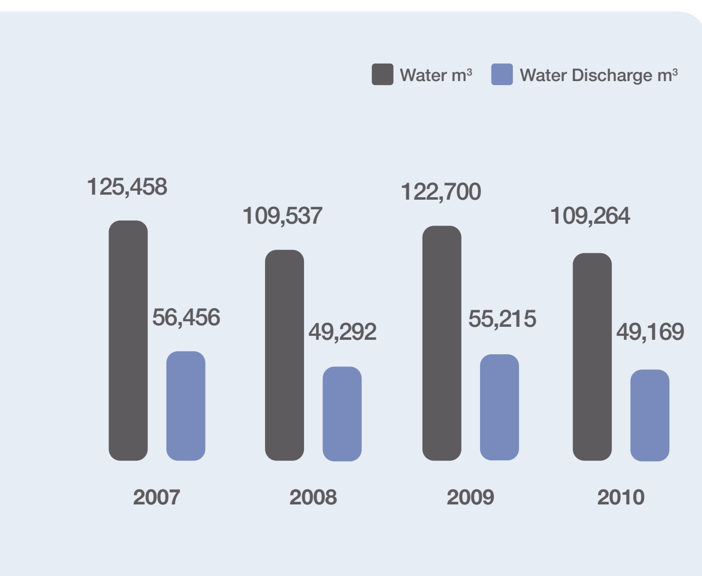
We measure and monitor the total amount of electricity and natural gas consumed by our operations.

Energy usage in 2010 increased marginally over the previous year. Production output in 2010 was comparable to 2009; however, we experienced an increase in electricity consumption. PFB will continue to monitor its energy consumption to identify potential efficiency improvements and energy reduction projects. A number of projects are planned in 2011 focussed on reducing electricity consumption in our manufacturing facilities.



WASTE

Waste per unit output improved considerably in 2010 over previous years due to increased efforts to recycle in-process waste materials. At our location in Crossfield, Alberta, we installed equipment which facilitated recycling in-process foam waste into saleable polystyrene. Efforts will continue in 2011 to identify more sustainable methods for reducing waste in our production streams.



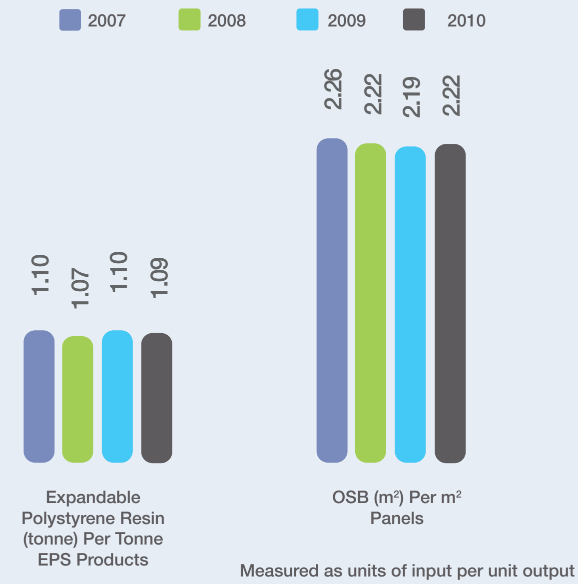
WATER

Our operations consumed less water in 2010 over the previous year. This was due to equipment and process improvements in one of our facilities. Installation of new equipment allowed us to reuse cooling water multiple times and thus reduce overall raw water consumption. Efforts will continue in 2011 on identifying further ways of reducing raw water consumption through elimination and reuse.

RAW MATERIAL USAGE PER UNIT OF PRODUCT 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 oriented strand board (OSB) and outputs of panels in m^2. A lower conversion ratio indicates an improvement in yield.

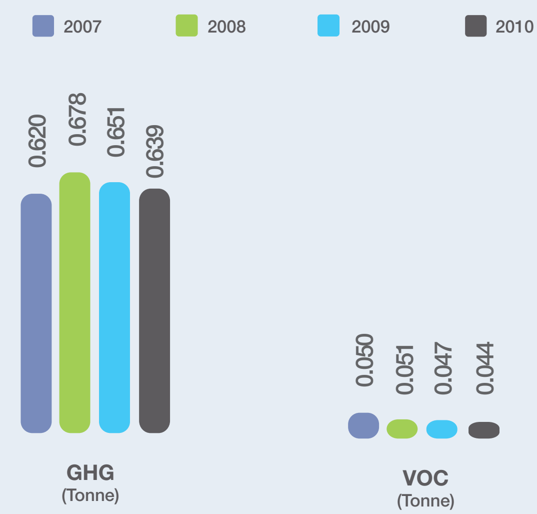
Note – in 2010 the calculation method was changed to allow us to monitor and quantify the reuse of in-process waste. The new calculation method has been applied to all historical data indicated in the chart. This new calculation method provides a more relevant measurement of raw material usage, process yield and reuse of in-process waste.



PFB EMISSIONS PER UNIT OF PRODUCT OUTPUT

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

Reduction in emissions per unit of foam products produced continued in 2010 as efforts to introduce raw materials with lower VOC content continued. PFB's long term plan is to continue converting products and manufacturing processes to use lower VOC raw materials to continuously reduce our impact on the environment.



The emissions of NO_x and SO_x both represent less than 0.5kg per tonne of product produced.

2010

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 3, 2011, 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, 2010 and 2009 should be read in conjunction with the audited consolidated financial statements and related notes included in PFB's 2010 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.

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 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.

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.

FINANCIAL HIGHLIGHTS SUMMARY - QUARTERLY

Years ended December 31, 2010 and 2009
(Thousands of dollars, except gross profit percentage and per share amounts)

	2010				2009			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Sales	**$ 16,846**	**$ 20,425**	**$ 17,338**	**$ 10,971**	$ 15,856	$ 18,834	$ 19,651	$ 11,589
Gross profit	**4,609**	**6,141**	**3,987**	**2,127**	4,866	6,169	6,571	2,241
Gross profit %	**27.4%**	**30.1%**	**23.0%**	**19.4%**	30.7%	32.8%	33.4%	19.3%
Income (loss) before interest and taxes	**1,172**	**2,631**	**508**	**(1,105)**	1,401	2,550	2,940	(1,237)
Net income (loss)	**699**	**1,758**	**271**	**(854)**	1,180	1,594	1,977	(1,061)
Earnings per share:								
Basic	**0.10**	**0.27**	**0.04**	**(0.13)**	0.18	0.24	0.30	(0.16)
Diluted	**0.10**	**0.27**	**0.04**	**(0.13)**	0.18	0.24	0.30	(0.16)

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, 2010, 2009, 2008, 2007, and 2006
(Thousands of dollars except per share data and selected financial ratios)

	2010	2009	2008	2007	2006
Operating Results					
Sales	**$ 65,580**	$ 65,930	$ 79,810	$ 82,918	$ 78,218
Gross profit	**16,864**	19,847	17,849	22,731	21,543
Income before other expenses, interest and taxes	**3,206**	5,654	1,666	5,718	7,858
Net income	**1,874**	3,690	700	3,903	4,977
Funds provided by operations [1]	**5,321**	8,131	4,189	6,790	7,205
Per Common Share Data					
Earnings per share - Basic	**0.28**	0.56	0.11	0.61	0.79
Earnings per share - Diluted	**0.28**	0.56	0.11	0.60	0.79
Dividend paid per share - Regular	**0.24**	0.24	0.24	0.24	0.24
Funds provided by operations [2]	**0.81**	1.24	0.64	1.17	1.14
Book value [3]	**6.83**	6.79	6.45	6.57	5.70
Financial Condition					
Total assets	**62,860**	63,252	61,668	58,272	53,136
Working capital [4]	**16,060**	15,167	11,946	12,093	13,052
Capital assets (net)	**31,016**	31,580	32,915	25,594	23,764
Goodwill	**5,887**	5,887	5,887	5,887	4,044
Long-term debt and obligations under capital lease (including current portion)	**8,883**	9,663	10,206	3,487	4,310
Shareholders' equity	**45,177**	44,587	42,375	43,204	38,274
Selected Financial Ratios					
Gross profit margin [5]	**25.7%**	30.1%	22.4%	27.4%	27.5%
Operating profit margin [6]	**4.9%**	8.6%	2.1%	6.9%	10.0%
Net income margin [7]	**2.9%**	5.6%	0.9%	4.7%	6.4%
Current ratio [8]	**2.86x**	2.61x	2.22x	1.93x	2.20x
Return on equity [9]	**4.2%**	8.7%	1.6%	10.2%	14.2%

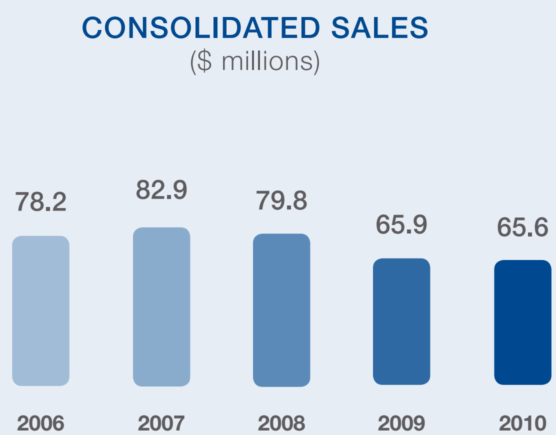
Non-GAAP financial measures do not have any standardized meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other issuers. Definitions of non-GAAP measures used in the above table along with relevant other notes are as follows:

1. Funds provided by operations is defined as cash flow from operations before changes in non-cash working capital.
2. 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.
3. Book value per share is defined as shareholders' equity divided by the actual number of common shares outstanding at December 31.
4. Working capital is defined as current assets less current liabilities.
5. Gross profit margin is defined as gross profit divided by sales.
6. Operating profit margin is defined as income before other expenses, interest and taxes divided by sales.
7. Net income margin is defined as net income divided by sales.
8. Current ratio is defined as current assets divided by current liabilities.
9. 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, 2010 and 2009. 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, 2010, continued to be challenging for product sales in both Canada and the United States, which was comparable to the conditions experienced in 2009. Consolidated net sales for the year ended December 31, 2010 were $65,580 as compared with $65,930 in the prior year, a decrease of $350 or 0.5%.

Overall, construction starts remained in the slump, which began in 2009, spanning the key industry sectors of commercial, industrial and residential construction.

The Canadian government's stimulus package launched in 2009 did not generate any noticeable increases in demand for PFB's products in 2010, despite some initial optimism. Shipments of EPS Foam to a large public works project in British Columbia during 2010 was well below our initial expectations. Various site delays caused shipments to be rescheduled into 2011. Annualized residential construction starts in the United States fell to their lowest level in decades.

