



P·F·B[™]
CORPORATION



Q2
SECOND QUARTER REPORT 2007

LETTER TO SHAREHOLDERS:

Consolidated net income for the three months ended June 30, 2007 was \$1,281,000, \$0.20 per share, compared to net income of \$1,455,000, \$0.23 per share reported in the comparative three months of 2006. Sales were \$23,466,000 in the second quarter of 2007 as compared to sales of \$19,528,000 in the second quarter of 2006, an increase in sales of \$3,938,000 or 20.2% reflecting the very positive trading environment for our products.

PFB recorded a non-cash charge for unrealized foreign exchange losses of \$1,016,000 on forward foreign exchange contracts due to significant appreciation in the Canadian dollar versus the United States dollar during the period that reduced consolidated net income in the current quarter.

Despite an all time high in the price of raw materials during the quarter, gross margins of approximately 30% of sales were realized through a combination of selling price increases and a higher margin product mix.

Consolidated net income for the six months ended June 30, 2007 was \$51,000, \$0.01 per share, as compared to net income of \$1,570,000, \$0.25 per share in the comparative six months in 2006. Sales in the six months ended June 30, 2007 were \$37,103,000 as compared to sales of \$34,287,000 in the six months ended June 30, 2006, an increase in sales of \$2,816,000 or 8.2%.

Our "Another Way to Spell Green" marketing campaign, launched in the fall of 2006, continues to have positive effects in our markets and is generating incremental sales for all four brands of insulating building products by leveraging cross-selling opportunities in our established distribution channels. Sales order demand in western and central Canada remains strong. In the United States, sales for the quarter were slightly behind those in the comparative quarter of 2006; however, confirmed orders for fulfillment during the balance of the year are strong. Despite general concerns relative to new home construction in the USA, the Riverbend order book continued to expand throughout the quarter.

PFB is proceeding with the construction of additional production capacity in Western Canada which will be financed by operational cash flow and an increased non-revolving term loan facility in the amount of \$11 million extended by Canadian bankers. In addition, PFB acquired land and buildings in Michigan, USA, which had previously been leased since 2004, for consideration of 83,000 common shares which were released from an escrow with an attributed fair value of \$9.60 per share. The fair value of \$797,000 attributed to those shares was booked to share capital and capital assets, respectively, on June 30, 2007.

On June 30, 2007, PFB reached an amicable settlement regarding the contingent earnings agreement established on the acquisition date of Riverbend Timber Framing Inc. in 2004. Under that agreement, 399,999 common shares were placed in an escrow account subject to the terms of a contingent earnings agreement. Under the settlement on June 30, 2007, 192,000 common shares were released from escrow plus \$195,000 in past cash dividends which had accumulated in the escrow account. 124,999 shares originally placed into escrow were released to the treasury of the company for cancellation on June 30, 2007.



QUARTERLY DIVIDEND PAYMENT

The Board of Directors has approved the payment of the regular quarterly dividend of \$0.06 per common share. The dividend will be paid on August 31, 2007, to shareholders of record on August 16, 2007.

Respectfully submitted on behalf of the Board of Directors,



C. Alan Smith
President and Chief Executive Officer
July 26, 2007



MANAGEMENT'S DISCUSSION AND ANALYSIS

2007 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 26, 2007, 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 and market conditions; actions by government and regulatory authorities; availability and pricing of raw materials; foreign exchange rates; interest rates; funding; reputation; environmental; information technology; credit; competitor activity; industry pricing pressures; construction industry seasonality; and climatic 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 2006.

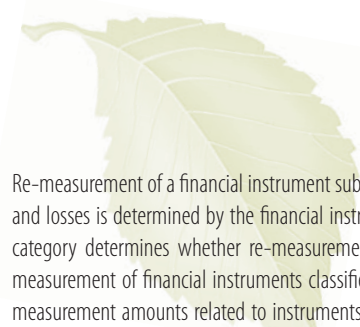
CHANGES IN ACCOUNTING POLICY

On January 1, 2007, PFB adopted the following CICA Handbook Recommendations:

- Section 1506, Accounting Changes*
- Section 1530, Comprehensive Income*
- Section 3251, Equity*
- Section 3855, Financial Instruments – Recognition and Measurement*
- Section 3861, Financial Instruments – Disclosure and Presentation*
- Section 3865, Hedges*

These accounting policies were adopted on a prospective basis with no restatement of prior period consolidated financial statements.

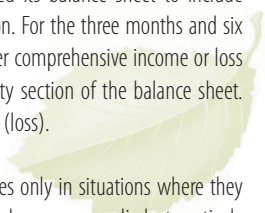
Section 3855, *Financial Instruments – Recognition and Measurement* requires the classification of all financial instruments into one of the following categories: loan and receivables; held to maturity investments; assets available for sale; assets or liabilities held for trading; or other financial liabilities. All financial instruments are initially measured at fair value.



Re-measurement of a financial instrument subsequent to initial recognition, and the recognition of associated gains and losses is determined by the financial instrument classification category. The financial instrument classification category determines whether re-measurement is at fair value or amortized cost. Gains and losses on the re-measurement of financial instruments classified as held for trading are included in the period's income while re-measurement amounts related to instruments classified as available for sale are included in other comprehensive income and only included in income upon the final settlement of the instrument. PFB's accounting policy for transaction costs that apply to all financial assets and financial liabilities, other than those classified as held for trading, is based on the classification of the financial instrument in order to determine whether the transactions costs will be recognized in net income or added to the carrying amount of the financial asset or liability.

For the purposes of identifying and accounting for embedded derivatives, the Corporation has selected January 1, 2003 as the transition date for accounting for any such embedded derivatives identified. Following a detailed review of its contract obligations, the Corporation has determined that there have been no contracts entered in to since January 1, 2003, that are still in existence as at June 30, which include any embedded derivatives.

With the adoption of Section 1530, *Comprehensive Income* and Section 3251, *Equity*, the Corporation has created 'Consolidated Statements of Operations and Comprehensive Income' and restated its balance sheet to include 'Accumulated Other Comprehensive Income' within the Shareholders' Equity section. For the three months and six months ended June 30, 2007, the Corporation did not recognize any items of other comprehensive income or loss or recognize accumulated other comprehensive income in the Shareholders' Equity section of the balance sheet. Accordingly, in the current quarter, net income (loss) equals comprehensive income (loss).



