

## QUARTERLY AND YEAR END REPORT

### ISSUER DETAILS:

**Name of Issuer:** **FAB-FORM INDUSTRIES LTD.**  
**Issuer Address:** #212 - 6333 148<sup>th</sup> Street, Surrey, B.C. V3S 3C3  
**Issuer Fax No.:** (604) 501-6090  
**Issuer Telephone No.:** (604) 596-3278  
**Contact Name:** Mr. Richard Fearn  
**Contact Position:** President  
**Contact Telephone Number:** (604) 596-3278  
**Contact Email Address:** richard.fearn@fab-form.com  
**Web Site Address:** [www.fab-form.com](http://www.fab-form.com)  
**For Quarter Ended:** 30 June 2004  
**Date of Report:** 25 August 2004

### *CERTIFICATE:*

THE BOARD OF DIRECTORS HAS APPROVED THE FINANCIAL STATEMENTS CONTAINED HEREIN. A COPY OF THIS REPORT WILL BE PROVIDED TO ANY SHAREHOLDER WHO REQUESTS IT.

***"Richard Fearn"***

Richard Fearn

25 August 2004

***"Herb Bentz"***

Herb Bentz

25 August 2004

***FAB-FORM INDUSTRIES LTD.***

CONSOLIDATED FINANCIAL STATEMENTS

SECOND QUARTER REPORT

30 JUNE 2004

**UNAUDITED  
PREPARED BY MANAGEMENT**

**FAB-FORM INDUSTRIES LTD.**

Unit 212, 6333 148<sup>th</sup> Street  
Surrey, BC V3S 3C3, Canada

(888) 303-3278

[www.fab-form.com](http://www.fab-form.com)

**Fab-Form Industries Ltd.**

**Consolidated Balance Sheet**

**As at 30 June**

*Canadian Funds*

<b>ASSETS</b>	<b>30-Jun-04</b>	<b>30-Jun-03</b>	31-Dec-03
<b>Current</b>			
Cash	-	-	-
GST receivable	<b>3,094</b>	<b>3,247</b>	1,224
Accounts receivable	<b>16,373</b>	<b>6,976</b>	13,095
Prepaid expenses and advances	<b>8,699</b>	<b>11,438</b>	4,246
Inventory	<b>33,810</b>	<b>15,192</b>	14,425
	<b>61,976</b>	<b>36,853</b>	32,991
<b>Property, plant and equipment</b> (Note 5)	<b>108,601</b>	<b>85,082</b>	96,670
<b>Deferred development costs</b> (Note 6)	<b>216,137</b>	<b>225,309</b>	216,391
<b>Patents</b> (Note 7)	<b>94,426</b>	<b>95,640</b>	96,673
<b>Trademarks</b> (Note 8)	<b>10,860</b>	<b>12,317</b>	11,598
	<b>492,000</b>	<b>455,201</b>	454,321
<b>LIABILITIES</b>			
<b>Current</b>			
Bank overdraft (Note 9)	<b>22,603</b>	<b>15,401</b>	30,597
Accounts payable and accrued liabilities	<b>102,890</b>	<b>99,122</b>	108,864
Accounts payable - related (Note 14)	<b>16,183</b>	<b>23,653</b>	14,552
Loans from related parties (Notes 10 and 14)	<b>5,400</b>	<b>5,153</b>	5,400
Current portion of long-term debt (Note 11)	<b>40,787</b>	<b>11,080</b>	24,763
	<b>187,863</b>	<b>154,409</b>	184,176
<b>Long-Term Debt</b> (Note 11)	<b>64,960</b>	<b>56,988</b>	37,360
<b>Obligation to Issue Shares</b> (Note 12)	<b>63,500</b>	<b>63,500</b>	63,500
<b>SHAREHOLDERS' EQUITY</b>			
<b>Share Capital</b> (Note 13)	<b>613,674</b>	<b>613,674</b>	613,674
<b>Deficit</b>	<b>(437,997)</b>	<b>(433,369)</b>	(444,388)
	<b>175,677</b>	<b>180,305</b>	169,286
	<b>492,000</b>	<b>455,201</b>	454,321

