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First Quarter Report 2006

P·F·B
CORPORATION

Better building ideas™

PRESIDENT'S LETTER TO SHAREHOLDERS

Consolidated net income for the three months ended March 31, 2006 was \$115,000 or \$0.02 per share, compared to net income of \$8,000 or \$0.00 per share reported in the comparative three months of 2005.

Net income for the comparative quarter in 2005 included a pre-tax gain arising from the sale of marketable securities in the amount of \$283,000. Net income for the first quarter of 2006 reflects an improvement of \$490,000 in earnings before interest, investment income and taxes over the corresponding earnings in the comparative quarter of 2005.

Consolidated net sales in the three months ended March 31, 2006 were \$14,759,000 compared with \$13,323,000 in the three months ended March 31, 2005, an increase of 10.8%. Gross profit margins strengthened to 23.5% of sales in the 2006 period from gross profit margins of 21.3% of sales in the comparative period. Continued growth in our insulating building products and less volatile raw materials costs contributed to these improvements in a period that was disrupted by the effects of adverse weather patterns in many regions of the Corporation's business.

Capacity increases are well underway at two Plasti-Fab manufacturing facilities in Western Canada and also at our Insulspan SIP Systems manufacturing facility on the West coast. During the period, we sold land and buildings in Ontario that were no longer used by the company.

The Board of Directors has approved the payment of a regular quarterly dividend of \$0.06 per common share. The dividend will be paid on May 31, 2006, to shareholders of record on May 15, 2006.

Management remains optimistic that the markets for our insulating building products remain firm as our open order and confirmed orders files are indicating growth from those experienced at this time last year.

Respectfully submitted on behalf of the Board of Directors.



C. Alan Smith

President and Chief Executive Officer
May 4, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS 2005 FIRST QUARTER RESULTS

FORWARD LOOKING STATEMENTS

Certain statements in this Interim Report, including this Management's Discussion and Analysis ("MD&A"), contain forward-looking statements about the objectives of PFB Corporation ("PFB" or the "Corporation") and management's expectations, beliefs, intentions or strategies for the future.

All forward-looking statements reflect management's current views as at May 3, 2006, 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; actions by government authorities; actions by regulatory authorities; availability of raw materials; changes in the price of raw materials; foreign 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 the MD&A included in the Annual Report for 2005.

FINANCIAL HIGHLIGHTS (unaudited)

	Three Months ended March 31	
	2006	2005
Sales	\$ 14,759	\$ 13,323
Gross profit	3,461	2,834
Income (loss) before interest, investment income and taxes ¹	190	(300)
Net income	115	8
Funds provided from operations ²	596	271
Earnings per share:		
Basic	\$ 0.02	\$ 0.00
Diluted	\$ 0.02	\$ 0.00

Note: All figures in the above table are in \$000's except earnings per share

1 Income before interest, investment income and taxes is a non-GAAP measure and is defined as gross profit less selling and administrative expenses and unrealized foreign exchange losses plus the gain on sale of assets.

2 Funds provided from operations is a non-GAAP measure and is defined as cash flow from operations before changes in non-cash working capital.

FINANCIAL RESULTS ANALYSIS

The following results of operations should be read in conjunction with PFB's unaudited interim consolidated financial statements contained herein, along with the MD&A and the audited consolidated financial statements contained in PFB's Annual Report for the year ended December 31, 2005.

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

SALES

Consolidated net sales for the first quarter ended March 31, 2006 were \$14,759,000, an increase of \$1,436,000 or 10.8% as compared with sales of \$13,323,000 reported in the first quarter of fiscal 2005.

