First Quarter Report 2012

For the Three Month Periods Ended March 31, 2012 and 2011

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Management's discussion and analysis (MD&A)

The following discussion and analysis of the consolidated results of operations and financial condition of PFB Corporation ("PFB" or the "Corporation") should be read in conjunction with the Corporation's unaudited condensed consolidated financial statements for the three month periods ended March 31, 2012 and 2011 and notes thereto and in conjunction with the Corporation's annual MD&A for the year ended December 31, 2011.

PFB's unaudited condensed consolidated financial statements for the three month periods ended March 31, 2012 and 2011 have been prepared in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting* as issued by the International Accounting Standards Board ("IASB").

Management is required 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 the Corporation. Actual results may differ under different assumptions and conditions.

This MD&A has been prepared as of May 9, 2012. All figures in this MD&A are stated in thousands of Canadian dollars except where stated otherwise.

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 future prospects and make informed investment decisions.

Any 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 May 9, 2012, 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.

A more detailed assessment of the risks that could cause actual results to materially differ from current expectations can be found in the Risk Management and Assessment section of the annual MD&A for the year ended December 31, 2011.

Non-GAAP financial measures

This MD&A presents certain non-GAAP financial measures to assist readers in understanding the Corporation's performance. Non-GAAP measures that do not have a standardized meaning prescribed by GAAP and therefore they may not be comparable to similarly measures used by other reporting issuers, and they should not be construed as an alternative to other financial measures determined in accordance with GAAP.

(a) **Gross profit** – represents sales less cost of sales.

(b) **Operating income (loss)** – represents the income (loss) from operations before investment income, finance costs, and the revaluation of contingent shares.

(c) **Cash provided by (used in) operating activities** – represents cash flows provided by (used in) operating activities before changes in non-cash working capital, changes in long-term trade receivables, and unrealized foreign exchange gains/losses relating to non-cash working capital.

(d) **Cash provided by (used in) operating activities per common share** – represents cash flows provided by (used in) operating activities before changes in non-cash working capital, changes in long-term receivables, and unrealized foreign exchange gains/losses relating to non-cash working capital divided by the weighted average number of common shares issued and outstanding for the period.

P·F·B™ CORPORATION
Better building ideas

Consolidated financial highlights (unaudited)

	Three month periods ended March 31	
	2012	**2011**
Sales	**$ 16,580**	$ 15,573
Cost of sales	**(13,773)**	(13,324)
Gross profit	**2,807**	2,249
Selling expenses	**(2,106)**	(2,239)
Administrative expenses	**(1,448)**	(1,327)
Other losses	**(166)**	(154)
Operating Loss	**(913)**	(1,471)
Revaluation of contingent shares – loss	**(44)**	(98)
Investment income	**18**	13
Finance costs	**(104)**	(124)
Loss before taxes	**(1,043)**	(1,680)
Income taxes recovery	**283**	459
Loss for the period	**$ (760)**	$ (1,221)
Loss per share - $ per share		
Basic	**(0.12)**	(0.18)
Diluted	**(0.12)**	(0.18)
Cash used in operating activities	**$ (65)**	$ (470)
Cash used in operating activities per common share - $ per share	**(0.01)**	(0.07)

Summary of quarterly financial data

	2012	**2011**				**2010**		
	Qtr. 1	**Qtr. 4**	**Qtr. 3**	**Qtr. 2**	**Qtr. 1**	**Qtr. 4**	**Qtr. 3**	**Qtr. 2**
Sales	**$ 16,580**	$ 23,374	$ 28,920	$ 21,298	$ 15,573	$ 17,859	$ 21,794	$ 18,567
Gross profit	**2,807**	4,962	6,803	4,459	2,249	4,438	6,036	3,876
Operating income (loss)	**(913)**	1,581	3,226	827	(1,471)	887	2,412	559
Net income (loss)	**(760)**	972	2,870	581	(1,221)	509	1,568	353
Earnings (loss) per share								
Basic - $ per share	**(0.12)**	0.14	0.44	0.09	(0.18)	0.08	0.24	0.05
Diluted - $ per share	**(0.12)**	0.14	0.44	0.08	(0.18)	0.08	0.24	0.05

Consolidated results of operations

The Corporation has two reportable operating segments:

Operating segments	Description of segments
Canada	Manufacturing and sales operations located in Canada for expanded polystyrene (EPS) and structural insulating panels *Brands*: PlastiSpan EPS Product Solutions; Advantage ICFS; and Insulspan SIPS
United States of America (USA)	Manufacturing and sales operations located in the USA for building systems and structures *Brands*: Insulspan SIPS; Riverbend Timber Framing; and Precision Craft

Sales

Consolidated sales in the first quarter increased by 6.5% to $16,580 compared to sales of $15,573 in the first quarter of 2011. Both operating segments reported improvements in sales.

Gross profit

Consolidated gross profit increased by 24.8% to $2,807 in the first quarter of 2012 as compared to $2,249 in the first quarter of 2011. Gross profit margin improved to 16.9% in the current quarter as compared to a gross profit margin of 14.4% in the first quarter of 2011. The improvement was predominantly driven by the impact of a slight softening in raw material input costs used in manufacturing.

Loss before taxes

The loss before taxes in the current quarter was $1,043 as compared to a loss before taxes of $1,680 in the first quarter of 2011, an improvement of $637. Most of the improvement was attributed to the combined effect of increased sales and enhanced gross profit margin. Administrative expenses were $121 higher in the current quarter compared to the comparative quarter of 2011. Expenses in the current quarter included $165 of costs associated with the ongoing review and evaluation of various strategic opportunities.

Income taxes

Income tax recovery in the current quarter was $283 as compared to income tax recovery of $459 in the first quarter of 2011. The annual consolidated effective tax rate for 2012 is estimated to be 27.0%. The actual effective tax rate may be slightly higher or lower than the estimate as it is dependent on the geographical mix of income generated over the balance of the year.

Loss

The loss in the current quarter reduced by $461 to $760 as compared to a loss of $1,221 reported in the comparative quarter of 2011. Basic and diluted loss per common share for the current quarter was $0.12 as compared to a loss per common share of $0.18 in the comparative period of 2011.

Reportable operating segments

Each of the Corporation's reportable operating segments, Canada and the USA, mirror the Corporation's accounting policies (as described in note 2 to the audited annual consolidated financial statements for 2011) and its internal controls and reporting systems. Segment performance predominantly focuses on the types of goods and services provided and their geographical locations of manufacturing and distribution.

The chief operating decision makers' of each operating segment evaluate performance for which they are responsible on the basis of operating income or loss, as reported to them on a periodic basis. This performance measure is considered to be the most relevant in evaluating the results of each operating segment.

Segment revenues and income

Segment sales in the table below represent sales revenues directly attributable to each segment. Inter-segment sales in the current period have been eliminated (see supplemental disclosure in the other segment information table below). There are varying levels of integration between each segment.

