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P·F·B CORPORATION

Third Quarter Report 2003

President's Report to Shareholders

Overall operations of PFB Corporation in the third quarter showed significant improvement. Revenue was $13,458,000, reflecting record quarterly sales and a 9.8% increase over $12,259,000 reported in the comparative period of 2002. Correspondingly, net income also improved to $1,381,000 (25 cents per share) compared with $1,247,000 (23 cents per share) in the comparative period of 2002.

Sales in each of our regional markets demonstrated positive growth in the third quarter reinforcing our perception of improving business conditions for our industry. The Advantage insulating concrete forming system operation, acquired in May of this year, has been successfully integrated with Plasti-Fab operations. Growth in sales of the Advantage ICF products in the third quarter was one of the factors that contributed to the overall sales growth of the company.

Reduced volatility in raw materials pricing in the third quarter created a more favourable cost environment for our operations. Because our raw materials are priced in United States dollars, this improvement was enhanced by continued strengthening in the Canadian dollar exchange rate. Currently it remains unclear what course raw material prices will take for the balance of this year as producers are continuing to attempt additional price increases.

For the nine months ended September 30, 2003, sales revenues totalled $31,787,000 compared to sales of $29,665,000 for the comparable period in 2002. Net income for the nine months ended September 30, 2003 was $1,468,000, 26 cents per share, compared to net income of $2,449,000, 44 cents per share, in 2002. Our first quarter results included non-recurring charges amounting to approximately $500,000.

We are optimistic that the now visible signs of economic recovery in the North American economy will create demand for our Plasti-Fab brand of building products. Indications are that construction activity will be reasonably buoyant during our fourth quarter, although subject to changing local weather conditions.

Respectfully submitted on behalf of the Board of Directors.

C. Alan Smith
Chief Executive Officer
October 29, 2003

Financial Highlights

P·F·B CORPORATION

	Three months ended September 30		Nine months ended September 30	
	2003	2002	**2003**	2002
Sales	**$ 13,458**	$ 12,259	**$ 31,787**	$ 29,665
Gross profit	**$ 4,462**	$ 3,570	**$ 8,048**	$ 8,518
Income before interest, taxes,				
depreciation and amortization	**$ 2,742**	$ 2,284	**$ 3,900**	$ 4,795
Income before interest and taxes	**$ 2,308**	$ 1,905	**$ 2,400**	$ 3,629
Net income	**$ 1,381**	$ 1,247	**$ 1,468**	$ 2,449
Funds provided from operations	**$ 1,987**	$ 1,615	**$ 3,402**	$ 3,283
Earnings per share:				
Basic	**$ 0.25**	$ 0.23	**$ 0.26**	$ 0.44
Diluted	**$ 0.25**	$ 0.23	**$ 0.26**	$ 0.44

Note: All figures in $000's except earnings per share

Management's Discussion and Analysis of 2003 Third Quarter Results

The following should be read in conjunction with PFB Corporation's unaudited financial statements contained herein, along with Management's Discussion and Analysis and financial statements contained in the Annual Report for the year ended December 31, 2002.

RESULTS OF OPERATIONS

Sales

Record quarterly sales revenues of $13,458,000 for the current quarter were $1,199,000 or 9.8% higher than in the third quarter of 2002. Improving sales demand observed during the second quarter continued at a strong pace throughout the current quarter.

Sales in all of our regional markets were stronger in the current quarter compared with sales achieved in the prior year's quarter. Sales revenues for our Eastern Canadian regions were satisfactory, despite the SARS outbreak in the Toronto area and the major electrical service interruption experienced. Eastern Canadian sales growth was at a more modest level compared to the sales growth achieved in our Western Canadian markets. A portion of the overall incremental sales revenues were attributed to the sales of the Advantage ICF building system.

Sales of our Structural Insulated Panel (SIP) building system also demonstrated year-on-year growth in the current quarter. We continue to remain optimistic about future growth opportunities in our portfolio of building systems.

For nine months, sales revenues amounted to $31,787,000, an increase of 7.2% over the sales revenues of $29,665,000 reported for the comparable nine months in 2002. Since the acquisition of Advantage Wallsystems Inc. ("Advantage") in May 2003, PFB has reported the full market sales revenues for its Advantage ICF products whereas in prior periods only revenues accruing from manufacturing the product were included.