A summary of consolidated sales by segment expressed in Canadian dollars for the three month periods ended March 31 are as outlined in the following table:

	Three months ended March 31		
	2006	2005	% change
Canada	\$ 10,823,000	\$ 9,885,000	9.5%
United States	3,936,000	3,410,000	15.4%
Other	-	28,000	-
Total	\$ 14,759,000	\$ 13,323,000	10.8%

The growth in sales in the first quarter met our expectations despite a number of confirmed orders being re-scheduled to later periods due to weather-related issues and other factors influencing the general cyclical nature of the construction industry. Regionally, strong economic conditions in Western Canada continue to positively impact the construction market resulting in higher demand for our insulating products. Sales in Eastern Canada were lower in the current quarter than in the comparative quarter of fiscal 2005 although the first quarter's performance, as a result of weather variations, is not generally a good forecast of the remainder of the year. Sales of our insulating building systems portfolio continued to display year-over-year growth.

GROSS PROFIT

Consolidated gross profit was \$3,461,000 in the current quarter as compared with \$2,834,000 in the comparative quarter of fiscal 2005, an increase of \$627,000 or 22.1%. Gross profit expressed as a percentage of sales averaged 23.5% in the current quarter up from 21.3% in the comparative quarter of fiscal 2005.

We experienced more stable raw materials pricing in the current quarter although the outlook remains uncertain in light of recent record high prices for crude oil. Equipment utilization is typically at its lowest during our first quarter and the effect is reflected in lower average gross profit margins as compared to typical gross profit margins reported at other times in the year when production volumes are much higher.

Technology driven manufacturing improvements, which we realized in fiscal 2005, continue to positively impact our gross profit margins and planned capacity expansion programs in a number of our facilities are progressing. Post commissioning, these programs are expected to deliver productivity and cost improvements.

SELLING AND ADMINISTRATION

Selling and administrative expenses in aggregate were \$3,295,000 or 22.3% of sales in the current quarter as compared to \$3,121,000 or 23.4% of sales in the first quarter of fiscal 2005, a slightly improved ratio.

Selling and marketing costs amounted to \$2,395,000 or 16.2% of consolidated net sales in the current quarter as compared to \$2,220,000 or 16.7% of consolidated net sales in the first quarter of fiscal 2005. Our marketing communications programs are particularly intensive during the first quarter. Our sales and marketing organization and support services have been strengthened in anticipation of achieving further sales growth, as distribution channels for our products are expanded.

Administrative costs amounted to \$900,000 or 6.1% of sales in the current quarter as compared to \$901,000 or 6.8% of sales in the comparative quarter.

We continue to pursue opportunities for optimizing our cost structures.

The gain on sale of assets in the current quarter included a \$30,000 gain on the sale of redundant real property in Kitchener, Ontario, in addition to a loss of \$4,000 on the disposal of other minor assets.

UNREALIZED FOREIGN EXCHANGE LOSS

Unrealized foreign exchange differences arise from translating U.S. dollar denominated assets and liabilities held by PFB's Canadian-based operations into Canadian dollars and arise from translating PFB's USA-based operations into Canadian dollars at the financial statement date. In the current quarter, the exchange rate between the Canadian dollar and the U.S. dollar fluctuated month to month but closed the period virtually unchanged from the rate prevailing at the beginning of the period. The resulting unrealized foreign exchange loss in the first quarter was a minimal \$2,000 as compared to an exchange loss of \$13,000 in the comparative quarter of fiscal 2005.

INTEREST AND INVESTMENTS

Interest income on cash and short-term investments exceeded interest expenses on long-term debt by an amount of \$10,000 in the current quarter. Net interest expense of \$21,000 was reported in the prior year quarter as there was less offsetting interest income.

PFB held no investments in marketable securities in the current quarter. By comparison, in the first quarter of fiscal 2005, PFB disposed of its total investments in marketable securities realizing a net gain on sale of \$283,000, plus it received investment income of \$7,000.

INCOME TAX EXPENSE

The income taxes expense for the current quarter was \$85,000 representing 42.5% of income before taxes as compared to an income tax recovery of \$39,000 on a loss before taxes of

\$31,000 reported in the first quarter of fiscal 2005. The effective tax rate in the first quarter of our fiscal cycle is not representative of the tax rate expected for the full year mainly due to the seasonality of earnings in relation to actual expenses incurred without a tax basis.