ON BEHALF OF THE BOARD:

**"Richard Fearn"**

\_\_\_\_\_, Director

**"Herb Bentz"**

\_\_\_\_\_, Director

- See Accompanying Notes -

**Fab-Form Industries Ltd.**

**Consolidated Statement of Operations and Deficit**

For the Period Ended 30 June

Canadian Funds

	THREE MONTHS		SIX MONTHS	
	2004	2003	2004	2003
<b>Sales</b>	<b>63,852</b>	43,109	<b>109,748</b>	71,190
<b>Cost of Sales</b>	<b>27,398</b>	24,135	<b>47,885</b>	36,362
<b>Gross Profit</b>	<b>36,454</b>	18,974	<b>61,863</b>	34,828
(Percent Gross Profit)	57%	44%	56%	49%
<b>Expenses</b>				
Administrative expenses	<b>4,686</b>	6,317	<b>8,615</b>	8,835
Amortization and depreciation	<b>8,712</b>	8,094	<b>17,424</b>	16,184
Bad debt expense (recovery)	-	-	-	-
Interest, bank charges, short term debt	<b>1,269</b>	903	<b>2,783</b>	1,545
Interest, long term debt	<b>1,850</b>	1,129	<b>2,942</b>	1,710
Foreign exchange loss (gain)	<b>(44)</b>	1,305	<b>(179)</b>	1,374
Investor relations	-	-	-	-
Management fees	<b>2,159</b>	700	<b>3,609</b>	1,400
Marketing and advertising	<b>3,273</b>	6,463	<b>3,149</b>	18,582
Occupancy	<b>2,434</b>	2,428	<b>5,276</b>	5,185
Patent maintenance	<b>240</b>	240	<b>481</b>	481
Production	<b>493</b>	96	<b>491</b>	358
Professional fees	<b>3,183</b>	2,833	<b>5,433</b>	4,833
Public company expenses	<b>2,212</b>	3,382	<b>3,336</b>	6,135
Telecommunications	<b>910</b>	1,171	<b>1,798</b>	2,381
Wages and benefits	-	-	<b>314</b>	5
	<b>31,377</b>	35,061	<b>55,472</b>	69,008
<b>Net income (loss) before other item</b>	<b>5,077</b>	(16,087)	<b>6,391</b>	(34,180)
		-		-
<b>Net Income (Loss) for the Period</b>	<b>5,077</b>	(16,087)	<b>6,391</b>	(34,180)
Deficit - Beginning of Period	<b>(443,074)</b>	(417,282)	<b>(444,388)</b>	(399,189)
<b>Deficit - End of Period</b>	<b>(437,997)</b>	(433,369)	<b>(437,997)</b>	(433,369)
<b>Asset shares outstanding</b>				
Basic	2,898,809	2,418,280	2,898,809	2,898,809
Diluted	6,872,178	5,952,587	6,794,428	6,613,772
<b>Earnings per share (loss)</b>				
Basic	0.002	(0.007)	0.002	(0.012)
Diluted	0.001	(0.003)	0.001	(0.005)