Gross Profit

Gross profit in the third quarter, expressed as a percentage of sales, improved to 33.2% compared to 29.1% reported in the third quarter last year. The improvement in the quality of gross profit in the current quarter was due to a combination of effects; lower raw materials costs, a favourable trend in the foreign exchange rate between the Canadian dollar and the U.S. dollar, and a sales product mix positively influenced by sales of higher margin products.

Raw material costs were less volatile in the current quarter compared to what we had experienced earlier in the year creating a more favourable cost environment for our operations. The actual landed cost of raw materials trended slightly downwards in the third quarter following the trend in lower oil and gas pricing and in conjunction with the pace of the weakening U.S. dollar.

Manufacturing overhead expenses in the third quarter were marginally lower than in the comparable quarter in 2002 and production volumes were higher. The combined positive impact on unit costs was a contributing factor to the improved gross profit margin.

The quality of gross profit in the third quarter improved the current year-to-date average gross profit margin from 19.6% of sales reported at the end of June 2003 to 25.3% of sales after nine months. The year-to-date gross profit margin continues to marginally trail the ratio of 28.7% of sales reported for the nine month period in 2002. The average unit cost of our total styrene purchases in the current year remains higher than the comparative costs in 2002.

Selling and Administrative Expenses

Selling, marketing and administrative expenses in the current quarter amounted to $2,154,000 (16.0% of sales) representing an increase of $489,000 over the $1,665,000 (13.6% of sales) reported in the corresponding quarter in 2002. The current quarter is the first full quarter of reporting higher payroll related costs resulting from additional sales personnel that were integrated as part of the Advantage acquisition completed in May 2003. Also, further expenditures have been directed at specific sales and marketing activities to increase market awareness of the Advantage ICF building system. Such expenditures are expected to generate additional future sales growth.

Amortization costs are $30,000 higher in the third quarter than in the comparable quarter in 2002. In addition, we continue to focus expenditures on enhancing the functionality of our key management information systems.

Interest and Investment Income

Interest income earned in the third quarter on cash and cash equivalents increased to $23,000 (2002 - $18,000).

In September, we invested $1,013,000 in marketable securities which generated investment income of $15,000 (2002 - $61,000) in the current quarter in addition to an estimated amount of $15,000 attributed to repayment of capital. At the end of the current quarter we recorded an unrealized loss of $24,000 to reduce the carrying value of the investment to $974,000 which was consistent with the market value of the investment on that date.

Income Taxes

The income tax expense in the current quarter amounted to $941,000 (2002 - $700,000). In the current quarter, the balance of the future income tax asset arising from the Advantage acquisition has been fully utilised. Consequently, PFB's corporate income tax instalments in the current year have decreased by a corresponding amount.

Net Income

Net income in the current quarter amounted to $1,381,000 ($0.25 per share) compared to net income of $1,247,000 ($0.23 per share) in the corresponding quarter of 2002. Net income in the nine month period amounted to $1,468,000 ($0.26 per share) compared to net income of $2,449,000 ($0.44 per share) for the first nine months in the comparative year. The weighted average number of common shares outstanding at September 30, 2003 totalled 5,650,279 (2002 – 5,556,050).

LIQUIDITY AND CAPITAL RESOURCES

During the third quarter, PFB generated positive cash flows from operations of $1,987,000 (2002 - $1,615,000), which increased the cash balance by $894,000 at the end of the current quarter. At September 30, 2003, cash and cash equivalents amounted to $3,415,000 (2002 - $4,955,000). In addition, the carrying value of marketable securities, acquired in September 2003, amounted to $974,000 (2002 - $1,987,000).

In the current quarter, non-cash working capital decreased by an amount of $806,000. Accounts receivable balances increased by $1,294,000 and reflective of the significantly higher sales revenues reported in the quarter, particularly sales revenues recorded in the month of September. Having a higher accounts receivable balance is a normal trend for the end of the third quarter, which is typically our strongest quarter for reported sales revenues. The number of accounts receivable days outstanding remains consistent with our expectations and no bad debts of any significance have been recorded. Product inventory values reduced in the current quarter by an amount of $378,000 which was consistent with our planning.