NET INCOME AND EARNINGS PER SHARE

Net income in the current quarter was \$115,000 or \$0.02 per share as compared with net income of \$8,000 or \$0.00 per share in the comparative quarter of 2005, an increase of \$107,000 or \$0.02 per share.

The weighted average number of common shares outstanding at March 31, 2006 was 6,322,036 as compared with 6,303,373 in the comparative quarter of fiscal 2005. The weighted average number of fully diluted common shares outstanding at March 31, 2006 was 6,350,153 as compared with 6,303,618 in the comparative quarter of fiscal 2005.

LIQUIDITY AND CAPITAL RESOURCES

	Three Months ended March 31	
	2006	2005
Cash and cash equivalents	\$ 4,440,000	\$ 827,000
Total assets	47,194,000	44,119,000
Long-term debt	4,478,000	5,064,000
Shareholders' equity	34,702,000	29,936,000
Current ratio	2.37 : 1	1.86 : 1

FINANCIAL CONDITION

Working capital decreased by an amount of \$1,794,000 in the current quarter, reducing from \$13,510,000 and a current ratio of 1.93 times at December 31, 2005 to \$11,716,000 and a current ratio of 2.37 times at March 31, 2006. An income taxes liability of \$2,377,000 as at December 31, 2005 was paid during the current quarter and both the carrying values of accounts receivables and accounts payables and accrued liabilities correspondingly reduced in line with first quarter trading activities. Inventories increased in the current quarter by \$617,000. We typically plan to increase inventories in the first quarter. At March 31, 2006, the carrying amount of long-term debt was \$4,478,000, a reduction of \$469,000 during the current quarter. The reduction is as a result of making the first of four annual principal payments on a vendor-take back mortgage.

Total assets decreased to \$47,194,000 at March 31, 2006 from \$54,037,000 reported at December 31, 2005. Shareholders' equity decreased slightly during the current quarter to \$34,702,000 from

\$34,990,000 as at December 31, 2005. The decrease in shareholders' equity is attributed to the quarterly dividend of \$403,000, paid in February 2006, exceeding reported net income of \$115,000. Total assets and shareholders' equity as at March 31, 2006 does not include \$2,000,000 attributed to 399,999 common shares issued as contingent consideration as part of the corporate acquisition completed in the fourth quarter of fiscal 2004. The value attributed to those shares will be booked to goodwill and share capital, respectively, when the contingency is met.

At March 31, 2006, cash and cash equivalents of \$4,440,000 is marginally lower than funded debt of \$4,478,000. attributed to 399,999 common shares issued as contingent consideration as part of the corporate acquisition completed in the fourth quarter of fiscal 2004. The value attributed to those shares will be booked to goodwill and share capital, respectively, when the contingency is met.

At March 31, 2006, cash and cash equivalents of \$4,440,000 is marginally lower than funded debt of \$4,478,000.

CASH FLOWS

PFB ended the first quarter of the current year with \$4,440,000 in cash and cash equivalents, a decrease of \$6,853,000 from the cash and cash equivalents balance of \$11,293,000 reported at December 31, 2005. Consolidated cash flows for the three months ended March 31, 2006 and 2005 were as follows:

	Three months ended March 31	
	2006	2005
Operating activities:		
Cash provided by operations	\$ 596,000	\$ 271,000
Net changes on non-cash working capital	(5,581,000)	(3,022,000)
	(4,985,000)	(2,751,000)
Financing activities	(861,000)	(388,000)
Investing activities	(1,009,000)	(909,000)
Effect of exchange rate change on cash	2,000	20,000
Decrease in cash and cash equivalents	\$ (6,853,000)	\$ (4,028,000)

CASH FLOWS - OPERATING

In the current quarter, cash provided by operating activities was \$596,000, which was \$325,000 higher than cash of \$271,000 provided by operating activities in the comparative quarter of 2005. Cash provided by operations in the first quarter of 2006 as compared to the prior year's quarter was positively influenced by stronger reported net income from trading activities which included lower future income tax recoveries. The comparative quarter's net income included a \$283,000 gain on the sale of marketable securities, an item not affecting operating cash provided by operations.

