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Second Quarter Report 2006

P·F·B
CORPORATION

Better building ideas™

PRESIDENT'S LETTER TO SHAREHOLDERS

Consolidated net income for the three months ended June 30, 2006 was \$1,455,000 or \$0.23 per share, compared to net income of \$1,576,000 or \$0.25 per share reported in the comparative three months of 2005. Sales were \$19,528,000 in the second quarter of 2006 as compared to \$20,856,000 in the second quarter of 2005, a decrease in sales of \$1,328,000 or 6.4%.

Consolidated net income for the six months ended June 30, 2006 was \$1,570,000, \$0.25 per share, as compared to net income of \$1,584,000, \$0.25 per share in the comparative six months of 2005. Sales in the six months ended June 30, 2006 were \$34,287,000 as compared to \$34,179,000 in the six months ended June 30, 2005, an increase in sales of \$108,000 or 0.3%.

Overall revenue during the month of June did not meet management's expectations resulting in a decline in sales revenue for the second quarter with the comparable period in 2005. Open orders and backlog remain robust; however, some customers in certain markets have requested delays in shipping dates that have led to increased inventory and delayed revenue recognition. There is evidence that job site labour shortages have delayed construction activity in key regional markets and it is not clear if this trend will continue in the balance of the year.

At the same time, strengthened gross profit margins produced six months net earnings equivalent to net earnings reported in the comparable period in 2005. In some product lines, strong demand has precipitated product allocation among customers due in part to delays in the receipt and installation of new manufacturing equipment; however, installation of additional production capacity is now largely complete.

Demand for our construction materials has resulted in our current order book being significantly higher than at this time last year. There is evidence that job site labour shortages in some markets are affecting our delivery schedules creating uncertainty as to when customers will require orders to be shipped to job sites. These timing issues have affected our revenue recognition as orders are held in inventory and not recognized as sales by us until they are shipped to the job site. Enthusiasm for our insulating building products continues to build, particularly within the design community and by builders.

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 August 31, 2006, to shareholders of record on August 15, 2006.

Overall, raw material prices remain volatile but volume is in ample supply at this time. Our focus is to match raw material costs and selling prices and thus maintain margins where possible. The addition of production capacity is nearing completion at three locations and is well advanced at a fourth location.

Respectfully submitted on behalf of the Board of Directors.



C. Alan Smith

President and Chief Executive Officer

July 25, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS 2006 SECOND 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 July 25, 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 June 30		Six months ended June 30	
	2006	2005	2006	2005
Sales	\$ 19,528	\$ 20,856	\$ 34,287	\$ 34,179
Gross profit	5,847	6,098	9,308	8,932
Income before interest, investment income and taxes ¹	2,225	2,560	2,415	2,260
Net income	1,455	1,576	1,570	1,584
Funds provided from operations ²	1,964	2,405	2,560	2,676
Earnings per share:				
Basic	0.23	0.25	0.25	0.25
Diluted	0.23	0.25	0.25	0.25

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 adjustments for unrealized foreign exchange gains/losses and gains on the 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 and unrealized foreign exchange gains and losses relating to 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 the 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 second quarter ended June 30, 2006 were \$19,528,000, a decrease of \$1,328,000 or 6.4% as compared with sales of \$20,856,000 reported in the second quarter of fiscal 2005.

Consolidated net sales for the six months ended June 30, 2006 were \$34,287,000, an increase of \$108,000 or 0.3% as compared with sales of \$34,179,000 for the corresponding six months in 2005.

A summary of consolidated sales by segment expressed in Canadian dollars for the three month and six month periods ended June 30 are as outlined in the following table:

	Three months ended June 30			Six months ended June 30		
	2006	2005	% change	2006	2005	% change
Canada	\$ 15,101,000	\$ 14,563,000	3.7%	\$ 25,924,000	\$ 24,448,000	6.0%
United States	4,427,000	6,292,000	-29.6%	8,363,000	9,702,000	-13.8%
Other	-	1,000	-100.0%	-	29,000	-100.0%
Total	\$ 19,528,000	\$ 20,856,000	-6.4%	\$ 34,287,000	\$ 34,179,000	0.3%

Sales in the second quarter ended lower than expected and lower than in the comparative quarter due to several factors including: deferred shipments of confirmed orders; delays installing new production capacity; and other factors influencing the general cyclical nature of the construction industry.

