STRENGTH & SUSTAINABILITY
quarter 3 2010

P·F·B™
CORPORATION
Better building ideas

Q3 INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the periods ended September 30, 2010 and 2009

NOTICE OF NO AUDITOR REVIEW OF INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Under national instrument 51-102, part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim consolidated financial statements of PFB Corporation have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these 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.

LETTER TO SHAREHOLDERS

Net income in the current quarter was $1,758 and basic and diluted earnings per share of $0.27 as compared to net income of $1,594 and earnings per share of $0.24 in the third quarter of fiscal 2009. In the current nine month period, net income of $1,175 and earnings per share of $0.18 was reported as compared to net income of $2,510 and earnings per share of $0.38 reported in the comparative nine month period in 2009.

Sales in Canada in the current quarter were 10.2% higher than sales reported in the comparative quarter of 2009. Shipments of products into Canadian markets increased in the current quarter and order taking continued to strengthen across most regions. By contrast, shipments in the comparative quarter of 2009 were exhibiting a slowing trend. On a cumulative nine month basis, Canadian sales ended the current quarter slightly ahead of the comparative period in the prior year.

On the other hand however, sales in the United States in the current quarter and year-to-date periods decreased by 3.7% and 23.2%, respectively, as compared to sales reported in the comparative periods of 2009. Looking forward, confirmed orders for building systems orders have improved on a year-over-year comparison basis.

As in prior quarters this year, quarterly results include after tax effects of decreased depreciation expenses resulting from both a combined change in the depreciation method, and a change in estimating the expected remaining lives of assets and components. Prior period results have not been restated.

PFB's operations in Canada continue to reflect the stronger economic environment than that persisting in the United States. Consolidated sales revenues and gross profit margins have recovered but are still volatile looking forward. Management expects continued improvement in the sales volumes and sales price stability. Upwards price pressure for major raw materials has been a consistent trend which began in October 2009 and eased slightly as the second quarter closed but pricing continues to be uncertain in the future.

PFB is expected to continue to have a net overall exposure to the U.S. dollar in fiscal 2010. The variation seen this year in the Canadian dollar foreign exchange rate with the U.S. dollar has partially mitigated the impact of increasing raw material input costs although currency appreciation has the opposite effect when translating U.S. denominated sales into Canadian dollars.

Our strong financial position and cash flow provided by operations, together with existing unused credit facilities, is considered adequate to meet all anticipated liquidity requirements at this time.

The Board of Directors has approved the payment of the regular quarterly dividend of $0.06 per common share. The dividend will be paid on November 30, 2010, to shareholders of record on November 15, 2010.

Respectfully submitted on behalf of the Board of Directors,

C. Alan Smith
President and Chief Executive Officer
November 3, 2010

Q3 MANAGEMENT'S DISCUSSION & 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 November 3, 2010, with respect to future events, and they are subject to certain risks, uncertainties and assumptions that may cause the actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

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

You will find a more detailed assessment of the risks that could cause actual results to materially differ from our current expectations in the Risk Management and Assessment section of PFB's MD&A included in the 2009 Annual Report.

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 three and nine month periods ended September 30, 2010 and 2009 should be read in conjunction with the unaudited interim consolidated financial statements and related notes for the respective periods. All figures in this MD&A are stated in thousands of dollars except shares and per share amounts.

The unaudited interim 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, is a vertically-integrated manufacturer of proprietary insulating building products based on 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 stock; insulating building systems; geotechnical engineered applications; buoyancy, and packaging and display applications. The Advantage ICF (Insulating Concrete Forming) System, Insulspan SIPS, and Riverbend Timber Framing systems are leading-edge, energy-efficient building systems that continue to grow in popularity across North America.

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

PFB's primary business focus is the development of its "Better Building Ideas"® banner by 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 Plasti-Fab as a leading brand in the EPS industry in Canada, 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. Our revenue growth strategy is built on extending the presence of all four brands and product lines across North America.

FINANCIAL HIGHLIGHTS (unaudited)

	Three months ended September 30		**Nine months ended September 30**	
	2010	**2009**	**2010**	**2009**
Sales	**$ 20,425**	$ 18,834	**$ 48,734**	$ 50,074
Gross profit [1]	**6,141**	6,169	**12,255**	14,981
Income before interest and taxes [2]	**2,631**	2,550	**2,034**	4,253
Net income and comprehensive income	**1,758**	1,594	**1,175**	2,510
Earnings per common share:				
Basic	**0.27**	0.24	**0.18**	0.38
Diluted	**0.27**	0.24	**0.18**	0.38
Funds provided by operations [3]	**2,726**	3,419	**3,837**	6,804
Funds provided by operations per common share [4]	**0.41**	0.52	**0.58**	1.04

Note: All figures in the above table are in $000's except per common share data.

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 are as follows:

1 Gross profit is a non-GAAP measure and is defined as sales less cost of sales.

2 Income before interest and taxes is a non-GAAP measure and is defined as gross profit less selling and administrative expenses, unrealized and realized foreign exchange gains and losses and gains and losses on the sale of capital assets.

3 Funds provided by operations is a non-GAAP measure and is defined as cash flow from operations before changes in non-cash working capital and unrealized foreign exchange gains and losses relating to non-cash working capital.

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

FINANCIAL RESULTS ANALYSIS

The following results of operations should be read in conjunction with PFB's unaudited interim consolidated financial statements for the three and nine month periods ended September 30, 2010 and 2009, along with the MD&A and the audited consolidated financial statements contained in PFB's Annual Report for the year ended December 31, 2009. All figures in this MD&A are stated in thousands of dollars except shares and per share amounts.

The results of the operations of PFB's subsidiary in the United States are translated into Canadian dollars using the temporal method for inclusion in the consolidated financial results.

SALES

Consolidated net sales for the three month period ended September 30, 2010 were $20,425, an increase of $1,591 or 8.4% as compared with sales of $18,834 reported in the comparative quarter in fiscal 2009.

Consolidated net sales for the nine month period ended September 30, 2010 were $48,734, a decrease of $1,340 or 2.7% as compared with sales of $50,074 reported in the comparative nine month period in fiscal 2009.

A summary of consolidated sales by segment expressed in Canadian dollars for the three and nine month periods ended September 30, 2010 and 2009 are as outlined in the following table:

	Three months ended September 30			Nine months ended September 30		
	2010	**2009**	**% Change**	**2010**	**2009**	**% Change**
Canada	**$ 18,108**	$ 16,429	10.2%	**$ 42,750**	$42,233	1.2%
United States	**2,317**	2,405	-3.7%	**5,984**	7,796	-23.2%
Japan	**-**	-	-%	**-**	45	-100.0%
Total	**$ 20,425**	$ 18,834	8.4%	**$ 48,734**	$ 50,074	-2.7%

Sales in Canada in the current quarter were 10.2% higher than sales reported in the comparative quarter of 2009. Shipments of products into Canadian markets increased in the current quarter and order taking continued to strengthen across most regions. By contrast, shipments in the comparative quarter of 2009 were exhibiting a slowing trend. On a cumulative basis, Canadian sales ended the current quarter slightly ahead of prior year sales.

Sales in the United States in the current quarter and year-to-date decreased by 3.7% and 23.2%, respectively, as compared to sales reported in the comparative periods of 2009. Whilst current year sales in the United States continue to reflect persistent financial and economic challenges, confirmed orders for building systems have improved on a year-over-year comparison basis.

GROSS PROFIT

Consolidated gross profit in the three month period ended September 30, 2010, was $6,141 as compared with $6,169 in the comparative quarter in fiscal 2009, a decrease of $28. Consolidated gross profit expressed as a percentage of sales was 30.1% (see additional comments below) in the current quarter as compared with 32.8% reported in the comparative quarter of 2009.

