



FAB-FORM ANNUAL REPORT

2005

REPORT TO OUR SHAREHOLDERS

Strong North American Sales & Profits

We are pleased to report solid progress in 2005. Sales increased 51% and profits 390% from 2004.

Strong Financials

We improved our financial position dramatically - working capital became a positive \$28,405 from a negative \$98,350 in 2004. This was due in large part to a private placement in which our dealers were the major participants. What better endorsement can a Company have than for their own dealers to invest in the Company?

Strong Sales by Dealers and Distributors

I commend our dealers and distributors for putting our innovative products into the hands of forming contractors across North America.

Marketing & Sales Strategies for 2006

To motivate contractors to try Fast-Tube™ for the first time, we are introducing 12 foot lengths, 'mini-rolls', boxed in promotional displays. The contractor can immediately compare the benefits of the mini-roll to a 12' length of cardboard. The lumberyard can easily see the space required by the small display compared to his warehouse full of cardboard tubes.

Global Vision

The potential for Fab-Form products around the world is between two and three billion dollars. To protect these global markets, we invested heavily in patent protection for the Fast-Tube™.

I heartily thank our Board Members, Shareholders, Dealers and Contractors for their enthusiasm and commitment to our revolutionary concrete forming technology.

Sincerely



Richard Fearn
President
April 25 2006

2005 YEAR END REPORT

MANAGEMENT DISCUSSION & ANALYSIS

This management discussion and analysis (MD&A) provides a detailed analysis of the business of Fab-Form Industries Ltd. and compares the Company's three most recently completed financial years. This should be read in conjunction with the Company's financial statements and related notes for the year ended 31 December 2005.

QUARTERLY FINANCIAL SUMMARY

	2005				2004				2003
	4th Qtr	3rd Qtr	2nd Qtr	1st Qtr	4th Qtr	3rd Qtr	2nd Qtr	1st Qtr	4th Qtr
Revenues	69,030	77,735	166,781	76,491	36,071	112,454	63,852	45,896	40,837
Net Income (loss)	(1,382)	(3,173)	48,190	(7,019)	(21,499)	22,587	5,077	1,314	(7,930)
Shares outstanding (diluted)	7,283,604	7,283,604	7,283,604	6,794,928	6,794,928	6,794,928	6,794,928	6,794,928	6,613,772
Income (loss) per diluted share	0.00	0.00	0.01	0.00	0.00	0.00	0.00	0.00	0.00

FINANCIAL RESULTS

Sales

Sales for the year 2005 were \$390,037, a 51% increase over 2004. In the fourth quarter, sales were \$69,030, a 91% increase over the previous year's \$36,071. Sales of Fastfoot® increased 120.8%, Fastbags® 31.7%, and Fast-Tube™ decreased 6.7% over the previous year. The decrease in Fast-Tube™ was attributable to a large stocking order by a master distributor in 2004.

	2005	2004	Change	% Change
Fast-Tube™	\$ 76,919	\$ 82,408	\$ (5,489)	(6.7%)
Fastbag®	65,449	49,680	15,769	31.7%
Fastfoot®	221,140	100,144	120,996	120.8%
Other	26,529	26,041	488	1.9%
Total Sales	\$ 390,037	\$ 258,273	\$ 131,764	51.0%

Cost of Goods Sold

Gross margins for the year were 55%, the same as in 2004.

Expenses

Operating expenses increased to \$178,063 from \$133,711 the previous year, an increase of 33.2%, due to:

	2005	2004	Increase
Management fees	36,521	17,161	19,359
Amortization and depreciation	59,188	41,394	17,794
Marketing and advertising	31,451	14,125	17,325
	127,160	72,680	54,479

All management fees were expensed in 2005, whereas in the previous year, a portion of the fees were capitalized under product and equipment development. The amortization and depreciation increase was a result of the use of the sum-of-the-digits depreciation. Marketing expenses were higher due to increased promotions and attendance at the World of Concrete trade show.

Statement of Operations & Income

The Company's net income for 2005 was \$36,616, a 390% increase over 2004's \$7,479. The Company's net loss for the fourth quarter was \$1,382, compared with the previous year's quarter loss of \$21,499.