Strong economic conditions persist in Western Canada and continue to positively impact the construction market resulting in higher demand for our products. The construction industry in these markets appears to be operating at or near capacity. There is evidence that deferred shipments of our products are mainly caused by shortages of labour and backlogs in supply of other construction materials affecting job sites. Confirmed orders in Western Canada are currently higher than at this time last year.

The demand for Advantage ICF products continues to significantly increase year over year. However, sales of these products in the current quarter were adversely impacted by delays installing new production capacity which has recently been completed. Accordingly, we expect to fulfil all orders for Advantage ICF products in the third quarter.

Sales in Eastern Canada were weaker in the current quarter than in the comparative quarter of fiscal 2005. In fiscal 2005, raw material supply disruptions affected competing products which provided a marketing opportunity in one sector of our business in that year. In the current year, those raw material supply pressures have abated.

Sales in the United States in the second quarter ended lower than expected as a result of customers' delivery schedules being deferred to later periods. Confirmed orders in our Insulspan SIPS and Riverbend operations have increased year-over-year.

GROSS PROFIT

Consolidated gross profit in the current quarter was \$5,847,000 as compared with \$6,098,000 in the comparative quarter of fiscal 2005, a decrease of \$251,000 or 4.1%. Gross profit expressed as a percentage of sales improved to 29.9% in the current quarter up from 29.2% in the comparative quarter in 2005.

Consolidated gross profit in the six month period ended June 30, 2006, was \$9,308,000 as compared with \$8,932,000 in the comparative six months of fiscal 2005, an increase of \$376,000 or 4.2%. Gross profit expressed as a percentage of sales in the first six month of 2006 was 27.1% an improvement from 26.1% reported in the comparative six month period in 2005.

Overall raw materials price volatility remains a factor as we experienced increasing prices during the current quarter. The immediate outlook for raw materials pricing remains uncertain in light of recent new record high prices for crude oil. Equipment utilization improved during the current quarter as product demand increased across our operations.

We continue to pursue technology driven manufacturing improvements and capacity expansion programs in a number of our facilities.

SELLING AND ADMINISTRATION

Selling and administrative expenses in aggregate were \$3,699,000 or 18.9% of consolidated net sales in the current quarter as compared to \$3,541,000 or 17.0% of sales in the second quarter of fiscal 2005. On a year-to-date basis selling and administrative expenses were \$6,994,000 or 20.4% of consolidated net sales as compared to \$6,639,000 or 19.4% of sales in the comparative year.

Selling and marketing costs amounted to \$2,600,000 or 13.3% of consolidated net sales in the current quarter as compared to \$2,462,000 or 11.8% of sales in the second quarter of fiscal 2005. Our marketing communications programs for 2006 have continued as planned.

Administrative costs amounted to \$1,099,000 or 5.6% of consolidated net sales in the current quarter as compared to \$1,079,000 or 5.2% of sales in the comparative quarter. We continue to pursue opportunities for aligning and optimising our cost structures.

The year-to-date gain on sale of assets of \$31,000 includes a \$30,000 gain on the sale of redundant real property which closed in the first quarter.

UNREALIZED FOREIGN EXCHANGE GAINS/LOSSES

Unrealized foreign exchange differences arise from translating U.S. dollar denominated assets and liabilities held by Canadian-based operations into Canadian dollars and from translating USA-based operations into Canadian dollars at the financial statement date. In the current quarter, the Canadian dollar strengthened by approximately 4.7% against the U.S. dollar which resulted in an unrealized foreign exchange gain of \$72,000 as compared to an unrealized foreign exchange gain of \$1,000 reported in the comparative quarter of fiscal 2005. In the first six months of fiscal 2006 unrealized foreign exchange gains amounted to \$70,000 as compared to an unrealized foreign exchange loss of \$35,000 reported in the comparative six month period.