Consolidated gross profit in the nine month period ended September 30, 2010, was $12,255 as compared with $14,981 in the comparative quarter in fiscal 2009, a decrease of $2,726. Consolidated gross profit expressed as a percentage of sales was 25.1% (see additional comments below) in the current quarter as compared with 29.9% reported in the comparative nine month period in 2009.

Raw material costs continued rising during the early months of the year which increased the costs of inventory throughout the balance of the reporting period. A slight easing has had a short-term lowering effect but the respite was short lived and raw material cost volatility has returned. Gross profit margins have fluctuated throughout the nine month period accordingly.

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 $310 in the amount of depreciation expense included in cost of sales in the current quarter and a reduction of $930 in the current nine month period. This change in depreciation expense represented approximately 1.5% of sales in the current quarter and 1.9% in the current nine month period which had the effect of improving reported gross profit margins from 28.6% to 30.1% and from 23.2% to 25.1%, respectively.

SELLING AND ADMINISTRATION

Selling and administrative expenses reduced to $3,569 in the current quarter as compared $3,692 in the third quarter of fiscal 2009, and reduced to $10,257 in the current nine month period as compared to $10,973 in the nine month period in fiscal 2009.

Selling and marketing costs were $2,214 in the current quarter ($2,361 in 2009) and $6,658 in the current nine month period ($7,204 in 2009). Selling and marketing costs have been trimmed in the USA operations in response to lower sales.

Administrative costs were $1,355 in the current quarter ($1,331 in 2009) and $3,599 in the current nine month period ($3,769 in 2009). Accruals for employee incentive programs are aligned to consolidated earnings which influences administrative expenses.

FOREIGN EXCHANGE GAINS AND LOSSES

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

In the current quarter, realized foreign exchange gains amounted to $7 and unrealized foreign exchange gains amounted to $52, for a combined gain of $59. The comparative figures for the third quarter of 2009 were a realized foreign exchange gain of $67 and an unrealized foreign exchange gain of $15 for a combined gain of $82. In the nine month period ended September 30, 2010, realized foreign exchange gains amounted to $69 and unrealized foreign exchange loses amounted to $49 for a combined gain of $20. The comparative figures for the nine month period ended September 30, 2009, were a realized foreign exchange gain of $184 and an unrealized foreign exchange gain of $75 for a combined gain of $259.

PFB did not have any foreign exchange contractual commitments in any periods of the current year or in the comparative quarter. All purchases of U.S. dollars were transacted at spot rates.

INTEREST INCOME AND INTEREST EXPENSE

In the current quarter, interest income of $5 was earned on cash and cash equivalent balances and past due collections of accounts receivable which was similar to interest income of $4 earned in the comparative quarter of 2009. In the current nine month period, interest income of $29 (2009 - $18) was made up of $12 (2009 - $7) earned on cash and cash equivalent balances and $17 (2009 - $11) earned on past due collections of accounts receivable. Interest rates in the current year have marginally improved compared with interest rates in the comparative year.

Interest expense of $126 in the current quarter represented a decrease of $11 over interest expense of $137 reported in the third quarter of 2009. On a year-to-date basis, interest expense in the current year of $385 represented a decrease of $83 over interest expense of $468 in 2009. Interest expense arises on loans and capital leases. Two tranches of long-term debt attracted interest at floating rates in the current quarter whereas, in the prior year quarter, interest charged was at fixed rates which were higher than the current floating rate. Also, repayment holidays in 2009 on a large portion of total debt resulted in higher interest expense in that year. Bank operating lines were unused throughout the current quarter.

INCOME TAX EXPENSE/RECOVERY

Income tax expense in the current quarter was $752 as compared to income tax expense of $823 in the comparative quarter of 2009. Income tax expense in the current nine month period was $503 as compared to income tax expense of $1,293 in the comparative nine month period of 2009.

The consolidated effective tax rate for fiscal 2010 is estimated to be 30.0%. However, the consolidated effective tax rate is influenced by unrealized foreign exchange gains and losses arising from translating PFB's U.S. subsidiary into Canadian dollars which have no tax basis. It is not possible to predict with any certainty the impact that future currency movements may have on the consolidated effective tax rate.

NET INCOME AND EARNINGS PER SHARE

Net income in the current quarter was $1,758 and basic and diluted earnings per share of $0.27 as compared net income of $1,594 and earnings per share of $0.24 in the third quarter of fiscal 2009.

In the current nine month period, net income of $1,175 and earnings per share of $0.18 was reported as compared to net income of $2,510 and earnings per share of $0.38 reported in the comparative nine month period in 2009.

The current year's results were inclusive of the positive after tax effects of decreased depreciation expenses in the amount of $217 or $0.03 per share in the current quarter and $651 or $0.10 per share in the current nine month period. 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. Prior period results have not been restated.

The weighted average number of common shares for the three month period ended September 30, 2010 was 6,618,736 as compared to 6,570,671 in the comparative three month period in 2009. The weighted average number of common shares for the nine month period ended September 30, 2010 was 6,592,546 as compared to 6,571,638 in the comparative nine month period in 2009. The increases in the current year are attributed to the effects of 50,000 share options being exercised in May.

LIQUIDITY AND CAPITAL RESOURCES

PFB's liquidity continues to be strong with a positive cash balance and significant unused bank lines. The principal source of liquidity in fiscal 2010 is expected to be cash flows provided by operations which, in conjunction with the cash balance currently on hand, is expected to be sufficient to meet all cash requirements during the current year.

As at September 30, 2010, none of PFB's revolving bank credit facilities had been utilized.

CASH AND NON-CASH WORKING CAPITAL

At September 30, 2010, PFB had $5,972 of cash compared with $8,949 of cash at September 30, 2009.

Cash balances increased by $2,988 in the current quarter. Non-cash working capital accounts have increased in the nine month period, particularly accounts receivable and inventories driven by seasonality of business. Cash outflows in the nine month period consisted mainly of: repayments of long-term debt; regular quarterly dividend payments; and capital expenditures.

PFB's non-cash working capital position at September 30, 2010, was $10,139 as compared with $6,438 at September 30, 2009 and $4,553 as at December 31, 2009.

Changes in non-cash working capital since the start of the current year are detailed in the table below:

	September 30, 2010	December 31, 2009	Increase (decrease)
Accounts receivable	**$ 10,327**	$ 5,892	$ 4,435
Inventories	**7,452**	6,257	1,195
Income taxes recoverable	**411**	276	135
Prepaid expenses	**494**	648	(154)
Accounts payable and accrued liabilities	**(6,719)**	(7,016)	297
Customer deposits	**(1,826)**	(1,504)	(322)
	$ 10,139	$ 4,553	$ 5,586

Note: Non-cash working capital is a non-GAAP measure and is defined as current assets less cash and cash equivalents, future income tax asset (current portion) and current liabilities.

Accounts receivable balances increased by $4,435 since the beginning of the current year and the increase is directly attributed to the seasonality in sales. Accordingly, accounts receivable balances reduce in the fourth quarter as the level of monthly sales slows and collection rates from customers' increases. The ageing profile of accounts receivable balances is constantly reviewed by management to facilitate prompt action if uncertainties or issues of concern arise over collections. No significant bad debts have been experienced in the current year.

Inventories have increased by $1,195 since the start of the year and they are $1,636 higher than at September 30, 2009. Increased inventory levels were planned to support the pattern of orders. Inventory reduced by $1,403 during the current quarter and a further reduction is expected in the fourth quarter.

Income taxes recoverable have increased by $135 since December 31, 2009, through making regular tax installments which, in aggregate, exceeded the current tax provision as at the end of the current quarter. The tax recoverable is expected to reduce in the fourth quarter as the relationship between the tax provision and installments will reverse.