Income taxes recoverable decreased by $567,000 in the current quarter. The decrease was attributable to a refund of tax installments paid during the interim taxation period to April 30, 2003, resulting from the Advantage acquisition. The future income tax asset arising from the Advantage acquisition has been fully utilised in the current quarter.

Accounts payable and accrued liabilities increased by $1,007,000 in the current quarter commensurate with the increased production and sales activity.

Purchases of capital assets in the third quarter amounted to $550,000 (2002 - $1,598,000). Actual expenditures included the acquisition of new production equipment to expand capacity for manufacturing Advantage ICF products, plus minor expenditures for ongoing maintenance capital.

The Normal Course Issuer Bid ("NCIB") program was renewed effective August 22, 2003, for a further period of twelve months. In the current quarter, 71,700 Common Shares were purchased for cancellation for an aggregate cost of $351,000. A total of 82,700 shares have been repurchased for cancellation in the first nine months of 2003 for an aggregate amount of $405,000. The comparable purchases in the nine months ended September 30, 2002 were 85,900 shares for an aggregate cost of $431,000.

OUTLOOK

Sales demand has remained strong in the month of October. However, results for the fourth quarter of our fiscal cycle are somewhat dependent on weather conditions and the impact it may have on planned construction projects or those already in progress.

We continue to experience a concerted effort by styrene producers to raise prices which, if successful, will adversely impact our operations. The benefits arising from the favourable movement in the value of the Canadian dollar versus the U.S. dollar has recently helped to mitigate supply price pressures. The momentum in the value of the Canadian dollar continues to be in our favour during the month of October.

The prospects for achieving continued sales revenue growth for our building systems remains encouraging. We have invested marketing dollars to increase the awareness of our portfolio of building system products and these products continue to attract significant and growing interest from building owners in both the commercial and residential market sectors.

Our capital expenditure plans include a program of equipment upgrades in both our resin and moulding manufacturing facilities. However, major expenditures on any approved projects will likely be incurred in the 2004 fiscal year. The ongoing product developing initiative at our resin facility is progressing satisfactorily.

With a continuing solid equity base and a debt free balance sheet, PFB remains well positioned to pursue acquisition opportunities that compliment its business strategy.

FORWARD LOOKING STATEMENTS

Certain statements in this Interim Report and Management's Discussion and Analysis constitute forward-looking statements. These include statements about management's expectations, beliefs, intentions or strategies for the future. All forward-looking statements reflect management's current views with respect to future events and are subject to certain risks, uncertainties and assumptions that may cause the actual results, performance or achievements of PFB 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 prevailing economic conditions; actions by government authorities; actions by regulatory authorities; changes in raw materials prices; changes in foreign exchange and interest rates; competitor activity; industry pricing pressures; seasonality of the construction industry; and weather.

Stephen P. Hardy
Vice President
and Chief Financial Officer
October 29, 2003

P·F·B CORPORATION

STATEMENTS OF OPERATIONS

Nine months ended September 30

In thousands of dollars (unaudited)		2003		2002
Sales	$	31,787	$	29,665
Cost of goods sold		23,739		21,147
Gross profit		8,048		8,518
Selling and administrative expenses		5,648		4,889
		2,400		3,629
Interest income		55		71
Investment income		154		169
Gain on sale of marketable securities		256		88
Unrealised loss on marketable securities		(24)		-
Income before taxes		2,841		3,957
Income taxes		(1,148)		(1,489)
Equity in loss of significantly influenced company		(225)		(19)
Net income	$	1,468	$	2,449
Earnings per common share – basic (Note 5)	$	0.26	$	0.44
Earnings per common share – diluted (Note 5)	$	0.26	$	0.44
Weighted average number of common shares outstanding		5,650,279		5,556,050