INTEREST AND INVESTMENTS

Interest expenses on long-term debt exceeded interest income on cash and short-term investments by an amount of \$33,000 in the current quarter which was \$17,000 lower than net interest expense of \$50,000 in the comparative quarter. The improvement is attributed to higher cash and short-term investment balances in the current quarter along with higher rates of interest. In the six months ended June 30, 2006, net interest expense of \$23,000 was \$48,000 lower than net interest expense in the comparative six months of 2005.

There were no investments in marketable securities in the current year. By comparison, in the first quarter of fiscal 2005, marketable securities were sold realizing a net gain on sale of \$283,000 plus investment income of \$7,000 earned in the period prior to sale.

INCOME TAX EXPENSE

Income taxes expense in the current quarter was \$737,000 representing 33.6% of pre-tax income as compared to an income tax expense of \$934,000 representing 37.2% of pre-tax in the comparative quarter. In the six month period ended June 30, 2006, income tax expense was \$822,000 representing 34.4% of pre-tax income as compared to an income tax expense of \$895,000 or 36.1% of pre-tax income in the six months ended June 30, 2005. The weighted average federal and provincial tax rates have reduced slightly in the current year and pre-tax income in the current year includes unrealized foreign exchange gains which are without a tax basis, thereby positively influencing the effective tax rate.

NET INCOME AND EARNINGS PER SHARE

Net income in the current quarter was \$1,455,000 or \$0.23 per share as compared with net income of \$1,576,000 or \$0.25 per share in the second quarter of 2005, a decrease of \$121,000 or \$0.02 per share. Net income in the six month period ended June 30, 2006, of \$1,570,000 or \$0.25 per share was virtually unchanged from net income of \$1,584,000 or \$0.25 in the six month period ended June 30, 2005.

The weighted average number of common shares outstanding for the three months ended June 30, 2006 and 2005 and the six months ended June 30, 2006, was 6,322,036. The comparative weighted average for the six month ended June 30, 2005, was marginally lower at 6,312,756 shares.

The diluted earnings per share for all periods mentioned were identical to the reported basic earnings per share figures.

LIQUIDITY AND CAPITAL RESOURCES

	Periods ended June 30		December 31
	2006	2005	2005
Cash and cash equivalents	\$ 2,876,000	\$ 2,029,000	\$ 11,293,000
Working capital	10,633,000	10,026,000	13,510,000
Total assets	49,384,000	47,516,000	54,037,000
Long-term debt	4,367,000	5,078,000	4,947,000
Shareholders' equity	35,753,000	31,556,000	34,990,000
Current ratio	2.08 : 1	1.90 : 1	1.93 : 1

FINANCIAL CONDITION

In the first six months of fiscal 2006, principally as a result of an aggressive capital spending program, working capital decreased by an amount of \$2,877,000, reducing from \$13,510,000 and a current ratio of 1.93 times at December 31, 2005 to an amount of \$10,633,000 and a current ratio of 2.08 times at June 30, 2006. In the same time period, an income taxes payable amount of \$2,377,000 as at December 31, 2005 was paid in the first quarter along with other payables which progressively accrued throughout fiscal 2005. Accordingly, accounts payable and accrued liabilities reduced by \$2,232,000 in the first six months of the current year. Inventory values and accounts receivable balances have increased in line with increasing trading activities.

At June 30, 2006, the carrying amount of long-term debt was \$4,367,000, a reduction of \$111,000 during the current quarter and a reduction of \$580,000 in the first six month period. The larger reduction in long-term debt in the first quarter was attributed to paying the first of four annual principal payments on a vendor-take back mortgage.

Total assets decreased to \$49,384,000 at June 30, 2006, down from \$54,037,000 reported at December 31, 2005. This is a common trend in the first half of the year due to the seasonality of our business and its effect on reported earnings. The cash balances component of total assets typically depletes during the first six months as higher than average accounts payables and accrued liabilities balances existing at December 31, 2005 are paid along with the payment of regular quarterly dividends.