Accounts payable and accrued liabilities decreased by $297 since the start of the year.

Customer deposits increased by $322 in the current year and are aligned to increased orders for customized building systems.

CASH PROVIDED BY OPERATING ACTIVITIES

Cash flows provided by operating activities before changes in non-cash working capital in the current quarter were $2,726, a decrease of $693 from cash flows of $3,419 provided by operations in the comparative quarter of 2009. On a year-to-date basis, cash flows provided by operations in the current year were $3,837 compared to $6,804 in 2009.

The three main sources of variances between the nine month period of 2010 versus 2009 include: a decrease in net income in the current year; lower depreciation expenses in the current year, and lower future tax provisions.

The individual components making up cash flows used in operations in the three and nine month periods ended September, 2010 and 2009 are outlined in the table below:

	Three months ended September 30		Nine months ended September 30	
	2010	**2009**	**2010**	**2009**
Net income	**$ 1,758**	$ 1,594	**$ 1,175**	$ 2,510
Items not affecting cash:				
Depreciation and amortization	**613**	923	**1,874**	2,767
(Gain) loss on sale of capital assets	**-**	9	**(16)**	14
Stock based compensation	**10**	29	**67**	86
Future income taxes	**398**	879	**688**	1,502
Unrealized foreign exchange (gain) loss	**(53)**	(15)	**49**	(75)
Cash flows provided by operations before changes in non-cash working capital	**$ 2,726**	$ 3,419	**$ 3,837**	$ 6,804

CASH FLOWS - FINANCING

Net cash flows used in financing activities in the current quarter amounted to $660 as compared to $457 in the comparative quarter of 2009. Net cash flows used in financing activities in the current year amounted to $1,675 as compared to $1,758 in the comparative nine month period of 2009.

Repayments of long-term debt in the current quarter amounted to $262 (2009 - $55) and repayments in the current nine month period amounted to $754 (2009 - $587). Repayments in the current year periods included payments made against capital lease obligations for automobiles. In 2009, automobile leases were treated as operating leases and lease payments were expensed as part of selling and administrative expenses. Also in 2009, repayments of long-term debt were lower than in the current year as a portion of debt was interest bearing only for a period of time.

PFB's regular quarterly dividend payment have remained unchanged at $0.06 per share and dividends were paid at the end February, May and August in both the current year and in 2009 for a disbursement of $398 (2009 - $394) in the current quarter and an aggregate disbursement of $1,186 (2009 - $1,183) in the nine month period. Dividends paid by PFB qualify as eligible dividends and satisfy the enhanced gross-up and dividend tax credit change enacted under Canadian tax law.

Effective September 3, 2010, PFB renewed its normal course issuer bid for a further twelve month period. In the three and nine month periods ended September 30, 2010, PFB did not purchase any of its common shares for cancellation under the Bid. By comparison, in the three month period in 2009, PFB purchased 2,000 common shares for cancellation for an aggregate price $8. In the nine month period in 2009, PFB had purchased 3,800 common shares for cancellation for an aggregate price $15.

In the previous quarter (second quarter of 2010), two directors each exercised 25,000 common stock options originally granted in fiscal 2005. The strike price of the options was $5.30 per common share which generated funds of $265 upon exercise. The market price of PFB`s shares on the date of exercise was $6.27 per share. Accordingly, an amount of $48, representing the aggregate difference between the strike and market prices, was also credited to the share capital account with the offset booked to the contributed surplus account.

CASH FLOWS - INVESTING

Net cash flows used in investing activities in the current quarter amounted to $223 mainly consisting of planned capital expenditures in the amount of $242. In the current nine month period, cash flows used in investing activities were $1,448 versus $1,050 in the comparative nine month period in 2009. The increase was attributable to slightly higher capital expenditures in the current year.

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 and carrying values of financial instruments held by PFB as at September 30, 2010, and December 31, 2009, are stated in the following table:

	September 30, 2010		December 31, 2009	
	Book Value	Fair Value	Book Value	Fair Value
Financial assets				
Held for trading:				
Cash	$ 5,972	$ 5,972	$ 10,896	$ 10,896
Loans and receivables:				
Accounts receivable	10,327	10,327	5,892	5,892
Financial liabilities				
Other liabilities held for trading:				
Accounts payable and accrued liabilities	$ 6,719	$ 6,719	$ 7,016	$ 7,016
Other financial liabilities:				
Long-term debt (total)	9,150	9,056	9,663	9,549

The fair value of cash, accounts receivable, and accounts payable and accrued liabilities approximate their carrying value due to the short-term maturity of those instruments. The fair value of fixed interest rate long-term debt has been 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 long-term debt with variable interest rates does not differ significantly from its carrying value as the interest rate is subject to market fluctuations. There have been no changes in accounting policies in the current year.

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 September 30, 2010:

	Total	Level 1	Level 2	Level 3
Financial assets				
Held for trading:				
Cash and cash equivalents	$ 5,972	$ 5,972	-	-

PFB has a defined benefits 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 plan's estimated accrued benefit asset of $475 was recognized on the balance sheet as at December 31, 2009. No changes have been made to the amount of estimated accrued benefit asset in the current year.

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 receivables 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. It is not normal practice to require customers to provide collateral or security as a condition of approving trade credit. 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 predefined 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 sales and marketing expenses.

Interest collected from customers on payment of past due accounts receivable balances is included in interest income in the Consolidated Statement of Operations and Comprehensive Income.

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

	September 30, 2010	**December 31, 2009**
Accounts receivable – current and past due for less than 30 days	**$ 8,079**	$ 4,031
Accounts receivable – past due for between 31and 90 days	**2,363**	2,053
Accounts receivable – past due for 91 days or longer	**548**	282
Total gross accounts receivable	**10,990**	6,366
Allowance for doubtful accounts	**(663)**	(474)
Accounts receivable, net	**$ 10,327**	$ 5,892

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

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

(ii) The ageing 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 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 is limited because the counterparties are large commercial banks in Canada and the United States.

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:

	September 30, 2010	**December 31, 2009**
Cash	**$ 5,972**	$ 10,896
Accounts receivable	**10,327**	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 dollar, as the prices of most raw material supplies used in its businesses are denominated in U.S. dollars. Raw material supplies which are denominated in U.S. dollars are usually paid within thirty days or less of receiving the actual deliveries, which is consistent with industry practices.

At September 30, 2010, the carrying amounts of PFB's foreign currency denominated net monetary assets was USD $2,961 (2009 – USD $2,931) and foreign currency denominated net monetary liabilities was USD $2,386 (2009 – USD $2,151). Based on the net position as at September 30, 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 $20 (2009 - $28).

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

As at September 30, 2010 and 2009, PFB did not hold any foreign exchange contracts.

(c) Interest Rate Risk

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

PFB is exposed to interest rate risk on a minor 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 September 30, 2010, PFB has in place a combination of revolving and non-revolving credit facilities. Revolving credit facilities of $8,000 (December 31, 2009 - $8,000) and USD $1,500 (December 31, 2009 – USD $1,500) were unused at the balance sheet date. The non-revolving credit facility had unused balances of $4,222 (December 31, 2009 - $4,196) which represents an approved limit of $4,300 less amounts outstanding on capital leases which are financed by the Canadian 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 do so only 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.