Segment operating income represents income earned by each segment without allocation of central administration costs, revaluation of contingent shares, insurance claim gain, interest income, and finance costs.

Information regarding each reportable operating segment for the three month periods ended March 31, 2012 and 2011 is set out below:

	Segment sales revenues		Segment operating loss	
	2012	**2011**	**2012**	**2011**
Canada	**$ 13,999**	$ 13,841	**$ (240)**	$ (802)
USA	**2,581**	1,732	**(685)**	(925)
Total	**$ 16,580**	$ 15,573	**(925)**	(1,727)
Central administration – property income			**329**	346
Central administration – expenses			**(317)**	(90)
Revaluation of contingent shares - loss			**(44)**	(98)
Interest income			**18**	13
Finance costs			**(104)**	(124)
Loss before tax			**$ (1,043)**	$ (1,680)

(a) Canada

Sales

Sales generated by the Canadian operations increased marginally from $13,841 in the first quarter of 2011 to $13,999 in the current quarter, an increase of 1.1% or $158. Sales to a large public works project in the West were $2,375 in the current quarter versus $3,883 in the prior year quarter. This was an expected change based on the scheduling requirements of the project. If sales attributed to that project are excluded from the overall Canadian segment sales in each of the current and prior year quarters, the underlying trend for EPS foam product sales in the current quarter was positive. The adjusted sales increase in the current quarter was 16.7%. Sales activities in the current quarter benefited from a milder and drier winter in many regions of Canada as compared to weather conditions the first quarter of 2011.

Sales of building systems products also increased slightly in the current quarter as compared to the comparative quarter of 2011. However, general construction levels in the residential sector remain restrained which serves to intensify competitor actions.

Operating loss

The operating loss improved by $562 or 70.1% in the current year to a loss of $240 as compared to a loss of $802 in the comparative quarter of 2011. The decrease in loss was driven by a combination of lower average raw material costs and a more favourable product and customer sales mix which generated higher margins.

(b) USA

Sales

Sales by the USA operations increased 49.0% or $849 in the current quarter to $2,581 as compared to sales of $1,732 in the comparative quarter of 2011. The current year quarter includes a full quarter of sales generated by the Precision Craft group of companies (acquired February 1, 2011) whereas the comparative quarter included sales for only two months. Notwithstanding, USA sales in the current quarter continued on the improving trend reported in the final quarter of 2011. Due to seasonality factors, sales are typically lowest in the first quarter of the annual cycle and sales in the current quarter included revenues on some jobs originally expected to be realized in Q4/2011.

The market and economic challenges faced in the USA continue to adversely impact customer lead generation and the closing of contracts.

Operating loss

The operating loss decreased by $240 or 25.9% in the current quarter to a loss of $685 as compared to a loss of $925 in the prior year quarter. The benefits of a cost-realignment program completed in 2011 contributed to the improvement in the reported loss.

(c) Central administration expenses

Central administration expenses in the current quarter were $317 as compared to expenses of $90 in the prior year quarter. Most of the increase in expenses was attributed to costs incurred in evaluating various corporate development initiatives (see subsequent event section below).

Segment assets and liabilities

Management measures capital employed using net segmented assets. The reconciliation of segmented assets and segmented liabilities in relation to total consolidated assets and liabilities is set out in the table below:

	As at Mar 31, 2012	As at Dec 31, 2011
Assets		
Segmented assets	**$ 38,740**	$ 35,493
Assets not allocated to segments:		
Cash and cash equivalents	**3,207**	9,504
Property	**22,240**	22,532
Total assets	**$ 64,187**	$ 67,529
Liabilities		
Segmented liabilities	**$ 11,569**	$ 13,611
Liabilities not allocated to segments:		
Contingent consideration	**1,000**	956
Borrowings	**7,365**	7,586
Central services deferred taxes	**387**	344
Total liabilities	**$ 20,321**	$ 22,497
Net segmented assets		
Canada	**$ 23,881**	$ 19,256
USA	**3,290**	2,626

Other segment information

	Three month periods ended March 31	
	2012	2011
Additions to non-current assets:		
Canada	**$ 211**	$ 616
USA	**19**	2,069
Total	**$ 230**	$ 2,685
Depreciation and amortization:		
Canada	**$ 460**	$ 461
USA	**85**	101
Total	**$ 545**	$ 562
Inter-segment sales	**$ 413**	$ 266

Information about major customers

Included in the Canadian operating segment are sales revenues of $2,375 (2011 - $3,883) to the Corporation's largest single customer. No other single customer represented 10% or more of the Corporation's consolidated sales in the three month periods ended March 31, 2012 and 2011.

Liquidity and capital resources

Sources of liquidity

The Corporation expects that its current cash balances, future operating cash flows, and amounts available to be drawn against approved credit facilities will be sufficient to fund its ongoing business requirements including: working capital; contractual obligations; and payment of regular dividends over the next twelve months.

Borrowings

As at March 31, 2012, the Corporation had unused short and long-term borrowing credit facilities of CAD $12,227 and USD $1,500 (subject to marginable accounts receivables and inventory). The Corporation's credit facilities contain certain covenants with which the Corporation was in compliance as at March 31, 2012 and 2011.

Total borrowing comprises long-term debt and obligations under finance leases. In the three month period ended March 31, 2012, total borrowings reduced from $7,587 at the beginning of the period to $7,365. The decrease was entirely attributed to scheduled repayments of principle. In the current quarter, there were no increases in long-term debt financing and finance lease obligations increased by $28 for the routine replacement of an automobile.

Capital structure

The Corporation's capital structure as at March 31, 2012 and December 31, 2011, is outlined in the following table:

	March 31, 2012	**December 31, 2011**
Borrowings	**$ 7,365**	$ 7,587
Shareholders' equity	**43,866**	45,032
	$ 51,231	$ 52,619

Cash

Cash and cash equivalent balances as at March 31, 2012 and December 31, 2011 were as follows:

	March 31, 2012	**December 31, 2011**
Cash	**$ 3,207**	$ 4,995
Cash equivalents	**-**	4,509
	$ 3,207	$ 9,504

As is normal for the first quarter of the Corporation's annual reporting cycle, cash and cash equivalent balances decrease and non-cash working capital balances increase (see changes in non-cash working capital table below).

Summary of cash flows

A summary of cash flows for the three months ended March 31, 2012 and 2011 are shown in the following table.

	Three month periods ended March 31	
	2012	**2011**
Cash used in:		
Operating activities	**$ (5,408)**	$ (5,456)
Investing activities	**(230)**	(2,657)
Financing activities	**(644)**	(654)
Effects of foreign exchange on cash balances	**(15)**	(39)
Decrease in cash and cash equivalents	**(6,297)**	(8,806)
Cash and cash equivalents – beginning of period	**9,504**	9,701
Cash and cash equivalents – end of period	**$ 3,207**	$ 895

Operating activities

Cash used in operating activities was $5,408 in the current quarter as compared to $5,456 in the comparative quarter of 2011. The major source of the cash outflows in both periods was as a result of increases in non-cash working capital.