Section 1506, *Accounting Changes*, allows voluntary changes to accounting policies only in situations where they provide financial statement users with more reliable and relevant information. Policy changes are applied retroactively unless it is impractical to determine the period or cumulative impact of the change. Corrections of prior period errors are retroactively applied to financial statements while changes in accounting estimates are prospectively applied with the changes included in earnings.

FINANCIAL HIGHLIGHTS (Unaudited)

	Three months ended June 30		Six months ended June 30	
	2007	2006	2007	2006
Sales	\$ 23,466	\$ 19,528	\$ 37,103	\$ 34,287
Gross profit	6,913	5,847	8,986	9,308
Income before interest and taxes ¹	1,936	2,225	79	2,415
Net income and comprehensive income	1,281	1,455	51	1,570
Funds provided from operations ²	3,074	1,964	2,613	2,560
Earnings per share:				
Basic	0.20	0.23	0.01	0.25
Diluted	0.20	0.23	0.01	0.25

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

Non-GAAP financial measures do not have any standardized meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other issuers. Definitions of non-GAAP measures and other notes are as follows:

- 1 Income before interest and taxes is a non-GAAP measure and is defined as gross profit less selling and administrative expenses, unrealized foreign exchange gains and 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 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, 2006.

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 three months ended June 30, 2007 were \$23,466,000, an increase of \$3,938,000 or 20.2% as compared with sales of \$19,528,000 reported in the second quarter of fiscal 2006.

Consolidated net sales for the six month period ended June 30, 2007 were \$37,103,000, an increase of \$2,816,000 or 8.2% as compared with sales of \$34,287,000 reported in the comparative six month period of fiscal 2006.

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

	Three months ended June 30			Six months ended June 30		
	2007	2006	% Change	2007	2006	% Change
Canada	\$ 19,107,000	\$ 15,101,000	26.5%	\$ 29,748,000	\$ 25,924,000	14.8%
United States	4,308,000	4,427,000	-2.7%	7,304,000	8,363,000	-12.7%
Other	51,000	-	-	51,000	-	-
Total	\$ 23,466,000	\$ 19,528,000	20.2%	\$ 37,103,000	\$ 34,287,000	8.2%

Following the slow winter period experienced in the first quarter of 2007, sales revenues for Plasti-Fab EPS products in Canada rebounded sharply as construction site activities returned to normality. Overall, sales in Canada in the current quarter were \$4,006,000 higher than in the prior year quarter representing an increase of 26.5%. Confirmed orders for future shipments by Western Canadian operations continued to grow.

The demand for Advantage ICF (insulating concrete forming system) products continues to increase. Sales revenues were higher in the current quarter compared to sales of a year ago in all of the geographical regions. Production and inventory planning has improved in the current year and we anticipate solid customer demand in the second half of the year.

Despite persisting competitive pressures, sales revenues in central Canada in both the current quarter and for the six month periods were ahead of sales in the comparative periods in 2006. The continuously strengthening Canadian dollar has encouraged U.S. exporters to sell products into Canada, which added to pricing pressures and, consequently, a narrowing of some margins. Notwithstanding, Plasti-Fab has been largely successful in passing on raw material cost increases through higher selling prices in many of its distribution channels.

Riverbend Timber Framing has continued to build a solid book of orders in Canada, achieving its first sales in Canada in the current quarter. We are pleased with how this new initiative is developing.

Sales revenues in the United States in the current quarter, mainly for Insulspan SIPS and Riverbend Timber Framing, were 2.7% lower than in the second quarter of 2006. Month-to-month demand volatility is a characteristic of the building systems market and, typically, sales in the second half of the year tend to be more robust than in the first half year. The strength of our ongoing quoting activity and the value of confirmed orders on hand strengthen this view. We continue to focus on developing incremental sales of Insulspan SIPS in Canada.

Riverbend Timber Framing has a growing block of confirmed orders that are expected to strengthen shipments in the second half of this year.

GROSS PROFIT

Consolidated gross profit in the current quarter was \$6,913,000 as compared with \$5,847,000 in the comparative quarter of fiscal 2006, an increase of \$1,066,000. Consolidated gross profit expressed as a percentage of sales decreased slightly from 29.9% reported in the comparative quarter of 2006 to 29.5% in the current quarter. Consolidated gross profit in the six month period ended June 30, 2007, was \$8,986,000 as compared with \$9,308,000 in the comparative six month period of fiscal 2006, a decrease of \$322,000. Consolidated gross profit expressed as a percentage of sales decreased from 27.2% in the comparative six month period of 2006 to 24.2% in the current six month period. Results reported in the first quarter of 2007 have adversely affected the year-to-date position.

The price of raw materials increased in the current quarter, thereby extending the upward trends experienced in the previous two quarters. These costs reached an all time high during the current quarter. In response to increasing raw materials costs, Plasti-Fab had previously announced selling price increases, which became effective in June 2007, and helped mitigate the full impact of the raw materials cost increases.

An exception was input costs for oriented strand board (OSB), used in the manufacture of Insulspan SIPS, which were lower in the first half of this year compared to the comparative periods in the previous year.

Other factors impacting consolidated gross profit included: generally improved margins on sales of Insulspan SIPS and Riverbend Timber Frames; combined volume growth and favourable mix of higher margin EPS product sales; and improved manufacturing operating efficiencies as a result of increased equipment utilization rates in many facilities which helped offset the impact of increased depreciation expenses arising from the considerable capital expenditures made in the last two years.

SELLING AND ADMINISTRATION


Selling and administrative expenses in aggregate were \$3,961,000 or 16.9% of consolidated net sales in the current quarter as compared to \$3,699,000 or 18.9% of sales in the second quarter of fiscal 2006. Selling and administrative expenses in the six month period ended June 30, 2007, were \$7,763,000 or 20.9% of consolidated net sales as compared to \$6,994,000 or 20.4% of sales in the comparative six month period of fiscal 2006.

In the current quarter, selling and marketing costs of \$2,948,000 represented 12.6% of consolidated net sales as compared to \$2,600,000 or 13.3% of sales in the second quarter of fiscal 2006. The "Another Way to Spell Green" campaign has energized PFB's four leading brands enabling new cross-selling opportunities to be leveraged.

Administrative costs amounted to \$1,013,000 or 4.3% of consolidated sales in the current quarter as compared to \$1,099,000 or 5.6% of consolidated sales in the comparative quarter of 2006. Payroll costs have increased and corporate development resources have been strengthened.