Total assets and shareholders' equity at June 30, 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.

CASH FLOWS

PFB ended the second quarter of the current year with \$2,876,000 in cash and cash equivalents, a decrease of \$8,417,000 from the cash and cash equivalents balance of \$11,293,000 reported at December 31, 2005, but comparable to the seasonal equivalent at June 30, 2005, when it was \$2,029,000. As mentioned, cash is consumed through lower payables balances in the first half year and our capital expenditures program has increased in the current year.

Consolidated cash flows for the three and six months ended June 30, 2006 and 2005 were as follows:

	Three months ended June 30		Six months ended June 30	
	2006	2005	2006	2005
Operating activities:				
Cash provided by operations	\$ 1,964,000	\$ 2,405,000	\$ 2,560,000	\$ 2,676,000
Net changes in non-cash working capital and unrealized foreign exchange gains (losses) relating to non-cash working capital	(372,000)	(789,000)	(5,953,000)	(3,811,000)
	1,592,000	1,616,000	(3,393,000)	(1,135,000)
Financing activities	(529,000)	(13,000)	(1,390,000)	(401,000)
Investing activities	(2,606,000)	(384,000)	(3,615,000)	(1,293,000)
Effect of exchange rate change on cash	(21,000)	(17,000)	(19,000)	3,000
Increase (decrease) in cash and cash equivalents	\$ (1,564,000)	\$ 1,202,000	\$ (8,417,000)	\$ (2,826,000)

CASH FLOWS - OPERATING

In the current quarter, cash provided by operating activities was \$1,964,000, which was \$441,000 lower than cash of \$2,405,000 provided by operating activities in the second quarter of 2005. Net income in the current quarter was \$121,000 or 7.6% lower than net income in the prior year's quarter and included future income tax recoveries of \$180,000 and an unrealized foreign exchange gain of \$72,000 which do not impact cash flows from operations.

In the current quarter, non-cash working capital (net of the unrealized foreign exchange gains) increased by \$372,000 which was \$417,000 lower than the net increase of \$789,000 in the comparative quarter, reflective of the slightly lower trading performance in the current quarter.

CASH FLOWS - FINANCING

There were no increases in long-term debt financing in the current quarter.

During the current quarter cash of \$55,000 was used to repay long-term debt as compared to \$47,000 of debt repayments in the second quarter of 2005. In the first six months of 2006, \$529,000 was used to repay long-term debt as compared to \$75,000 in the comparative six months of 2005.

A quarterly dividend of \$0.06 per common share was paid at the end of February and May 2006 in the aggregate amounts of \$403,000 and \$404,000, respectively. By comparison, PFB paid an annual dividend in the aggregate amount of \$1,479,000 in the first quarter of 2005 and paid no dividends in the second quarter of 2005. PFB revised its dividend policy in July 2005, switching from an annual payment to quarterly payments.

CASH FLOWS - INVESTING

Cash used in investing activities in the current quarter was \$2,606,000 as compared to \$384,000 in the comparative quarter of 2005. In the first six months of the current year, cash used in investing activities amounted to \$3,615,000 as compared to \$1,293,000 in the comparative six months of 2005. The increases in the current year are attributed to a continuing capital expenditure program which commenced in fiscal 2005 directed at production capacity expansions in a number of our facilities. The sale of property in the first quarter of the current year realized \$542,000. Additionally, \$129,000 was incurred on product development costs in the first six months of 2006 whereas there were no product development expenditures in the first six months of 2005.

DISCLOSURE CONTROLS AND PROCEDURES

As at June 30, 2006, PFB's management routinely 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 the Annual MD&A for fiscal 2005. The only significant change to the risks identified in the Annual MD&A for fiscal 2005 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 its Western Canadian operations where labour shortages are becoming severe. In this uncertain climate, PFB mitigates this risk by offering a competitive compensation and benefits package, training and a positive cultural environment.

TRANSACTIONS WITH RELATED PARTIES

In the three and six month period of fiscal 2006, PFB had transactions with three related parties all of which were approved by PFB's Board of Directors.