Investing activities

Cash flows used in investing activities were $230 as compared with $2,657 in the comparative quarter of 2011. Purchases of property, plant and equipment (PP&E) in the current quarter were $230, for new manufacturing and I.T. equipment, which was $392 lower than an amount of $622 invested in PP&E in the first quarter of 2011. The variance was as a result of timing as there are a number of capital expenditure projects planned to commence in the second quarter of 2012 and it is anticipated that cumulative capital expenditures in the full year of 2012 will exceed the annual amount of $1,281 incurred in the prior year.

In the first quarter of 2011, the Corporation acquired the Precision Craft group of companies based in Idaho, USA. Cash paid net of cash acquired was $2,063. By comparison, there were no acquisitions in the first quarter of 2012.

Financing activities

Financing activities in the first quarter of 2012 were $644, a similar to $654 reported in the comparative period of 2011. Financing activities in both periods primarily consisted of scheduled repayments of borrowings and the payment of a regular quarterly dividend.

Change in non-cash working capital

The changes in non-cash working capital amounts in the first quarter of 2012 are shown in the following table.

	March 31, 2012	**December 31, 2011**	**Increase (Decrease)**
Trade receivables	**$ 10,112**	$ 8,348	$ 1,764
Inventories	**8,986**	7,766	1,220
Income tax recoverable (payable)	**53**	(601)	654
Prepaid expenses	**795**	556	239
Trade and other payables	**(6,844)**	(8,309)	1,465
Deferred revenue	**(2,435)**	(2,349)	(86)
	$ 10,667	$ 5,411	$ 5,256

Non-cash working capital increased in the current period by $5,256. Increases in trade receivables and inventories are representative of seasonal sales effects. Trade receivables expand commensurate with increases in sales and feedstock inventories are built to support higher sales in subsequent periods. Inventories continue to include finished goods produced and held to support a large public works contract.

Certain trade and other payables and corporate tax balances included in the 2011 year-end financial position were settled in the quarter, as is a normal occurrence. Trade and other payable balances typically grow as the year unfolds.

Change in long-term trade receivable

The Corporation is a material supplier to a contract which is subject to a holdback clause. In the current quarter, the long-term receivable associated with the holdback increased by $83 to an aggregate amount of $704 as at March 31, 2012. The holdback will be paid upon fulfilment of the contract which is currently expected to be in the first half of 2013.

Share capital

A summary of the Corporation's share capital as at March 31, 2012 and December 31, 2011, is set forth in the following table:

	March 31, 2012 (Three Months)		December 31, 2011 (Twelve Months)	
	No. of Shares	**Amount**	**No. of Shares**	**Amount**
Balance, beginning of period	**6,764,203**	**$ 20,064**	6,612,836	$ 20,110
Issued as contingent consideration for acquisition [1]	**-**	**-**	166,667	-
Repurchased pursuant to a normal course issuer bid	**-**	**-**	(15,300)	(46)
Balance, end of period	**6,764,203**	**$ 20,064**	6,764,203	$ 20,064

[1] 166,667 common shares were issued in February 2011 as contingent consideration for an acquisition. The issued common shares are held in an escrow account and their release is conditional upon the achievement of an earn-out formula by the vendor over a maximum five-year time horizon.

Share-based options

The Corporation did not grant any share options in the three month period ended March 31, 2011, and no share options were exercised in the period.

Dividends

During the first quarter of 2011, the Corporation's Board of Directors declared a regular quarterly dividend of $0.06 (2011 - $0.06) per common share which was paid on February 29, 2012. Dividends paid by the Corporation qualify as eligible dividends and satisfy the enhanced gross-up and dividend tax credit change enacted under Canadian tax law.

Normal course issuer bid

In the three month period ended March 31, 2012, the Corporation purchased nil shares (2011 – 1,700) of its common shares under a normal course issuer bid for an aggregate price of $nil (2011 - $11), of which, $nil (2011 - $6) was charged to retained earnings as premium on redemption of the common shares.

Commitments and contractual obligations

The Corporation's obligations under contractual arrangements including repayments under borrowing arrangements, capital expenditure commitments, performance bonds, and operating lease arrangements are summarized in the Corporation's 2011 annual audited Consolidated Financial Statements and the annual Management's Discussion and Analysis (MD&A) for 2011.

There have been no material changes in commitments and contractual obligations in the first quarter of 2012.

Financial instruments

The Corporation's purchases of key raw materials are denominated in USD and it acquired EPS moulding assets in April 2012 denominated in USD. In January 2012, the Corporation entered into a series of forward foreign exchange contracts to purchase USD $9,500 for settlement at various times between February and July 2012 at a blended exchange rate of CAD $1.0000 – USD $0.9938. There were USD $4,000 of unused forward contracts as at March 31, 2012.

Outlook for remainder of 2012

The Corporation's operations in Canada continue to reflect a stronger economic environment. Order books for products in Canada are expanding and we remain cautiously optimistic regarding sales demand for the remainder of the year. The timing of when orders are required for shipping can be unpredictable as numerous factors outside the Corporation's control influence job-site readiness.

The re-focused operations in the United States, completed in 2011, are delivering cost savings in the current year. However, the residential construction market in the United States is not expected to recover significantly in 2012 which will continue to suppress demand.

The pricing of the Corporation's major raw materials remain at elevated levels. Selling price increases have been announced and take effect in the second quarter but it is uncertain at this stage whether the price increases will hold firm. Competitor and market reactions will dictate the outcome of the initiative. Regardless, a key priority is for our operations to maintaining pricing discipline.

The Corporation acquired EPS moulding plant assets in April 2012 which are located in Lebanon, Ohio, (see subsequent event section below). The plan to begin manufacturing EPS insulation products at the plant is part of a strategy to expand the operations of the Corporation in the USA. Insulation materials will be supplied internally from the Lebanon operation to the Insulspan SIP manufacturing operations located in Michigan. Additionally, EPS insulation products will be available from the facility for the regional building material markets.

Cash flows provided by operations together with existing credit facilities are considered adequate to meet all anticipated liquidity requirements in 2012.

Off-balance sheet arrangements

As a regular part of its business, the Corporation's subsidiaries enter into operating lease agreements to use facilities. In the current quarter of 2012, there have been no material changes in the operating lease agreements and commitments disclosed in the Corporation's 2011 annual MD&A.

The Corporation does not believe it has any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on the Corporation's financial condition, results of operations, or liquidity.

Disclosure controls and procedures

The Corporation'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 the Corporation's disclosure controls and procedures was conducted as of March 31, 2012, under the supervision of the CEO and CFO. Based on this evaluation, the CEO and CFO have concluded that the Corporation's disclosure controls and procedures, as defined in National Instrument 52-109, *Certification of Disclosure in Issuers' Annual and Interim Filings*, have been designed to provide reasonable assurance that material information relating to the Corporation, 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 the Corporation'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

Management is responsible for establishing and maintaining adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial reports for external reporting purposes in accordance with GAAP.