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

	2010	2009	% Change
Canada	**$ 57,183**	$ 55,606	2.8%
United States	**8,397**	10,251	(18.1)%
Other	**-**	73	(100.0)%
Total	**$ 65,580**	$ 65,930	(0.5)%

In 2010, sales in Canada of $57,183 were 2.8% higher than sales of $55,606 reported in 2009. Canadian sales in the first six months of 2010 lagged the pace of sales in the comparative year but sales recovered in the second half of the year and the confirmed order book strengthened. Decreased sales in the refurbishment and renovations market across Canada in the current year was believed to be directly linked to the ending of the government's Home Renovations Tax Credit program which had been successful in 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 construction market remained depressed in 2010. Downwards pricing pressure featured in some areas as suppliers competed for smaller volumes.

Sales in the United States of $8,397 were 18.1% lower than sales of $10,251 reported in 2009. The decrease in U.S. sales in 2010 was indicative of the depressed statistics published for new residential home construction starts. However, improved quoting activity led to increased levels of confirmed orders being booked in 2010 for shipments required in 2011. However, re-scheduling of orders by customers to fit the changing dynamics of their construction and financing programs is always a risk to the timing of when PFB will actually realize sales revenues on the order backlog.

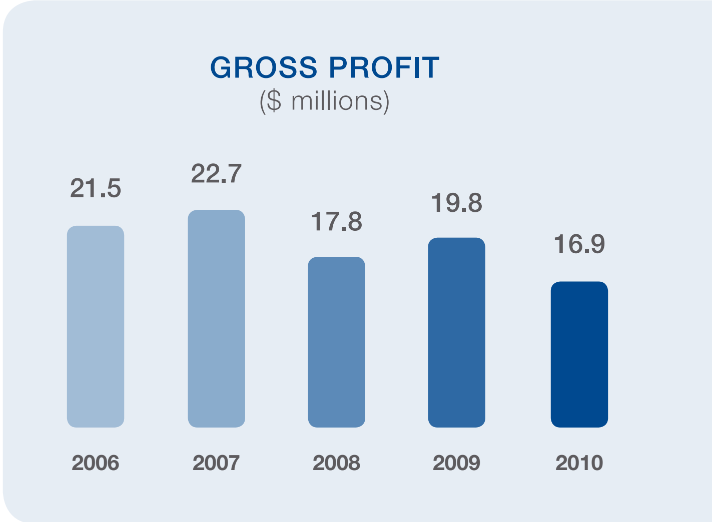
PFB's subsidiaries in aggregate supply a diverse range of customers with no single customer accounting for more than 5% of consolidated net sales. No sales were made to Japan in 2010 whereas sales of $73 were made to Japan in 2009. Japan is not a primary market for PFB's products.

COST OF GOODS SOLD AND GROSS PROFIT

Gross profit, expressed as a percentage of sales, decreased from 30.1% in 2009 to 25.7% in the current year. Accordingly, gross profit decreased from $19,847 in 2009 to $16,864 in the current year.

Input costs for PFB's main raw material had a volatile year in which we experienced a V-type trend around the mid-year point. Correspondingly, margins were squeezed in the first half of the year, improved around mid-year then squeezed again as the year moved towards its close. By contrast, raw material input costs in 2009, on average, were much lower than in 2010, particular during the first quarter. Since the mid-year lows in 2010, there has been progressive price escalation which has continued into early 2011. Somewhat predictable pricing cycles of the past have given way to increased volatility in recent years and that is a trend that is expected to continue which will lead to fluctuating gross profit margins for PFB.

The appreciating value of the Canadian dollar versus the U.S. dollar created a natural hedge to increasing raw material input costs, which are priced in U.S. dollars. Adherence to product pricing discipline in 2009 supported the improvement in gross profit margins in that year resulting from lower priced raw materials. However, a lack of sales pricing power in 2010 to recover increased raw material input costs served to depress the reported gross profit margin. The pricing of other major raw materials input costs displayed less volatility particularly for oriented strand board used in the manufacturing of Insulspan SIPS and raw timbers used by Riverbend Timber Framing. Depressed demand helped maintain stable pricing.



PFB's manufacturing operations faced a number of challenges in 2010 associated with erratic sales demand and changes in product mix. In October 2010, the Riverbend Timber Framing operation in Blissfield, Michigan, suffered fire which compromised part of its manufacturing facility. Operations resumed quickly following the fire and all customer orders were satisfied without interruption. The costs of repairs to the facility are covered by a replacement cost insurance policy and the facility is expected to be fully restored to its original condition by the spring of 2011. In 2010, a gain of $65 arising from the insurance claim was recognized in cost of sales and was attributed to insurance proceeds received to replace three fork-lift trucks destroyed in the fire.

The depreciation method for machinery and equipment was changed from a declining balance method to the straight-line method effective January 1, 2010. Also, following a detailed review by management, buildings and major machinery and equipment asset classes were componentized and the expected remaining lives of individual assets and components of assets in those asset classes were evaluated and revised, where appropriate, to reflect future operating expectations. The revisions were based on historical performance data and experiences assembled over many years of operating our manufacturing facilities and equipment. The combined effect of those changes was a reduction of approximately $1,200 in the amount of depreciation expense included in cost of sales in the current year. This change in depreciation expense represented approximately 1.8% of sales in the current year which had the effect of improving reported gross profit margins from 23.9% to 25.7%.

In 2009, PFB recognized 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 where periodic service and special payments made to the plan are reported, and the offset was recorded as a long-term asset on the balance sheet. In 2010, the accrued benefit asset increased by $63, thereby increasing the long-term asset on the balance sheet to $538. PFB monitors changes in the accrued benefit asset, as calculated by the plan's actuary each year, and adjusts its financial results accordingly.

SELLING AND ADMINISTRATIVE EXPENSES

Selling and administrative expenses, in aggregate, amounted to $13,661 in the current year as compared to $14,432 in 2009, a decrease of $771 or 5.3%. Various cost containment initiatives which began in 2009 were continued through the current year across the organization in the SG&A functions. The resulting actions were successful in scaling back fixed and discretionary expenditures.

Selling and marketing costs were $8,711 representing 13.3% of consolidated sales in the current year as compared to $9,339 or 14.2% of consolidated sales in 2009. Approved marketing and promotional expenditures were carefully targeted over the course of the year and aggregate expenditures were lower than in 2009.

Administrative costs amounted to $4,950 or 7.5% of consolidated sales in the current year, as compared to $5,093 or 7.7% of consolidated sales in 2009. In the current year, administrative payroll costs were lower than in 2009 including a reduced accrual for the Corporation's employee profit sharing plan which reflected lower earnings.

FOREIGN EXCHANGE GAINS AND LOSSES

Foreign exchange gains and losses are classified as either realized or unrealized in the statement of operations.

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 trended in favour of PFB in both 2009 and 2010. 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. By the end of 2010, the Canadian dollar had reach parity with the U.S. dollar, last seen around mid-year in 2008.

Foreign exchange gains and losses reported in fiscal years 2010 and 2009 are stated in the following table:

	2010	2009
Realized foreign exchange loss	**$ 145**	$ 202
Unrealized foreign exchange gain (loss)	**(158)**	51
Total foreign exchange (gain) loss	**$ (13)**	$ 253

INTEREST INCOME AND INTEREST EXPENSE

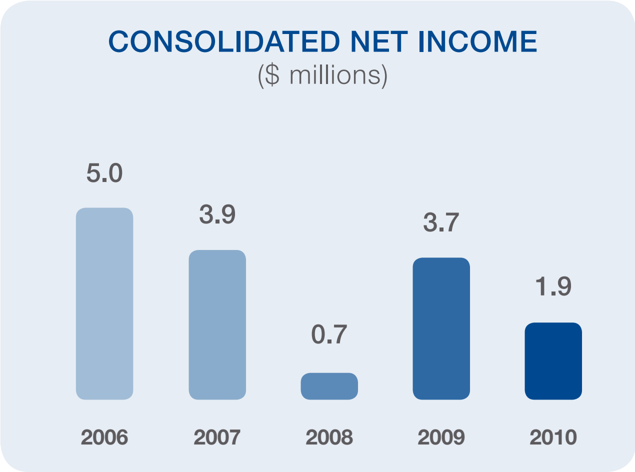
In the current year, interest income earned on cash and short-term investments increased to $41 from an amount of $26 in 2009, which was reflective of small increases in interest rates during the current year. Interest expense in the current year decreased to $502, a decrease of $100 over interest expense of $602 reported in the previous year. Interest expense in 2010 arose on loans and capital leases. Two tranches of long-term debt, which originally had fixed rates of interest over their initial five-year terms, were refinanced at lower market rates.

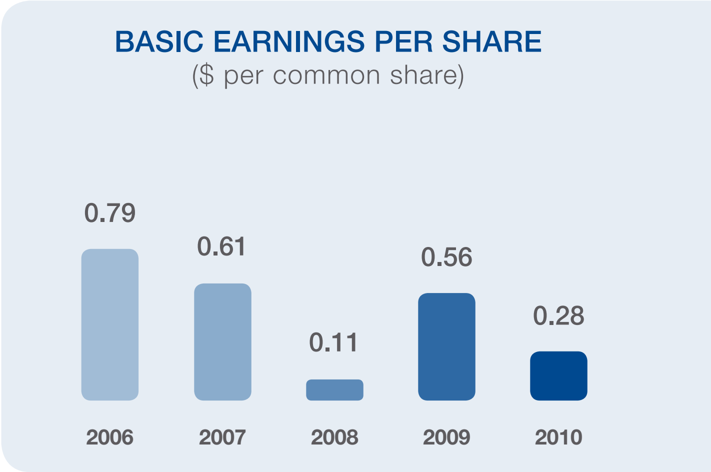
INCOME TAX EXPENSE

Income tax expense was $871 or 31.7% of pre-tax income in the current year as compared to income tax expense of $1,388 or 27.3% of pre-tax income in 2009. In 2010, the combined federal and provincial tax rates in Canada reduced from 30.2% in 2009 to 28.8%. However, adjustments for permanent differences which have no tax basis, prior years adjustments, and temporary differences which are expected to reverse in future years when tax rates will be lower than current rates caused the effective rate in 2010 to be elevated higher than normal.

NET INCOME AND EARNINGS PER SHARE

Net income in the current year was $1,874 compared with net income of $3,690 reported in fiscal 2009, a decrease of $1,816. Accordingly, both basic and diluted earnings per common share decreased from $0.56 to $0.28 based on the weighted average number of basic and fully diluted common shares outstanding.





The major factors driving the decrease in net income in the current year as compared to net income in 2009 was the effect of higher average raw material costs. The benefits of a stronger currency and decreased SG&A and interest expenses helped to mitigate the full impact. 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) whereas net income in 2010 included a tax effected credit of $47.

The current year's results were also inclusive of the positive after tax effects of decreased depreciation expense in the approximate amount of $890 or $0.13 per share in the current year. Decreased depreciation expense resulted from a combined change in the depreciation method for machinery and equipment and a change in estimate where the expected remaining lives of assets and components in the major asset classes of buildings and machinery and equipment were revised, as previously described in the gross profit section of this MD&A. Prior period results have not been restated.