The transactions with related parties in the three and six month periods ended June 30, 2006 and 2005 are summarized in the table below. Additional information can be found in PFB's Annual MD&A for fiscal 2005.

Related Party	Nature of Transaction	Three months ended June 30		Six months ended June 30	
		2006	2005	2006	2005
Aeonian Capital Corporation	Management Services	\$ 25,000	\$ 25,000	\$ 50,000	\$ 50,000
Riverbend Investments, LLC	Property Rental Expenses	14,000	16,000	28,000	31,000
McCarthy Tetrault LLP	Legal Services	21,000	42,000	69,000	74,000
Totals		\$ 60,000	\$ 83,000	\$ 147,000	\$ 155,000

OUTLOOK

Demand for our insulating building products is expected to remain buoyant for the remainder of the current year, although demand for our products will exhibit some regional variations. Current order books are running at higher levels than at this time last year. Labour shortages and supply backlogs for other construction materials, affecting jobsites in some markets, may persist and create limitations on overall construction activity, which may delay shipping dates and impact our expected sales in the remaining quarters of 2006. In this case, construction activity may continue strong into the first quarter of fiscal 2007 in an attempt to reduce backlogs, weather permitting. The Corporation has taken steps to remain competitive from an employment standpoint.

Raw materials price volatility remains uncertain. Raw materials cost increases in the last few years have been positively effected by the strengthening of the Canadian dollar versus the U.S. dollar.

Capital expenditure plans begun in late 2005 are nearing completion. New plans are being developed to increase future production capacity in certain product lines.

Cash balances are adequate to fund the balance of the capital expenditure programs and support increased future sales activities. Our existing cash balances, anticipated future cash flows 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. The Corporation continues to explore acquisition opportunities for new product lines and production capacity. The scale of any such transaction could lead to seeking new financing alternatives.



Stephen P. Hardy

Vice President and Chief Financial Officer
July 25, 2006

CONSOLIDATED STATEMENTS OF OPERATIONS

In thousands of dollars (unaudited)

	Three Months ended June 30		Six Months ended June 30	
	2006	2005	2006	2005
Sales	\$ 19,528	\$ 20,856	\$ 34,287	\$ 34,179
Cost of goods sold	13,681	14,758	24,979	25,247
Gross profit	5,847	6,098	9,308	8,932
Selling and administrative expenses	3,699	3,541	6,994	6,639
Gain on sale of assets	(5)	(2)	(31)	(2)
Unrealized foreign exchange (gain) loss	(72)	(1)	(70)	35
	2,225	2,560	2,415	2,260
Interest expense	33	50	23	71
Investment income	-	-	-	(7)
Gain on sale of marketable securities	-	-	-	(283)
Income before taxes	2,192	2,510	2,392	2,479
Income tax expense	737	934	822	895
Net income	\$ 1,455	\$ 1,576	\$ 1,570	\$ 1,584
Earnings per common share – basic [Note 7]	\$ 0.23	\$ 0.25	\$ 0.25	\$ 0.25
Earnings per common share – diluted [Note 7]	\$ 0.23	\$ 0.25	\$ 0.25	\$ 0.25

Weighted average number of common shares outstanding	6,322,036	6,322,036	6,322,036	6,312,756
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CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

In thousands of dollars (unaudited)

	Three Months ended June 30		Six Months ended June 30	
	2006	2005	2006	2005
Retained earnings, beginning of period	\$ 17,356	\$ 12,634	\$ 17,644	\$ 14,110
Net income	1,455	1,576	1,570	1,584
Dividends paid	(404)	-	(807)	(1,479)
Premium on redemption of common shares [Note 8]	-	-	-	(5)
Retained earnings, end of period	\$ 18,407	\$ 14,210	\$ 18,407	\$ 14,210

CONSOLIDATED STATEMENTS OF CASH FLOWS

In thousands of dollars (unaudited)