All control systems contain inherent limitations, no matter how well designed and operated. As a result, management acknowledges that the Corporation's 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.

As at March 31, 2012, the CEO and CFO assessed the effectiveness of the Corporation's internal control over financial reporting and concluded that it was effective and that no material weaknesses in the Corporation's internal control over financial reporting had been identified.

Critical accounting policies and estimates

The Corporation's annual audited consolidated financial statements for the year ended December 31, 2011 and its 2011 annual MD&A outlined the accounting policies and estimates that are critical to the understanding of the Corporation's results of operations and its businesses.

Subsequent events

Acquisition of assets

In April 2012, PFB Corporation acquired an expanded polystyrene molding plant from Knauf USA Polystyrene, Inc., located in Lebanon, Ohio, USA. The plan to begin manufacturing EPS insulation products at the plant is part of a strategy to expand the operations of the Company in the USA.

Declaration of regular quarterly dividend

On May 1, 2012, the Board of Directors declared a quarterly dividend of $0.06 per common share payable on May 31, 2012, to all shareholders of record at the close of business on May 15, 2012.

Signing of letter of intent

On May 9, 2012, PFB Corporation and NOVA Chemicals Corporation ("NOVA Chemicals") announced that they have signed a letter of intent for PFB Corporation to acquire NOVA Chemicals' Performance Styrenics business. NOVA Chemicals will acquire an equity stake in the Corporation and hold two seats on the Corporation's Board of Directors following closing. Both parties expect definitive agreements to be executed during the second quarter, and closing to occur during the second half of 2012. The acquisition is subject to the definitive agreement being entered into, regulatory approval, and other customary conditions, including approval by the Boards of Directors of both companies, and PFB Corporation's shareholder approval.

Related party transactions

There have been no material changes in related party transactions in the first quarter of 2012. The Board of Directors approved an increase in the fees paid to Aeonian Capital Corporation for management services that was effective January 1, 2012.

Risk management and assessment

Detailed descriptions of the Corporation's risk management and assessment can be found in the Corporation's annual MD&A for 2011. There have been no material changes in the uncertainties and material risk factors facing the Corporation since December 31, 2011 except as noted below.

Recent news reports indicate a potential global shortage of an ingredient used to make flame retardant compound used by EPS manufacturers as a result of an unexpected outage at a chemicals plant in Germany. The Corporation holds inventory of flame retardant but it is unclear how future availability of supply in North American may be affected. Flame retardant EPS is used extensively in the construction industry.

Future accounting standards changes

Certain new or amended accounting standards changes have been issued by the IASB that are not required to be adopted in the current period. The changes and amendments are substantially unchanged from those discussed in the Corporation's 2011 annual MD&A. The Corporation has not early adopted any of the new or amended standards.

Condensed Consolidated Financial Statements

Notice of non-auditor review of interim condensed consolidated financial statements for the three month periods ended March 31, 2012 and 2011

The accompanying unaudited condensed consolidated financial statements of PFB Corporation for the three month periods ended March 31, 2012 and 2011 are the responsibility of the Corporation's management.

The Corporation's independent auditor, Deloitte and Touche LLP, have not performed a review of these interim financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

Dated: May 9, 2012.

Consolidated Statement of Comprehensive Loss

For the three month periods ended March 31, 2012 and 2011
Thousands of Canadian dollars, except share and per share amounts

	Note	Three month period ended March 31 2012	2011
Sales		**$ 16,580**	$ 15,573
Cost of sales		**(13,773)**	(13,324)
Gross profit		**2,807**	2,249
Selling expenses		**(2,106)**	(2,239)
Administrative expenses		**(1,448)**	(1,327)
Other losses		**(166)**	(154)
Operating loss		**(913)**	(1,471)
Revaluation of contingent shares – loss		**(44)**	(98)
Interest income		**18**	13
Finance costs		**(104)**	(124)
Loss before tax		**(1,043)**	(1,680)
Income tax recovery		**283**	459
Loss for the period		**(760)**	(1,221)
Other comprehensive income, net of income tax			
Exchange differences on translating foreign operations (net of tax $nil)		**-**	12
Total comprehensive loss for the period		**$ (760)**	$ (1,209)
Loss per share - $ per share			
Basic	4	**(0.12)**	(0.18)
Diluted	4	**(0.12)**	(0.18)
Weighted average number of common shares outstanding		**6,597,536**	6,612,063

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

Consolidated Balance Sheets

As at March 31, 2012 and 2011, and December 31, 2011
Thousands of Canadian dollars

	Note	March 31, 2012	March 31, 2011	December 31, 2011
ASSETS				
Current assets				
Cash and cash equivalents		$ 3,207	$ 895	$ 9,504
Trade receivables		10,112	10,097	8,348
Inventories	5	8,986	9,289	7,766
Income taxes recoverable		53	418	-
Prepaid expenses		795	883	556
Total current assets		23,153	21,582	26,174
Non-current assets				
Long-term trade receivables		704	194	621
Property, plant and equipment	6	36,549	37,704	37,127
Intangible assets	7	1,398	1,491	1,459
Goodwill		1,709	1,677	1,731
Accrued benefit asset		213	130	213
Deferred income tax assets		461	547	204
Total non-current assets		41,034	41,743	41,355
Total assets		$ 64,187	$ 63,325	$ 67,529
LIABILITIES				
Current Liabilities				
Trade and other payables		$ 6,844	$ 6,721	$ 8,309
Deferred revenue		2,435	2,608	2,349
Income taxes payable		-	-	601
Borrowings		922	956	942
Total current liabilities		10,201	10,285	12,201
Non-current liabilities				
Borrowings		6,443	7,777	6,645
Contingent consideration		1,000	1,067	956
Deferred income tax liabilities		2,677	2,282	2,695
Total non-current liabilities		10,120	11,126	10,296
Total liabilities		20,321	21,411	22,497
SHAREHOLDERS' EQUITY				
Common shares	8	20,064	20,105	20,064
Equity-settled employee benefits reserve		384	384	384
Foreign currency translation reserve		54	57	54
Retained earnings		23,364	21,368	24,530
Shareholders' equity		43,866	41,914	45,032
Total liabilities and shareholders' equity		64,187	$ 63,325	$ 67,529