PFB's liabilities having contractual maturities as at September 30, 2010, are as indicated in the following table:

	Current within 12 months	Non-current	
		1 - 5 years	Over 5 years
Accounts payable and accrued liabilities	$ 6,719	$ -	$ -
Long-term debt	962	8,188	-
	$ 7,681	$ 8,188	$ -

CAPITALIZATION

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

PFB's capital structure as at September 30, 2010 and December 31, 2009, is outlined in the following table:

	September 30, 2010	December 31, 2009
Long-term debt	**$ 9,150**	$ 9,663
Shareholders' equity	**44,908**	44,587
Total capital structure	**$ 54,058**	$ 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, when deemed appropriate, 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:

	September 30, 2010	December 31, 2009
Return on Shareholders' Equity	**5.4%**	8.7%
Net Debt to Shareholders' Equity [1]	**7.1%**	-
Current Ratio	**2.60x**	2.61x

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

PFB's subsidiary, Plasti-Fab, has non-capital tax losses available from a voluntary dissolution completed in 2009. The non-capital tax losses are expected to be fully utilized against taxable income in the current year.

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. Fixed Charge Coverage 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 September 30, 2010, the financial covenant ratio was in compliance.

SHARE CAPITAL, SHAREHOLDERS' EQUITY AND STOCK-BASED COMPENSATION

In the nine month period ended September 30, 2010, PFB did not purchase any common shares for cancellation under a Normal Course Issuer Bid. In the nine month period ended September 30, 2009, PFB purchased 3,800 common shares for cancellation under a Normal Course Issuer Bid for an aggregate price of $15 of which $1 was charged to retained earnings.

In the second quarter of 2010, two directors each exercised 25,000 common stock options which were originally granted in 2005 at a strike price of $5.30 per common share which increased share capital by $265. The market price PFB's shares at the time of exercise was $6.27 per share. Accordingly, an amount of $48 representing the difference between the strike price and market price was also credited to the share capital account with the offset booked to the contributed surplus account.

The individual components making up shareholders' equity as at September 30, 2010 and December 31, 2009 are summarized in the table below:

	September 30, 2010	**December 31, 2009**	**Change**
Share capital	**$ 20,128**	$ 19,815	$ 313
Contributed surplus	**384**	365	19
Retained earnings	**24,396**	24,407	(11)
Accumulated other comprehensive income	**-**	-	-
Total shareholders' equity	**$ 44,908**	$ 44,587	$ 321

A summary of transactions making up the change in shareholders' equity in the nine month period ended September 30, 2010, are outlined in the table below:

Activity	**Balance Sheet Account**	**Amount**
Change in share capital resulting from:		
Exercise of stock options	Share Capital	$ 313
Total Change in Share Capital		$ 313
Change in contributed surplus resulting from:		
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	$ 1,175
Dividends paid	Retained Earnings	(1,186)
Total Change in Retained Earnings		$ (11)

PFB did not grant any stock options in the current quarter. However, 50,000 stock options exercised in the second quarter of the current year are represented in the following table which identifies all outstanding stock options as of September 30:

	2010		**2009**	
	Number of Options	**Weighted Average Exercise Price**	**Number of Options**	**Weighted Average Exercise Price**
Outstanding, beginning of period	**200,000**	**$ 8.45**	200,000	$ 8.45
Granted	**-**	**-**	-	-
Exercised	**(50,000)**	**(5.30)**	-	-
Cancelled	**-**	**-**	-	-
Expired	**-**	**-**	-	-
Forfeited	**-**	**-**	-	-
Outstanding, end of period	**150,000**	**$ 9.50**	200,000	$ 8.45

COMMITMENTS AND CONTRACTUAL OBLIGATIONS

The Corporation's obligations under contractual arrangements including repayments under long-term debt arrangements, capital expenditure commitments, performance bonds, and operating lease arrangements are summarized in the Corporation's 2009 Annual Consolidated Financial Statements and Annual Management's Discussion and Analysis (MD&A) for fiscal 2009.

As a result of the current financial and economic climate, management is maintaining its focus on cash generation and preservation. Approvals for capital expenditures are being restricted to completing in-process projects and essential major equipment maintenance until more business certainty prevails.

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 September 30, 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 Issuers' 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 transactions 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 September 30, 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.

TRANSACTIONS WITH RELATED PARTIES

All transactions with related parties have been approved by PFB's Board of Directors and additional information can be found in PFB's Annual MD&A for fiscal 2009.

All related party transactions are in the normal course of operations and are measured at their exchange value, as agreed between the parties, which approximate the fair market value as with any third party. McCarthy Tetrault, LLP ceased to be a related party effective July 1, 2010.

In the three and nine month periods ended September 30, PFB had transactions with three related parties which are summarized in the table below:

Related Party	Nature of Transaction	Three months ended September 30 2010	Three months ended September 30 2009	Nine months ended September 30 2010	Nine months ended September 30 2009
Aeonian Capital Corporation	Management services	**$ 50**	$ 50	**$ 150**	$ 150
Baker Investments, LLC	Stipend & travel expenses	**34**	27	**88**	88
McCarthy Tetrault LLP	Legal services	**-**	13	**40**	50
Totals		**$ 84**	$ 90	**$ 278**	$ 288

RISK MANAGEMENT AND ASSESSMENT

PFB's risk management and assessment can be found in the Corporation's Annual MD&A for fiscal 2009. There have been no material changes in the uncertainties and material risk factors facing the Corporation since December 31, 2009.

OUTLOOK

PFB's operations in Canada continue to reflect the stronger economic environment than that persisting in the United States. Consolidated sales revenues and gross profit margins have recovered but are still volatile looking forward. Management expects continued improvement in the sales volumes and sales price stability.

Upwards price pressure for major raw materials has been a consistent trend which began in October 2009 and eased slightly as the second quarter closed but pricing continues to be uncertain in the future.

PFB will have a net overall exposure to the U.S. dollar in fiscal 2010. The variation seen this year in the Canadian dollar foreign exchange rate with the U.S. dollar has partially mitigated the impact of increasing raw material input costs although currency appreciation has the opposite effect when translating U.S. denominated sales into Canadian dollars.

Management is evolving its long-term growth strategy to achieve the objectives of increasing shareholder value, increasing sales revenues and earnings per share, and provide the required rate of return on capital invested. We remain focused on increasing market share in our markets, introducing new products consistent with the current economic environment 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 at this time.

CHANGE IN ACCOUNTING ESTIMATE

Effective January 1, 2010, PFB changed its depreciation method for the machinery and equipment asset class from a declining balance depreciation method to straight-line depreciation method. The change is reflected prospectively in the Corporation's consolidated financial statements for all machinery and equipment assets held as at the effective date and the straight-line method will be applied to all future additions to that asset class. Management's decision to change the depreciation method was based on its judgment that the straight-line method better reflects the pattern of consumption of the assets being depreciated over their estimated useful lives given the characteristics of the assets and experiences observed during operating the assets or similar assets over a long period of time.

In addition, management has reviewed all buildings and machinery and equipment assets which had a remaining book value as at December 31, 2009, and has made adjustments to extend or reduce the expected remaining lives based on historical experiences for the same or closely similar assets. As part of that review process, all buildings and major machinery and equipment assets have been componentized, where appropriate. The combined effect of the above changes in the first three quarters of 2010, as compared with the comparative quarters of 2009, was a reduction in total depreciation expense $310 and $930, respectively, as compared with depreciation expense calculated under previously used methodologies. The reduction in depreciation expense positively impacted cost of sales in the current quarter and nine month period and cost of sales in each of the remaining quarters of 2010 will be positively impact by similar decreases in depreciation expense. Prior period results have not been restated.

RECENT CHANGES TO ACCOUNTING STANDARDS

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

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

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

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

On June 1, 2009, the CICA amended Section 3862, *Financial Instruments – Disclosures* to improve disclosures related to fair value measurements of financial instruments, including the relative reliability of the inputs used in those measurements, and liquidity risk, in light of concerns that the nature and extent of liquidity risk requirements were unclear and difficult to apply. These disclosures were 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 11 to the unaudited interim consolidated financial statements).