UNREALIZED FOREIGN EXCHANGE GAIN/LOSS

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



Recently, the Canadian dollar appreciated against the U.S. dollar which resulted in PFB reporting net unrealized foreign exchange losses in the amount of \$1,016,000 as compared to an unrealized foreign exchange gain of \$72,000 reported in the comparative quarter of fiscal 2006. This significant net unrealized foreign exchange loss includes a mark-to-market loss of \$917,000 on the balance of fixed forward foreign exchange contracts as at June 30, 2007. PFB has a net exposure to the U.S. dollar and the remaining contracts require PFB to purchase a total of USD \$8,500,000 in the second half of fiscal 2007. The cumulative unrealized loss in the current quarter represents a reversal of unrealized gains reported in the previous quarter as the Canadian dollar has strengthened by approximately 8.4% since then.


INTEREST EXPENSE

Net interest expense amounted to \$62,000 in the current quarter which was \$29,000 higher than net interest expense of \$33,000 reported in the comparative quarter of 2006. The increase is attributed to generally lower cash balances and short-term investments.

INCOME TAX EXPENSE

Income tax expense in the current quarter was \$593,000 representing 31.6% of pre-tax income as compared to an income tax expense of \$737,000 representing 33.6% of pre-tax income in the comparative quarter of 2006. The lower reported tax rate in the current quarter was mainly influenced by an unrealized foreign exchange gain on the translation of the assets and liabilities of PFB's U.S. subsidiary, which are without a tax basis.

NET INCOME AND EARNINGS PER SHARE



The result for the current quarter was net income of \$1,281,000 or earnings of \$0.20 per share as compared with net income of \$1,455,000 or earnings of \$0.23 per share in the second quarter of fiscal 2006. A significant effect in the current quarter's results compared to those in the comparative quarter was an unrealized foreign exchange loss of \$1,016,000. Net income for the six month period ended June 30, 2007, was \$51,000 or earnings of \$0.01 per share as compared with net income of \$1,570,000 or earnings of \$0.25 per share in the comparative six month period in 2006.

The weighted average number of common shares for the three months ended June 30, 2007 and 2006 were 6,310,003 and 6,322,036 shares, respectively. The minor reduction is attributable to share purchases for cancellation under a normal course issuer bid over the course of the last twelve months.

The diluted earnings per share in all periods reported were equal to the basic earnings per share figures.

LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents increased by \$511,000 in the current quarter, ending the period at \$2,205,000 as compared with cash and cash equivalent of \$2,876,000 as at June 30, 2006. Cash and cash equivalents balances have reduced by \$4,250,000 since December 31, 2006 which is a typical trend for the first six months in PFB's fiscal cycle. Since the beginning of the current year, the working capital position has reduced from \$13,052,000 to \$11,491,000 as at June 30, 2007. In that time period, the current ratio reduced from 2.20:1 to 1.93:1.

	Periods ended June 30		Year ended December 31
	2007	2006	2006
Cash and cash equivalents	\$ 2,205,000	\$ 2,876,000	\$ 6,455,000
Working capital ¹	11,491,000	10,633,000	13,052,000
Total assets	55,596,000	49,384,000	53,136,000
Long-term debt	3,680,000	4,367,000	4,310,000
Shareholders' equity	40,142,000	35,753,000	38,274,000
Current ratio ²	1.93 : 1	2.08 : 1	2.20 : 1

1 Working capital is a non-GAAP measure and is defined as current assets less current liabilities.

2 Current ratio is a non-GAAP measure and is defined as the ratio of current assets to current liabilities

CASH FLOW

Consolidated cash flows for the three and six months ended June 30, 2007 and 2006 were as follows:

	Three months ended June 30		Six months ended June 30	
	2007	2006	2007	2006
Operating activities:				
Cash provided by operations	\$ 3,074,000	\$ 1,964,000	\$ 2,613,000	\$ 2,560,000
Net changes in non-cash working capital and unrealized foreign exchange losses relating to non-cash working capital	(1,059,000)	(372,000)	(3,941,000)	(5,953,000)
	2,015,000	1,592,000	(1,328,000)	(3,393,000)
Financing activities	(424,000)	(529,000)	(1,355,000)	(1,390,000)
Investing activities	(916,000)	(2,606,000)	(1,582,000)	(3,615,000)
Effect of exchange rate change on cash held in foreign currency	(164,000)	(21,000)	15,000	(19,000)
Increase (decrease) in cash and cash equivalents	\$ 511,000	\$ (1,564,000)	\$ (4,250,000)	\$ (8,417,000)

CASH FLOWS - OPERATING

Cash flows provided by operating activities before changes in net working capital were \$3,074,000, up from cash flows provided by operations of \$1,964,000 in the comparative quarter, due principally to the much improved trading performance in the current quarter.

	Three months ended June 30		Six months ended June 30	
	2007	2006	2007	2006
Net income	\$ 1,281,000	\$ 1,455,000	\$ 51,000	\$ 1,570,000
Items not affecting cash:				
Depreciation and amortization	934,000	766,000	1,859,000	1,451,000
Gain on sale of capital assets	-	(5,000)	(1,000)	(31,000)
Future income taxes	(157,000)	(180,000)	(441,000)	(360,000)
Unrealized foreign exchange (gain) loss	1,016,000	(72,000)	1,145,000	(70,000)
Cash flows provided by operations before changes in non-cash working capital	\$ 3,074,000	\$ 1,964,000	\$ 2,613,000	\$ 2,560,000

Non-cash working capital was \$9,286,000 as at June 30, 2007, compared to \$7,757,000 as at June 30, 2006.

In the current quarter, accounts receivable balances increased by \$4,028,000 commensurate with the sales revenue growth in the current quarter. Inventories reduced by \$706,000.

Income taxes recoverable amounted to \$1,267,000 as at June 30, 2007, a decrease of \$203,000 in the current quarter.

Accounts payable and accrued liabilities increased by \$2,067,000 in the current quarter due to the volume of raw materials purchases increasing and higher prices. The carrying amount of customer deposits was virtually unchanged at \$2,941,000.

The fair value of derivative financial instruments reversed from an asset of \$425,000 as at March 31, 2007 to a liability of \$492,000 at the end of the current quarter, a net change of \$917,000. The significant turnaround is attributed to the effect of a major strengthening of the Canadian dollar versus the U.S. dollar, the denomination currency of the financial instruments. In the current quarter, purchases under contracts were USD \$5,250,000 and, at June 30, 2007, remaining outstanding contracts in the amount of USD \$8,500,000 had commitment dates between July and December 2007. Any further appreciation in the Canadian dollar will continue to adversely impact the fair value of the remaining contracts.