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

Consolidated Statement of Changes in Equity

As at March 31, 2012 and 2011, December 31 2011, and January 1, 2011

Thousands of Canadian dollars, except number of shares

	Note	Common shares No. of Shares	Common shares Share capital	Equity-settled employee benefits reserve	Foreign currency translation reserve	Retained earnings	Total
Balance at January 1, 2011		6,612,836	$ 20,110	$ 384	$ 45	$ 22,992	$ 43,531
Loss for the period		-	-	-	-	(1,221)	(1,221)
Other comprehensive income for the period, net of tax		-	-	-	12	-	12
Total comprehensive loss for the period		-	-	-	12	(1,221)	(1,209)
Payment of dividends	8	-	-	-	-	(397)	(397)
Issued as contingent consideration for acquisition [1]		166,667	-	-	-	-	-
Repurchased pursuant to normal course issuer bid	8	(1,700)	(5)	-	-	(6)	(11)
Balance at March 31, 2011		**6,777,803**	**20,105**	**384**	**57**	**21,368**	**41,914**
Income for the period		-	-	-	-	4,423	4,423
Other comprehensive loss for the period, net of tax		-	-	-	(3)	-	(3)
Total comprehensive income for the period		-	-	-	(3)	4,423	4,420
Payment of dividends	8	-	-	-	-	(1,228)	(1,228)
Repurchased pursuant to normal course issuer bid	8	(13,600)	(41)	-	-	(33)	(74)
Balance at December 31, 2011		**6,764,203**	**$ 20,064**	**$ 384**	**$ 54**	**$ 24,530**	**$ 45,032**
Loss for the period		-	-	-	-	(760)	(760)
Other comprehensive income for the period, net of tax		-	-	-	-	-	-
Total comprehensive loss for the period		-	-	-	-	(760)	(760)
Payment of dividends	8	-	-	-	-	(406)	(406)
Balance at March 31, 2012		**6,764,203**	**20,064**	**384**	**54**	**23,364**	**43,866**

[1] 166,667 common shares were issued in February 2011 as contingent consideration for an acquisition. The issued common shares are held in an escrow account and will be released upon achievement by the vendor of an earn-out formula. As at March 31, 2012 the contingent shares had a value of $1,000 (December 31, 2011 - $956) based on the market price of PFB's shares, and none of the shares were released from the escrow account (December 31, 2011 – no shares released).

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

Consolidated Statement of Cash Flows

For the three month periods ended March 31, 2012 and 2011
Thousands of Canadian dollars

	Note	Three month periods ended March 31 2012	2011
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES			
Loss for the period		**$ (760)**	$ (1,221)
Adjustments for items not affecting cash and cash equivalents:			
Depreciation and amortization expense:			
Cost of sales	6,7	**661**	643
Selling expenses	6,7	**85**	70
Administrative expenses	6,7	**38**	57
(Gain) loss on disposal of property, plant and equipment		**3**	(19)
Revaluation of contingent consideration – loss		**44**	98
Deferred income tax – recovery		**(283)**	(301)
Unrealized foreign exchange loss		**147**	203
		(65)	(470)
Changes in non-cash working capital	11	**(5,256)**	(4,958)
Changes in long-term trade receivables		**(83)**	-
Unrealized foreign exchange loss relating to non-cash working capital		**(4)**	(28)
Net cash used in operating activities		**(5,408)**	(5,456)
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES			
Purchase of property, plant and equipment	6	**(230)**	(622)
Cash paid on acquisition (net of cash acquired)		**-**	(2,063)
Proceeds from disposal of property, plant and equipment		**-**	28
Net cash used in investing activities		**(230)**	(2,657)
CASH FLOWS USED IN FINANCING ACTIVITIES			
Repayment of borrowings		**(238)**	(247)
Dividends paid	8	**(406)**	(397)
Repurchase of common shares	8	**-**	(10)
Net cash used in financing activities		**(644)**	(654)
Effects of exchange rate changes on the balance of cash held in foreign currencies – loss		**(15)**	(39)
Net decrease in cash and cash equivalents		**(6,297)**	(8,806)
Cash and cash equivalents at the beginning of the period		**9,504**	9,701
Cash and cash equivalents at the end of the period		**$ 3,207**	$ 895

Supplementary cash flow information - cash flows for interest and taxes		
Cash interest paid	**$ (104)**	$ (124)
Cash interest received	**18**	13
Income tax paid	**(649)**	(97)

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

1. General information

PFB Corporation (the "Corporation") is a Canadian public company incorporated under the Alberta Business Corporations Act and has its head office in Calgary, Alberta, Canada. The Corporation's corporate office is located at 100, 2886 Sunridge Way NE, Calgary, Alberta, Canada T1Y 7H9. The principal business activity of the Corporation is manufacturing insulating building products made from expanded polystyrene materials and marketing these products in North America.

The Corporation's wholly-owned subsidiaries operate manufacturing facilities and sales operations in the provinces of British Columbia, Alberta, Saskatchewan, Manitoba, and Ontario in Canada, and in the States of Michigan, and Idaho, USA.

2. Significant accounting policies

2.1 Statement of compliance

The condensed unaudited consolidated financial statements for the three month periods ended March 31, 2012 and 2011, have been prepared in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting using the accounting policies that the Corporation adopted in its consolidated financial statements for the year ended December 31, 2011.

The condensed unaudited consolidated financial statements should be read in conjunction with the Corporation's audited financial statements for the year ended December 31, 2011, which were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

3. Segment information

The Corporation has two reportable operating segments, Canada and the USA, and each segment mirrors the Corporation's accounting policies (as described in Note 2 of the audited consolidated financial statements for the year ended December 31, 2011) and its internal controls and reporting systems. Segment performance predominantly focuses on the types of goods and services provided and their geographical locations.

The Corporation's chief operating decision makers' evaluate segment performance for which they are responsible on the basis of operating income or loss, as reported to them on a periodic basis. This performance measure is considered to be the most relevant in evaluating the results of each operating segment.

3.1 Segment revenues and income

Segment sales represent sales revenues directly attributable to each segment. Inter-segment sales in the current year have been eliminated (see supplemental disclosure below). There are varying levels of integration between each segment.

Segment operating income represents income earned by each segment without allocation of central administration income and costs, revaluation of contingent shares, interest income, and finance costs.

Information regarding each reportable operating segment for the three month periods ended March 31, 2012 and 2011 are set out below:

	Segment sales revenues		Segment operating loss	
	2012	**2011**	**2012**	**2011**
Canada	**$ 13,999**	$ 13,841	**$ (240)**	$ (802)
USA	**2,581**	1,732	**(685)**	(925)
Total	**16,580**	$ 15,573	**(925)**	(1,727)
Central administration – property income			**329**	346
Central administration – expenses			**(317)**	(90)
Revaluation of contingent shares - loss			**(44)**	(98)
Interest income			**18**	13
Finance costs			**(104)**	(124)
Loss before tax			**$ (1,043)**	$ (1,680)

3.2 Segment assets and liabilities

Management measures capital employed using net segmented assets. The reconciliation of segmented assets and segmented liabilities in relation to total consolidated assets and liabilities is set out in the table below:

	As at Mar 31, 2012	As at Dec 31, 2011
Assets		
Segmented assets	$ 38,740	$ 35,493
Assets not allocated to segments:		
Cash and cash equivalents	3,207	9,504
Property	22,240	22,532
Total assets	$ 64,187	$ 67,529
Liabilities		
Segmented liabilities	$ 11,569	$ 13,611
Liabilities not allocated to segments:		
Contingent consideration	1,000	956
Borrowings	7,365	7,586
Central services deferred taxes	387	344
Total liabilities	$ 20,321	$ 22,497
Net segmented assets		
Canada	$ 23,881	$ 19,256
USA	3,290	2,626

3.3 Other segment information

	Three month period ended March 31	
	2012	**2011**
Additions to non-current assets:		
Canada	**$ 211**	$ 616
USA	**19**	2,069
Total	**$ 230**	$ 2,685
Depreciation and amortization:		
Canada	**$ 460**	$ 461
USA	**85**	101
Total	**$ 545**	$ 562
Inter-segment sales	**413**	266

3.4 Information about major customers

Included in the Canadian operating segment are sales revenues of $2,375 (2011 - $3,883) to the Corporation's largest single customer. No other single customer represented 10% or more of the Corporation's consolidated sales in the three month periods ended March 31, 2012 and 2011.

4. Loss per share

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

	Three month period ended March 31	
	2012	**2011**
Loss for the period	**$ (760)**	$ (1,221)
Weighted average number of common shares outstanding – basic	**6,597,536**	6,612,063
Effect of:		
Dilutive stock options [1]	**-**	-
Contingent consideration [2]	**-**	-
Weighted average number of common shares outstanding - diluted	**6,597,536**	6,612,063
Loss per share:		
Basic	**$ (0.12)**	$ (0.18)
Diluted	**$ (0.12)**	$ (0.18)

[1] 150,000 stock options granted in the third quarter of 2007 were anti-dilutive as at March 31, 2012 and 2011. Therefore, they have not been included in the calculation of diluted shares in the above table.

[2] In February 2011, 166,667 common shares were issued as contingent consideration as part of the acquisition of the Precision Craft companies and the contingent shares are held in an escrow account and subject to an earn-out agreement. In the three month periods ended March 31, 2012, and 2011 the contingent shares are deemed to be anti-dilutive and are excluded from the calculation of diluted shares in the above table.

5. Inventories

	As at Mar 31, 2012	**As at Dec 31, 2011**
Raw materials	**$ 4,021**	$ 3,974
Work in progress	**1,589**	1,304
Finished goods	**3,376**	2,488
	$ 8,986	$ 7,766

The cost of inventories recognized as an expense in cost of sales during the three month period ended March 31, 2012, was $11,535 (2011 - $11,957), respectively.

The cost of inventories recognized as an expense during the three month period ended March 31, 2012, includes $13 (2011 - $16) in respect of write-downs of inventory to net realizable value. There were no reversals of any cost to net realizable write-downs in either of the three month periods ended March 31, 2012 or 2011.

Eligible inventories held by the Corporation's subsidiaries in both Canada and the USA have been pledged as security with banks in both countries in support of revolving credit facilities.

6. Property, plant and equipment

Asset class	Useful life	As at Mar 31, 2012	As at Dec 31, 2011
Carrying amounts of:			
Freehold land	Unlimited useful life, not depreciated	$ 5,161	$ 5,170
Buildings	15 to 40 years	17,570	17,947
Plant and equipment	3 to 20 years	12,591	12,936
Equipment under finance lease	The expected useful life or the term of the lease	476	541
Assets under construction	Depreciation commences when the asset is available for use as intended by management	751	533
		$ 36,549	$ 37,127

Cost	Freehold land	Buildings	Plant and equipment	Equipment under finance lease	Assets under construction	Total
Balance at January 1, 2011	**$ 5,160**	**$ 26,516**	**$ 30,622**	**$ 767**	**$ 52**	**$ 63,117**
Additions	-	973	53	277	1,228	2,531
Disposal of PP&E assets	-	(297)	(663)	(162)	-	(1,122)
Acquisition through business combination	-	301	959	-	-	1,260
Transfer between asset groups	-	-	748	-	(748)	-
Effect of foreign currency exchange	10	95	61	1	1	168
Balance at December 31, 2011	**5,170**	**27,588**	**31,780**	**883**	**533**	**65,954**
Additions	-	-	4	28	226	258
Disposal of PP&E assets	-	-	(7)	-	-	(7)
Transfer between asset groups	-	2	5	-	(7)	-
Effect of foreign currency exchange	(9)	(58)	(48)	-	(1)	(116)
Balance at March 31, 2012	**$ 5,161**	**$ 27,532**	**$ 31,734**	**$ 911**	**$ 751**	**$ 66,089**

Accumulated Depreciation	Freehold land	Buildings	Plant and equipment	Equipment under finance lease	Assets under construction	Total
Balance at January 1, 2011	**$ -**	**$ 8,770**	**$ 17,516**	**$ 288**	**$ -**	**$ 26,574**
Depreciation expense	-	943	1,887	190	-	3,020
Disposal of PP&E assets	-	(80)	(588)	(136)	-	(804)
Effect of foreign currency exchange	-	8	29	-	-	37
Balance at December 31, 2011	**-**	**9,641**	**18,844**	**342**	**-**	**28,827**
Depreciation expense	-	252	444	53	-	749
Disposal of PP&E assets	-	-	(4)	-	-	(4)
Transfer between asset groups	-	79	(119)	40	-	-
Effect of foreign currency exchange	-	(10)	(22)	-	-	(32)
Balance at March 31, 2012	**$ -**	**$ 9,962**	**$ 19,143**	**$ 435**	**$ -**	**$ 29,540**

Depreciation commences when assets are available for use. Depreciation expense for the three month periods ended March 31, 2012, in the amount of $653 (2011 - $635) is included in cost of sales, with an amount of $64 (2011 - $69), included in selling expenses, and an amount of $32 (2011 - $50) included in administrative expenses.

Freehold land and buildings in the USA with a carrying amount of $2,649 (December 31, 2011 - $1,928) have been pledged as security for a bank loan under a mortgage.

The Corporation's obligations under finance leases are secured by the lessors' title to the leased assets which have a carrying amount of $477 (December 31, 2011 - $526).