FUTURE CHANGES TO ACCOUNTING STANDARDS

CICA HANDBOOK CHANGES

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

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

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

INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

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 IFRSs. Based on an initial review of IFRS 1, PFB has identified that many do not lead to a material difference when comparing IFRSs and Canadian GAAP thus minimizing the number of adjustments required to the Corporation's opening balance sheet upon adoption of IFRSs.

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

- Foreign Exchange Translation

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

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

- Provisions

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

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

- Impairment of Assets

  Canadian GAAP generally uses a two-step approach to impairment testing: firstly, comparing asset carrying values with undiscounted future cash flows to determine whether impairment exists; and, secondly, measuring any impairment by comparing asset carrying values with fair values.

  IAS 16, Impairment of Assets, uses a one-step approach for testing and measurement of impairment with asset carrying values compared directly with the higher of the following two calculations: fair value less costs to sell; and value in use (which uses discounted future cash flows). This may potentially result in write-downs where carrying values of assets were previously supported under Canadian GAAP on an undiscounted cash flow basis.

  IAS 36 allows previous impairment losses to be reversed (except for goodwill) where circumstances have changed such that the impairments have been reduced. Canadian GAAP prohibits reversal of impairment losses.

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

- Property, Plant and Equipment

  Under IAS 16, Property, Plant and Equipment, at the date of transition can be recorded based on the fair value model or cost model. The choice of model can be applied separately to individual assets or to classes of assets.

  PFB has elected to use the cost model at the date of transition. Major assets in both the buildings and machinery and equipment asset classes have been componentized and the expected lives of individual assets or components of assets have been reviewed and revised, as deemed appropriate, based on historical performance data. The depreciation method for assets in the machinery and equipment asset class will be the straight-line method whereas, previously, a declining balance method was used. The impact of applying the new parameters under the cost model are being evaluated.

- 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.

- Employee benefits

  A difference between IAS 19, Employee Benefits and Canadian GAAP 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 and 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 differing definitions in terminology, 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. The calculation of the accrued benefit asset currently recognized on PFB's consolidated balance sheet will likely be different under IFRS.

Stephen P. Hardy

Vice President and Chief Financial Officer
November 3, 2010

Q3 CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

	Three months ended September 30		Nine months ended September 30	
In thousands of dollars (unaudited)	**2010**	**2009**	**2010**	**2009**
Sales	**$ 20,425**	$ 18,834	**$ 48,734**	$ 50,074
Cost of goods sold	**(14,284)**	(12,665)	**(36,479)**	(35,093)
	6,141	6,169	**12,255**	14,981
Selling and administrative expenses	**(3,569)**	(3,692)	**(10,257)**	(10,973)
Gain (loss) on sale of capital assets	**-**	(9)	**16**	(14)
Realized foreign exchange gain [Note 11 (b)]	**7**	67	**69**	184
Unrealized foreign exchange gain (loss) Note 11 (b)]	**52**	15	**(49)**	75
	2,631	2,550	**2,034**	4,253
Interest income	**5**	4	**29**	18
Interest expense	**(126)**	(137)	**(385)**	(468)
Income before taxes	**2,510**	2,417	**1,678**	3,803
Income tax expense recovery	**(752)**	(823)	**(503)**	(1,293)
Net Income and comprehensive income	**$ 1,758**	$ 1,594	**$ 1,175**	$ 2,510
Earnings per common share – basic	**$ 0.27**	$ 0.24	**$ 0.18**	$ 0.38
Earnings per common share – diluted	**$ 0.27**	$ 0.24	**$ 0.18**	$ 0.38
Weighted average number of common shares outstanding	**6,618,736**	6,570,671	**6,592,546**	6,571,638

See accompanying notes to the unaudited interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

	Three months ended September 30		Nine months ended September 30	
In thousands of dollars (unaudited)	**2010**	**2009**	**2010**	**2009**
Retained earnings, beginning of period	**$ 23,036**	$ 22,423	**$ 24,407**	$ 22,295
Net income	**1,758**	1,594	**1,175**	2,510
Dividends paid	**(398)**	(394)	**(1,186)**	(1,183)
Premium on redemption of common shares	**-**	(2)	**-**	(1)
Retained earnings, end of period	**$ 24,396**	$ 23,621	**$ 24,396**	$ 23,621

See accompanying notes to the unaudited interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

In thousands of dollars (unaudited)	Three months ended September 30 2010	Three months ended September 30 2009	Nine months ended September 30 2010	Nine months ended September 30 2009
CASH PROVIDED BY (USED IN):				
OPERATING				
Net income	**$ 1,758**	$ 1,594	**$ 1,175**	$ 2,510
Items not affecting cash:				
Depreciation and amortization	**613**	923	**1,874**	2,767
(Gain) loss on sale of capital assets	**-**	9	**(16)**	14
Stock based compensation [Note 9(c)]	**10**	29	**67**	86
Future income taxes [Note 14]	**398**	879	**688**	1,502
Unrealized foreign exchange (gain) loss	**(53)**	(15)	**49**	(75)
	2,726	3,419	**3,837**	6,804
Changes in non-cash working capital	**1,095**	1,951	**(5,586)**	1,121
Unrealized foreign exchange gain relating to non-cash working capital	**64**	10	**10**	3
	3,885	5,380	**(1,739)**	7,928
FINANCING				
Repayment of long-term debt	**(262)**	(55)	**(754)**	(587)
Dividends paid	**(398)**	(394)	**(1,186)**	(1,183)
Exercise of stock options	**-**	-	**265**	-
Purchase of common shares for cancellation	**-**	(8)	**-**	(15)
	(660)	(457)	**(1,675)**	(1,785)
INVESTING				
Purchase of capital assets	**(242)**	(323)	**(1,496)**	(1,051)
Purchase of intangible assets	**-**	-	**(5)**	(5)
Proceeds on sale of capital assets	**19**	2	**53**	6
	(223)	(321)	**(1,448)**	(1,050)
Foreign exchange loss on cash held in foreign currency	**(14)**	(47)	**(62)**	(7)
Increase (decrease) in cash and cash equivalents	**2,988**	4,555	**(4,924)**	5,086
Cash and cash equivalents, beginning of period	**2,984**	4,394	**10,896**	3,863
Cash and cash equivalents, end of period	**$ 5,972**	$ 8,949	**$ 5,972**	$ 8,949
Supplemental cash flow information:				
Interest paid	**$ 124**	$ 137	**$ 384**	$ 464
Interest received	**5**	4	**29**	18
Income taxes paid (refunded)	**(264)**	145	**(46)**	(743)
Capital asset additions financed by capital lease	**104**	-	**257**	-

See accompanying notes to the unaudited interim consolidated financial statements.

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CONSOLIDATED BALANCE SHEETS

In thousands of dollars (unaudited)	September 30, 2010	September 30, 2009	December 31, 2009
ASSETS			
Current assets			
Cash and cash equivalents [Note 3]	**$ 5,972**	$ 8,949	$ 10,896
Accounts receivable	**10,327**	9,011	5,892
Inventories [Note 4]	**7,452**	5,816	6,257
Income taxes recoverable	**411**	547	276
Prepaid expenses	**494**	525	648
Future income taxes asset	**105**	-	637
Total current assets	**24,761**	24,848	24,606
Capital assets [Note 5]	**31,543**	31,394	31,580
Intangible assets [Note 6]	**144**	325	260
Goodwill	**5,887**	5,887	5,887
Accrued benefit asset	**475**	-	475
Future income taxes asset	**733**	277	444
Total assets	**$ 63,543**	$ 62,731	$ 63,252
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	**$ 6,719**	$ 7,206	$ 7,016
Customer deposits	**1,826**	2,255	1,504
Current portion of long-term debt [Note 8]	**962**	689	919
Total current liabilities	**9,507**	10,150	9,439
Long-term debt [Note 8]	**8,188**	8,808	8,744
Future income taxes liability	**940**	-	482
Total liabilities	**18,635**	18,958	18,665
SHAREHOLDERS' EQUITY			
Share capital [Note 9(b)]	**20,128**	19,815	19,815
Contributed surplus [Note 12]	**384**	337	365
Retained earnings	**24,396**	23,621	24,407
Accumulated other comprehensive income	**-**	-	-
Total shareholders' equity	**44,908**	43,773	44,587
Total liabilities and shareholders' equity	**$ 63,543**	$ 62,731	$ 63,252

Commitments and contingent liabilities [Note 16]
See accompanying notes to the unaudited interim consolidated financial statements.