In both the current year and the prior year, no dilution in basic shares occurred. The basic and diluted weighted average number of common shares outstanding increased to 6,598,703 from 6,570,906 reported in fiscal 2009. The increase was attributed to the net effect of issuing 50,000 common shares as a result of an exercising of stock options less 5,900 common shares purchased for cancellation under a normal course issuer bid. In fiscal 2009, no stock options were exercised and 3,800 common shares were purchased for cancellation under the bid.

RESULTS OF OPERATIONS

FOURTH QUARTER ENDED DECEMBER 31, 2010

The following table discloses the consolidated results of operations of PFB for the fourth quarters ended December 31, 2010 and 2009:

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

Three Months Ended December 31, 2010 and 2009 (Unaudited)

	2010	2009
Sales	**$ 16,846**	$ 15,856
Cost of goods sold	**(12,237)**	(10,990)
	4,609	4,866
Selling and administrative expenses	**(3,404)**	(3,459)
Realized foreign exchange gain	**76**	18
Unrealized foreign exchange loss	**(109)**	(24)
	1,172	1,401
Interest income	**12**	8
Interest expense	**(117)**	(134)
Income before income taxes	**1,067**	1,275
Income taxes	**(368)**	(95)
Net income and other comprehensive income	**$ 699**	$ 1,180
Earnings per common share - basic	**$ 0.10**	$ 0.18
Earnings per common share - diluted	**$ 0.10**	$ 0.18
Weighted average number of common shares outstanding	**6,619,975**	**6,568,736**

SALES

Consolidated sales for the fourth quarter of 2010 were $16,846, an increase of $990 or 6.2% compared to sales of $15,856 reported in the comparative quarter of 2009.

A summary of consolidated sales by geographical segment for the fourth quarters of 2010 and 2009 are outlined in the following table:

	2010	2009	% Change
Canada	**$ 14,433**	$ 13,373	7.9%
United States	**2,413**	2,455	(1.7)%
Japan	**-**	28	(100.0)%
Total	**$ 16,846**	$ 15,856	3.8%

Increased sales in Canada and the small decrease in U.S sales were complimented by improving levels of confirmed orders. The small decrease in sales in the United States in the fourth quarter (as expressed in Canadian dollars) was adversely influenced by the change in year-over-year exchange rates.

COST OF GOODS SOLD AND GROSS PROFIT

Gross profit, expressed as a percentage of sales, decreased from 30.7 % in the comparative quarter of 2009 to 27.4% in the current quarter mainly attributed to increased raw materials costs in the current year. Gross profit was positively impacted in the prior year quarter by a credit to cost of sales with respect to recognizing the accrued benefit pension asset of $475 versus the corresponding credit of $63 recognized in the current year. The depreciation method for machinery and equipment was changed from a declining balance method to the straight-line method effective January 1, 2010. The combined effect of those changes was a reduction of approximately $300 in the amount of depreciation expense included in cost of sales in the current quarter compared to in the corresponding quarter in 2009.

SELLING AND ADMINISTRATIVE EXPENSES

Selling and administrative expenses in the fourth quarter of 2010 amounted to $3,404, slightly lower than selling and administrative expenses of $3,459 reported in the comparative quarter of 2009.

FOREIGN EXCHANGE GAIN AND LOSS

Realized foreign exchange gains in the current year quarter were generally reflective of an appreciating Canadian dollar. However, an unrealized foreign exchange loss arose on U.S. dollars purchased at par exchange in November were revalued to market exchange rate at the year end which was above par.

INTEREST INCOME AND INTEREST EXPENSE

Interest income in the fourth quarter of 2010 was $12 as compared to interest income of $8 in the comparative period. Interest rates on deposits were slightly higher in the current year than in 2009. Interest expense in the fourth quarter of 2010 was $117, $17 lower than interest expense of $134 in the fourth quarter of 2009 also positively influenced by favourable interest rates.

NET INCOME AND EARNINGS PER SHARE

Net income of $699 in the fourth quarter compares to net income of $1,180 in the fourth quarter of the comparative year. The aforementioned after tax credit for the pension plan asset was one of the reasons for higher income in 2009 along with prior year adjustments to taxes booked in the current year. The change in depreciation method in the current year improved net income in the current quarter by approximately $220 compared to net income in the fourth quarter of 2009.

Net income in the fourth quarter of 2010 generated basic and diluted earnings per share of $0.10 as compared to a basic and diluted loss per share of $0.18 reported in the fourth quarter of 2009.

The weighted average number of issued and outstanding shares increased from 6,568,736 in the fourth quarter of 2009 to 6,619,975 in the current quarter. This change was attributed to the net effect of shares issued as a result of stock options exercised in the current year and the purchase of 5,900 common shares for cancellation under the normal course issuer bid which all occurred in the fourth quarter. PFB did not purchase any common shares for cancellation in the fourth quarter of 2009.

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LIQUIDITY AND CAPITAL RESOURCES

PFB generated positive cash flow from operations in the current year which was deployed as investments in capital expenditures, financing debt repayments and the payment of regular quarterly dividends. The Corporation maintained significant unused bank lines.

PFB ended 2010 with a strong balance sheet which included cash and cash equivalents exceeding its total 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, 2010, PFB had $9,701 (2009 - $10,896) of cash and cash equivalents on hand.

A summary of the main components making up the increase in cash and cash equivalents in 2010 and 2009 is set out in the table below:

	2010	2009
Net cash flows proveded by (used in):		
Cash provided by operations	**$ 5,321**	$ 8,131
Change in non-cash working capital (including foreign exchange)	**(2,413)**	3,007
Operating activities	**$ 2,908**	$ 11,138
Financing activities	**(2,348)**	(2,327)
Investing activities	**(1,566)**	(1,744)
Effect of foreign exchange loss on cash held in foreign currency	**(189)**	(34)
Net increase (decrease) in cash and cash equivalents	**$ (1,195)**	$ 7,033

PFB's non-cash working capital position at December 31, 2010, was $6,997 (2009 - $4,553). Non-cash working capital components in the current year are indicated in the table below:

	2010	2009	Change
Accounts receivable	**$ 6,861**	$ 5,892	$ 969
Inventories	**6,976**	6,257	719
Income taxes receivable	**167**	276	(109)
Prepaid expenses	**664**	648	16
Accounts payable and accrued liabilities	**(6,137)**	(7,016)	879
Customer deposits	**(1,534)**	(1,504)	(30)
Total non-cash working capital	**$ 6,997**	$ 4,553	$ 2,444

PFB's current ratio as at December 31, 2010, was 2.86 times, an increase from 2.61 times as at December 31, 2009.

The increase in accounts receivable was reflective of increased fourth quarter sales in the current year as compared with 2009 and a small increase in the number of day's sales outstanding. The ratio of day's sales outstanding increased from 34 days in fiscal 2009 to 37 days in the current year. Day's sales outstanding represents the ratio of actual sales in the fourth quarter divided by the accounts receivables ending balance multiplied by the number of days in the quarter. The allowance for doubtful receivables reserve as at December 31, 2010 was $548 compared with $474 in 2009. The increase in the reserve was driven by elevated exposure to past due receivables with several long-standing customers in the United States.

At December 31, 2010, the value of inventory had increased as compared to the position in 2009. The increase was attributed to several factors including the effect of increased raw material costs and holding higher physical inventories of WIP and finished goods, to support a large customer contract requiring an inventory buffer. The inventory position represented a ratio of 52 days of fourth quarter cost of sales which was identical to the ratio at the end of fiscal 2009.

Income taxes receivable reduced from $276 as at December 31, 2009, to $167 at the end of the current year. Aggregate tax instalments that were made in 2009 resulted in an overpayment position and the excess was refunded in 2010. Some non-capital tax losses carried over from 2009 were utilized against taxable income in the current year which resulted in a reduction in cash income taxes payable. Accelerated tax depreciation rates available on additions of machinery and equipment continued through 2010 and contributed to a lower current tax liability arising on Canadian taxable income.

Accounts payable and accrued liabilities decreased from $7,016 at the end of the previous year to $6,137 at the end of the current year, a decrease of $879. The decrease mainly reflects the timing of when purchases were made and settled and carrying lower accruals.

CASH PROVIDED BY OPERATING ACTIVITIES

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

	2010	2009	Change
Net income	**$ 1,874**	$ 3,690	$ (1,816)
Add (deduct) items not requiring cash:			
Depreciation and amortization	**2,491**	3,668	(1,177)
(Gain) Loss on disposal of capital assets	**(16)**	14	(30)
Stock-based compensation	**67**	114	(47)
Accrued benefit asset	**(63)**	(475)	412
Future income taxes	**810**	1,171	(361)
Unrealized foreign exchange (gain) loss	**158**	(51)	209
Cash provided by operations before changes in non-cash working capital	**$ 5,321**	$ 8,131	$ (2,810)

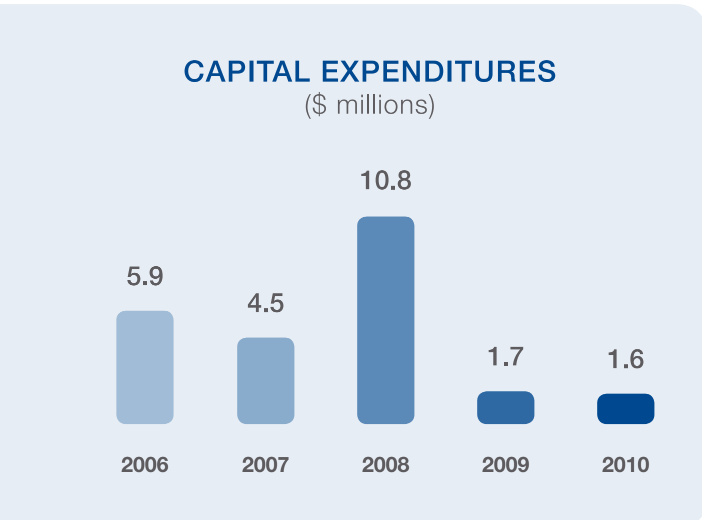
Cash flows provided by operating activities before changes in non-cash working capital decreased by $2,810. The main reasons for the change was a decrease in net income of $1,816 and a decrease in depreciation and amortization expenses of $1,177. The change in depreciation and amortization expense was mainly attributed to the change in depreciation method for machinery and equipment and a review of expected remaining lives for buildings and major equipment.

CASH FLOW - FINANCING

No draws on credit facilities were made in 2010 or 2009. Total cash used in financing activities amounted to $2,348 in the current year, similar to the $2,327cash used in financing activities in fiscal 2009. Repayments of long-term debt and capital lease obligations in the current year amounted to $997 as compared to $735 in 2009. The increase was mainly attributed to repayments on auto leases which were reclassified from operating leases to capital leases in 2009. In 2009, auto lease payments were included in SG&A expenses.