- See Accompanying Notes -

**Fab-Form Industries Ltd.**

**Consolidated Statement of Cash Flows**

For the Period Ended 30 June

Canadian Funds

<b>Cash Resources Provided By (Used In)</b>	<b>THREE MONTHS</b>		<b>SIX MONTHS</b>	
	<b>2004</b>	2003	<b>2004</b>	2003
<b>Operating Activities</b>				
Cash receipts from customers	<b>59,499</b>	52,777	<b>106,470</b>	75,489
Direct costs	<b>(40,417)</b>	(24,036)	<b>(67,269)</b>	(34,849)
Cash paid to suppliers and employees	<b>(16,704)</b>	(21,174)	<b>(34,322)</b>	(61,147)
	<b>2,378</b>	7,567	<b>4,879</b>	(20,507)
<b>Investing Activities</b>				
Capital assets	<b>(12,146)</b>	(17,946)	<b>(14,663)</b>	(35,116)
Research & Development	<b>(1,039)</b>	(64)	<b>(10,894)</b>	(216)
Patents	<b>(559)</b>	(457)	<b>(559)</b>	(2,752)
Purchases of Trademarks	-	(361)	-	(361)
	<b>(13,744)</b>	(18,828)	<b>(26,116)</b>	(38,445)
<b>Financing Activities</b>				
Long term debt	<b>(7,520)</b>	(1,362)	<b>27,600</b>	55,008
Due to related parties	<b>1,441</b>	(4,145)	<b>1,631</b>	142
Directors loan	-	-	-	-
	<b>(6,079)</b>	(5,507)	<b>29,231</b>	55,150
<b>Net Increase (Decrease) in Cash</b>	<b>(17,445)</b>	(16,768)	<b>7,994</b>	(3,802)
Cash position, opening	<b>(5,158)</b>	1,367	<b>(30,597)</b>	(11,599)
<b>Cash position, ending</b>	<b>(22,603)</b>	(15,401)	<b>(22,603)</b>	(15,401)

- See Accompanying Notes -

## **Notes to Consolidated Financial Statements**

**30 June 2004**

*Canadian Funds*

### **1. Future operations**

These financial statements have been prepared on a going concern basis, which presumes the recovery of assets and settlement of liabilities at their carrying values in the normal course of business for the foreseeable future. The company has a working capital deficiency and an accumulated deficit. Continued operations and the recovery of carrying value of property, plant and equipment, deferred development, patent and trademark costs are dependent on the company's ability to continue product development, generate net income and positive cash flows on a commercial scale.

If going concern assumption was not appropriate for these financial statements the adjustments would be necessary to the carrying values of assets and liabilities.

### **2. Incorporation and nature of business**

Fab-Form Industries Ltd. (the "company" or "Fab-Form") was incorporated 13 June 1995 under the Company Act of British Columbia as 498620 BC Ltd. On 11 October 1995 the company changed its name to Capital Gold Corporation. On 16 November 1995 the company changed its name to First Gold Corporation. On 25 October 1999 the company changed its name to Fastfoot Industries Ltd. On 14 December 2001 the company changed its name to Fab-Form Industries Ltd.

Initially, the company was involved in exploration and development of mineral properties. On 28 October 1999 the company acquired 100% of the issued and outstanding shares of Maxito Industries Ltd. ("Maxito"). Maxito develops proprietary technology to construct concrete footings, foundations, and walls for residential and commercial building structures. Maxito's wholly owned subsidiary, Fab-Form Industries (1986) Ltd. ("Fab-Form (1986)") is the operating company for the technology.

### **3. Significant accounting policies**

#### **a) Basis of consolidation**

These consolidated financial statements include the accounts of the company, its wholly owned subsidiary Maxito, and the wholly owned subsidiary of Maxito, Fastfoot (1986). Maxito was incorporated under the Company Act of British Columbia on 28 May 1990. Fastfoot (1986) was incorporated under the Company Act of British Columbia on 18 November 1986.

#### **b) Inventory**

Inventory is valued at the lower of cost or net realizable value. Cost is determined on the first-in, first-out basis.

#### **c) Amortization**

The company provides for amortization of property, plant and equipment on the declining balance basis using the following annual rates:

- Manufacturing equipment - 20%
- Office furniture and equipment - 20%
- Computer equipment - 30%
- Vehicle - 30%
- Software - 100%

One-half of the above rates are taken in the year of acquisition. No amortization is taken on equipment under development.