Q3 NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

September 30, 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 these products in North America and Japan. These integrated product lines are marketed under Plasti-Fab, EPS Product Solutions®, Advantage ICF Systems®, Insulspan® SIPS, and Riverbend Timber Framing® brand names and trade marks.

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

2. ACCOUNTING POLICIES AND ESTIMATES

(a) Basis of Presentation
The interim unaudited consolidated financial statements of PFB have been prepared by management in accordance with Canadian generally accepted accounting principles and include the accounts of all subsidiaries. All of the Corporation's subsidiaries are wholly-owned and are considered to be fully integrated operations. All inter-company accounts and transactions have been eliminated on consolidation.

(b) Significant Accounting Policies and Estimates
Effective January 1, 2010, PFB changed its depreciation method for the machinery and equipment asset class from a declining balance depreciation method to straight-line depreciation method. The change to the straight-line method is reflected prospectively in the Corporation's consolidated financial statements for all machinery and equipment assets held as at the effective date and to all future asset additions in that class. Management's decision to change the depreciation method was based on its judgment that the straight-line method better reflects the pattern of consumption of the assets being depreciated over their estimated useful lives given the characteristics of the assets and experiences observed during operating the assets or similar assets over a long period of time (See Note 5).

In addition, management has reviewed all assets in the both the buildings and machinery and equipment asset classes which had a remaining book value as at December 31, 2009, and has made adjustments to extend or reduce the expected remaining lives based on historical experiences for the same or closely similar assets. As part of that review process, all buildings and major machinery and equipment assets have been componentized (See Note 5). Prior period results have not been restated for the above-mentioned changes.

The unaudited interim consolidated financial statements and notes thereto should be read in conjunction with the audited consolidated financial statements and the notes thereto in PFB's Annual

Report for the year ended December 31, 2009. Certain information and disclosures normally required to be included in notes to annual consolidated financial statements have been condensed or omitted from these interim financial statements.

Accounting measurements at interim dates inherently involve greater reliance on estimates than at year-end. The results of operations for the period shown in these unaudited interim consolidated financial statements are not necessarily indicative of results to be expected for the fiscal year. In the opinion of management, the accompanying interim consolidated financial statements include all adjustments necessary to present fairly the consolidated financial position and consolidated results of PFB's operations as of and for the three and nine month periods ended September 30, 2010.

Sales of PFB's products are driven by customer and industrial demand for insulation and building products. The timing of customers' construction projects can be influenced by a number of factors including the prevailing economic climate and weather. Demand for PFB's products is typically stronger in the second and third quarters and less strong in the first and fourth quarters of its fiscal cycle.

Intangible assets with a finite life are amortized over their estimated life. Product development costs and computer software applications are amortized over a period of three years. Patents are amortized over seventeen years. Intangible assets with indefinite lives are tested for impairment at least annually and when events or changes in circumstances indicate that their carrying values may be impaired.

(c) Recent Changes to Accounting Standards

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

Section 3064, *Goodwill and Intangible Assets*

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

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

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

On June 1, 2009, the CICA amended Section 3862, *Financial Instruments – Disclosures* to improve disclosures related to fair value measurements of financial instruments, including the relative reliability of the inputs used in those measurements, and liquidity risk, in light of concerns that the nature and extent of liquidity risk requirements were unclear and difficult to apply. These disclosures were 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 11 to the unaudited interim consolidated financial statements).

(d) **Future Changes to Accounting Standards**

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

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

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

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as at September 30, 2010, and as at December 31, 2009, are comprised as follows:

	September 30, 2010	December 31, 2009
Balances with banks	**$ 3,809**	$ 4,394
Short-term investments	**2,163**	6,502
	$ 5,972	$ 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 range of interest rates available on short-term investments as at September 30, 2010, and December 31, 2009, were 0.80% to 1.10% and 0.35% to 0.47%, respectively. The actual interest rate earned within the range available is determined by the aggregate amount invested.

In the three and nine month periods ended September 30, 2010, interest income on cash and cash equivalents in the amount of $4 (2009 $1) and $12 (2009 - $7), respectively, was included in interest income in the Consolidated Statement of Operations and Comprehensive income.

4. INVENTORIES

Inventories as at September 30, 2010, and December 31, 2009, are comprised as follows:

	September 30, 2010	December 31, 2009
Raw materials and supplies	**$ 3,547**	$ 3,510
Work-in-progress	**1,292**	1,068
Finished goods	**2,613**	1,679
	$ 7,452	$ 6,257

In the three and nine month periods ended September 30, 2010, the carrying amount of inventories recognized as an expense in which revenue was recognized was $13,952 (2009 - $12,317) and $35,441 (2009 - $34,070), respectively.

The cost of inventories recognized as an expense in the three and nine month periods ended September 30, 2010, included write-downs from cost to net realizable value in the amount of $38 (2009 - $12) and $171 (2009 - $149), respectively. There were no reversals of any write-downs in the current or comparative periods.

5. CAPITAL ASSETS

Effective January 1, 2010, PFB changed the depreciation method for machinery and equipment from a declining balance method to the straight-line method. As part of a detailed review of capital assets by management, buildings and major machinery and equipment assets have been componentized and the expected remaining lives of individual assets and components of assets in those asset classes have been 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 our manufacturing facilities and equipment.

The combined effect of the change in estimates was a reduction of $310 in the amount of depreciation expense included in cost of sales in each quarter of the current year. Cost of sales in the fourth quarter of fiscal 2010 will be positively impacted to a similar extent. Prior period results have not been restated.

6. INTANGIBLE ASSETS

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

The carrying amounts of intangible assets subject to amortization as at September 30, 2010 and December 31, 2009, were as follows:

	September 30, 2010			December 31, 2009		
	Cost	**Accumulated Amortization**	**Net**	**Cost**	**Accumulated Amortization**	**Net**
Product development	**$ 925**	**$ 857**	**$ 68**	$ 925	$ 788	$ 137
Software	**1,846**	**1,817**	**29**	1,831	1,758	73
Patents	**70**	**23**	**47**	70	20	50
	$ 2,841	**$ 2,697**	**$ 144**	$ 2,826	$ 2,566	$ 260

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) and are amortized on a straight-line basis.

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. The deferred product development costs will be amortized over a three year period commensurate with the validity period of the building code approvals. As at September 30, 2010, all current projects had been completed.

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

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 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. There is no standby fee applicable. As at both September 30, 2010, and December 31, 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 (See Note 8).

On April 23, 2010, 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 subject to a minimum rate of 4.0% at any time. As at both September 30, 2010 and December 31, 2009, the revolving credit facility of USD $1,500 was unused. The revolving credit facility has a minimal value standby fee per month.

8. LONG-TERM DEBT

As at September 30, 2010, the total aggregate principal repayment amount outstanding on Plasti-Fab's non-revolving credit facility with a major Canadian bank was $7,945 (December 31, 2009 - $8,437). At that date, the unused portion of the non-revolving facility of $4,222 (December 31, 2009 - $4,196) represents an approved limit of $4,300 less amounts outstanding on Canadian capital leases where financing is provided 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 September 30, 2010 and December 31, 2009, the financial covenant ratio was in compliance. An interest rate equivalent to the bank's prime rate plus 0.85% (December 31, 2009 - prime rate plus 0.85%) applies to draws made under the facility unless the interest rate is fixed at the time of borrowing. Applicable financing costs are expensed as incurred. PFB has provided a guarantee and postponement of claim to the bank in the amount of $10,000 (December 31, 2009 - $10,000).