Current assets overall increased by \$2,898,000 from \$17,353,000 at March 31, 2005 to \$20,251,000 at March 31, 2006, mainly as a result of an increase in cash and cash equivalents of \$3,613,000, an increase in accounts receivable of \$280,000, and a decrease in inventories of \$978,000. The increase in accounts receivable balances is consistent with higher sales revenues reported in the current quarter and a further improvement in receivables days outstanding as compared to the position at March 31, 2005. The reduction in inventories is mainly attributable to regional timing differences in building raw materials and work in process. Current liabilities have reduced by \$770,000 to \$8,535,000 at March 31, 2006 from \$9,305,000 at March 31, 2005, as a result of the following changes: an increase of \$235,000 in accounts payable and accrued liabilities; a reduction of \$1,048,000 in customer deposits; and an increase of \$43,000 in the current portion of long-term debt. The reduction in customer deposits is largely attributed to seasonality issues along with a change in the mix of confirmed orders between commercial and residential projects which have different payment terms. Customer deposits are expected to increase as the current year progresses.

CASH FLOWS - FINANCING

There were no increases in long-term debt financing in the current quarter. During the current quarter cash of \$474,000 was used to repay long-term debt as compared to \$28,000 of debt repayments in the first quarter of 2005. The major increase in the current quarter was attributed to making the first of four annual principal payments of \$419,000 plus interest on a vendor take-back mortgage as part of a real property purchase completed in January 2005.

A quarterly dividend of \$0.06 per common share or \$403,000 in aggregate was paid at the end of February 2006. This was the third quarterly dividend of \$0.06 per common share that has been paid since PFB's revised dividend policy was approved by its Board of Directors in July 2005. By comparison, PFB paid an annual dividend of \$0.22 per common share or \$1,479,000 in aggregate in the first quarter of 2005.

CASH FLOWS - INVESTING

Cash used in investing activities in the current quarter was \$1,009,000 as compared to \$909,000 in the comparative quarter of 2005. The purchase of capital assets in the current quarter amounted to \$1,475,000 as compared to \$1,611,000 in the comparative quarter. Most of the capital expenditures have been directed at capacity expansion in a number of our facilities. Some of the capital projects were in process as at March 31, 2006, and will mostly be completed during the second quarter. Additionally, \$69,000 was incurred on product development costs in the current quarter.

DISCLOSURE CONTROLS AND PROCEDURES

As at March 31, 2006, PFB's management evaluated the effectiveness of the design and operation of its disclosure controls and procedures. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that PFB's disclosure controls and procedures are effective.

UPDATES TO RISK MANAGEMENT AND ASSESSMENT

PFB's risk management and assessment can be found in PFB's Annual MD&A for fiscal 2005. The only significant change to the risks identified in the Annual MD&A is provided below.

Human Resources

PFB's ability to attract and retain qualified employees is an area of risk and uncertainty, particularly as it relates to our Western Canadian operations where labour shortages are becoming severe. In this uncertain climate, PFB makes every effort to mitigate these risks by offering a competitive compensation and benefits package, training and a positive cultural environment.

TRANSACTIONS WITH RELATED PARTIES

In the first quarter of 2006, PFB had transactions with three related parties all of which were approved by PFB's Board of Directors. The First quarter transactions with related parties are summarized in the table below and additional information can be found in PFB's Annual MD&A for fiscal 2005.

Related Party	Nature of Transaction	Three months ended March 31	
		2006	2005
Aeonian Capital Corporation	Management Services	\$ 25,000	\$ 25,000
Riverbend Investments, LLC	Property Rental Expenses	13,000	13,000
McCarthy Tetrault LLP	Legal Services	47,000	32,000
Totals		\$ 85,000	\$ 70,000

OUTLOOK

Ongoing activity in the construction industry sectors to which we supply our range of insulating products is expected to remain vibrant overall throughout 2006 with some regional variations. Customer demand patterns can be irregular due to a number of diverse influences which include disruptions and delays caused by weather and job site labour shortages, which is a prevalent issue in Western Canada. Confirmed orders have remained strong heading into our second quarter and our cautious plans include aggregate year-on-year growth in our operations in fiscal 2006.