CASH FLOWS - FINANCING

Total cash flows used in financing activities amounted to \$424,000 in the current quarter. This amount included a quarterly dividend payment of \$0.06 per common share for a total of \$385,000. Cumulative dividends paid in the six month period total \$788,000. The rate and frequency of quarterly dividends has remained the same as in fiscal 2006. Dividends paid by the Corporation qualify as eligible dividends and satisfy the enhanced gross-up and dividend tax credit change enacted under Canadian tax law.

Under a normal course issuer bid, 1,000 common shares were purchased for cancellation in the second quarter at an average price of \$9.65. No shares were purchased for cancellation in the comparative quarter of fiscal 2006. In the six month period to June 30, 2007, 3,700 common shares have been purchased for an aggregate price of \$35,000. There were no purchases of common shares in the comparative six month period.

Repayments of long-term debt in the current quarter amounted to \$52,000 (2006 - \$55,000) and repayments in the six month period amounted to \$532,000 (2006 - \$529,000). In the six month period, \$419,000 of the total repayments was attributed to the second of four annual principal repayments on a vendor take-back mortgage arranged in 2005. Other long-term debt repayments were in respect of term loans and capital leases.

CASH FLOWS - INVESTING

In the current quarter, \$916,000 of cash was used for investing purposes, consisting of capital expenditures of \$859,000 and additions to product development costs of \$59,000. In the six month period ended June 30, 2007, capital expenditures were \$1,517,000 and additions to product development costs were \$67,000. Capital expenditures in the first six months of the current year were \$2,511,000 lower than an amount of \$4,028,000 spent in the comparative six months of 2006 which was partially offset by proceeds on the sale of capital assets of \$542,000. Capital expenditures in the current period included computer network modernization and upgrades which commenced in the prior quarter.

Product development costs include various initiatives to obtain regulatory code approvals for our insulating building products in Canada, the United States, and Japan. The costs to complete the current initiatives are expected to be \$170,000.

CAPITALIZATION

On April 11, 2007, Insulspan Incorporated, a wholly-owned subsidiary of the Corporation in the United States, increased its revolving credit facility with a U.S. bank from USD \$1,000,000 to USD \$1,500,000. The total credit facility is secured by a first ranking security interest in accounts receivable and inventories. The interest rate on bank indebtedness under this expanded facility is unchanged at U.S. prime rate plus 0.25%. As at June 30, 2007, an amount of USD \$21,000 was drawn on the facility. PFB has provided a guarantee and postponement of claim to the U.S. bank in the amount of USD \$1,500,000.

On July 23, 2007, Plasti-Fab Ltd., a wholly-owned subsidiary of PFB in Canada, increased its credit facilities with a Canadian bank. The revolving demand facility portion of the total facility remained unchanged at \$5,000,000. The interest rate applicable to draws on the revolving demand facility was reduced from prime plus 0.25% to prime plus 0.15%. The non-revolving term loan portion of the total facility was increased from \$5,000,000 to \$13,000,000 less loans currently drawn which amount to \$1,787,000 to give a net amount available of \$11,213,000. An interest rate of prime plus 0.25% applies to the non-revolving term loan unless the interest rate is fixed at the time of borrowing. PFB has provided a guarantee and postponement of claim to the Canadian bank in the amount of \$10,000,000.

In the current quarter, there were no increases in long-term debt obligations and opening balances were reduced by repayments of \$52,000. Long-term debt obligations at June 30, 2007, were \$3,680,000 as compared with obligations of \$4,367,000 at June 30, 2006.

PFB's total assets as at June 30, 2007 were \$55,596,000, an increase of \$2,460,000 or 4.6% from total assets of \$53,136,000 at December 31, 2006. Shareholders' equity increased from \$38,274,000 as at December 31, 2006, to \$40,142,000 at the end of the current quarter.

On June 30, 2007, PFB settled the contingent earnings agreement established on the acquisition date of Riverbend Timber Framing Inc. in 2004. Under that agreement, 399,999 common shares were placed in an escrow account subject to the terms of the contingent earnings agreement. Under the settlement agreement on June 30, 2007, 192,000 common shares were released from escrow with an attributed value at \$9.60 per share, representing the fair market price of PFB's common shares based on the closing share price on the TSX on June 29, 2007, plus \$195,000 in accumulated dividends. The fair value of \$1,843,000 attributed to the released shares was booked to share capital and goodwill, respectively, on June 30, 2007. In addition, a further 83,000 common shares were released from escrow with an attributed value of \$9.60 per share to acquire land and buildings in Michigan, USA, which had previously been leased from the vendor since 2004. The fair value of \$797,000 attributed to those shares, supported by a real estate appraisal by an independent party, was booked to share capital and capital assets, respectively, on June 30, 2007. The remaining 124,999 shares originally placed into escrow were returned to the treasury for cancellation on June 30, 2007.

The components of shareholders' equity as at June 30, 2007 and December 31, 2006 are summarized in the table below:

	June 30 2007	December 31 2006	Change
Share capital	\$ 19,861,000	\$ 17,231,000	\$ 2,630,000
Contributed Surplus	89,000	89,000	-
Retained earnings	20,192,000	20,954,000	(762,000)
Accumulated other comprehensive income	-	-	-
Total Shareholders' Equity	\$ 40,142,000	\$ 38,274,000	\$ 1,868,000

The summarized transactions making up the change in shareholders' equity in the six month period ended June 30, 2007, are outlined in the table below.

Activity	Balance Sheet Account	Amount
Shares purchased for cancellation under a normal course issuer bid	Share Capital	\$ (10,000)
Value attributed to 192,000 common shares released from escrow to settle contingent earnings agreement	Share Capital	1,843,000
Value attributed to 83,000 common shares released from escrow to acquire property	Share Capital	797,000
Total Change in Share Capital		\$ 2,630,000
Change in retained earnings resulting from net income	Retained Earnings	\$ 51,000
Dividend paid	Retained Earnings	(788,000)
Premium on redemption of common shares	Retained Earnings	(25,000)
Total Change in Retained Earnings		\$ (762,000)

FINANCIAL INSTRUMENTS

The Corporation's derivative financial instruments are detailed in Note 12 to the Consolidated Financial Statements for the three and six months ended June 30, 2007, and in other sections of this report.