On December 24, 2009, the 5-year term for the fixed interest rate on the loan dated December 24, 2004, expired (see table below). From that the date, the interest rate was reset to the equivalent of the bank's prime rate plus 0.85%. On March 30, 2010, the 5-year term for the fixed interest rate on the loan dated March 30, 2005, expired (see table below). From that the date, the interest rate was reset to the bank's prime rate plus 0.85%.

Insulspan has a term loan facility with a U.S. bank, whose parent is a major Canadian bank, secured by manufacturing properties in Michigan, USA. The facility was refinanced in April 2008 for a term of five years. As at September 30, 2010, the outstanding principal amount of the loan was USD $696 (December 31, 2009 – USD $747). The loan attracts interest at the rate of U.S. prime plus 0.25%. PFB has provided a guarantee and postponement of claim to the U.S. bank in the maximum amount of USD $1,050. Applicable financing costs are expensed as incurred.

In the three and nine month periods ended September 30, 2010, PFB entered into new capital lease agreements in the amount of $104 and $257, respectively, for replacement automobiles. No capital leases were entered into in the corresponding periods in fiscal 2009.

Long-term debt commitments as at September 30, 2010, and December 31, 2009, were as follows:

	Date of Loan	Interest	Interest Rate	Interest Term	September 30, 2010	December 31, 2009
Payable in Canadian dollars:						
Term loan	Dec 24/09	Floating	3.35%	5 years	**$ 698**	$755
Term loan	Mar 30/10	Floating	3.35%	5 years	**720**	773
Term loan	Jun 25/08	Fixed	6.05%	5 years	**4,636**	4,909
Term loan	Sep 30/08	Fixed	5.55%	5 years	**1,891**	2,000
Capital leases	Various	Fixed	4.80% to 6.70%	5 years	**459**	402
Payable in U.S. dollars:						
Term loan	Renewed Apr 28/08	Floating	Prime +0.25%	5 years	**717**	785
Capital leases	Various	Fixed	3.70% to 7.50%	3 to 5 years	**29**	39
					9,150	9,663
Less: Current portion					**(962)**	(919)
					$ 8,188	$ 8,744

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

The fair value of long-term debt obligations as at September 30, 2010 was $9,056 (December 31, 2009 - $9,549).

In the three and nine month periods ended September 30, 2010, interest expense on long-term debt commitments in the amount of $126 (2009 - $137) and $385 (2009 - $468), respectively, was included in interest expense in the Consolidated Statement of Operations and Comprehensive Income.

9. SHARE CAPITAL

(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

	Nine Months Ended September 30, 2010		Twelve Months Ended December 31, 2009	
	Shares	Amount	Shares	Amount
Balance, beginning of period	**6,568,736**	**$ 19,815**	6,572,536	$ 19,829
Exercise of stock options	**50,000**	**313**	-	-
Cancellation of repurchased shares [Note 9(d)]	**-**	**-**	(3,800)	(14)
Balance, end of period	**6,618,736**	**$ 20,128**	6,568,736	$ 19,815

(c) Stock-Based Compensation

No stock options were granted under PFB's stock option plan in either the current quarter or in the comparative quarter of 2009. In the second quarter of the current year, 50,000 stock options, originally granted in fiscal 2005, were exercised at the strike price of $5.30 per option or $265 in aggregate. The market price of PFB's common shares on the date the stock options were exercised was $6.27 per share. Accordingly, an amount of $313 was booked to share capital and an amount of $48 ($313 - $265) was booked as a reduction to the contributed surplus account.

The following table sets forth all outstanding stock options for the nine month period ended September 30:

	2010		2009	
	Number of Options	**Weighted Average Exercise Price**	**Number of Options**	**Weighted Average Exercise Price**
Outstanding, beginning of period	**200,000**	**$ 8.45**	200,000	$ 8.45
Granted	**-**	**-**	-	-
Exercised	**(50,000)**	**(5.30)**	-	-
Cancelled	**-**	**-**	-	-
Expired	**-**	**-**	-	-
Forfeited	**-**	**-**	-	-
Outstanding, end of period	**150,000**	**$ 9.50**	200,000	$ 8.45

The following table sets forth information concerning granted share options outstanding and options exercisable under the stock option plan as at September 30, 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	150,000	22.0	$ 9.50	100,000	$ 9.50

The aggregate fair value of the 150,000 options granted in fiscal 2007 in the amount of $343 or $2.29 per option was being amortized on a straight-line basis over the thirty-six month vesting period which ended on July 31, 2010.

Amortization of the fair value amounts have been reported as compensation expense each period with the off-set booked to the contributed surplus account on the balance sheet. In the three month period ended September 30, 2010, $10 (2009 – $29) of fair value was reported as compensation expense. Of this amount, $1 (2009 – $4) was included in cost of sales and $9 (2009 – $25) was included in selling and administrative expense. In the nine month period ended September 30, 2010, $67 (2009 – $86) of fair value was reported as compensation expense. Of this amount, $9 (2009 – $12) was included in cost of sales and $58 (2009 – $74) was included in selling and administrative expense.

(d) Normal Course Issuer Bid

In the three and nine month periods ended September 30, 2010, PFB did not purchase any common shares for cancellation under a Normal Course Issuer Bid. In the three month period ended September 30, 2009, PFB purchased 2,000 common shares for cancellation under the Bid for an aggregate price of $8 of which $2 was charged to retained earnings. In the nine month period ended September 30, 2009, PFB purchased 3,800 common shares for cancellation under the Bid for an aggregate price of $15 of which $1 was charged to retained earnings.

10. MANAGEMENT OF CAPITAL

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

PFB's capital structure as at September 30, 2010 and December 31, 2009, is outlined in the following table:

	September 30, 2010	December 31, 2009
Long-term debt	**$ 9,150**	$ 9,663
Shareholders' equity	**44,908**	44,587
Total capital structure	**$ 54,058**	$ 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, when deemed appropriate, 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:

	September 30, 2010	December 31, 2009
Return on Shareholders' Equity	**5.4%**	8.7%
Net Debt to Shareholders' Equity [1]	**7.1%**	-
Current Ratio	**2.60x**	2.61x

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

PFB's subsidiary, Plasti-Fab, has non-capital tax losses available from a voluntary dissolution completed in 2009. The non-capital tax losses are expected to be fully utilized against taxable income in the current year.

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. Fixed Charge Coverage 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 September 30, 2010 and December 31, 2009, the financial covenant ratio was in compliance.

11. 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 and carrying values of financial instruments held by PFB as at September 30, 2010, and December 31, 2009, are stated in the following table:

	September 30, 2010		December 31, 2009	
	Book Value	**Fair Value**	**Book Value**	**Fair Value**
Financial assets				
Held for trading:				
Cash	**$ 5,972**	**$ 5,972**	$ 10,896	$ 10,896
Loans and receivables:				
Accounts receivable	**10,327**	**10,327**	5,892	5,892
Financial liabilities				
Other liabilities held for trading:				
Accounts payable and accrued liabilities	**$ 6,719**	**$ 6,719**	$ 7,016	$ 7,016
Other financial liabilities:				
Long-term debt (total)	**9,150**	**9,056**	9,663	9,549

The fair value of cash, accounts receivable, and accounts payable and accrued liabilities approximate their carrying value due to the short-term maturity of those instruments. The fair value of fixed interest rate long-term debt has been 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 long-term debt with variable interest rates does not differ significantly from its carrying value as the interest rate is subject to market fluctuations. There have been no changes in accounting policies in the current year.