#### **d) Patents**

Expenditures relating to patents are recorded at cost and are amortized on a straight-line basis over 17 years, commencing in the year in which the patent certificate is received.

## **Notes to Consolidated Financial Statements**

**30 June 2004**

*Canadian Funds*

### **3. Significant accounting policies (continued)**

#### **e) Deferred development costs**

New product research and development costs are deferred to future periods when the product or process is clearly defined, the costs can be identified, the technical feasibility has been established, management intends to market the product or process, a market exists for the product or process, and adequate resources exist to complete the project. Research, as well as development costs that do not meet the preceding criteria are expensed in the period incurred.

The company provides for amortization using the reversed sum-of-the-years'-digits method, over the estimated useful life of the product or process from the date of completion.

Research and development investment tax credits and government grants are applied against the deferred costs or expense, as applicable, in the period in which the investment tax credits and government grants are received.

Deferred development costs include:

- i) direct costs of materials and services consumed during the development stage,
- ii) remuneration of personnel directly engaged in the development activities,
- iii) a reasonable portion of overhead costs,
- iv) amortization of capital assets used in the development activities.

#### **f) Trademarks**

Trademarks are recorded at cost and are amortized on a straight-line basis over 10 years, commencing in the year in which the trademark certificate is received.

#### **g) Foreign currency translation**

The company's foreign denominated transactions have been translated into Canadian dollars as follows:

- Monetary assets and liabilities at year-end rates,
- All other assets and liabilities at historical rates, and
- Revenue and expense and research and development items at the average rate of exchange prevailing during the year.

Exchange gains and losses arising from these transactions are reflected in income or expense in the year.

#### **h) Income taxes**

Income taxes are accounted for using the asset and liability method. Under this method, future income tax assets and liabilities are determined based on temporary differences between the financial statement carrying amount and tax bases of assets and liabilities, and measured using the substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. The effect on future income tax assets and liabilities from a change in tax rates is included in income in the period that includes the substantive enactment date. Future income tax assets are evaluated periodically and if realization is not considered more likely than not, a valuation allowance is provided.

As at 31 December 2003, the Company has recorded a valuation allowance to reduce the future income tax asset to \$nil, as the Company has not met the "more likely than not" criteria in respect of recovery of future income taxes.

#### **i) Stock-based compensation**

The company has adopted the recommendations of the Canadian Institute of Chartered Accountants for stock-based compensation. The new recommendations are applicable only to awards granted by the company after the date of adoption. No compensation expense relating to options was recorded during the year. Any consideration paid on the exercise of stock options is credited to share capital. See note 12 (d).

## Notes to Consolidated Financial Statements

30 June 2004

Canadian Funds

### 3. Significant accounting policies (continued)

#### j) Revenue recognition

Revenue is recorded and related costs are recognized at the time the product is shipped.

#### k) Earnings per share

Basic earnings and loss per share are calculated using the weighted average number of common shares outstanding during the year. Diluted earnings per share is calculated using the treasury stock method and reflects the potential dilution of securities by including stock options in the weighted average number of shares outstanding, if dilutive.

#### l) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reported periods. Actual results could differ from those estimates.

### 4. Financial instruments

The company's financial instruments consist of accounts receivable, bank overdraft, accounts payable, amounts due to related parties, loans from related parties and long-term debt. Unless otherwise noted, it is management's opinion that the company is not exposed to significant interest, currency or credit risks arising from the financial instruments. The fair value of these financial instruments approximates their carrying value due to their short-term maturity or capacity of prompt liquidation. As a significant portion of the company's sales is made in U.S. funds, there is significant exposure to the foreign currency fluctuation risk.