Investing Activities

Investment for the year was primarily in the Fast-Tube™ patent, with applications made world wide.

Financing Activities

The company completed a private placement for \$78,268, and reduced long term debt by \$17,880.

Cash Flow

Operating activities for the year generated cash of \$29,495, compared with \$772 in 2004. The net increase in cash for the year was \$50,499.

2005 YEAR END REPORT
MANAGEMENT DISCUSSION & ANALYSIS

Liquidity

The Company's working capital at the end of 2005 was \$28,405, an improvement over the previous year's (\$98,350).

DISCUSSION OF NON FINANCIAL ITEMS

Off Balance Sheet Arrangements

None

Material Contracts

None

Changes in Accounting Policy

There have been no changes in accounting policies.

Internal Control over Financial Reporting

Fab-Form management has provided adequate internal controls to ensure correct financial information is produced.

Effectiveness of Disclosure Controls

The Fab-Form board has placed the required controls to ensure all relevant information is properly disclosed to the market.

Subsequent Events

None

SELECTED ANNUAL INFORMATION

<i>Year ended</i>	<i>31-Dec-05</i>	<i>31-Dec-04</i>	<i>31-Dec-03</i>	<i>31-Dec-02</i>
Revenues	\$ 390,037	\$ 258,273	\$ 151,624	\$ 260,926
Cost of sales	\$ 175,358	\$ 117,083	\$ 69,921	\$ 117,248
Gross profit	\$ 214,679	\$ 141,190	\$ 81,703	\$ 143,678
% gross profit	55%	55%	54%	55%
Expenses	\$ 178,063	\$ 133,711	\$ 126,902	\$ 130,029
Net income (loss)	\$ 36,616	\$ 7,479	\$ (45,199)	\$ (70,358)
Shares outstanding (diluted)	7,283,604	6,794,928	6,794,928	6,433,116
Income (loss) per diluted share	\$ 0.01	\$ 0.00	\$ (0.01)	\$ (0.01)
Total assets	\$ 501,714	\$ 463,380	\$ 454,322	\$ 435,008
Long term debt (excluding current portion)	\$ 61,347	\$ 79,227	\$ 37,360	\$ 1,980
Cash Dividends Declared	\$ None	\$ None	\$ None	\$ None

Approved
"Board of Directors"
April 25 2006

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. The financial information contained elsewhere in this report has been reviewed to ensure consistency with the financial statements.

Management maintains systems of internal control designed to provide reasonable assurance that the assets are safe guarded. All transactions are authorized and duly recorded, and financial records are properly maintained to facilitate financial statements in a timely manner. The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Audit Committee.

The Audit Committee of the Board of Directors has reviewed the financial statements with management and the external auditors. Culver & Co., an independent firm of chartered accountants, appointed as external auditors by the shareholders, have audited the consolidated financial statements and their report is shown below.

Richard N. Fearn
President, CEO & CFO
FAB-FORM INDUSTRIES LTD.
25 April 2006

AUDITORS' REPORT

To the Shareholders of Fab-Form Industries Ltd.

We have audited the consolidated balance sheets of Fab-Form Industries Ltd. as at 31 December 2005 and 2004 and the consolidated statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at 31 December 2005 and 2004 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

CULVER & CO.
Chartered Accountants
Vancouver, BC
27 March 2006

YEAR END CONSOLIDATED FINANCIAL STATEMENTS

BALANCE SHEETS

31 December

ASSETS	2005	2004
Current		
Cash	\$ 24,856	\$ -
GST receivable	2,187	1,472
Accounts receivable	35,026	12,619
Prepaid expenses and advances	11,526	5,757
Inventory	40,028	25,690
Total current assets	113,623	45,538
Property, plant and equipment (Note 5)	90,665	106,916
Deferred development (Note 6)	181,136	208,870
Patents (Note 7)	107,643	91,934
Trademarks (Note 8)	8,647	10,122
	388,091	417,842
	\$ 501,714	\$ 463,380
LIABILITIES		
Current		
Bank overdraft (Note 9)	\$ -	\$ 25,643
Accounts payable and accrued liabilities	62,507	85,585
Accounts payable - related (Note 14)	1,018	9,159
Loan from related party (Notes 10 and 14)	3,813	5,621
Current portion of long-term debt (Note 11)	17,880	17,880
Total current liabilities	85,218	143,888
Long-term debt (Note 11)	61,347	79,227
Obligation to issue shares (Note 12)	63,500	63,500
	124,847	142,727
SHAREHOLDERS' EQUITY		
Share capital (Note 13)	691,942	613,674
Deficit	(400,293)	(436,909)
	291,649	176,765
	\$ 501,714	\$ 463,380