Regular quarterly dividends payments of $0.06 per common share were made throughout the current year aggregating $1,583 (2009 - $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, 5900 (2009 – 3,800) common shares were purchased for cancellation during the current year at an aggregate price of $33 (2009 - $15).



CASH FLOW - INVESTING

Due to continued uncertainties prevailing in the first six months of 2010, the allocation of cash for capital expenditure projects was restricted by the Company. Accordingly, a reduced amount of $1,635 for capital asset expenditures was incurred in 2010 similar to the amount in 2009 of $1,746. Expenditures in 2010 included equipment upgrades plus other relatively minor maintenance capital. Proceeds received from the sale of capital assets in 2010 was $54 (2009 - $7).

Additions to intangible assets in 2010 were $50 as compared to $5 in 2009. The additions represented the purchase of application software.

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, 2010 and 2009, are stated in the following table:

	2010		2009	
	Book Value	Fair Value	Book Value	Fair Value
Financial assets				
Held for trading:				
Cash and cash equivalents	**$ 9,701**	**$ 9,701**	$ 10,896	$ 10,896
Loans and receivables:				
Accounts receivable	**6,861**	**6,861**	5,892	5,892
Financial liabilities				
Other liabilities held for trading:				
Accounts payable and accrued liabilities	**$ 6,137**	**$ 6,137**	$ 7,016	$ 7,016
Other financial liabilities:				
Long-term debt (total)	**8,883**	**8,803**	9,663	9,549

PFB's financial instruments are defined in Note 2(m) and determination of fair value is discussed in Note 2(m)(i) of the 2010 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, 2010 and 2009:

	Total	Level 1	Level 2	Level 3
Financial assets				
Held for trading:				
Cash and cash equivalents				
December 31, 2010	**$ 9,701**	**$ 9,701**	-	-
December 31, 2009	$ 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:

	2010	2009
Accounts receivable - current and past due for less than 30 days	**$ 4,924**	$ 4,031
Accounts receivable - past due for between 31 and 90 days	**1,901**	2,053
Accounts receivable - past due for 91 days or longer	**584**	282
Total gross accounts receivable	**7,409**	6,366
Allowance for doubtful accounts	**(548)**	(474)
Accounts receivable, net	**$ 6,861**	$ 5,892

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, 2010 or December 31, 2009.

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	
	2010	2009
Cash and cash equivalents	**$ 9,701**	$ 10,896
Accounts receivable	**6,861**	5,892

(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. PFB purchases its U.S dollar requirements at the spot market rates. From time to time, PFB may utilize derivative financial instruments in the normal course of operations as a means of management its foreign currency exposure. During the years ended December 31, 2010 and 2009, PFB and its subsidiaries neither entered into nor held foreign exchange contracts. Raw material supplies denominated in U.S. dollars are usually paid within thirty days or less of receiving product shipments, which is consistent with industry practices.

At December 31, 2010, the carrying amounts of PFB's foreign currency denominated net monetary assets was USD $5,023 (2009 – USD $4,114) and foreign currency denominated net monetary liabilities was USD $2,314 (2009 – USD $2,667). Based on the net foreign currency liability as at December 31, 2010, 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 $95 (2009 - $55).

PFB is exposed to currency rate risk on a portion of its net monetary assets and liabilities and it does not currently hold any financial instruments to mitigate those risks. Management believes that the potential adverse impact of currency rate fluctuations on the current level of net monetary assets and liabilities exposed to currency rate risk will not be significant in relation to its expected future earnings

(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, 2010, 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 $4,230 (2009 - $4,196) which represents an approved limit of $4,300 less amounts outstanding on Canadian capital leases financed by the bank.

(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, 2010, are as indicated in the following table:

	Current within	Non current	
	12 months	1 - 5 years	Over 5 years
Accounts payable and accrued liabilities	$ 6,137	$ -	$ -
Long-term debt	948	7,935	-
Total liabilities	$ 7,085	$ 7,935	$ -

CAPITALIZATION

The primary objective of PFB is to maintain a flexible capital structure to preserve its ability to meet its financial obligations and to produce a targeted rate of return while safeguarding corporate assets. The 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, 2010 and December 31, 2009, is outlined in the following table:

	2010	2009
Long-term debt	**$ 8,883**	$ 9,663
Shareholders' equity	**45,177**	44,587
Balance, end of year	**$ 54,060**	$ 54,250

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	
	2010	**2009**
Return on Shareholders' Equity	**4.2%**	8.7%
Net Debt to Shareholders' Equity [1]	**-**	-
Current Ratio	**2.86x**	2.61x

[1] At December 31, 2010 and 2009, cash and cash equivalent balances exceeded total debt

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, 2010 and 2009, the financial covenant ratio was in compliance.

SHARE CAPITAL AND SHAREHOLDERS' EQUITY

A summary of PFB's share capital as at December 31, 2010 and 2009 is set forth in the following table:

	2010		2009	
	Shares	**Amount**	**Shares**	**Amount**
Balance, beginning of year	**6,568,736**	**$ 19,815**	6,572,536	$ 19,829
Shares issued as a result of stock options exercised	**50,000**	**313**	-	-
Cancellation of repurchased shares	**(5,900)**	**(18)**	(3,800)	(14)
Balance, end of year	**6,612,836**	**$ 20,110**	6,568,736	$ 19,815

The individual components making up shareholders' equity as at December 31, 2010 and 2009 are summarized in the table below:

	2010	2009	Change
Share capital	**$ 20,110**	$ 19,815	$ 295
Contributed surplus	**384**	365	19
Retained earnings	**24,683**	24,407	276
Total Shareholders' Equity	**$ 45,177**	$ 44,587	$ 590

A summary of transactions making up the change in shareholders' equity in the twelve month period ended December 31, 2010, are outlined in the table below:

Activity	Balance Sheet Account	Amount
Shares issued as part of stock options exercised	Share Capital	$ 313
Shares purchased for cancellation under a normal course issuer bid	Share Capital	(18)
Total Change in Share Capital		**$ 295**
Fair value of stock-based compensation	Contributed Surplus	$ 67
Exercise of stock options	Contributed Surplus	(48)
Total Change in Contributed Surplus		**$ 19**
Change in retained earnings resulting from:		
Net income	Retained Earnings	$ 1,874
Dividends paid	Retained Earnings	(1,583)
Premium on redemption of common shares	Retained Earnings	(15)
Total Change in Retained Earnings		**$ 276**

STOCK OPTIONS

PFB did not grant any stock options in years 2010 and 2009 under its stock option plan.

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

	2010		2009	
	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	**(50,000)**	**(5.30)**	-	-
Cancelled	**-**	**-**	-	-
Expired	**-**	**-**	-	-
Forfeited	**(20,000)**	**(9.50)**	-	-
Outstanding, end of year	**130,000**	**$ 9.50**	200,000	$ 8.45

CONTRACTUAL OBLIGATIONS

As at December 31, 2010, PFB's long-term contractual obligations of $11,411 are as outlined in the table below:

		Payment Due by Period				
Contractual Obligations	Total	2011	2012	2013	2014	2015 and Later
Long-term debt	**$ 8,456**	$ 736	$ 741	$ 5,619	$ 242	$ 1,118
Capital lease obligations	**427**	212	153	62	-	-
Operating leases	**2,191**	720	570	308	306	287
Commitments for capital assets and intangible assets	**337**	337	-	-	-	-
Other long-term obligations[1]	**-**	-	-	-	-	-
Total Contractual Obligations	**$ 11,411**	$ 2,005	$ 1,464	$ 5,989	$ 548	$ 1,405

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

Capital leases are for automobiles and materials handling equipment. In 2009, $297 of operating leases for automobiles were reclassified from operating leases to capital leases. At December 31, 2010, there was an outstanding commitment for capital expenditures in the amount of $337 for projects approved in 2010 but expected to be completed in the first quarter of 2011.

Under the terms of certain sales contracts, PFB is required to provide performance bonds to ensure that it performs under such contracts. As at December 31, 2010, performance bonds outstanding aggregate $24,678 (2009 - $22,048).

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 2010 and 2009, 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	2010	2009	Change
Aeonian Capital Corporation	Management services	**$ 200**	$ 200	$ -
Baker Investments, LLC	Stipend and travel expenses	**114**	118	(4)
McCarthy Tetrault LLP	Legal services	**40**	85	(45)
William H. Smith Professional Corp.	Legal services	**9**	-	9
Totals		**$ 363**	$ 403	$ (40)

As at December 31, 2010, Aeonian Capital Corporation ("Aeonian"), and its affiliates, owned 2,921,668 or 44.2% (2009 – 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, 2010 and 2009 all fees had been paid in full in each respective year.

Mr. Frank Baker, a director of PFB, 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, 2010, there was an account payable outstanding to Mr. Baker in the amount of USD $26 with respect to the fourth quarter stipend and expenses which were settled in January 2011.

McCarthy Tetrault LLP provides legal services to PFB at which William H. Smith, QC, Corporate Secretary and a director of PFB, was Counsel to the firm until July 1, 2010, at which time, McCarthy Tetrault LLP ceased to be a related party.

Effective July 1, 2010, William H. Smith Professional Corporation became a related party. As at December 31, 2010, a payable to the professional corporation in the amount of $9 (2009 - $Nil) was outstanding

OUTLOOK

PFB's operations in Canada continue to reflect a stronger economic environment than that persisting in the United States although sales in Canada have not recovered to pre-recessionary levels. In the United States, PFB's Insulspan SIPS and Riverbend Timber Framing products have been traditionally sold to the custom-home residential sector where the prolonged downturn has created challenging conditions for all participants. In February 2011, PFB completed the acquisition of Precision Craft and associated companies based in Idaho, USA, to compliment its existing portfolio of building products (see subsequent event section below). Operations in the United States are being refocused as a consolidated group as a result of this transaction.

Upwards price pressure for major raw materials that are priced in United States dollars remained a familiar theme entering 2011 with the potential for further escalation if world commodity prices trend higher as a result of weakness in the trading price of US currency and political unrest in certain North African and Middle Eastern countries.

As in previous years, PFB will have a net overall exposure to the U.S. dollar in fiscal 2011. The appreciation of the Canadian dollar versus the U.S. dollar in the last two years partially mitigated the impact of increasing raw material costs although currency appreciation has the opposite effect when translating U.S. denominated sales into Canadian dollars. As fiscal 2010 closed, one Canadian dollar was worth more than one U.S. dollar and more appreciation had occurred in the early part of 2011. This remains a positive currency environment for PFB.

Management is confident that its growth strategy focussed on EPS-based insulating building products will achieve its objectives of increasing shareholder value, increasing sales revenues and earnings per share, and generating acceptable rates 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.

Cash flow provided by operations, together with existing unused credit facilities, is considered adequate to meet all anticipated liquidity requirements in 2011.