	Three Months ended June 30		Six Months ended June 30	
	2006	2005	2006	2005
Cash provided by (used in):				
Operating				
Net income	\$ 1,455	\$ 1,576	\$ 1,570	\$ 1,584
Items not affecting cash:				
Depreciation and amortization	766	742	1,451	1,486
Gain on sale of assets	(5)	(2)	(31)	(2)
Gain on sale of marketable securities	-	-	-	(283)
Stock based compensation	-	44	-	44
Future income taxes	(180)	46	(360)	(188)
Unrealized foreign exchange (gain) loss	(72)	(1)	(70)	35
	1,964	2,405	2,560	2,676
Changes in non-cash working capital	(478)	(792)	(6,045)	(3,758)
Unrealized foreign exchange gain (loss) relating to non-cash working capital	106	3	92	(53)
	1,592	1,616	(3,393)	(1,135)
Financing				
Increase in long-term debt	-	-	-	1,000
Repayment of long-term debt	(55)	(47)	(529)	(75)
Dividend paid	(404)	-	(807)	(1,479)
Issuance of common shares	-	-	-	123
Purchase of common shares for cancellation [Note 8]	-	-	-	(13)
Unrealized foreign exchange gain (loss) relating to financing	(70)	34	(54)	43
	(529)	(13)	(1,390)	(401)
Investing				
Purchase of capital assets	(2,553)	(386)	(4,028)	(1,997)
Additions to product development costs	(60)	-	(129)	-
Proceeds on sale of capital assets	7	2	542	2
Proceeds on sale of marketable securities	-	-	-	693
Repayment of capital on marketable securities	-	-	-	9
	(2,606)	(384)	(3,615)	(1,293)
Foreign exchange gain (loss) on cash held in foreign currency	(21)	(17)	(19)	3
Decrease in cash and cash equivalents	(1,564)	1,202	(8,417)	(2,826)
Cash and cash equivalents, beginning of the period	4,440	827	11,293	4,855
Cash and cash equivalents, end of the period	\$ 2,876	\$ 2,029	\$ 2,876	\$ 2,029
Cash paid for interest	\$ 52	\$ 55	\$ 108	\$ 87
Cash paid for taxes	\$ 963	\$ 268	\$ 3,852	\$ 818

CONSOLIDATED BALANCE SHEETS

In thousands of dollars	June 30 2006	June 30 2005	December 31 2005
	unaudited	unaudited	audited
ASSETS			
Current assets			
Cash and cash equivalents	\$ 2,876	\$ 2,029	\$ 11,293
Accounts receivable	9,651	9,858	9,313
Inventories	6,828	8,583	5,962
Income taxes recoverable	283	-	-
Assets held for sale [Note 3]	-	-	505
Prepaid expenses	811	737	977
Total current assets	20,449	21,207	28,050
Capital assets	23,657	20,999	20,994
Assets held for sale	-	507	-
Intangible assets	28	61	44
Goodwill	4,044	4,044	4,044
Product development costs [Note 4]	423	374	370
Future income tax asset	783	324	535
Total assets	\$ 49,384	\$ 47,516	\$ 54,037
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	\$ 6,525	\$ 6,785	\$ 8,757
Customer deposits	2,648	3,461	2,763
Income taxes payable	-	317	2,377
Current portion of long-term debt [Note 5]	643	618	643
	9,816	11,181	14,540
Long-term debt [Note 5]	3,724	4,460	4,304
Future income taxes	91	319	203
Total liabilities	13,631	15,960	19,047
Contingent liabilities [Note 10]			
SHAREHOLDERS' EQUITY			
Share capital [Note 6]	17,257	17,257	17,257
Contributed surplus	89	89	89
Retained earnings	18,407	14,210	17,644
Total shareholders' equity	35,753	31,556	34,990
Total liabilities and shareholders' equity	\$ 49,384	\$ 47,516	\$ 54,037

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

June 30, 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. 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 and six month periods ended June 30, 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 approximately \$170,000 and be completed by the end 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:

	Three months ended June 30		Six months ended June 30	
	2006	2005	2006	2005
Balance as at beginning of period	\$ 402,000	\$ 411,000	\$ 370,000	\$ 448,000
Additions during period	58,000	-	127,000	-
Amortization during period	(37,000)	(37,000)	(74,000)	(74,000)
Balance as at end of period	\$ 423,000	\$ 374,000	\$ 423,000	\$ 374,000

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:

	June 30 2006	December 31 2005
Non-revolving term facility - 5.90% fixed for 5-year term	\$ 946,000	\$ 968,000
Non-revolving term facility - 5.65% fixed for 5-year term	934,000	957,000
Term loan facility— floating rate	1,100,000	1,186,000
Vendor-take back mortgage – 2.70% fixed for 4-year term	1,256,000	1,675,000
Capital leases	131,000	161,000
	4,367,000	4,947,000
Less current portion	(643,000)	(643,000)
	\$ 3,724,000	\$ 4,304,000

The fair value of long-term debt obligations as at June 30, 2006 is \$4,523,000.

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

	Six months ended June 30, 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 and six months ended June 30:

	Three months ended June 30		Six months ended June 30	
	2006	2005	2006	2005
Net income	\$ 1,455,000	\$ 1,576,000	\$ 1,570,000	\$ 1,584,000
Weighted average number of common shares outstanding	6,322,036	6,322,036	6,322,036	6,312,756
Shares assumed issued	50,000	42,734	50,000	34,811
Shares assumed purchased	(21,388)	(40,083)	(21,668)	(32,557)
Adjusted weighted average number of common shares outstanding	6,350,648	6,324,687	6,350,368	6,315,010
Earnings per share:				
Basic	\$ 0.23	\$ 0.25	\$ 0.25	\$ 0.25
Diluted	\$ 0.23	\$ 0.25	\$ 0.25	\$ 0.25

8. NORMAL COURSE ISSUER BID

In each of the three month periods ended June 30, 2006 and June 30, 2005, PFB did not purchase any common shares for cancellation under its Normal Course Issuer Bid. In the six month period ended June 30, 2006, PFB did not purchase any common shares for cancellation under its Normal Course Issuer Bid. In the six month period ended June 30, 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 June 30, 2006 and 2005, PFB held no foreign exchange forward contracts.

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 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.

(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 three months ended June 30, 2006, Plasti-Fab Ltd., a subsidiary of PFB paid \$25,000 (2005 - \$25,000) to Aeonian Capital Corporation (“Aeonian”) 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. Cumulative fees for management services paid to Aeonian in the six month period ended June 30, 2006, have totaled \$50,000 (2005 - \$50,000).

In the three months ended June 30, 2006, Insulspan, Incorporated (“Insulspan”), a subsidiary of PFB, paid Riverbend Investments LLC (“Riverbend LLC”) rent in the amount of USD \$12,000 (2005 – USD \$13,000) on a leased property in the State of Michigan, USA. Riverbend 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. Cumulative rent for the six month period ended June 30, 2006, has amounted to USD \$25,000 (2005 – USD \$25,000)

In the three months ended June 30, 2006, PFB paid \$21,000 (2005 - \$42,000) 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. Cumulative legal fees for the six month period ended June 30, 2006, amounted to \$69,000 (2005 - \$74,000).

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 three months ended June 30 is as follows:

	2006	2005
Sales		
Canada	\$ 15,101,000	\$ 14,563,000
United States	4,427,000	6,292,000
Other	-	1,000
	\$ 19,528,000	\$ 20,856,000

Selected financial information for the six months ended June 30 is as follows:

	2006	2005
Sales		
Canada	\$ 25,924,000	\$ 24,448,000
United States	8,363,000	9,702,000
Other	-	29,000
	\$ 34,287,000	\$ 34,179,000
Capital assets, intangible assets and goodwill		
Canada	\$ 21,712,000	\$ 19,235,000
United States	6,017,000	6,376,000
	\$ 27,729,000	\$ 25,611,000
Total assets		
Canada	\$ 39,824,000	\$ 38,131,000
United States	9,560,000	9,385,000
	\$ 49,384,000	\$ 47,516,000

13. COMPARATIVE FIGURES

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

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