STATEMENTS OF CASH FLOWS

Nine months ended September 30

P·F·B CORPORATION

In thousands of dollars (unaudited)		2003		2002
Operating				
Net income	**$**	**1,468**	$	2,449
Items not affecting cash flows:				
Depreciation and amortization		**1,500**		1,166
(Gain) loss on sale of capital assets		**3**		(21)
Gain on sale of marketable securities		**(256)**		(88)
Marketable securities – unrealized loss		**24**		-
Marketable securities – change in accounting estimate		**-**		(61)
Equity in loss of significantly influenced company		**225**		19
Future income taxes		**438**		(181)
		3,402		3,283
Changes in non-cash working capital		**(3,041)**		(1,678)
		361		1,605
Financing				
Dividend paid		**(1,223)**		(1,117)
Issuance of common shares		**119**		-
Purchase of common shares for cancellation		**(405)**		(431)
		(1,509)		(1,548)
Investing				
Purchase of capital assets		**(1,388)**		(2,388)
Proceeds from sale of capital assets		**29**		22
Additions to product development costs		**(27)**		(83)
Acquisition costs - Advantage Wallsystems Inc. (Note 2)		**(108)**		-
Acquisition of marketable securities		**(1,013)**		(1,788)
Proceeds on sale of marketable securities		**2,081**		742
Repayment of capital on marketable securities		**79**		36
Investment in significantly influenced company		**-**		(750)
		(347)		(4,209)
Decrease in cash and cash equivalents		**(1,495)**		(4,152)
Cash and cash equivalents, beginning of the period		**4,910**		9,107
Cash and cash equivalents, end of the period	**$**	**3,415**	$	4,955
Cash paid for interest	**$**	**-**	$	-
Cash paid for taxes	**$**	**864**	$	2,457

STATEMENTS OF OPERATIONS

P·F·B CORPORATION

Three months ended September 30

In thousands of dollars (unaudited)	2003	2002
Sales	$ 13,458	$ 12,259
Cost of goods sold	8,996	8,689
Gross profit	4,462	3,570
Selling and administrative expenses	2,154	1,665
	2,308	1,905
Interest income	23	18
Investment income	15	61
Unrealised loss on marketable securities	(24)	-
Income before taxes	2,322	1,984
Income taxes	(941)	(700)
Equity in loss of significantly influenced company	-	(37)
Net income	$ 1,381	$ 1,247
Earnings per common share – basic (Note 5)	$ 0.25	$ 0.23
Earnings per common share – diluted (Note 5)	$ 0.25	$ 0.23
Weighted average number of common shares outstanding	5,721,428	5,537,491

STATEMENTS OF CASH FLOWS

P·F·B CORPORATION

Three months ended September 30

In thousands of dollars (unaudited)		2003		2002
Operating				
Net income	**$**	**1,381**	$	1,247
Items not affecting cash flows:				
Depreciation and amortization		**434**		379
(Gain) loss on sale of capital assets		**(1)**		1
Marketable securities unrealized loss		**24**		-
Equity in loss of significantly influenced company		-		37
Future income taxes		**149**		(49)
		1,987		1,615
Changes in non-cash working capital		**806**		2,181
		2,793		3,796
Financing				
Purchase of common shares for cancellation		**(351)**		-
Investing				
Purchase of capital assets		**(550)**		(1,598)
Proceeds from sale of capital assets		**5**		-
Additions to product development costs		**(5)**		(83)
Acquisition of marketable securities		**(1,013)**		(513)
Repayment of capital on marketable securities		**15**		20
		(1,548)		(2,174)
Increase in cash and cash equivalents		**894**		1,622
Cash and cash equivalents, beginning of the period		**2,521**		3,333
Cash and cash equivalents, end of the period	**$**	**3,415**	$	4,955
Cash paid for interest	**$**	**-**	$	-
Cash paid for taxes	**$**	**238**	$	829

BALANCE SHEETS

P·F·B CORPORATION

September 30, 2003, September 30, 2002, and December 31, 2002

In thousands of dollars (unaudited)	September **2003**	September 2002	December 2002
Assets			
Current assets			
Cash and cash equivalents	**$ 3,415**	$ 4,955	$ 4,910
Marketable securities	**974**	1,987	1,889
Accounts receivable	**8,109**	6,221	4,588
Inventories	**3,288**	3,465	3,276
Income taxes recoverable	**483**	450	329
Prepaid expenses	**276**	241	518
Total current assets	**16,545**	17,319	15,510
Investment in significantly influenced company (Note 2)	-	731	653
Capital assets	**14,991**	13,871	14,943
Goodwill	**661**	-	-
Product development costs (Note 3)	**166**	83	139
Total assets	**$ 32,363**	$ 32,004	$ 31,245
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	**$ 5,143**	$ 5,378	$ 4,247
	5,143	5,378	4,247
Future income taxes	**468**	675	710
Total liabilities	**5,611**	6,053	4,957
Contingent liabilities (Note 8)			
Shareholders' Equity			
Share capital (Note 4)	**13,958**	13,548	13,540
Retained earnings	**12,794**	12,403	12,748
Total shareholders' equity	**26,752**	25,951	26,288
Total liabilities and shareholders' equity	**$ 32,363**	$ 32,004	$ 31,245