7. Intangible assets

	Useful life	As at Mar 31, 2012	As at Dec 31, 2011
Carrying amounts of:			
Patents	17 years	$ 40	$ 41
Product development costs	3 years	5	21
Software	3 to 5 years	340	361
Registered trade name	Indefinite life – not amortized	940	961
Order backlog	Over the lives of the contracts (up to 3 years)	45	46
Non-compete agreement	2 years commencing in 2013 when contract commences	28	29
		$ 1,398	$ 1,459

Cost	Patents	Product development costs	Software	Registered trade names	Order backlog	Non-compete agreement	Total
Balance at January 1, 2011	**$ 70**	**$ 902**	**$ 1,872**	**$ -**	**$ -**	**$ -**	**$ 2,844**
Additions	-	-	108	-	-	-	108
Acquisition through business combination	-	-	297	934	147	28	1,406
Disposal of intangible assets	-	-	(201)	-	-	-	(201)
Effect of foreign currency exchange	-	3	9	27	4	1	44
Balance at December 31, 2011	**70**	**905**	**2,085**	**961**	**151**	**29**	**4,201**
Additions	-	-	-	-	-	-	-
Effect of foreign currency exchange	-	(4)	(9)	(21)	(3)	(1)	(38)
Balance at March 31, 2012	**$ 70**	**$ 901**	**$ 2,076**	**$ 940**	**$ 148**	**$ 28**	**$ 4,163**

Accumulated Amortization	Patents	Product development costs	Software	Registered trade names	Order backlog	Non-compete agreement	Total
Balance at January 1, 2011	**$ 24**	**$ 851**	**$ 1,819**	**$ -**	**$ -**	**$ -**	**$ 2,694**
Amortization expense	5	28	103	-	102	-	238
Disposal of intangible assets	-	-	(201)	-	-	-	(201)
Effect of foreign currency exchange	-	5	3	-	3	-	11
Balance at December 31, 2011	**29**	**884**	**1,724**	**-**	**105**	**-**	**2,742**
Amortization expense	1	16	18	-	-	-	35
Effect of foreign currency exchange	-	(4)	(6)	-	(2)	-	(12)
Balance at March 31, 2012	**$ 30**	**$ 896**	**$ 1,736**	**$ -**	**$ 103**	**$ -**	**$ 2,765**

Amortization expense for the three month periods ended March 31, 2012, in the amount of $8 (2011 - $9) is included in cost of sales, an amount of $21 (2010 - $1) is included in selling expenses, and an amount of $6 (2011 - $7) is included in administrative expenses.

8. Issued capital

8.1 Normal Course Issuer Bid

In September 2011, the Corporation obtained approval from the Toronto Stock Exchange to renew its Normal Course Issuer Bid program for a 12-month period which commenced on September 6, 2011 and ends no later than September 5, 2012. The renewal allows the Corporation to purchase, no later than September 5, 2012, up to a maximum of 338,505 of its common shares representing 5% of the Corporation's 6,770,103 issued and outstanding common shares as at August 22, 2011, subject to daily maximum purchases of 1,000 common shares. The Corporation will purchase from time to time its common shares at market prices by means of open market transactions on the Toronto Stock Exchange.

In the three month period ended March 31, 2012, the Corporation purchased none (2011 – 1,700) of its common shares under the Normal Course Issuer Bid for an aggregate price of $Nil (2011 - $11), of which $Nil (2011 - $6) was charged to retained earnings as premium on redemption of the common shares.

8.2 Dividends

In the three month periods ended March 31, 2012 and 2011, the Corporation's Board of Directors declared regular quarterly dividends of $0.06 (2011 – $0.06) per common share which were paid in February of each year.

9. Financial instruments

9.1 Capital management

The Corporation manages its capital to ensure that its subsidiaries will be able to continue as going concerns, maximizing the return to shareholders through the optimization of the debt and equity, and safeguarding corporate assets.

The capital structure of the Corporation consists of net debt (borrowings offset by cash and cash equivalents) and equity of the Corporation (comprising issued capital, reserves, and retained earnings as detailed in the consolidated statement of changes in equity).

The Corporation's capital structure, net of cash and cash equivalents, as at March 31, 2012 and December 31, 2011, is as outlined in the following table:

	As at Mar 31, 2012	**As at Dec 31, 2011**
Borrowings	**$ 7,365**	$ 7,587
Less: cash and cash equivalents	**3,207**	9,504
Net debt (surplus cash)	**4,158**	(1,917)
Shareholders' equity	**$ 43,866**	$ 45,032
Net debt to equity ratio	**9.5%**	N/A

The Corporation considers the amount of capital it requires in proportion to the associated risks. Adjustments may be made to the Corporation'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 borrowings.

The Corporation 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, when deemed appropriate, to fund significant strategic growth initiatives.

The Corporation's Canadian subsidiary 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. Fixed Charge Coverage is defined as the ratio of EBITDA (profit from continuing operations, excluding extraordinary gains or losses, plus interest expense and income taxes accrued during the year, plus depreciation and amortization expenses deducted in the year) 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. The Corporation has also provided a guarantee and postponement of claim to support certain facilities of subsidiaries. The Corporation monitors compliance with its covenant ratio on a quarterly basis and reports any exceptions to its Board of Directors. As at March 31, 2012 and December 31, 2011, the Corporation was in compliance with the financial covenant.

9.2 Categories of financial instruments

The Corporation, through its financial assets and liabilities, 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 the Corporation's ability to achieve its strategic objectives of growing its operations and increasing shareholder returns.

A summary of the classifications and carrying values of financial instruments held by the Corporation as at March 31, 2012 and December 31, 2011, are stated in the following table:

	As at Mar 31, 2012		**As at Dec 31, 2011**	
	Carrying Value	**Fair Value**	**Carrying Value**	**Fair Value**
Financial assets:				
FVTPL:				
Cash	**$ 3,207**	**$ 3,207**	$ 4,995	$ 4,995
Cash equivalents	**-**	**-**	4,509	4,509
Financial liabilities:				
FVTPL:				
Contingent consideration	**$ 1,000**	**$ 1,000**	$ 956	$ 956

As at March 31, 2012, the cash balance of $3,207 (December 31, 2011 - $4,995) included cash of $216 (December 31, 2011 - $299) which is controlled separately from regular cash balances used in operations. The $216 (December 31, 2011 - $299) represents cash collected from certain customers in the USA which is used to pay suppliers and sub-contractors which supply goods and or services to those specific customer contracts.

The fair values of cash and cash equivalents and bank indebtedness approximate their carrying values due to the short-term maturity of those instruments. Contingent consideration is marked-to-market at each period end.

The following fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value of financial instruments classified as FVTPL. The three levels of the fair value hierarchy are described below:

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

Level 2: Fair 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: Fair 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 assets and liabilities measured at fair value on a recurring basis as of March 31, 2012, and December 31, 2011:

	Level 1	Level 2	Level 3
FVTPL			
Financial assets:			
Cash and cash equivalents			
March 31, 2012	**$ 3,207**	**$ -**	**$ -**
December 31, 2011	9,504	-	**-**
Financial liabilities:			
Contingent consideration			
March 31, 2012	**$ 1,000**	**$ -**	**$ -**
December 31, 2011	956	-	**-**

9.3 Credit risk management

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.

The Corporation'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 receivables in the balance sheet are net of allowances for doubtful accounts and bad debts and the net carrying value represents the Corporation's maximum exposure to credit risk.

The Corporation's subsidiaries provide trade credit to their customers in the normal course of business and the Corporation'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. It is not normal practice to require customers' to provide collateral or security as a condition of approving trade credit. The diversity of the Corporation'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 predefined stages of a 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 sales and marketing expenses in profit and loss.