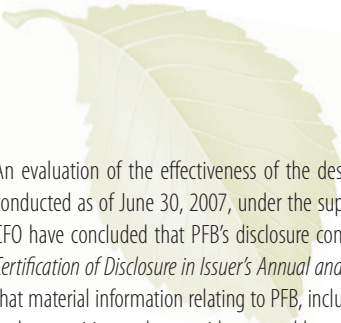
The Corporation's subsidiaries use derivative financial instruments in the management of its foreign currency exposures. Derivative financial instruments support operating requirements for currencies and are not used for speculative purposes. The Corporation reviews its derivative financial instruments on a quarterly basis with the Audit Committee of the Board of Directors.

COMMITMENTS AND CONTRACTUAL OBLIGATIONS

The Corporation's obligations under contractual arrangements, including commitments for future payments under long-term debt arrangements, capital lease obligations, and operating lease arrangements are summarized in the Corporation's 2006 Annual Consolidated Financial Statements and Annual Management's Discussion and Analysis (MD&A). There have been no significant changes to the Corporation's contractual obligations since December 31, 2006.

DISCLOSURE CONTROLS AND PROCEDURES

PFB's disclosure controls and procedures have been designed to provide reasonable assurance that all material information relating to the Corporation and its operations is identified and communicated to the Chief Executive Officer (CEO) and Chief Financial Officer (CFO) as it becomes known so that appropriate decisions can be made regarding public disclosures, as required under the continuous disclosure requirements of securities legislation.



An evaluation of the effectiveness of the design and operation of PFB's disclosure controls and procedures was conducted as of June 30, 2007, under the supervision of the CEO and CFO. Based on this evaluation, the CEO and CFO have concluded that PFB's disclosure controls and procedures, as defined in Multilateral Instrument 52-109, *Certification of Disclosure in Issuer's Annual and Interim Filings*, have been designed to provide reasonable assurance that material information relating to PFB, including its consolidated subsidiaries, is made known to them by others in those entities, and to provide reasonable assurance that accurate and complete disclosures in annual and interim filings is completed within the time periods specified.

Notwithstanding the foregoing, no absolute assurances can be made that PFB's controls over disclosure will detect or prevent all failures of individuals within the organization to disclose material information otherwise required to be set forth in reports or news releases issued by the Corporation.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

PFB's management is responsible for designing such internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes as defined in Multilateral Instrument 52-109, *Certification of Disclosure in Issuer's Annual and Interim Filings*, and in accordance with Canadian GAAP.

Management has examined its financial statement assertions and considered key potential risks which may affect those assertions. Accordingly, management, including the Corporation's CEO and CFO, conduct ongoing reviews of the Corporation's internal entity and process level controls to ensure they remain appropriately designed to mitigate potential risks.

Based on the significant internal control reviews undertaken, PFB's CEO and CFO attest that its internal controls over financial reporting are appropriately designed to provide reasonable assurance that its financial reporting is reliable and that PFB's consolidated financial statements have been prepared in accordance with Canadian GAAP. There have been no changes in internal control over financial reporting that occurred during the second quarter of fiscal 2007 that have materially affected or reasonably likely to affect PFB's internal control over financial reporting.

RISK MANAGEMENT AND ASSESSMENT

PFB's risk management and assessment can be found in the Corporation's Annual MD&A for fiscal 2006. There have been no material changes in the uncertainties and material risk factors facing the Corporation since December 31, 2006.

TRANSACTIONS WITH RELATED PARTIES

In the three and six month periods of fiscal 2007, PFB had transactions with three related parties which are summarized in the table below. All transactions with related parties have been approved by PFB's Board of Directors and additional information can be found in PFB's Annual MD&A for fiscal 2006.

Related Party	Nature of Transaction	Three months ended June 30		Six months ended June 30	
		2007	2006	2007	2006
Aeonian Capital Corporation	Management Services	\$ 50,000	\$ 25,000	\$ 100,000	\$ 50,000
Riverbend Investments, LLC	Property Rental Expenses	13,000	14,000	28,000	28,000
McCarthy Tetrault LLP	Legal Services	25,000	21,000	46,000	69,000
Totals		\$ 88,000	\$ 60,000	\$ 174,000	\$ 147,000

On June 30, 2007, PFB settled the contingent earnings agreement with Frank Baker and Riverbend Investments, LLC established on the acquisition date of Riverbend Timber Framing Inc. in 2004. Details of the settlement are detailed in Note 8(b) to the Consolidated Financial Statements for the three and six months ended June 30, 2007, and in other sections of this report.

The settlement agreement included the acquisition of land and buildings in Michigan, USA, from Riverbend Investments, LLC by PFB's U.S. subsidiary. This property was previously being leased by the subsidiary. Therefore, effective July 1, 2007, property rental expenses paid to Riverbend Investments, LLC under the leasing agreement will discontinue.





OUTLOOK

Raw material prices increased in the second quarter to reach an all time high; however, some recent industry reports have suggested that relief from price increases may occur during the second half of fiscal 2007. We endeavour to match cost increases with price increases in our product offering.

The recent considerable volatility of the Canadian dollar versus the U.S. dollar has created wide swings in the valuation of future foreign exchange purchase contracts. The company holds contracts that will be settled in the second half year that could result in additional foreign exchange losses booked against income.

The confirmed order books for future deliveries of Plasti-Fab EPS, Advantage ICFS, Insulspan SIPS, and Riverbend Timber Frames remain robust and reflect future sales revenues for the remainder of the year. Nevertheless, the construction market can be unpredictable where required shipment dates depend upon the status of customers' job site readiness.

Our manufacturing facilities continue to be challenged to recruit workers and PFB continues to take steps to remain competitive to maintain a stable workforce.

Management has approved a regional capacity expansion in western Canada which will commence in July. Funding for the first phase will come from a combination of cash flows provided by operations and by utilizing the recently extended Canadian non-revolving term loan facility. Additional expansion initiatives could lead to PFB seeking new financing alternatives. The current product development initiatives are expected to be completed by the end of fiscal 2007.

Cash and short term investment balances together with existing credit facilities are adequate to meet all foreseen liquidity requirements at this time including support of the quarterly dividend.