STATEMENTS OF RETAINED EARNINGS

Nine months ended September 30

In thousands of dollars (unaudited)	**2003**	2002
Retained earnings, beginning of period	**$ 12,748**	$ 11,293
Net income	**1,468**	2,449
Dividends paid	**(1,223)**	(1,117)
Premium on redemption of common shares (Note 6)	**(199)**	(222)
Retained earnings, end of period	**$ 12,794**	$ 12,403

Notes to the Interim Financial Statements (unaudited),

September 30, 2003

P·F·B CORPORATION

1. SIGNIFICANT ACCOUNTING POLICIES

Management has prepared the accompanying interim financial statements in accordance with Canadian generally accepted accounting principles. Certain information and disclosures required to be included in notes to the annual audited financial statements have been condensed or omitted from these interim financial statements. The interim financial statements and notes hereto should be read in conjunction with the most recent annual audited financial statements. These interim financial statements follow the same accounting policies and methods of their application as the most recent annual financial statements.

Accounting measurements at interim dates inherently involve greater reliance on estimates than at year-end. Therefore, the results of operations for the interim period shown in this report are not necessarily indicative of results to be expected for the fiscal year. In the opinion of Management, the accompanying interim financial statements include all adjustments necessary to present fairly the financial position and results of operations of PFB Corporation ("PFB" or the "Corporation") as of September 30, 2003.

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 the Corporation's products is typically stronger in the second and third quarters and less strong in the first and fourth quarters of its fiscal cycle.

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

2. ACQUISITION OF ADVANTAGE WALLSYSTEMS INC.

The Corporation previously acquired 41.5% of the common shares of Advantage Wallsystems Inc. ("Advantage"). On May 1, 2003, the Corporation acquired the remaining 58.5% of the issued and outstanding common shares of Advantage.

The acquisition is accounted for using the purchase method and the results of operations of Advantage have been included with those of the Corporation from January 21, 2002 at 41.5% and from May 1, 2003 at 100%.

The total purchase price of $1,363,000 is comprised of the initial investment of $750,000, the issuance of 211,700 common shares of PFB valued at $2.38 per share for the remaining 58.5% of Advantage, and acquisition related costs of $108,000.

2. BUSINESS ACQUISITION (continued)

P·F·B CORPORATION

The purchase price allocation is as follows:

	41.50% January 21, 2002	58.50% May 1, 2003
Cash	$ 750,000	-
Issuance of Shares	-	$ 505,000
Acquisition costs	-	108,000
	$ 750,000	$ 613,000
Cash	$ 102,000	$ 1,000
Non-cash working capital	64,000	(288,000)
Future income tax asset	-	680,000
Capital assets	102,000	100,000
Assets under capital lease	35,000	12,000
Goodwill	553,000	108,000
Lease obligations	(31,000)	-
Long term debt	(75,000)	-
	$ 750,000	$ 613,000

Goodwill is not expected to be deductible for income tax purposes.

3. PRODUCT DEVELOPMENT COSTS

Expenditures in the third quarter associated with product development initiatives at the resin manufacturing facility in Alberta amounted to $5,000 for a total of $27,000 for the first nine months of 2003. Management has reviewed the nature of the expenditures and is satisfied that they continue to meet the specified criteria related to technology, market and financial feasibility for deferral and amortization under Canadian generally accepted accounting principles. The aggregate costs of the project will be amortized over a three-year period once the project is completed.