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

- Trade receivable balances are spread amongst a broad customer base which is geographically dispersed.
- The aging profile of accounts receivables balances is systematically monitored by management.
- 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.
- Payments for highly-customized orders are received in advance of products being shipped.

In the three month period ended March 31, 2012, sales to a single external customer accounted for 14.3% (2011 – 24.9%) of total consolidated sales for the period.

The credit risk on cash balances is limited because the counterparties are large commercial banks in Canada and the United States.

Interest collected from customers on payment of past due accounts receivable balances is included in investment income in the consolidated statement of comprehensive income.

9.4 Foreign currency risk management and sensitivity analysis

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.

The Corporation 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, the Corporation has a net exposure to the United States dollar, as the prices of most raw material supplies used in its businesses are denominated in U.S. dollars. Raw material supplies which are denominated in U.S. dollars are usually paid within thirty days or less of receiving actual deliveries, which is consistent with industry practices.

The following tables detail the Corporation's exposure to foreign currency risk as at March 31, 2012 and December 31, 2011, including a sensitivity analysis to changes in foreign exchange rates.

	As at Mar 31, 2012			As at Dec 31, 2011		
	USD values held	**Assumed change in currency**	**Effect on after tax income (loss)**	**USD values held**	**Assumed change in currency**	**Effect on after tax income (loss)**
Net monetary assets	**$ 4,355**	**5.0%**	**$ 218**	$ 2,347	5.0%	$ 117
Net monetary liabilities	**(3,530)**	**5.0%**	**(177)**	(3,518)	5.0%	(176)

Periodically, management may commit to entering into foreign exchange contracts to attempt to protect earnings against relatively short-term fluctuations in exchange rates. In such cases, management attempts to make informed judgements in entering such transactions but there is a possibility that markets may not respond in ways predicted. To the extent that the Corporation does not fully hedge its foreign currency exposure and exchange rate risk, or the Corporation's subsidiaries are not able to 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. The Corporation does not enter into currency driven derivative financial instruments for speculative purposes. In January 2012, the Corporation entered into a series of foreign exchange contracts to purchase USD $9,500 for settlement at various times between February and July 2012 at a blended exchange rate of CAD $1.0000 – USD $0.9938. As at March 31, 2012, the value of unused contracts was USD $4,000 (2011 - $Nil).

9.5 Interest rate risk management and sensitivity analysis

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

The Corporation is exposed to interest rate risk on a small portion of its borrowing commitments 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 March 31, 2012, the Corporation had in place a combination of revolving and non-revolving credit facilities with banks in Canada and the USA. In Canada, as at March 31, 2012, none of a revolving credit facility limit of $8,000 was used (December 31, 2011 - $8,000 unused). In the USA, USD $613 of a revolving credit facility limit of USD $1,500 (subject to eligible account receivables and inventory) was used as at March 31, 2012 (December 31, 2011 – USD $1,500 unused). As at March 31, 2012, the unused portion of the non-revolving credit facility with a Canadian bank was $4,277 (December 31, 2011 - $4,275), which represents an approved limit of $4,300 less amounts outstanding on capital leases which are financed by the Canadian bank.

9.6 Liquidity risk management

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

The Corporation's objective is to maintain sufficient liquidity to meet its liabilities when due. Accordingly, one of management's primary goals is to maintain an optimum level of liquidity by actively managing assets, liabilities and cash flows generated from operations. The Corporation'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. Management prepares regular budgets and cash flow forecasts to help predict future changes in liquidity. Based on the Corporation's aggregate liquid assets as compared to its liabilities and commitments, management assesses the Corporation's liquidity risk to be low.

The Corporation has financial liabilities with the following maturities:

As at March 31, 2012	**Total**	**Current less than 12 months**	**Due within 12 to 24 months**	**Due within 25 to 36 months**	**Due within 37 to 48 months**	**Due after 48 months**
Trade and other payables	**$ 6,844**	**$ 6,844**	**$ -**	**$ -**	**$ -**	**$ -**
Borrowings	**7,365**	**922**	**5,021**	**1,058**	**364**	**-**
Total	**$ 14,209**	**$ 7,766**	**$ 5,021**	**$ 1,058**	**$ 364**	**$ -**
As at December 31, 2011						
Trade and other payables	$ 8,309	$ 8,309	$ -	$ -	$ -	$ -
Borrowings	7,587	942	881	5,011	174	579
Total	$ 15,896	$ 9,251	$ 881	$ 5,011	$ 174	$ 579

10. Related party transactions

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 the board of directors.

Balances and transactions between the Corporation and its subsidiaries, which are related parties of the Corporation, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Corporation and other related parties are disclosed below.

10.1 Trading transactions

Related party transactions are constituted in the ordinary business and they have been measured at the agreed to exchange amounts which closely approximate fair value.

In the three month periods ended March 31, 2012 and 2011, the Corporation had the following trading transactions with related parties:

		Three month period ended March 31	
Related party	**Nature of transactions**	**2012**	**2011**
Aeonian Capital Corporation	Management services	**$ 88**	$ 50
William H. Smith Professional Corporation	Legal services	**29**	11
James B. Young	Real property lease	**38**	25
Baker Investments LLC	Stipend and travel expenses	**22**	27
		$ 177	$ 113

The following related party balances were outstanding at the end of the reporting periods:

	Amounts owed by related parties		Amounts owed to related parties	
	As at Mar 31, 2012	As at Dec 31, 2011	As at Mar 31, 2012	As at Dec 31, 2011
Aeonian Capital Corporation	**$ -**	$ -	**$ 38**	$ -
William H. Smith Professional Corporation	**-**	-	**22**	-
James B. Young	**-**	-	**-**	-
Baker Investments, LLC	**-**	-	**21**	21
	$ -	$ -	**$ 81**	$ 21

11. Supplementary cash flow information

11.1 Changes in non-cash working capital

	Three month period ended March 31	
Decrease (increase) in:	**2012**	**2011** [1]
Trade receivables	**$ (1,764)**	$ (2,739)
Inventories	**(1,220)**	(2,074)
Income taxes receivable	**(53)**	(251)
Prepaid expenses	**(239)**	9
Trade and other payables	**(1,465)**	142
Income taxes payable	**(601)**	-
Deferred revenue	**86**	(45)
	$ (5,256)	$ (4,958)

[1] Inclusive of the Precision Craft acquisition.

11.2 Non-cash transactions excluded from the consolidated statement of cash flows

	Three month period ended March 31	
	2012	**2011**
Property, plant and equipment under finance leases	**$ 28**	$ 92

12. Subsequent events

On April 12, 2012, the Corporation purchased the assets of an expanded polystyrene molding plant from Knauf USA Polystyrene, Inc., located in Lebanon, Ohio, USA.

13. Approval of financial statements

The financial statements were approved by the Board of Directors and authorized for issue on May 9, 2012.