Stephen P. Hardy

Vice President and Chief Financial Officer

July 26, 2007

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

In thousands of dollars (Unaudited)	Three months ended		Six months ended	
	June 30		June 30	
	2007	2006	2007	2006
Sales	\$ 23,466	\$ 19,528	\$ 37,103	\$ 34,287
Cost of goods sold	(16,553)	(13,681)	(28,117)	(24,979)
Gross Profit	6,913	5,847	8,986	9,308
Selling and administrative expenses [Note 14]	(3,961)	(3,699)	(7,763)	(6,994)
Gain on sale of assets	-	5	1	31
Unrealized foreign exchange gain (loss) [Note 12]	(1,016)	72	(1,145)	70
	1,936	2,225	79	2,415
Interest expense, net [Note 7]	(62)	(33)	(73)	(23)
Income before taxes	1,874	2,192	6	2,392
Income tax recovery (expense) [Note 11]	(593)	(737)	45	(822)
Net income and comprehensive income [Note 2(c)]	\$ 1,281	\$ 1,455	\$ 51	\$ 1,570
Earnings per common share – basic [Note 9]	\$ 0.20	\$ 0.23	\$ 0.01	\$ 0.25
Earnings per common share – diluted [Note 9]	\$ 0.20	\$ 0.23	\$ 0.01	\$ 0.25

Weighted average number of common shares outstanding **6,310,003** 6,322,036 **6,310,766** 6,322,036

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

In thousands of dollars (Unaudited)	Three months ended June 30		Six months ended June 30	
	2007	2006	2007	2006
Cash provided by (used in):				
Operating				
Net income and comprehensive income	\$ 1,281	\$ 1,455	\$ 51	\$ 1,570
Items not affecting cash:				
Depreciation and amortization	934	766	1,859	1,451
Gain on sale of assets	-	(5)	(1)	(31)
Future income taxes	(157)	(180)	(441)	(360)
Unrealized foreign exchange (gain) loss	1,016	(72)	1,145	(70)
	3,074	1,964	2,613	2,560
Changes in non-cash working capital	(94)	(478)	(2,682)	(6,045)
Unrealized foreign exchange gain (loss) relating to non-cash working capital	(965)	106	(1,259)	92
	2,015	1,592	(1,328)	(3,393)
Financing				
Repayment of long-term debt	(52)	(55)	(532)	(529)
Dividend paid [Note 8(b)]	(385)	(404)	(788)	(807)
Purchase of common shares for cancellation [Note 10]	(11)	-	(35)	-
Unrealized foreign exchange loss relating to financing	24	(70)	-	(54)
	(424)	(529)	(1,355)	(1,390)
Investing				
Purchase of capital assets	(859)	(2,553)	(1,517)	(4,028)
Additions to product development costs	(59)	(60)	(67)	(129)
Proceeds on sale of capital assets	2	7	2	542
	(916)	(2,606)	(1,582)	(3,615)
Foreign exchange gain (loss) on cash held in foreign currency	(164)	(21)	15	(19)
Increase (decrease) in cash and cash equivalents	511	(1,564)	(4,250)	(8,417)
Cash and cash equivalents, beginning of the period	1,694	4,440	6,455	11,293
Cash and cash equivalents, end of the period	\$ 2,205	\$ 2,876	\$ 2,205	\$ 2,876
Cash paid for interest	\$ 48	\$ 52	\$ 101	\$ 108
Cash paid for taxes	\$ 588	\$ 963	\$ 1,458	\$ 3,852

See accompanying notes to the consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

In thousands of dollars (unaudited)	June 30 2007	June 30 2006	December 31 2006
ASSETS			
Current assets			
Cash and cash equivalents [Note 3]	\$ 2,205	\$ 2,876	\$ 6,455
Accounts receivable	12,118	9,651	9,089
Inventories	7,549	6,828	6,488
Income taxes recoverable	1,267	283	253
Derivative financial instruments [Note 12]	-	-	734
Prepaid expenses	741	811	891
Total current assets	23,880	20,449	23,910
Capital assets	24,316	23,657	23,764
Intangible assets	-	28	11
Goodwill [Note 5]	5,887	4,044	4,044
Product development costs [Note 6]	464	423	483
Future income tax asset	1,049	783	924
Total assets	\$ 55,596	\$ 49,384	\$ 53,136
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	\$ 8,309	\$ 6,525	\$ 7,914
Customer deposits	2,941	2,648	2,290
Derivative financial instruments [Note 12]	492	-	-
Current portion of long-term debt [Note 7]	647	643	654
	12,389	9,816	10,858
Long-term debt [Note 7]	3,033	3,724	3,656
Future income taxes	32	91	348
Total liabilities	15,454	13,631	14,862
Contingent liabilities [Note 13]			
SHAREHOLDERS' EQUITY			
Share capital [Note 8]	19,861	17,257	17,231
Contributed surplus	89	89	89
Retained earnings	20,192	18,407	20,954
Accumulated other comprehensive income	-	-	-
Total shareholders' equity	40,142	35,753	38,274
Total liabilities and shareholders' equity	\$ 55,596	\$ 49,384	\$ 53,136

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

In thousands of dollars (Unaudited)	Three months ended		Six months ended	
	June 30		June 30	
	2007	2006	2007	2006
Retained earnings, beginning of period	\$ 19,304	\$ 17,356	\$ 20,954	\$ 17,644
Net income	1,281	1,455	51	1,570
Dividends paid	(385)	(404)	(788)	(807)
Premium on redemption of common shares [Note 10]	(8)	-	(25)	-
Retained earnings, end of period	\$ 20,192	\$ 18,407	\$ 20,192	\$ 18,407

See accompanying notes to the consolidated financial statements.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) JUNE 30, 2007

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, 2006. 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, 2007.

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.

PFB's financial instruments comprise cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, long-term debt, and other long term liabilities. Cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities are reported at their fair values on the balance sheet. The fair values are the same as the carrying values due to their short-term nature. Long-term debt and other long-term liabilities are recorded at amortized cost using the effective interest method. The amortized cost of long-term debt is equal to the face value of the debt as there were no discounts or premiums.

c) Changes in Accounting Policies

On January 1, 2007, PFB adopted the following CICA Handbook Recommendations:

Section 1506, *Accounting Changes*

Section 1530, *Comprehensive Income*

Section 3251, *Equity*

Section 3855, *Financial Instruments – Recognition and Measurement*

Section 3861, *Financial Instruments – Disclosure and Presentation*

Section 3865, *Hedges*

These accounting policies were adopted on a prospective basis with no restatement of prior period consolidated financial statements.

Section 3855, *Financial Instruments – Recognition and Measurement* requires the classification of all financial instruments into one of the following categories: loan and receivables; held to maturity investments; assets available for sale; assets or liabilities held for trading; or other financial liabilities. All financial instruments are initially measured at fair value.