ON BEHALF OF THE BOARD:

"Richard Fearn"

_____, Director

"Herb Bentz"

_____, Director

See accompanying notes to the consolidated financial statements

YEAR END CONSOLIDATED FINANCIAL STATEMENTS

STATEMENTS OF OPERATIONS AND DEFICIT

31 December

	2005	2004
Sales	\$ 390,037	\$ 258,273
Cost of Sales	175,358	117,083
Gross Profit	214,679	141,190
(Percent Gross Profit)	55%	55%
Expenses		
Administrative expenses	12,203	16,073
Amortization and depreciation	59,188	41,394
Interest on short-term debt, bank charges	3,850	5,857
Interest on long-term debt	6,041	6,105
Foreign exchange loss (gain)	(7,988)	778
Management fees	36,521	17,161
Marketing and advertising	31,451	14,125
Occupancy	17,476	12,384
Patent maintenance	812	815
Production	1,159	714
Professional fees	6,871	9,371
Public company expenses	5,962	4,505
Telecommunications	4,221	3,707
Wages and benefits	296	722
	178,063	133,711
Net income	36,616	7,479
Deficit – beginning of year	(436,909)	(444,388)
Deficit – end of year	\$ (400,293)	\$ (436,909)
Average shares outstanding		
Basic	3,136,965	2,898,809
Diluted	7,039,016	6,794,428
Earnings per share		
Basic	0.01	0.00
Diluted	0.01	0.00

See accompanying notes to the consolidated financial statements

YEAR END CONSOLIDATED FINANCIAL STATEMENTS
 STATEMENTS OF CASH FLOW

31 December

Cash resources provided by (used in)	2005	2004
Operating activities		
Cash receipts from customers	\$ 367,629	\$ 258,752
Direct costs	(189,696)	(128,349)
Cash paid to suppliers and employees	(148,438)	(129,631)
	<u>29,495</u>	<u>772</u>
Investing activities		
Property, plant and equipment	(7,880)	(21,657)
Deferred development	(234)	(15,374)
Patents	(21,322)	(875)
	<u>(29,436)</u>	<u>(37,906)</u>
Financing activities		
Long term debt	(17,880)	41,867
Accounts payable, related	(8,141)	221
Loan from related party	(1,807)	-
Shares issued for cash	78,268	-
	<u>50,440</u>	<u>42,088</u>
Net increase in cash	50,499	4,954
Cash position, opening	<u>(25,643)</u>	<u>(30,597)</u>
Cash position, ending	<u>\$ 24,856</u>	<u>\$ (25,643)</u>
Supplementary cash flow information		
Cash paid for interest	\$ 9,698	\$ 12,182
Cash paid for income taxes	\$ -	\$ -

See accompanying notes to the consolidated financial statements

YEAR END CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS

31 December 2005

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. 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 the going concern assumption was not appropriate for these financial statements adjustments would be necessary to the carrying values of assets and liabilities. At 31 December 2005 the Company had working capital of \$28,405 (2004 – negative \$98,350) and a deficit of \$400,293 (2004 - \$436,909).

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.

In 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) Consolidation

These consolidated financial statements include the accounts of the company, its wholly owned subsidiary Maxito, and the wholly owned subsidiary of Maxito, Fab-Form Industries (1986) Ltd.

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 FINANCIAL STATEMENTS

31 December 2005

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, or are expected to be available, 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 the product is sold commercially.

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 2005, 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 adopted prospectively in 2003 the recommendations of the Canadian Institute of Chartered Accountants for stock-based compensation. The 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 13 (d).

j) Revenue recognition

Revenue is recorded and related costs are recognized at the time the product is shipped, the title to the goods has passed, and collection is reasonably assured.