### 5. Property, plant and equipment

	2004			2003	
	<i>Cost</i>	<i>Accum. Amort.</i>	<i>Net Book Value</i>	<i>Net Book Value</i>	
Manufacturing equipment	26,653	(19,963)	<b>6,690</b>	8,366	
Equipment under development	90,295	-	<b>90,295</b>	60,292	
Office furniture	6,272	(5,321)	<b>951</b>	1,190	
Computers	26,198	(22,818)	<b>3,381</b>	4,830	
Vehicle	29,391	(22,107)	<b>7,284</b>	10,405	
Software	1,678	(1,678)	-	-	
	<u>180,487</u>	<u>(71,887)</u>	<b><u>108,601</u></b>	<u>85,082</u>	

### 6. Deferred development costs

	2004			2003	
	<i>Cost</i>	<i>Accum. Amort.</i>	<i>Net Book Value</i>	<i>Net Book Value</i>	
Fabwall™	134,368	-	<b>134,368</b>	134,368	
Fastfoot®	124,858	(55,351)	<b>69,507</b>	89,573	
Fast-Tube™	12,261	-	<b>12,261</b>	1,368	
	<u>271,488</u>	<u>(55,351)</u>	<b><u>216,137</u></b>	<u>225,309</u>	

- i) The company amortizes the Fastfoot® technology using a reversed sum-of-the-years'-digits method over seven years commencing in fiscal 2000.
- ii) No amortization of Fabwall™ or Fast-Tube™ has been recorded as these projects are still under development. No material revenue has resulted from these technologies.

## **Notes to Consolidated Financial Statements**

**30 June 2004**

*Canadian Funds*

### **7. Patents**

The company has an exclusive license agreement with its majority shareholder for use of proprietary technology protected by a number of current and pending patents for the life of the patents. No license fees are payable under the agreement except for the costs to register and maintain the patents. Costs and amortization of held patents are as follows:

	<b>2004</b>			<i>2003</i>
	<i>Cost</i>	<i>Accum. Amort.</i>	<b>Net Book Value</b>	<i>Net Book Value</i>
Fabwall™	16,865	-	<b>16,865</b>	16,306
Fastfoot®	77,384	(11,358)	<b>66,026</b>	70,253
Foundation & Floor System	11,105	(7,512)	<b>3,593</b>	4,246
Concrete Foundation Wall	6,957	(2,659)	<b>4,298</b>	4,707
Fast-Tube™	3,644	-	<b>3,644</b>	128
	<u>115,955</u>	<u>(21,530)</u>	<b>94,426</b>	<u>95,640</u>

### **8. Trademarks**

The company has three registered trademarks:

	<b>2004</b>			<i>2003</i>
	<i>Cost</i>	<i>Accum. Amort.</i>	<b>Net Book Value</b>	<i>Net Book Value</i>
Fastfoot®	6,212	(2,610)	<b>3,602</b>	4,182
Fastfabric®	3,883	(971)	<b>2,912</b>	3,300
Fastbag®	5,070	(724)	<b>4,345</b>	4,834
	<u>15,165</u>	<u>(4,305)</u>	<b>10,860</b>	<u>12,317</u>

### **9. Bank overdraft**

The company has two bank overdraft positions: one to a maximum of \$10,000 with an interest rate of prime plus 5% per annum, secured by a general security agreement; the second to a maximum of \$30,000 with an interest rate of prime plus 4% per annum, secured by a general security agreement.

### **10. Loans from related parties**

The loans are due from a director and officer, are due on demand and bear interest at prime compounded monthly.

**Fab-Form Industries Ltd.****Notes to Consolidated Financial Statements****30 June 2004***Canadian Funds***11. Long-term debt**