Re-measurement of a financial instrument subsequent to initial recognition, and the recognition of associated gains and losses is determined by the financial instrument classification category. The financial instrument classification category determines whether re-measurement is at fair value or amortized cost. Gains and losses on the re-measurement of financial instruments classified as held for trading are included in the period's income while re-measurement amounts related to instruments classified as available for sale are included in other comprehensive income and only included in income upon the final settlement of the instrument. PFB's accounting policy for transaction costs that apply to all financial assets and financial liabilities, other than those classified as held for trading, is based on the classification of the financial instrument in order to determine whether the transactions costs will be recognized in net income or added to the carrying amount of the financial asset or liability.

For the purposes of identifying and accounting for embedded derivatives, the Corporation has selected January 1, 2003 as the transition date for accounting for any such embedded derivatives identified. Following a detailed review of its contract obligations, the Corporation has determined that there have been no contracts entered in to since January 1, 2003, that are still in existence as at June 30, which include any embedded derivatives.

With the adoption of Section 1530, *Comprehensive Income* and Section 3251, *Equity*, the Corporation has created 'Consolidated Statements of Operations and Comprehensive Income' and restated its balance sheet to include 'Accumulated Other Comprehensive Income' within the Shareholders' Equity section. For the three and six months ended June 30, 2007, the Corporation did not recognize any items of other comprehensive income or loss or recognize accumulated other comprehensive income in the Shareholders' Equity section of the balance sheet. Accordingly, in the three and six months ended June 30, net income (loss) equals comprehensive income (loss).

Section 1506, *Accounting Changes*, allows voluntary changes to accounting policies only in situations where they provide financial statement users with more reliable and relevant information. Policy changes are applied retroactively unless it is impractical to determine the period or cumulative impact of the change. Corrections of prior period errors are retroactively applied to financial statements while changes in accounting estimates are prospectively applied with the changes included in earnings.

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are comprised as follows:

	June 30 2007	June 30 2006
Balances with banks	\$ 2,205,000	\$ 1,862,000
Short-term investments	-	1,014,000
	\$ 2,205,000	\$ 2,876,000

4. OPERATING CREDIT FACILITIES

On April 11, 2007, Insulsplan Incorporated, a wholly-owned subsidiary of PFB in the United States, increased its revolving credit facility with a U.S. bank from USD \$1,000,000 to USD \$1,500,000. The credit facility is secured by a first ranking security interest in accounts receivable and inventories. The interest rate on bank indebtedness under this credit facility is U.S. prime rate plus 0.25%. As at June 30, 2007, USD \$21,000 (2006 – USD \$Nil) of the approved facility had been utilized. PFB has provided a guarantee and postponement of claim in the amount of USD \$1,500,000 (2006 – USD \$1,000,000).

On July 23, 2007, Plasti-Fab Ltd., a wholly-owned subsidiary of PFB in Canada, increased its credit facilities with a Canadian bank. The revolving demand facility portion of the total facility remained unchanged at \$5,000,000.

The interest rate applicable to draws against this part of the facility was reduced from prime plus 0.25% to prime plus 0.15%. The non-revolving term loan portion of the total facility was increased from \$5,000,000 to \$13,000,000 less loans currently drawn which amount to \$1,787,000 to give a net non-revolving term loan facility available of \$11,213,000. An interest rate of prime plus 0.25% applies to the non-revolving term loan unless fixed at the time of borrowing.

5. GOODWILL

Effective June 30, 2007, PFB released a total of 275,000 common shares from an escrow account which originated on the date of acquisition of Riverbend Timber Framing, Inc. (Riverbend) in 2004 (see Note 13(b)). Of the total shares released, 192,000 common shares with a current fair market value of \$9.60 per share for an aggregate of \$1,843,000 (see Note 13(b)) were released to settle the contingent earnings agreement associated with the acquisition of Riverbend. The aggregate value was booked to share capital and goodwill in the current quarter.

The remaining 83,000 shares were released from escrow at current fair market value of \$9.60 per share or an aggregate value of \$797,000 as full consideration for the acquisition of land and buildings in Michigan, which had previously been leased by a subsidiary of PFB (see Note 14). The valuation of the land and buildings in Michigan was supported by an independent valuation.

The goodwill account is summarized in the following table:

	June 30 2007	December 31 2006
Balance, beginning of period	\$ 4,044,000	\$ 4,044,000
Release of 192,000 common shares from escrow valued at \$9.60 per share	1,843,000	-
Balance, end of period	\$ 5,887,000	\$ 4,044,000

6. PRODUCT DEVELOPMENT COSTS

PFB has a continuous program of product development initiatives to obtain various code listings for its insulating building products and, where applicable, obtain listings for the respective manufacturing locations in Canada and the USA. The code listings, once obtained, will increase selling opportunities for its insulating building systems by making it easier for designers, architects and specifiers to incorporate these products in their plans. The deferred product development costs will be amortized over a three-year period commensurate with the validity period of the building code approvals. As at June 30, 2007, the balance of costs to be incurred in completing projects currently committed is expected to be \$170,000.

The carrying amount of product development costs was as follows:

	Three months ended June 30		Six months ended June 30	
	2007	2006	2007	2006
Balance, beginning of period	\$ 447,000	\$ 402,000	\$ 483,000	\$ 370,000
Additions during period	59,000	58,000	67,000	127,000
Amortization during period	(42,000)	(37,000)	(86,000)	(74,000)
Balance, end of period	\$ 464,000	\$ 423,000	\$ 464,000	\$ 423,000

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

7. LONG-TERM DEBT

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

	June 30 2007	December 31 2006
Non-revolving term facility - 5.90% fixed for 5-year term	\$ 904,000	\$ 928,000
Non-revolving term facility - 5.65% fixed for 5-year term	886,000	910,000
Term loan facility— floating rate	977,000	1,109,000
Vendor-take back mortgage — 2.70% fixed for 4-year term	838,000	1,256,000
Capital leases	75,000	107,000
	3,680,000	4,310,000
Less current portion	(647,000)	(654,000)
	\$ 3,033,000	\$ 3,656,000

The fair value of long-term debt obligations as at June 30, 2007 is \$3,762,000.

Interest expense has been netted with interest income in the consolidated statement of operations and comprehensive income. Interest expense on long-term debt commitments in the amount of \$112,000 (2006 - \$131,000) is included in reported net interest expense.