Predicting the costs of future raw materials purchases is a continuing area of uncertainty as we go forward. Sustained increases in the prices of oil and natural gas will ultimately affect the price we pay for styrene monomer and externally sourced resins as global uncertainties and speculations continue to inflate market prices for these commodities. Optimizing raw materials purchases is a critical component of our operations which attracts significant management attention.

Our capital expenditure plans for this year, which are primarily directed at relieving specific production capacity bottlenecks in several areas of our operations, are well under way with some major projects recently completed and others that are scheduled to be completed during the second quarter.

We expect to further draw down our cash position during the second quarter to fund the balance of our capital expenditure programs, pay a regular quarterly dividend in May, and fund other non-cash working capital requirements to support sales activity increases as we advance towards seasonal peak periods. Our existing cash balances, anticipated future cash provided by operations and approved credit facilities, which are currently unused, are expected to be sufficient to meet our immediate funding requirements at this time.



Stephen P. Hardy

Vice President and Chief Financial Officer

May 3, 2006

CONSOLIDATED STATEMENTS OF OPERATIONS

Three months ended March 31
In thousands of dollars (unaudited)

	2006	2005
Sales	\$ 14,759	\$ 13,323
Cost of goods sold	11,298	10,489
Gross profit	3,461	2,834
Selling and administrative expenses	3,295	3,121
Gain on sale of assets	(26)	-
Unrealized foreign exchange loss	2	13
	190	(300)
Interest income (expense)	10	(21)
Investment income	-	7
Gain on sale of marketable securities	-	283
Income before taxes	200	(31)
Income tax recovery (expense)	(85)	39
Net income	\$ 115	\$ 8
Earnings per common share – basic [Note 7]	\$ 0.02	\$ 0.00
Earnings per common share – diluted [Note 7]	\$ 0.02	\$ 0.00
Weighted average number of common shares outstanding	6,322,036	6,303,373

CONSOLIDATED STATEMENTS OF CASH FLOWS

Three months ended March 31
In thousands of dollars (unaudited)

	2006	2005
Cash provided by (used in):		
Operating		
Net income	\$ 115	\$ 8
Items not affecting cash flows:		
Depreciation and amortization	685	744
Gain on sale of capital assets	(26)	-
Gain on sale of marketable securities	-	(283)
Future income taxes	(180)	(234)
Unrealized foreign exchange loss	2	36
	596	271
Changes in non-cash working capital	(5,567)	(2,966)
Unrealized foreign exchange gain relating to non-cash working capital	(14)	(56)
	(4,985)	(2,751)
Financing		
Increase in long-term debt	-	1,000
Repayment of long-term debt	(474)	(28)
Dividend paid	(403)	(1,479)
Issuance of common shares	-	123
Purchase of common shares for cancellation [Note 8]	-	(13)
Unrealized foreign exchange loss relating to financing	16	9
	(861)	(388)
Investing		
Purchase of capital assets	(1,475)	(1,611)
Additions to product development costs	(69)	-
Proceeds from sale of capital assets	535	-
Proceeds on sale of marketable securities	-	693
Repayment of capital on marketable securities	-	9
	(1,009)	(909)
Foreign exchange gain on cash held in foreign currency	2	20
Decrease in cash and cash equivalents	(6,853)	(4,028)
Cash and cash equivalents, beginning of the period	11,293	4,855
Cash and cash equivalents, end of the period	\$ 4,440	\$ 827
Cash paid for interest	\$ 56	\$ 32
Cash paid for taxes	\$ 2,889	\$ 550