SUBSEQUENT EVENT

Effective February 1, 2011, PFB Corporation acquired 100% of the share capital of Precision Craft Homes, a company based in Idaho, USA, which designs and builds luxury log and timber frame homes. The total consideration included USD $2,500 in cash paid on closing plus the equivalent of CAD $1,000 in escrowed common shares (166,667 common shares nominally valued at $6.00 per share) to be held in escrow and subject to an earn-out provision for a maximum period of five years.

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, 2010, 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, 2010, the CEO and CFO 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.

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. Recently, Environment Canada has been conducting a review of the effect of many chemicals on the environment including HBCD. Currently there are no commercially available alternatives to HBCD for EPS foam. Alternatives to HBCD are being developed in the industry and PFB is continuing to work with flame retardant producers to expedite the transition. This issue is a risk to future raw material supply.

Management continues to explore opportunities to minimize the impact of price swings of raw materials 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.

From time to time, management may commit to utilizing derivative financial instruments in the normal course of business as a means of management of its foreign currency exposure. 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 business operations 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 business through internal expansion or by 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. In 2010, Environment Canada and Health Canada published a Draft Screening Level Risk Assessment report of HBCD. The report concluded that HBCD is not entering the environment in a quantity or under conditions that constitute or may constitute a risk in Canada to human life or health but that HBCD meets the criteria to be labeled as toxic to the environment. PFB will continue to work with Environment Canada and other industry partners to develop a risk management strategy for HBCD. Currently there are no commercially available alternatives to HBCD for EPS foam. However, alternatives are being developed and PFB is continuing to work with flame retardant producers to expedite the transition.

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.

PLANT AND FACILITIES

The Corporation operates a number of manufacturing facilities across North America, most of which operate at or near capacity for significant portions of the year. Any disruption to operations at any plant and facility arising from natural or man-made causes such as fire, flood, labour disputes, disruption to access or egress, or other events, could have a material impact on the Corporation and its business operations.

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, 2010, and identified that the Plan had a funding deficit on a going-concern basis of $94 (2009 - $119) and, on a solvency basis, the actuarial liabilities exceeded the value of assets by $82 (2009 - $30). As a result, throughout 2010 and 2009, PFB made regular service and special payment contributions to the Plan. In fiscal 2010, total contributions of $122 (2009 - $130) 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, 2010, total $2,191 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. PFB attempts to mitigate 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, 2010 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 2010 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, 2010, 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 CAPITAL ASSETS

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 or lower depreciation expense 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 2010 and 2009, 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

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 were 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).

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 1602 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 (AcSB) confirmed that, for publicly accountable enterprises, Canadian GAAP will be replaced by International Financial Reporting Standards (IFRS) for fiscal years beginning on or after January 1, 2011. Upon adoption of IFRS, companies will be required to provide IFRS comparative information for the previous fiscal year. Accordingly, the conversion from Canadian GAAP to IFRS will be applicable to the Corporation's reporting for its interim financial statements for the first quarter of 2011.

PFB has completed the following phases of its project plan for adopting IFRS:

- Initial impact assessment and scoping of differences between Canadian GAAP and IFRS
- Identification, evaluation and selection of accounting policies under IFRS
- Determination of the impact on internal controls over financial reporting, disclosure controls and procedures, and other business activities
- Implemented information technology solutions necessary to support IFRS reporting, including the parallel running under both Canadian GAAP and IFRS throughout 2010.

PFB has maintained Canadian GAAP for reporting purposes in 2010 and it has maintained reconciliations between Canadian GAAP and IFRS for each interim/annual period throughout 2010, beginning with an opening balance sheet as at January 1, 2010, which is the IFRS transition date applicable to PFB. The reconciliations between Canadian GAAP and IFRS will be presented during 2011, commencing with the release of the 2011 first quarter interim report.

IFRS 1, First-time Adoption of International Reporting Standards, provides guidance to entities adopting IFRSs for the first time. The standard provides a number of optional exemptions and mandatory exceptions to the general requirement of full retrospective application of IFRS.

The table below provides a brief summary of the optional exemptions under IFRS 1 which are applicable to PFB and, where an adjustment to the opening balance sheets results from making an election, the expected amount of the adjustment. The Standard also includes a number of mandatory exemptions, none of which are applicable to PFB.

STANDARD	OPTIONAL EXEMPTION	CHOICE AND IMPACT
Business Combinations	An optional exemption exists to not retrospectively apply IFRS 3 to business combinations which occurred prior to the transition date. Without the exemption, PFB would be required to re-state all past business combinations to be in accordance with IFRS 3.	PFB has elected to prospectively apply IFRS 3. Therefore, an adjustment to the opening balance sheet will not be required.
Fair Value or Revaluation as Deemed Cost	IFRS 1 permits an item of property, plant and equipment to be measured at the date of acquisition at its fair value and using the fair value amounts as deemed cost.	PFB has elected to account for all items of property, plant and equipment using the cost model which uses the historical bases under Canadian GAAP as the cost under IFRS. Therefore, an adjustment to the opening balance sheet as a result of this election is not required.
Borrowing Costs	IFRS 1 allows entities to choose the date from which it applies the requirement to capitalize borrowing costs relating to qualifying assets.	PFB has elected to prospectively apply the capitalization of borrowing costs relating to all qualifying assets from the transition date.
Employee Benefits	An optional exemption is available for entities which have defined benefit pension plans. The exemption, if elected, does not require entities to calculate cumulative actuarial gains and losses from the inception of a plan up to the date of transition to IFRS.	PFB has elected to not recognize cumulative actuarial gains and losses up to the date of transition. It has elected to reset the “corridor” to zero as at the date of transition. PFB has elected to recognize gains and losses in future years using the corridor approach. Under Canadian GAAP, as at December 31, 2009, PFB recognized an accrued benefit asset with respect to the defined benefits pension plan in the amount of $475 which decreases to approximately $50 under IFRS. As a result of applying this exception, the adjustment creates a deferred tax liability of approximately $100 for a combined approximate net reduction in retained earnings of $325.

In addition to the impact of the optional elections made under IFRS 1, there are other expected areas of difference arising as a result of the requirements of certain IFRSs being different from Canadian GAAP. The table below provides a brief summary of the details of such differences, the policy selections that PFB has made (where applicable), along with the current and future impact of adopting those IFRS. The table is not comprehensive and may not include all of the differences that PFB will experience between Canadian GAAP and certain IFRSs.

The IASB has several projects scheduled for 2011 that may impact PFB’s transition to IFRS and its financial statements. PFB is required to comply with IFRS up to an including the date of its first annual consolidated financial statements, which, for PFB is December 31, 2011.

IFRS	KEY DIFFERENCES FROM CANADIAN GAAP	CURRENT AND FUTURE IMPACT ON PFB
IAS 16 – Property, Plant and Equipment (PP&E) Componentization:	Under Canadian GAAP, as at January 1, 2010, PFB componentized the asset classes of buildings and machinery and equipment (major items only). In conjunction with those changes, the expected remaining useful lives of individual assets and components in the two asset classes, as stated, were revised. The new expected remaining useful lives were adopted on a prospective basis for the calculation of future depreciation expense. Under IFRS, no additional changes were made to the componentization of the two assets classes. The revised expected remaining useful lives of individual assets and components were applied from their original date of acquisition and depreciation expense was recalculated using the revised useful lives. This resulted in higher net book values in aggregate under IFRS at the date of transition.	In 2010, depreciation expenses were lower than in the comparative year as a result of applying longer expected remaining lives to the net book values. Upon adopting IAS 16, the opening balance sheet values for the carrying amounts of property, plant and equipment increased by approximately $6,400. The change resulted in the recognition of deferred tax liabilities of approximately $1,700. Accordingly, a net increase in retained earnings of approximately $4,700 resulted. .
IAS 36 – Impairment of Assets	IFRS introduces the concept of a Cash Generating Unit (CGU) which does not exist under Canadian GAAP. A CGU is defined as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Goodwill acquired in a business combination is required to be allocated to each of the acquirer's CGU's or groups of CGU's. IFRS requires the assessment of asset impairment be based on discounted future cash flows. Canadian GAAP generally applied a two-step approach to impairment testing; first comparing asset carrying values with undiscounted future cash flows to determine whether impairment exists, and then measuring any impairment by comparing asset carrying values with their fair values. IFRS allows for the future reversal of impairment losses, other than goodwill, should the indicators of impairment change.	Under Canadian GAAP, PFB was considered to be a fully-integrated operation consisting of a single reporting unit. Accordingly, goodwill was managed at a highest level of aggregation. Under IFRS, PFB has concluded it has two groups of CGU's and goodwill was allocated to each, as appropriate. Based on the goodwill allocated to each CGU group and applying discounted future cash flows to test for impairment, PFB has determined that goodwill allocated to one CGU group was impaired. Upon adopting IAS 36, the consolidated opening balance sheet values for the carrying amounts of goodwill decreased by approximately $5,300 with a corresponding decrease in retained earnings. IFRS creates the potential for more frequent recognition of impairment losses or reversals of previous impairment losses, or parts thereof, as compared to Canadian GAAP.

IFRS	KEY DIFFERENCES FROM CANADIAN GAAP	CURRENT AND FUTURE IMPACT ON PFB
IIAS 12 – 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.	Upon adopting IAS 12, the current portion of a deferred tax asset recorded under Canadian GAAP in the amount of $637 was reclassified to a long-term deferred tax asset. The adjustment had no impact on retained earnings..
IAS 21 – The Effects of Changes in Foreign Exchange	Under IFRS, non-monetary assets and liabilities of a foreign subsidiary whose functional currency is different to that of PFB's presentation currency, which is Canadian dollars, are required to be translated at the closing exchange rate at the end of each reporting period. Under Canadian GAAP. PFB's foreign subsidiary qualified for foreign exchange translation using the temporal method, non-monetary assets and liabilities of the foreign subsidiary were translated at historical exchange rates. Income and expense items of the foreign subsidiary will continue to be translated at monthly average exchange rates on consolidation under IFRS which is the same treatment as under Canadian GAAP. Under IFRS, the effects of foreign exchange rate changes when consolidating the assets and liabilities of PFB's foreign subsidiary are recorded in other comprehensive income. Under Canadian GAAP (temporal method), foreign exchange gains and losses were recorded in income.	Upon adopting IAS 21, the consolidated opening balance sheet values for the carrying amounts of PP&E and intangible assets held by PFB's foreign subsidiary, when translated into Canadian dollars, decreased by approximately $265 and $15, respectively, with a corresponding aggregate decrease in retained earnings of $280. On a go-forward basis, the carrying values of non-monetary assets and liabilities held by the foreign subsidiary in its functional currency of USD will be translated at current exchange rates on consolidation. As exchange rates fluctuate the other comprehensive income will exhibit greater volatility. PFB`s foreign subsidiary has an interest bearing inter-company loan payable to its Canadian parent which is denominated in CAD. Unrealized foreign exchange gains and losses are recognized in the U.S. subsidiary's books as exchange rates change. Under Canadian GAAP, the unrealized foreign exchange gains and losses recorded in the foreign subsidiary's books were fully offset on consolidation by gains or losses arising on translating the USD equivalent value of the Canadian dollar loan creating no impact in the consolidated income statement. Under IFRS, the effects of the unrealized foreign exchange gains and losses in the foreign subsidiary will display increased volatility in the income statement as exchange rates fluctuate.