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 September 30, 2010:

	Total	**Level 1**	**Level 2**	**Level 3**
Financial assets				
Held for trading:				
Cash and cash equivalents	$ 5,972	$ 5,972	-	-

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 receivables 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. It is not normal practice to require customers to provide collateral or security as a condition of approving trade credit. 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 predefined 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 sales and marketing expenses.

Interest collected from customers on payment of past due accounts receivable balances is included in interest income in the Consolidated Statement of Operations and Comprehensive Income.

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

	September 30, 2010	**December 31, 2009**
Accounts receivable – current and past due for less than 30 days	**$ 8,079**	$ 4,031
Accounts receivable – past due for between 31and 90 days	**2,363**	2,053
Accounts receivable – past due for 91 days or longer	**548**	282
Total gross accounts receivable	**10,990**	6,366
Allowance for doubtful accounts	**(663)**	(474)
Accounts receivable, net	**$ 10,327**	$ 5,892

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

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

(ii) The ageing 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 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 is limited because the counterparties are large commercial banks in Canada and the United States.

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:

	September 30, 2010	December 31, 2009
Cash	**$ 5,972**	$ 10,896
Accounts receivable	**10,327**	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 dollar, as the prices of most raw material supplies used in its businesses are denominated in U.S. dollars. Raw material supplies which are denominated in U.S. dollars are usually paid within thirty days or less of receiving the actual deliveries, which is consistent with industry practices.

At September 30, 2010, the carrying amounts of PFB's foreign currency denominated net monetary assets was USD $2,961 (2009 – USD $2,931) and foreign currency denominated net monetary liabilities was USD $2,386 (2009 – USD $2,151). Based on the net position as at September 30, 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 $20 (2009 - $28).

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

As at September 30, 2010 and 2009, PFB did not hold any foreign exchange contracts.

(c) Interest Rate Risk

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

PFB is exposed to interest rate risk on a minor 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 September 30, 2010, PFB has in place a combination of revolving and non-revolving credit facilities. Revolving credit facilities of $8,000 (December 31, 2009 - $8,000) and USD $1,500 (December 31, 2009 – USD $1,500) were unused at the balance sheet dates. The unused portion of the non-revolving credit facility with a Canadian bank was $4,222 (December 31, 2009 - $4,196) which represents an approved limit of $4,300 less amounts outstanding on capital leases which are financed by the Canadian 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 do so only 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.

PFB's liabilities having contractual maturities as at September 30, 2010, are as indicated in the following table:

	Current within 12 months	Non-current	
		1 – 5 years	Over 5 years
Accounts payable and accrued liabilities	$ 6,719	$ -	$ -
Long-term debt	962	8,188	-
	$ 7,681	$ 8,188	$ -

12. CONTRIBUTED SURPLUS

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2010	2009	**2010**	2009
Balance, beginning of period	**$ 374**	$ 308	**$ 365**	$ 251
Stock-based compensation expense	**10**	29	**67**	86
Exercise of stock options	**-**	-	**(48)**	-
Balance, end of period	**$ 384**	$ 337	**$ 384**	$ 337

13. RECONCILIATION OF EARNINGS PER COMMON SHARE

The following table sets forth the reconciliation of basic and diluted earnings per share for the three and nine month periods ended September 30:

	Three Months Ended September 30		Nine Months Ended September 30	
	2010	2009	**2010**	2009
Net income	**$ 1,758**	$ 1,594	**$ 1,175**	$ 2,510
Weighted average number of common shares outstanding	**6,618,736**	6,570,671	**6,592,546**	6,571,638
Effect of dilutive stock options [1]	**-**	-	**-**	-
Adjusted weighted average number of common shares outstanding	**6,618,736**	6,570,671	**6,592,546**	6,571,638
Earnings per share:				
Basic	**$ 0.27**	$ 0.24	**$ 0.18**	$ 0.38
Diluted	**$ 0.27**	$ 0.24	**$ 0.18**	$ 0.38

[1] 150,000 stock options granted in the third quarter of 2007 but unexercised were anti-dilutive as at September 30, 2010 and 2009, and, therefore, they have not been included in the calculation of shares assumed issued and shares assumed purchased in the above table.

14. INCOME TAXES

The income taxes expense (recovery) for the three and nine month periods ended September 30 is comprised of the following:

	Three Months Ended September 30		Nine Months Ended September 30	
	2010	**2009**	**2010**	**2009**
Current	**$ 354**	$ (56)	**$ (185)**	$ (209)
Future	**398**	879	**688**	1,502
Total income tax expense (recovery)	**$ 752**	$ 823	**$ 503**	$ 1,293

15. EMPLOYEE FUTURE BENEFITS

Plasti-Fab has a defined benefits pension plan for specific Ontario-based employees. In the three and nine month periods ended September 30, 2010, the aggregate of current service costs and special payments amounted to $32 (2009 - $23) and $92 (2009 - $90), respectively, which were expensed in cost of sales.

16. COMMITMENTS AND CONTINGENT LIABILITIES

(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 September 30, 2010 and December 31, 2009, aggregate performance bonds outstanding were $22,048 (September 30, 2009 - $Nil).

(b) Capital Expenditures

As at September 30, 2010, PFB had outstanding expenditure commitments for capital assets in the amount of $145 mainly attributed to completing various equipment upgrades.

(c) 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.

(d) Environment

PFB is 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.

17. RELATED PARTY TRANSACTIONS

In the three month periods ended September 30, PFB had transactions with three related parties which are summarized in the table below. All transactions with related parties have been approved by PFB's Board of Directors.

	Three Months Ended September 30		Nine Months Ended September 30	
Related party	**2010**	**2009**	**2010**	**2009**
Aeonian Capital Corporation	**$ 50**	$ 50	**$ 150**	$ 150
Baker Investments, LLC	**34**	27	**88**	88
McCarthy Tetrault LLP	**-**	13	**40**	50
	$ 84	$ 90	**$ 278**	$ 288

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

As at September 30, 2010, Aeonian Capital Corporation ("Aeonian"), and its affiliates, owned 2,921,668 or 44.5% (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 September 30, 2010 and 2009 all fees had been paid in full in each respective period.

Mr. Frank Baker, a director of PFB and the original vendor of Riverbend Timber Framing Inc., acquired by PFB in fiscal 2004, receives an annual stipend of USD $85 plus a travel and subsistence allowance to a maximum of USD $25 per annum for representing and promoting PFB's interests, including representation at various industry and trade organizations. As at September 30, 2010, there was an account payable outstanding to Mr. Baker in the amount of USD $34 with respect to the stipend and travel expenses which was settled in October 2010.

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, upon which, McCarthy Tetrault LLP ceased to be a related party.

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.

18. SEGMENTED INFORMATION

PFB is organized and managed as a single reportable business which is 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.

Segmented sales for the three and nine month periods ended September 30 is as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2010	**2009**	**2010**	**2009**
Sales				
Canada	**$ 18,108**	$ 16,429	**$ 42,750**	$ 42,233
United States	**2,317**	2,405	**5,984**	7,796
Japan	**-**	-	**-**	45
	$ 20,425	$ 18,834	**$ 48,734**	$ 50,074

Selected financial information as at September 30 and December 31, 2009, is as follows:

	2010	**2009**
Capital assets, intangible assets and goodwill		
Canada	**$ 30,089**	$ 30,050
United States	**7,485**	7,677
	$ 37,574	$ 37,726
Total assets		
Canada	**$ 52,899**	$ 52,607
United States	**10,644**	10,645
	$ 63,543	$ 63,252

19. COMPARATIVE FIGURES

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

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