CONSOLIDATED BALANCE SHEETS

In thousands of dollars (unaudited)	March 31 2006	March 31 2005	December 31 2005
Assets			
Current assets			
Cash and cash equivalents	\$ 4,440	\$ 827	\$ 11,293
Accounts receivable	8,015	7,735	9,313
Inventories	6,579	7,557	5,962
Income taxes recoverable	247	304	-
Assets held for sale [Note 3]	-	-	505
Prepaid expenses	970	930	977
Total current assets	20,251	17,353	28,050
Capital assets	21,825	21,774	20,994
Intangible assets	36	70	44
Goodwill	4,044	4,044	4,044
Product development costs [Note 4]	402	411	370
Future income taxes asset	636	467	535
Total assets	\$ 47,194	\$ 44,119	\$ 54,037
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	\$ 5,217	\$ 4,982	\$ 8,757
Customer deposits	2,673	3,721	2,763
Income taxes payable	-	-	2,377
Current portion of long-term debt [Note 5]	645	602	643
	8,535	9,305	14,540
Long-term debt [Note 5]	3,833	4,462	4,304
Future income taxes liability	124	416	203
Total liabilities	12,492	14,183	19,047
Contingent liabilities [Note 10]			
Shareholders' Equity			
Share capital [Note 6]	17,257	17,257	17,257
Contributed surplus	89	45	89
Retained earnings	17,356	12,634	17,644
Total shareholders' equity	34,702	29,936	34,990
Total liabilities and shareholders' equity	\$ 47,194	\$ 44,119	\$ 54,037

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

Nine months ended March 31 In thousands of dollars (unaudited)	2006	2005
Retained earnings, beginning of period	\$ 17,644	\$ 14,110
Net income	115	8
Dividends paid	(403)	(1,479)
Premium on redemption of common shares [Note 8]	-	(5)
Retained earnings, end of period	\$ 17,356	\$ 12,634

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

March 31, 2006

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 insulated building products from expanded polystyrene materials and marketing these products in North America and Japan. These integrated product lines are marketed under Plasti-Fab, Insulspan and Riverbend brand names and trade marks.

The Corporation owns three wholly-owned operating subsidiaries: Plasti-Fab Ltd. ("Plasti-Fab"), Insulspan Incorporated and Insulspan Corporation (collectively referred to as "Insulspan"). These subsidiaries operate manufacturing facilities in the provinces of British Columbia, Alberta, Saskatchewan, Manitoba, and Ontario in Canada, and in the State of Michigan, USA.

2. ACCOUNTING POLICIES

(a) Basis of Presentation

The interim 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

The 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, 2005. 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 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 month period ended March 31, 2006.

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. Acquired customer lists are being amortized over a period of three 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.

3. ASSETS HELD FOR SALE

In January 2006, Plasti-Fab Ltd. sold redundant land and buildings located in Kitchener, Ontario, which had a carrying amount of \$505,000. The proceeds of sale amounted to \$535,000 and a gain on sale in the amount of \$30,000 has been included in income.

4. PRODUCT DEVELOPMENT COSTS

In the fourth quarter of fiscal 2004, Plasti-Fab completed a major product development initiative at its resin manufacturing facility in Alberta. The deferred product development costs met specified criteria related to technology, market and financial feasibility. On January 1, 2005, PFB began amortizing these costs over a three-year period.

In the third quarter of fiscal 2005, PFB commenced product development initiatives to obtain building code approvals for Insulspan structural insulating panel (SIP) systems and their respective manufacturing locations in Canada and the USA. This initiative is expected to cost a total of \$170,000 and be completed by the end of the second quarter of fiscal 2006. The code approvals will increase selling opportunities for structural insulating panels by making it easier for designers and architects to incorporate these products in their plans. The deferred costs will be amortized over a three-year period commensurate with the validity period of the building code approvals.