IFRS	KEY DIFFERENCES FROM CANADIAN GAAP	CURRENT AND FUTURE IMPACT ON PFB
IAS 19 – Employee Benefits	A difference between IAS 19 - Employee Benefits and the equivalent Canadian GAAP (HB 3461 – Employee Future benefits) is that IAS 19 provides broad guidance for all forms of consideration given by an entity in exchange for services rendered by employees whereas Canadian GAAP does not provide guidance for benefits applied to employees during their active employment. Canadian GAAP guidance applies to benefits earned by active employees which are expected to be provided to them when they are no longer providing active service, pursuant to the entity's undertaking to provide such benefits. PFB has a defined benefit plan for certain employees in Ontario. In addition to aforementioned terminology difference, other differences exist between IAS 19 and Canadian GAAP with respect to defined benefit plans which include: measurement date of plan assets and accrued benefit obligation; actuarial assumptions; the rate used to discount post-employment benefit obligations; the test for minimum amortization of actuarial gains and losses; the treatment of past service costs; the treatment of defined benefit assets; and greater disclosures under IFRS. IFRS places a limit on the value of a defined benefit asset recorded on the balance sheet, which cannot exceed the future economic benefit expected to realized from the asset.	The accrued benefit asset recognized on PFB's consolidated balance sheet at the date of transition will be lower under IFRS than under Canadian GAAP (see IFRS 1 table above). The limit restriction had no impact on the amount recognized on the opening balance sheet under IFRS as at the date of transition.
Presentation and Disclosure	Certain standards under IFRS require significantly more disclosure than under Canadian GAAP.	This will have a significant impact on PFB in terms of data collection to meet the disclosure requirements. Processes for data capture are being revised or created, as appropriate, to meet the requirements. PFB's internal controls over financial reporting framework is being updated to incorporate certain revisions as a result of adopting IFRS.

STEPHEN P. HARDY

Vice President and Chief Financial Officer

March 3, 2011

MANAGEMENT'S REPORT

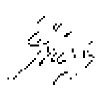
The accompanying consolidated financial statements of PFB Corporation and all information included in this annual report are the responsibility of the management of the Corporation and have been reviewed and approved by the Board of Directors upon recommendation by the Audit Committee. Management has 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, and the results of their audit examination prior to recommending approval of the consolidated financial statements to the board of directors.

The shareholders' auditor, Deloitte & Touche LLP, Chartered Accountants, have audited the consolidated financial statements as at and for the year ended December 31, 2010 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 3, 2011



STEPHEN P. HARDY
Vice President and
Chief Financial Officer
March 3, 2011

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
PFB Corporation:

We have audited the accompanying consolidated financial statements of PFB Corporation, which comprise the consolidated balance sheets as at December 31, 2010 and 2009, and the consolidated statements of operations and comprehensive income, retained earnings and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of PFB Corporation as at December 31, 2010 and December 31, 2009 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

Chartered Accountants
March 3, 2011
Calgary, Alberta

CONSOLIDATED BALANCE SHEETS

Years Ended December 31, 2010 and 2009

In thousands of dollars

	2010	2009
ASSETS		
Current assets		
Cash and cash equivalents [Note 3]	**$ 9,701**	$ 10,896
Accounts receivable [Note 12 (a)]	**6,861**	5,892
Inventories [Note 4]	**6,976**	6,257
Income taxes receivable	**167**	276
Prepaid expenses	**664**	648
Future income taxes asset [Note 14]	**310**	637
Total current assets	**24,679**	24,606
Capital assets [Note 5]	**31,016**	31,580
Goodwill	**5,887**	5,887
Intangible assets [Note 6]	**167**	260
Accrued benefit asset [Note 16]	**538**	475
Future income taxes asset [Note 14]	**573**	444
Total assets	**62,860**	63,252
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	**$ 6,137**	$ 7,016
Customer deposits	**1,534**	1,504
Current portion of long-term debt [Note 8]	**948**	919
Total current liabilities	**8,619**	9,439
Long-term debt [Note 8]	**7,935**	8,744
Future income taxes liability [Note 14]	**1,129**	482
Total liabilities	**17,683**	18,665
SHAREHOLDERS' EQUITY		
Share capital [Note 9]	**20,110**	19,815
Contributed surplus [Note 10]	**384**	365
Retained earnings	**24,683**	24,407
Total shareholders' equity	**45,177**	44,587
Total liabilities and shareholders' equity	**$ 62,860**	$ 63,252

Commitments and contingencies [Note 18]

See accompanying notes to the consolidated financial statements.

Approved by the Board of Directors

C. ALAN SMITH
Director

JOHN K. READ
Director

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

Years Ended December 31, 2010 and 2009

In thousands of dollars except shares and per share amounts

	2010	2009
Sales	**$ 65,580**	$ 65,930
Cost of goods sold	**(48,716)**	(46,083)
	16,864	19,847
Selling and administrative expenses	**(13,661)**	(14,432)
Gain (loss) on sale of assets	**16**	(14)
Realized foreign exchange gain [Note 12 (b)]	**145**	202
Unrealized foreign exchange gain (loss) [Note 12(b)]	**(158)**	51
	3,206	5,654
Interest income	**41**	26
Interest expense	**(502)**	(602)
Income before income taxes	**2,745**	5,078
Income taxes [Note 14]	**(871)**	(1,388)
Net income and other comprehensive income	**$ 1,874**	$ 3,690
Earnings per common share - basic: [Note 13]	**$ 0.28**	$ 0.56
Earnings per common share - diluted: [Note 13]	**$ 0.28**	$ 0.56
Weighted average number of common shares outstanding [Note 13]	**6,598,703**	6,570,906

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

Years Ended December 31, 2010 and 2009

In thousands of dollars

	2010	2009
Retained earnings, beginning of the year	**$ 24,407**	$ 22,295
Net income	**1,874**	3,690
Dividends paid	**(1,583)**	(1,577)
Premium on redemption of common shares [Note 9 (d)]	**(15)**	(1)
Retained earnings, end of the year	**$ 24,683**	$ 24,407

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31, 2010 and 2009

In thousands of dollars

	2010	2009
CASH PROVIDED BY (USED IN):		
OPERATING		
Net income	**$ 1,874**	$ 3,690
Add (deduct) items not requiring cash:		
Depreciation and amortization	**2,491**	3,668
(Gain) loss on disposal of capital assets	**(16)**	14
Stock-based compensation	**67**	114
Accrued benefit asset	**(63)**	(475)
Future income taxes [Note 14]	**810**	1,171
Unrealized foreign exchange (gain) loss	**158**	(51)
	5,321	8,131
Changes in non-cash working capital [Note 15]	**(2,444)**	3,007
Urealized foreign exchange loss (gain) relating to non-cash working capital	**31**	-
	2,908	11,138
FINANCING		
Repayment of long-term debt	**(997)**	(735)
Dividends paid	**(1,583)**	(1,577)
Exercise of stock options [Note 9(c)]	**265**	-
Purchase of common shares for cancellation [Note 9(d)]	**(33)**	(15)
	(2,348)	(2,327)
INVESTING		
Purchase of capital assets [Note 5]	**(1,635)**	(1,746)
Purchase of intangible assets [Note 6]	**(50)**	(5)
Proceeds of insurance claim net of related expenses [Note 5]	**65**	-
Proceeds from sale of capital assets	**54**	7
	(1,566)	(1,744)
Foreign exchange loss on cash held in foreign currency	**(189)**	(34)
Increase (decrease) in cash and cash equivalents	**(1,195)**	7,033
Cash and cash equivalents, beginning of the year	**10,896**	3,863
Cash and cash equivalents, end of the year	**$ 9,701**	$ 10,896

Supplemental cash flow information:		
Interest paid	**$ 502**	$ 597
Interest received	**41**	26
Income taxes recovered	**40**	586
Capital asset additions financed by capital leases	**258**	328

See accompanying notes to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2010 and 2009

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 those products in North America and Japan. The 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 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) Future Changes to Accounting Standards

In February 2008, the Canadian Accounting Standards Board (AcSB) confirmed that, for publicly accountable enterprises, Canadian GAAP will be replaced by International Financial Reporting Standards (IFRS) for fiscal years beginning on or after January 1, 2011. Upon adoption of IFRS, companies will be required to provide IFRS comparative information for the previous fiscal year. Accordingly, the conversion from Canadian GAAP to IFRS will be applicable to the Corporation's reporting for its interim financial statements for the first quarter of 2011.

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 1602 will be applied retrospectively. The Corporation does not currently have any non-controlling interests.

(c) 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 tested at least annually for impairment or when indications of impairment are present. The goodwill is first tested for recoverability (step 1) and, if the test determines that the carrying amount exceeds the fair value then impairment is measured (step 2). 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. Step one consist of a comparison of the fair value of a reporting unit with its carrying amount, including the goodwill allocated to the reporting unit. Measurement of the fair value of a reporting unit is based on one or more fair value measures, including present value calculations of estimated future cash flows and estimated amounts at which the unit as a whole could be bought or sold in a current transaction between willing parties. The Corporation also considers its market capitalization as of the date of the impairment test. When the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is not considered to be impaired and the second step of the impairment test is unnecessary. If the carrying amount of the reporting unit exceeds its fair value, step two requires the fair value of the reporting unit to be allocated to the underlying assets and liabilities of that reporting unit, resulting in an implied fair value of goodwill. If the carrying amount of the reporting unit's goodwill exceeds the implied fair value of the reporting unit's goodwill, an impairment loss equal to the excess is recorded in earnings.

In the years ended December 31, 2010 and 2009, there were no changes in the carrying amount of goodwill attributed to either goodwill acquired or impairment losses recognized.

(d) 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.

(e) 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.

(f) Impairment of Long-lived and Intangible 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 based on the difference between the discounted net future cash flows and the carrying value of the asset or group of assets. 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.

(g) 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.

As a result of a comprehensive study on its depreciation method and useful lives of capital assets on January 1, 2010, PFB changed the depreciation method for machinery and equipment from a declining balance method to the straight-line method. On the same date, the asset classes of buildings and major machinery and equipment were componentized and the expected remaining lives of individual assets and components of assets in those asset classes were evaluated and adjusted, where appropriate, to reflect future operating expectations. The revisions were based on historical performance data and experiences assembled over many years of operating manufacturing facilities and equipment. The combined effect of the change in estimates was a reduction of approximately $1,200 in the amount of depreciation expense included in cost of sales in the current year. Prior period results have not been restated. Management did not continue to track depreciation under the old model and therefore can not exactly calculate the dollar impact of the change. Management views attempting to calculate the amount at this time as impractical and has chosen to not present in the financial statements.