8. 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, 2007		Twelve months ended December 31, 2006	
	Shares	Amount	Shares	Amount
Balance, beginning of period	6,712,735	\$17,231,000	6,722,035	\$17,257,000
Cancellation of repurchased shares [Note 9]	(3,700)	(10,000)	(9,300)	(26,000)
Cancellation of shares held in escrow	(124,999)	-	-	-
Value attributed to 192,000 shares released from escrow to settle contingent earnings agreement	-	1,843,000	-	-
Value attributed to 83,000 shares released from escrow to acquire property	-	797,000	-	-
Balance, end of period	6,584,036	\$19,861,000	6,712,735	\$17,231,000

At the date of acquisition of Riverbend Timber Framing, Inc. in 2004, 399,999 common shares were placed into an escrow account subject to a contingent earnings agreement. At that time, the 399,999 common shares were recognized as issued and outstanding shares and the attributed value of the shares was to be booked to share capital and goodwill, respectively, when the contingent earnings had been met.

Effective June 30, 2007, PFB reached a final settlement with the vendor concerning the contingent earnings agreement which resulted in PFB releasing 192,000 common shares from escrow which had an attributed value of \$9.60 per share for an aggregate value of \$1,843,000. The attributed value per share was the fair market price of PFB's common shares based on the closing share price on the TSX on June 29, 2007. In addition, \$195,000 of dividend payments previously paid on the shares held in the escrow account was released to the vendor with the common shares, and a balance of \$17,000 of dividends payments was released from the escrow account and returned to PFB.

A further 83,000 common shares were released from escrow with an attributed fair value of \$9.60 per share for an aggregate value of \$797,000. In exchange for those shares, PFB acquired land and buildings in Michigan which was previously being leased from the vendor.

The balance of 124,999 common shares were released from the escrow account for cancellation.

9. 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	
	2007	2006	2007	2006
Net income	\$ 1,281,000	\$ 1,455,000	\$ 51,000	\$ 1,570,000
Weighted average number of common shares outstanding	6,310,003	6,322,036	6,310,766	6,322,036
Shares assumed issued	50,000	50,000	50,000	50,000
Shares assumed purchased	(28,342)	(21,388)	(28,162)	(21,668)
Adjusted weighted average number of common shares outstanding	6,331,661	6,350,648	6,332,604	6,350,368
Earnings per share:				
Basic	\$ 0.20	\$ 0.23	\$ 0.01	\$ 0.25
Diluted	\$ 0.20	\$ 0.23	\$ 0.01	\$ 0.25

10. NORMAL COURSE ISSUER BID

In the three month period ended June 30, 2007, PFB purchased 1,000 (2006 – Nil) common shares for cancellation under a Normal Course Issuer Bid for an aggregate price of \$11,000 (2006 – Nil), of which \$8,000 (2006 – Nil) was charged to retained earnings.

In the six month period ended June 30, 2007, PFB purchased 3,700 (2006 – Nil) common shares for cancellation under a Normal Course Issuer Bid for an aggregate price of \$35,000 (2006 – Nil), of which \$25,000 (2006 – Nil) was charged to retained earnings.

11. INCOME TAXES

The income taxes expense (recovery) provision for the three and six months ended June 30 is comprised of the following:

	Three months ended June 30		Six months ended June 30	
	2007	2006	2007	2006
Current	\$ 750,000	\$ 918,000	\$ 396,000	\$ 1,183,000
Future	(157,000)	(181,000)	(441,000)	(361,000)
Balance, end of period	\$ 593,000	\$ 737,000	\$ (45,000)	\$ 822,000



12. DERIVATIVE FINANCIAL INSTRUMENTS

At June 30, 2007, Plasti-Fab held a forward foreign exchange contracts to purchase an aggregate of USD \$8,500,000 in the periods July 1, 2007, through December 31, 2007. The monthly contract amounts range from USD \$1,250,000 to USD \$1,500,000 and each monthly contract is required to be fully exercised during the specified month of the contract.

The blended exchange rate for all remaining open contracts in 2007 is CAD \$1.00 = USD \$0.89. The closing exchange rate as at June 30, 2007, was CAD \$1.00 = USD \$0.939 (*source*: Bank of Canada). Therefore, as at June 30, 2007, an unrealized foreign exchange loss in the amount of \$492,000 would have arisen if all of the contracts were fulfilled on that date. This amount was recorded as a derivative financial instrument in current liabilities on the balance sheet at the end of the second quarter. The net change in the derivative financial instrument in the current quarter in the amount of \$917,000 was recorded in the consolidated statement of operations as part of the net unrealized foreign exchange loss. At December 31, 2006, the open foreign exchange contracts at that date were in-the-money when marked-to-market which resulted in an unrealized foreign exchange gain in the amount of \$734,000. The unrealized gain was reported in income with the offset recorded as a derivative financial instrument in current assets on the balance sheet.

13. 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.

14. RELATED PARTY TRANSACTIONS

In the three months ended June 30, 2007, Plasti-Fab Ltd., a subsidiary of PFB paid \$50,000 (2006 - \$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, 2007, have totaled \$100,000 (2006 - \$50,000).

In the three months ended June 30, 2007, Insulspan, Incorporated (“Insulspan”), a subsidiary of PFB, paid Riverbend Investments LLC (“Riverbend LLC”) rent in the amount of USD \$12,000 (2006 – USD \$12,000) 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, 2007, has amounted to USD \$25,000 (2006 – USD \$25,000). Effective June 30, 2007, PFB acquired the property in Michigan for its appraised fair market value of USD \$748,000 (see Note 8(b)).

In the three months ended June 30, 2007, PFB paid \$25,000 (2006 - \$21,000) 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, 2007, amounted to \$46,000 (2006 - \$69,000).

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



15. 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:

	2007	2006
Sales		
Canada	\$ 19,107,000	\$ 15,101,000
United States	4,308,000	4,427,000
Other	51,000	-
	\$ 23,466,000	\$ 19,528,000

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

	2007	2006
Sales		
Canada	\$ 29,748,000	\$ 25,924,000
United States	7,304,000	8,363,000
Other	51,000	-
	\$ 37,103,000	\$ 34,287,000
Capital assets, intangible assets and goodwill		
Canada	\$ 21,743,000	\$ 21,712,000
United States	8,460,000	6,017,000
	\$ 30,203,000	\$ 27,729,000
Total assets		
Canada	\$ 42,777,000	\$ 39,824,000
United States	12,819,000	9,560,000
	\$ 55,596,000	\$ 49,384,000



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