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

4. SHARE CAPITAL

(a) Authorised

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

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

(b) Common Shares Issued

	9 Months ended September 30, 2003		12 months ended December 31, 2002	
	Shares	Amount	Shares	Amount
Balance, beginning of period	5,534,391	$ 13,540,000	5,623,391	$ 13,757,000
Issuance of common shares:				
Stock options exercised	25,000	119,000	-	-
Acquisition	211,744	505,000	-	-
Purchased shares cancelled	(82,700)	(206,000)	(89,000)	(217,000)
Balance, end of period	5,688,435	$ 13,958,000	5,534,391	$ 13,540,000

4. SHARE CAPITAL (continued)

(c) Stock-Based Compensation Plan

PFB uses intrinsic value to account for stock options. Under this method, no compensation expense is recognised if the exercise price of the option is equal to the market price of the common shares at the time of grant.

During the first quarter of 2003, a director exercised 25,000 options, initially granted in October 1998, for proceeds of $119,000.

PFB's outstanding and exercisable stock options as at September 30, 2003, relate to options granted to a director in December 2002. Upon grant, these options were fully vested and had a fair value at approximately $2.20 per option ($55,000 in aggregate) which was disclosed in 2002 (see Note 2(a) to the audited financial statements for the year ended December 31, 2002). PFB's current outstanding and exercisable stock options as at September 30, 2003 are as follows:

Weighted Average Exercise Price	Number Outstanding and Exercisable at September 30, 2003	Weighted Amount Remaining Contractual Life
$4.90	25,000	4.25 years

5. RECONCILIATION OF EARNINGS PER COMMON SHARE

The following table sets forth the reconciliation of basic and diluted earnings per share for the three months ended September 30.

	2003	2002
Net income	**$ 1,381,000**	$ 1,247,000
Weighted average number of common shares outstanding	**5,721,428**	5,537,491
Shares assumed issued	**25,000**	25,000
Shares assumed purchased	**(24,648)**	(19,891)
Adjusted weighted average number of common shares outstanding	**5,721,780**	5,542,600
Earnings per share:		
Basic	**$ 0.25**	$ 0.23
Diluted	**$ 0.25**	$ 0.23

The following table sets forth the reconciliation of basic and diluted earnings per share for the nine months ended September 30.

	2003	2002
Net income	**$ 1,468,000**	$ 2,449,000
Weighted average number of common shares outstanding	**5,650,279**	5,556,050
Shares assumed issued	**25,000**	25,000
Shares assumed purchased	**(24,451)**	(21,670)
Adjusted weighted average number of common shares outstanding	**5,650,828**	5,559,380
Earnings per share:		
Basic	**$ 0.26**	$ 0.44
Diluted	**$ 0.26**	$ 0.44

6. NORMAL COURSE ISSUER BID

In the third quarter, PFB purchased for cancellation 71,700 (2002 – Nil) common shares under a Normal Course Issuer Bid ("NCIB") program for an aggregate price of $351,000, of which $175,000 was charged to retained earnings. In the nine months ended September 30, 2003, PFB has purchased for cancellation 82,700 (2002 – 85,900) common shares for an aggregate price of $405,000 (2002 - $431,000), of which $199,000 (2002 - $222,000) has been charged to retained earnings.

7. FINANCIAL INSTRUMENTS

In the normal course of its operations PFB is exposed to movements in the U.S. dollar exchange rates relative to the Canadian dollar. As at September 30, 2003, PFB has entered into a number of forward exchange contracts to purchase $920,000 U.S. dollars. The forward exchange contracts, which have not been recognised in these financial statements, are scheduled for settlement during the remainder of fiscal 2003 at an average contract rate of CAD $1.00 = U.S. $0.72. At September 30, 2003, and based on a closing exchange rate of CAD $1.00 = U.S. $0.74, the committed forward exchange contracts include an approximate unrealised loss of $35,000.

8. CONTINGENT LIABILITIES

PFB has received a request from Woodbridge Foam Corporation ("Woodbridge"), the purchaser of the Morval Division in March 2000, for a payment of $1,700,000 under the representations and warranties clauses of the purchase agreement.

PFB does not agree with the claims being made by Woodbridge and, accordingly, has made no provision in its financial statements. It is not clear if resolution will be possible without litigation.

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

9. RELATED PARTY TRANSACTIONS

In the third quarter of 2003, PFB paid $25,000 (2002 - $25,000) in consultancy fees to Aeonian Capital Corporation ("Aeonian"). Consultancy fees paid to Aeonian in the nine months ended September 30, 2003 total $75,000 (2002 - $75,000).

10. COMPARATIVE FIGURES

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

P·F·B
CORPORATION

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