Depreciation is provided for using the following rates and methods, which are designed to amortize the assets over their estimated useful lives:

Assets/Components	Current Year - Rate and Method	Previous Year - Rate and Method
Buildings:		
- Assets	-	5% straight line
- Components	2.5% to 6.7% straight line	-
Machinery and equipment:		
- Assets	At rates varying from 5% to 20% straight line	At rates varying from 10% to 20% declining balance
- Components	At rates varying from 5% to 20% straight line	-
Capital leases	Term of the lease	Term of the lease
Computer and office equipment	At rates varying from 10% to 33% straight line	At rates varrying from 10% to 33% straight line
Assets under construction	Depreciation commences when the asset is available for use.	Depreciation commences when the asset is 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.

(h) Intangible Assets

Intangible assets that meet the capitalization criteria in CICA HB 3064 are capitalized and amortized over their useful lives. 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.

(i) 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, typically at March 31. Future benefit increases which are incorporated into the collective labour agreement are used to determine the accrued benefit obligation. The accrued benefit obligation and current service cost were calculated using the projected benefit method pro-rated on service.

Past services cost arising from plan amendments, and net actuarial gains and loss that exceed 10% of the greater of the accrued benefit obligation and fair value of plan assets, are expensed in equal amount over the expected average remaining service life of the employee group.

The accrued benefit asset recognized on the consolidated balance sheet is representative of contributions (normal service plus special) being made by the Corporation exceeding its pension expense.

The plan assets are invested in marketable securities and the fair value can be determined on a frequent basis.

(j) 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.

(k) 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 substantively enacted 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.

(l) 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.

(m) Financial Instruments

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

(i) Financial Assets and Liabilities

All financial assets and liabilities are classified into one of five categories; loans and receivables; assets held-to-maturity; assets available-for-sale; other financial liabilities; and held-for-trading. The classification depends on the purpose for which the financial instruments were acquired and their characteristics. Financial instruments that are classified as held-for-trading or available-for-sale are re-measured each reporting period at fair value with the resulting gain or loss recognized immediately in net income and other comprehensive income, respectively. All other financial instruments are accounted for at amortized cost with foreign exchange gains and losses recognized immediately in net income.

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 (see Note 12 for additional disclosures and classification).

(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 and it purchases its U.S. dollar requirements at spot market rates. 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 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.

(n) 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.

(o) 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.

(p) 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 its measurement currency which is translated into Canadian dollars on consolidation using the temporal method. The US subsidiary is considered to be a fully integrated foreign operation. 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.

(q) 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:

	2010	2009
Balances with banks	**$ 6,699**	$ 4,394
Short-term investments	**3,002**	6,502
	$ 9,701	$ 10,896

Short-term investments represented cash invested in a premium investment account with a major Canadian bank with maturities of 90 days or less. The interest rate available on the premium investment account as at December 31, 2010, was in the range of 0.80% to 1.10% (2009 - 0.35% to 0.47%) varying by the principal amount invested.

Interest income earned on bank balances and short-term investments is reported as interest income in the consolidated statement of operations.

4. INVENTORIES

Inventories are comprised as follows:

	2010	2009
Raw materials and supplies	**$ 3,323**	$ 3,510
Work-in-progress	**1,293**	1,068
Finished goods	**2,360**	1,679
	$ 6,976	$ 6,257

The carrying amount of inventories recognized as an expense in the year in which revenue was recognized was $47,373 (2009 - $45,236).

The cost of inventories recognized as an expense in the current year included $183 (2009 – $229) 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:

	2010	2009
Cost:		
Land	**$ 5,205**	$ 5,205
Buildings	**26,435**	24,456
Machinery and equipment	**29,162**	30,409
Computer and office equipment	**2,349**	2,435
Capital leases	**767**	608
	63,918	63,113
Accumulated depreciation:		
Land	**-**	-
Buildings	**10,623**	8,462
Machinery and equipment	**20,204**	21,167
Computer and office equipment	**1,767**	1,741
Capital leases	**308**	163
	32,902	31,533
Net book value:		
Land	**5,205**	5,205
Buildings	**15,812**	15,994
Machinery and equipment	**8,958**	9,242
Computer and office equipment	**582**	694
Capital leases	**459**	445
	$ 31,016	$ 31,580

In the current year, capital assets were acquired at an aggregate cost of $1,828 (2009 - $2,074) of which $258 (2009 - $328) was acquired by means of capital leases.

In the current year, $746 (2009 - $1,156) of redundant assets were written off. The aggregate net book value of the write-off was $2 (2009 - $21) 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 $1,950 (2009 - $3,094) is included in cost of goods sold, with an amount of $399 (2009 - $294) included in selling and administrative expenses.

On October 15, 2010, a portion of the Riverbend Timber Framing manufacturing facility located in Blissfield, Michigan was compromised by a fire. The restoration of the building was fully covered by a replacement cost insurance policy and the restoration of the building to its original condition began in November 2010 and is expected to be fully completed by Spring 2011. As a result of the fire, the Corporation has realized a gain of $94 (2009 - $Nil), and a subsequent impairment loss of $94 (2009 - $Nil). Other capital assets destroyed in the fire were limited to three forklift trucks which were replaced by new units under the insurance policy. The new forklift trucks have been capitalized which resulted in a gain of $65 (2009 - $nil).

6. INTANGIBLE ASSETS

Intangible assets are comprised as follows:

	2010	2009
Cost:		
Product development costs	**$ 925**	$ 925
Software	**1,891**	1,831
Patents	**70**	70
	2,886	2,826
Accumulated amortization:		
Product development costs	**869**	788
Software	**1,826**	1,758
Patents	**24**	20
	2,719	2,566
Net book value:		
Product development costs	**56**	137
Software	**65**	73
Patents	**46**	50
	$ 167	$ 260

Amortization expense in the amount of $90 (2009 - $183) is included in cost of goods sold, with an amount of $52 (2009 - $96) included in selling and administrative expenses.

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, 2010, 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 for a maximum value of $8,000 (2009 - $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, 2010 and 2009, 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. Plasti-Fab was in compliance with this financial covenant at December 31 2010 and 2009.

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, 2010 and 2009, 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, 2010, the total aggregate principal repayment amount outstanding on Plasti-Fab's non-revolving credit facility was $7,779 (2009 - $8,437). At that date, the unused portion of the non-revolving facility was $4,230 (2009 - $4,196) and represented an approved limit of $4,300 less principal amounts outstanding on capital leases financed by the bank. 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, 2010 and 2009, the financial covenant ratio was in compliance.

On December 24, 2009, the 5-year term for the fixed interest rate on a loan which commenced on December 24, 2004, expired (see table below). On March 30, 2010, the 5-year term for the fixed interest rate on a loan which commenced on 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%. From that the refinancing dates, the interest rate on those loans 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.

Insulspan has a term loan facility with a U.S. bank, whose parent company is a major Canadian bank, which is secured by manufacturing properties in Michigan, USA. At December 31, 2010, the outstanding principal amount of the term loan was USD $679 (2009 – USD $747). 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 $258 (2009 - $328) were entered into by PFB's subsidiaries principally for materials handling equipment and automobiles.

Long-term debt commitments as at December 31, 2010 and 2009 were as follows:

		Interest			
	Date of Loan	Rate	Term	2010	2009
Payable in Canadian Dollars:					
Term loan	Dec 24/09	3.85%	-	**$ 679**	**$ 755**
Term loan	Mar 30/10	3.85%	-	**701**	**773**
Term loan	Jun 25/08	6.05%	5 years	**4,545**	**4,909**
Term loan	Sep 30/08	5.55%	5 years	**1,855**	**2,000**
Capital leases	Various	4.40% to 6.60%	3 to 5 years	**402**	**402**
Payable in U.S. dollars:					
Term loan	Renewed Apr 28/08	Prime +0.25%	5 years	**676**	**785**
Capital leases	Various	3.70% to 7.50%	3 to 5 years	**25**	**39**
				8,883	**9,663**
Less: Current portion				**(948)**	**(919)**
				$ 7,935	**$ 8,744**

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

Estimated long-term debt repayments for fiscal years 2011 through to maturity are set out below:

For the year ending:	
2011	$ 948
2012	894
2013	5,681
2014	242
2015 and beyond	1,118
Total	$ 8,883

The fair value of long-term debt as at December 31, 2010 is $8,803 (2009 - $9,549). 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 $502 (2009 - $542) is included in interest expense on the Consolidated 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

	2010		2009	
	Shares	**Amount**	**Shares**	**Amount**
Balance, beginning of year	**6,568,736**	**$ 19,815**	6,572,536	$19,829
Shares issued as a result of stock options exercised	**50,000**	**313**	-	-
Cancellation of repurchased shares	**(5,900)**	**(18)**	(3,800)	(14)
Balance, end of year	**6,612,836**	**$ 20,110**	6,568,736	$ 19,815

(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, 2010, 6,612,836 (2009 – 6,568,736) common shares were issued and outstanding and total stock options of 130,000 (2009 – 200,000) representing 2.0% (2009 – 3.0%) of the total issued and outstanding common shares had been granted but not exercised. No stock options were granted in 2010 or 2009.

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

	2010		2009	
	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
Exercised	**(50,000)**	**(5.30)**	-	-
Forfeited	**(20,000)**	**(9.50)**	-	-
Outstanding, end of year	**130,000**	**$ 9.50**	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, 2010:

		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**
$ 9.50	130,000	19.0	$ 9.50	130,000	$ 9.50

Amortization of the fair value amounts attributed to stock options are reported as compensation expense on the Consolidated Statement of Operations and Comprehensive Income each period with the off-set recorded in the contributed surplus account on the Consolidated Balance Sheet.

(d) Normal Course Issuer Bid

In September 2010, PFB obtained approval from The Toronto Stock Exchange to renew its Normal Course Issuer Bid program for a 12-month period which commenced on September 3, 2010 and ending no later than September 2, 2011. The renewal allows PFB to purchase, no later than September 2, 2011, up to a maximum of 330,936 of its common shares, representing 5% of PFB's 6,618,736 issued and outstanding common shares as September 3, 2010, 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, 2010, PFB purchased and cancelled 5,900 (2009 – 3,800) of its common shares under the normal course issuer bid for an aggregate price of $33 (2009 - $15), of which $15 (2009 - $1) 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:

	2010	2009
Balance, beginning of year	$ 365	$ 251
Stock-based compensation expense	67	114
Exercise of stock options	(48)	-
Balance, end of year	$ 384	$ 365

11. MANAGEMENT OF CAPITAL

The primary objective of PFB is to maintain a flexible capital structure to preserve its ability to meet its financial obligations and to produce a targeted rate of return while safeguarding corporate assets. The 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, 2010 and December 31, 2009, is outlined in the following table:

	2010	2009
Long-term debt [Note 8]	$ 8,883	$ 9,663
Shareholders' equity	45,177	44,587
Total capital structure	$ 54,060	$ 54,250

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, acquire more debt and/or raise share capital, subject to market conditions, to fund significant strategic growth initiatives.