<i>Description</i>	<i>2004</i>	<i>2003</i>
Loan from the Program for Export Market Development. This money has been advanced to the company for allowable marketing expenditures, up to a maximum of \$39,854. The loan is repayable if sales target is exceeded.	22,907	12,707
Less current portion	(22,907)	-
Long-term portion	-	12,707
Machinery loan from the Business Development Bank for \$50,000. Secured by guarantee payable \$840 per month with interest presently at 8.00%, maturing May 18 <sup>th</sup> , 2008.	42,840	49,560
Less current portion	(10,080)	(5,280)
Long-term portion	32,760	44,240
Working capital loan from the Business Development Bank for \$40,000. Secured by guarantee payable \$350 per month with interest presently at 8.25%, maturing Aug 23 2009. First principal payment is in July 2004.	40,000	-
Less current portion	(7,800)	-
Long-term portion	32,200	-
General Motors Acceptance Corporation of Canada, vehicle loan bearing interest at 1.9% per annum, repayable in blended monthly principal and interest payments of \$644, maturing 6 March 2004, secured by vehicle	-	5,800
Less current portion	-	(5,800)
Long-term portion	-	-
<b>Total Long Term Loans</b>	<b>105,747</b>	<b>68,067</b>
<b>Less current portion</b>	<b>(40,787)</b>	<b>(11,080)</b>
<b>Long-term portion</b>	<b>64,960</b>	<b>56,987</b>

Future payments on long-term debt are:

2004	\$	8,640
2005		17,880
2006		17,880
2007		17,880
2008		14,520

**12. Share capital****a) Basis of presentation**

These consolidated financial statements are prepared using reverse takeover accounting, under which the capital structure of the consolidated entity is that of the legal parent (the company), but the dollar amount at the date of the reverse takeover of the issued share capital is that of the legal subsidiary (Maxito).

**Fab-Form Industries Ltd.****Notes to Consolidated Financial Statements****30 June 2004***Canadian Funds***b) Details of share capital**

- i) Authorized: 100,000,000 common shares without par value and 100,000,000 class A preferred shares without par value
- ii) Issued:

	<i>Common shares</i>	<i>\$ Amount</i>
Issued and outstanding:		
Balance - 31 December 1999	15,971,200	\$ 401,182
Exercise of warrants	100,000	39,500
Balance - 31 December 2000 and 14 December 2001 - pre-consolidated	16,071,200	440,682
Balance - 14 December 2001 and 31 December 2001 - post-consolidated	5,357,058	440,682
Debt settlement – 2 April 2002	961,058	172,992
<b>Balance – 30 Jun 2004</b>	<b>6,318,116</b>	<b>\$ 613,674</b>

As at 30 June 2004, 55.9% (2002 – 50.2%) of the issued and outstanding voting common shares of the company were owned by a director and officer of the company and a relative of the director and officer.

**c) Escrow shares**

As at 30 June 2004, 3,419,307 (2003 - 3,419,307) shares were held in escrow to be released with the consent of the governing regulatory bodies. One escrow share will be released for every \$1.014 of cumulative positive cash flow before tax. The release of escrow shares must be made before June 30 2009.

**d) Options and warrants**

Details of stock options outstanding at 31 December 2003 are as follows:

<i>Date</i>	<i>Description</i>	<i>Expiry</i>	<i>Value</i>	<i>Quantity</i>	<i>Balance</i>
31-Dec-03	Opening balance	01-Nov-03	\$ 0.15	115,000	115,000
01-Feb-03	Cancellation of existing	01-Feb-06	\$ 0.15	(115,000)	-
01-Feb-03	New options	01-Feb-06	\$ 0.10	631,812	631,812
30-Apr-03	Cancellation of options	01-Feb-06	\$ 0.10	(155,000)	476,812
<b>30-Jun-04</b>	<b>Ending balance</b>	<b>01-Feb-06</b>	<b>\$ 0.10</b>		<b>476,812</b>

There were no warrants outstanding at 30 June 2004.

**e) Stock based compensation**

The company accounts for its grants of share options under the fair value method. Under this method, options granted to non-employees are charged against income at the time of granting while no compensation expense is recorded for options granted to employees when the exercise price of the company's employee stock awards is not less than the fair value of the options at the date of grant.

The options are exercisable at \$0.10 per share until February 1, 2006. The exercise price of all options granted was not less than the fair value of the options at the date of the grant.