The carrying amount of product development costs is as follows:

	2006	2005
Balance as at January 1	\$ 370,000	\$ 448,000
Additions during period	69,000	-
Amortization during period	(37,000)	(37,000)
Balance as at March 31	\$ 402,000	\$ 411,000

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

5. LONG-TERM DEBT

The long-term debt position is summarized in the following table:

	March 31 2006	December 31 2005
Non-revolving term facility - 5.90% fixed for 5-year term	\$ 958,000	\$ 968,000
Non-revolving term facility - 5.65% fixed for 5-year term	945,000	957,000
Term loan facility– floating rate	1,171,000	1,186,000
Vendor-take back mortgage – 2.70% fixed for 4-year term	1,256,000	1,675,000
Capital leases	148,000	161,000
	4,478,000	4,947,000
Less current portion	(645,000)	(643,000)
	\$ 3,833,000	\$ 4,304,000

The fair value of long-term debt obligations as at March 31, 2006 is \$4,607,000.

6. 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

	Three months ended March 31, 2006		Twelve months ended December 31, 2005	
	Shares	Amount	Shares	Amount
Balance, beginning of period	6,722,035	\$17,257,000	6,699,735	\$17,132,000
Issued on the exercise of stock options	-	-	25,000	133,000
Cancellation of repurchased shares [Note 8]	-	-	(2,700)	(8,000)
Balance, end of period	6,722,035	\$17,257,000	6,722,035	\$17,257,000

7. 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 March 31:

	2006	2005
Net income	\$ 115,000	\$ 8,000
Weighted average number of common shares		
Outstanding	6,322,036	6,303,373
Shares assumed issued	50,000	8,400
Shares assumed purchased	(21,883)	(8,155)
Adjusted weighted average number of common shares outstanding	6,350,153	6,303,618
Earnings per share:		
Basic	\$ 0.02	\$ 0.00
Diluted	\$ 0.02	\$ 0.00

8. NORMAL COURSE ISSUER BID

In the first quarter of fiscal 2006, PFB did not purchase any common shares for cancellation under its Normal Course Issuer Bid. In the first quarter of fiscal 2005, PFB purchased 2,700 common shares for an aggregate price of \$13,000, of which \$5,000 was charged to retained earnings.

9. FINANCIAL INSTRUMENTS

At March 31, 2006, PFB held no foreign exchange forward contracts (2005 - USD \$400,000).

10. CONTINGENT LIABILITIES

(a) 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 at March 31, 2006 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 consolidated financial position or consolidated results of operations.

(b) Environment

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

11. RELATED PARTY TRANSACTIONS

In the first quarter of fiscal 2006, Plasti-Fab Ltd., a subsidiary of PFB paid \$25,000 (2005 - \$25,000) to Aeonian Capital Corporation for management services provided by C. Alan Smith, President, Chief Executive Officer, and a director of PFB. The fees for management services are reported under selling and administrative expenses.

In the first quarter of fiscal 2006, Insulspan, Incorporated ("Insulspan"), a subsidiary of PFB, paid Riverbend Investments LLC rent of USD \$13,000 (2005 - \$13,000) on a leased property in the State of Michigan, USA. Riverbend Investments LLC is controlled by Frank B. Baker, President of Insulspan and a director of PFB. The property rental expenses are reported under selling and administrative expenses.

In the first quarter of fiscal 2006, PFB paid \$47,000 (2005 - \$32,000) for legal services provided by a law firm in which a director of PFB is a partner. The legal services fees are reported under selling and administrative expenses.

All related party transactions have been measured at the exchange amount.

12. SEGMENTED INFORMATION

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

Selected financial information for the first quarter ended March 31 is as follows:

	2006	2005
Sales		
Canada	\$ 10,823,000	\$ 9,885,000
United States	3,936,000	3,410,000
Other	-	28,000
	\$ 14,759,000	\$ 13,323,000
Capital assets, intangible assets and goodwill		
Canada	\$ 19,845,000	\$ 19,411,000
United States	6,060,000	6,477,000
	\$ 25,905,000	\$ 25,888,000
Total assets		
Canada	\$ 37,548,000	\$ 34,178,000
United States	9,646,000	9,971,000
	\$ 47,194,000	\$ 44,119,000



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