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

- 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	
	2010	**2009**
Return on Shareholders' Equity	**4.2%**	8.7%
Net Debt to Shareholders' Equity [1]	**-**	-
Current Ratio	**2.86x**	2.61x

[1] At December 31, 2010 and 2009, cash and cash equivalent balances exceeded total debt.

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, 2010 and 2009, 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, 2010 and 2009, are stated in the following table:

	2010		2009	
	Book Value	Fair Value	Book Value	Fair Value
Financial assets				
Held for trading:				
Cash and cash equivalents	**$ 9,701**	**$ 9,701**	$ 10,896	$ 10,896
Loans and receivables:				
Accounts receivable	**6,861**	**6,861**	5,892	5,892
Financial liabilities				
Other financial liabilities:				
Accounts payable and				
accrued liabilities	**$ 6,137**	**$ 6,137**	$ 7,016	$ 7,016
Long-term debt (total)	**8,883**	**8,792**	9,663	9,549

PFB's financial instruments are defined in Note 2(m) and determination of fair value is discussed in Note 2(m)(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 Corporation's fair value hierarchy for those financial assets and liabilities measured at fair value on a recurring basis as of December 31, 2010 and 2009:

	Total	Level 1	Level 2	Level 3
Financial assets				
Held for trading:				
Cash and cash equivalents				
December 31,2010	**$ 9,701**	**$ 9,701**	-	-
December 31, 2009	$ 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 generally non-refundable and they 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:

	2010	**2009**
Accounts receivable - current and past due for less than 30 days	**$ 4,924**	$ 4,031
Accounts receivable - past due for between 31 and 90 days	**1,901**	2,053
Accounts receivable - past due for 91 days or longer	**584**	282
Total gross accounts receivable	**7,409**	6,366
Allowance for doubtful accounts	**(548)**	(474)
Accounts receivable, net	**$ 6,861**	$ 5,892

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, 2010 or December 31, 2009.

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	
	2010	**2009**
Cash and cash equivalents	**$ 9,701**	$ 10,896
Accounts receivable	**6,861**	5,892

(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. PFB purchases its U.S dollar requirements at the spot market rates. From time to time, PFB may utilize derivative financial instruments in the normal course of operations as a means of management its foreign currency exposure. During the years ended December 31, 2010 and 2009, PFB and its subsidiaries neither entered into nor held foreign exchange contracts. Raw material supplies denominated in U.S. dollars are usually paid within thirty days or less of receiving product shipments, which is consistent with industry practices.

At December 31, 2010, the carrying amounts of PFB's foreign currency denominated net monetary assets was USD $5,023 (2009 – USD $4,114) and foreign currency denominated net monetary liabilities was USD $2,314 (2009 – USD $2,667). Based on the net foreign currency liability as at December 31, 2010, 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 $95 (2009 - $55).

PFB is exposed to currency rate risk on a portion of its net monetary assets and liabilities and it does not currently hold any financial instruments to mitigate those risks. Management believes that the potential adverse impact of currency rate fluctuations on the current level of net monetary assets and liabilities exposed to currency rate risk will not be significant in relation to its expected future earnings.

(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, 2010, 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 $4,230 (2009 - $4,196) which represents an approved limit of $4,300 less amounts outstanding on Canadian capital leases financed by the bank.

(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, 2010, are as indicated in the following table:

	Current within	Non current	
	12 months	1 - 5 years	Over 5 years
Accounts payable and accrued liabilities	$ 6,137	$ -	$ -
Long-term debt [Note 8]	948	7,935	-
Total liabilities	$ 7,085	$ 7,935	$ -

13. EARNINGS PER COMMON SHARE

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

	2010	2009
Net income	**$ 1,874**	$ 3,690
Weighted average number of common shares outstanding - basic	**6,598,703**	6,570,906
Shares assumed issued [1]	**-**	-
Shares assumed purchased [1]	**-**	-
Weighted average number of common shares outstanding - diluted	**6,598,703**	6,570,906
Earnings per share:		
Basic	**$ 0.28**	$ 0.56
Diluted	**$ 0.28**	$ 0.56

[1] 150,000 stock options granted in the third quarter of 2007 (See Note 9(c)) were anti-dilutive as at December 31, 2010 (balance of 130,000 stock options after forfeiture) and 2009 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)) and exercised in 2010 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 in 2009.

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:

	2010		2009	
	Amount	% of Pre-Tax Earnings	Amount	% of Pre-Tax Earnings
Income before income taxes	**$ 2,745**		$ 5,078	
Rates applied to income before income taxes	**791**	**28.8**	1,534	30.2
Higher tax jurisdiction (USA)	**(44)**	**(1.6)**	(112)	(2.2)
Enacted tax rate reduction	**(65)**	**(2.4)**	(100)	(2.0)
Expenses without tax basis	**48**	**1.8**	64	1.3
Foreign exchange translation of U.S. subsidiary	**(39)**	**(1.4)**	(168)	3.3
Prior year rate adjustments	**67**	**2.4**	-	-
Prior year adjustments	**82**	**3.0**	213	4.2
Other	**31**	**1.2**	(43)	(0.9)
	$ 871	**31.7**	$ 1,388	27.3

The provision for income taxes is comprised of the following:

	2010	2009
Current	**$ 61**	$ 217
Future	**810**	1,171
	$ 871	$ 1,388

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:

	2010	2009
Future income taxes asset (liability):		
Capital assets	**$ (939)**	$ (286)
Intangible assets	**(22)**	(21)
Non-capital losses carried forward	**306**	414
Reserves	**208**	243
Other	**201**	249
	$ (246)	$ 599

Non-capital losses carried forward expire in years 2027 through 2030.

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

	2010	2009
Future income taxes asset - current	**$ 310**	$ 637
Future income taxes asset - long term	**573**	444
Future income taxes liability - long-term	**(1,129)**	(482)
	$ (246)	$ 599

15. CHANGES IN NON-CASH WORKING CAPITAL

	2010	2009
Accounts receivable	**$ (969)**	$ 1,999
Inventories	**(719)**	631
Income taxes receivable	**109**	822
Prepaid expenses	**(16)**	121
Accounts payable and accrued liabilities	**(879)**	607
Customer deposits	**30**	(1,173)
	$ (2,444)	$ 3,007

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, 2010, and identified that the Plan had a funding deficit on a going-concern basis of $94 (2009 - $119) and, on a solvency basis, the actuarial liabilities exceeded the value of assets by $82 (2009 – surplus $1).

In addition to actuarial valuations being 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, 2010 and 2009. The discount rate used at the end of the fiscal year was 5.5% (2009 – 6.5%) and the expected rate of return on plan assets was 6.0% (2009 – 5.0%)

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

	2010	2009
Fair value of plan assets:		
Balance at beginning of year	**$ 916**	$ 763
Actual return on plan assets	**30**	44
Employer contributions	**122**	130
Employee contributions	**-**	-
Benefits paid	**(78)**	(21)
Balance at end of year	**$ 990**	$ 916
Accrued benefit obligation:		
Balance at beginning of year	**$ 871**	$ 757
Valuation effect	**-**	-
Total current service costs	**28**	24
Interest cost	**56**	58
Benefits paid	**(78)**	(21)
Actuarial gains	**203**	53
Plan amendments (prior service costs)	**-**	-
Balance at end of year	**$ 1,080**	$ 871
Funded status:		
Fair value of plan assets	**$ 990**	$ 916
Accrued benefit obligation	**(1,080)**	(871)
Funded status at end of year - (deficit) excess	**(90)**	45
Unamortized net actuarial gains	**475**	267
Unamortized past service costs	**153**	163
Accrued benefit asset at end of year	**$ 538**	$ 475

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:

	2010	2009
Fixed income	**95.2%**	95.1%
Other	**4.8%**	4.9%
Balance at end of year	**100.0%**	100.0%

17. RELATED PARTY TRANSACTIONS

In 2010 and 2009, 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.

	2010	2009
Aeonian Capital Corporation	**$ 200**	$ 200
Baker Investments LLC	**114**	118
McCarthy Tetrault LLP	**40**	85
William H. Smith Professional Corporation	**9**	-
	$ 363	$ 403

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

As at December 31, 2010, Aeonian Capital Corporation ("Aeonian"), and its affiliates, owned 2,921,668 or 44.2% (2009 – 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, 2010 and 2009 all fees had been paid in full in each respective year.

Mr. Frank Baker, a director of PFB, 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, 2010, there was an account payable outstanding to Mr. Baker in the amount of USD $26 with respect to the fourth quarter stipend and expenses which were settled in January 2011.

McCarthy Tetrault LLP provides legal services to PFB at which William H. Smith, QC, Corporate Secretary and a director of PFB, was Counsel to the firm until July 1, 2010, at which time, McCarthy Tetrault LLP ceased to be a related party. Effective July 1, 2010, William H. Smith Professional Corporation became a related party. As at December 31, 2010, a payable to the professional corporation in the amount of $9 (2009 - $Nil) 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, 2010, performance bonds outstanding aggregate $24,678 (2009 - $22,048).

(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:

2011	$ 720
2012	570
2013	308
2014	306
2015 and beyond	287
	$ 2,191

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

(c) Capital and Intangible Asset Expenditures

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, 2010 amounted to $337 (2009 - $424).

(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:

	2010	2009
Sales		
Canada	**$ 57,183**	$ 55,606
United States	**8,397**	10,251
Japan	**-**	73
	$ 65,580	$ 65,930
Capital assets, intangible assets and goodwill		
Canada	**$ 29,576**	$ 30,049
United States	**7,494**	7,677
	$ 37,070	$ 37,726
Total assets		
Canada	**$ 52,029**	$ 52,607
United States	**10,831**	10,645
	$ 62,860	$ 63,252

20. SUBSEQUENT EVENTS

Effective February 1, 2011, PFB Corporation acquired 100% of the share capital of Precision Craft Homes, a company based in Idaho, USA, which designs and builds luxury log and timber frame homes. The total consideration included USD $2,500 in cash paid on closing plus the equivalent of CAD $1,000 in escrowed common shares (166,667 common shares nominally valued at $6.00 per share) to be held in escrow and subject to an earn-out provision for a maximum period of five years.

21. 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
Wenzel Downhole Tools Ltd.

Frank B. Baker
Director

Bruce M. Carruthers
Chief Operating Officer
PFB Corporation

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

Edward H. Kernaghan [1]
Executive Vice President
Kernaghan Securities Ltd.

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

[1] Member of the Audit Committee

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

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

SOCIAL MEDIA

YouTube Channel
YouTube.com/user/PFBCorporation
Twitter
twitter.com/PlastiFab
twitter.com/AdvantageICF
twitter.com/InsulspanSIPS
twitter.com/RiverbendTF
twitter.com/FrankGreenSpeak

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

PFB CORPORATION

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