The fair value of each option granted is estimated on the date of the grant using the Black-Scholes option pricing model with the following assumptions: risk-free interest rate of 2.5%, dividend yield of 0%, volatility of 80% and an expected life of 2.5 years.

**Notes to Consolidated Financial Statements**

**30 June 2004**

*Canadian Funds*

**e) Stock based compensation (cont'd)**

Had compensation cost for the stock based employee compensation been recorded, based on the fair value of share options, compensation expense for the year ended December 31, 2003 would have been \$17,037. The pro forma loss per share, assuming this additional compensation expense, would be as follows:

Pro forma loss for the year	\$	(62,235)
Pro forma loss per share	\$	(0.02)

Pro forma results may be materially different from actual results realized.

The Black-Scholes valuation model was developed for use in estimating the fair value of traded options, which are fully transferable and highly traded. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because the company's stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options.

**13. Related party transactions**

<i>Category</i>	<i>Description</i>	<i>Year</i>	<i>Director &amp; Officer</i>	<i>Relative of a Director &amp; Officer</i>	<i>Director or Company Controlled by Director</i>	<i>Former Director</i>
Asset	Deferred Development Costs	<b>2004</b>	<b>\$ 15,517</b>	<b>\$ 15,517</b>	\$ -	\$ -
		2003	-	-	-	-
Asset	Capital Asset	<b>2004</b>	<b>19,741</b>	<b>19,741</b>	-	-
		2003	-	-	-	-
Liability	Balance due to Related Parties incurred in the ordinary course of business	<b>2004</b>	<b>1,000</b>	<b>1,030</b>	-	<b>14,153</b>
		2003	4,698	4,807	-	14,153
Expenses	Management Fees (6 months)	<b>2004</b>	<b>1,804</b>	<b>1,804</b>	-	-
		2003	-	700	-	-

**14. Income taxes**

There are no income taxes payable on the current year's income as a result of the application of prior years losses. The company and its subsidiaries have available non-capital losses for tax purposes of approximately \$432,000, which may be carried forward and used to reduce taxable income of future years. These losses expire as follows:

2006	\$	167,000
2007		130,000
2008		76,000
2009		3,000
2010		56,000
<b>Total</b>	<b>\$</b>	<b>432,000</b>

Timing differences between accounting and tax values of property and intangible assets of \$78,000 will be offset against these losses in future years.

The company claims tax credits under the Scientific Research and Experimental Development investment tax credit program ("SR&D ITC"). SR&D ITC credits of \$74,000 are available to offset future income taxes.

Due to the uncertainty of future recovery, the potential tax benefit of these items has not been recognized in these consolidated financial statements.

**Fab-Form Industries Ltd.**

**Notes to Consolidated Financial Statements**

**30 June 2004**

*Canadian Funds*

**15. Concentration of customers**

In 2004, 21.3% (2003, 34.9%) of the company's sales were made to one customer.

**16. Segmental information**

		<i>2004</i>		<i>2003</i>	
		<i>\$</i>	<i>%</i>	<i>\$</i>	<i>%</i>
<i>Gross sales</i>	Canada	<b>29,246</b>	<b>46.8%</b>	18,075	41.6%
	U.S.	<b>34,608</b>	<b>53.2%</b>	25,034	58.4%
	<b>Total</b>	<b>63,852</b>	<b>100.0%</b>	43,109	100.0%
<i>Total assets</i>	Canada	<b>492,000</b>	<b>100.0%</b>	455,201	100.0%
	U.S.	-	<b>0.0%</b>	-	0.0%
	<b>Total</b>	<b>492,000</b>	<b>100.0%</b>	455,201	100.0%
<i>Capital expenditures</i>	Canada	<b>13,744</b>	<b>100.0%</b>	17,946	100.0%
	U.S.	-	<b>0.0%</b>	-	0.0%
	<b>Total</b>	<b>13,744</b>	<b>100.0%</b>	17,946	100.0%