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.

YEAR END CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS

31 December 2005

l) Use of estimates

The preparation of financial statements 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, 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 US funds, there is significant exposure to the foreign currency fluctuation risk.

5. Property, plant and equipment

	2005			2004
	<i>Cost</i>	<i>Accum. Amort.</i>	Net Book Value	<i>Net Book Value</i>
Manufacturing equipment	\$ 131,822	\$ (47,981)	\$ 83,841	\$ 97,289
Office furniture	6,272	(5,596)	676	846
Computers	26,198	(24,249)	1,949	2,783
Vehicle	29,391	(25,192)	4,199	5,998
Software	1,678	(1,678)	-	-
Total	\$ 195,361	\$ (104,696)	\$ 90,665	\$ 106,916

6. Deferred development costs

	2005			2004
	<i>Cost</i>	<i>Accum. Amort.</i>	Net Book Value	<i>Net Book Value</i>
Fabwall™	\$ 134,368	\$ -	\$ 134,368	\$ 134,368
Fastfoot®	124,858	(93,254)	31,604	58,359
Fast-Tube™	16,975	(1,811)	15,164	16,143
Total	\$ 276,201	\$ (95,095)	\$ 181,136	\$ 208,870

i) The company amortizes the Fastfoot® (started in 2000) and Fast-Tube™ (started in 2004) technology using a reversed sum-of-the-years'-digits method over seven years.

ii) No amortization of Fabwall™ has been recorded as this project is still under development. No material revenue has resulted from this technology.

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:

	2005			2004
	<i>Cost</i>	<i>Accum. Amort.</i>	Net Book Value	<i>Net Book Value</i>
Fabwall™	\$ 16,865	\$ -	\$ 16,865	\$ 16,866
Fastfoot®	77,384	(18,185)	59,199	63,750
Foundation & Floor System	11,105	(8,492)	2,613	3,266
Concrete Foundation Wall	6,957	(3,273)	3,684	4,093
Fast-Tube™	25,282	-	25,282	3,959
Total	\$ 137,593	\$ (29,950)	\$ 107,643	\$ 91,934

YEAR END CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS

31 December 2005

8. Trademarks

The company has three registered trademarks:

	2005			2004	
	Cost	Accum. Amort.	Net Book Value	Net Book Value	
Fastfoot®	\$ 6,212	\$ (3,480)	\$ 2,732	\$	3,312
Fastfabric®	3,883	(1,553)	2,330		2,718
Fastbag®	5,070	(1,485)	3,585		4,092
Total	\$ 15,165	\$ (6,518)	\$ 8,647	\$	10,122

9. Bank overdraft

The company has one bank overdraft provision to a maximum of \$30,000 with an interest rate of prime plus 4% per annum, secured by a general security agreement.

10. Loan from related parties

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

11. Long-term debt

Description	2005	2004
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	\$ 22,907
Less current portion	-	(22,907)
Long-term portion	22,907	-
Machinery loan from the Business Development Bank for \$50,000. Secured by guarantee payable \$840 per month, plus current interest rate of 8.75%, maturing May 18 th , 2008	27,720	37,800
Less current portion	(10,080)	(10,080)
Long-term portion	17,640	27,720
Working capital loan from the Business Development Bank for \$40,000. Secured by guarantee payable \$650 per month, plus current interest of 9.5%, maturing Aug 23 2009.	28,600	36,400
Less current portion	(7,800)	(7,800)
Long-term portion	20,800	28,600
Total long-term debt	79,227	97,107
Less current portion	(17,880)	(17,880)
Long-term portion	\$ 61,347	\$ 79,227

Future principal payments on long-term debt are:

2006	\$	17,880
2007		17,880
2008		15,360
2009		5,200
Future		22,907
Total	\$	79,227

YEAR END CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS

31 December 2005

12. Obligation to issue shares / contingent liability

During the 2000 fiscal year, a former director and officer of the parent company ("the plaintiff") initiated legal action against the company. The plaintiff alleges that during the 2000 fiscal year he made \$64,500 in loans to the company, and that the company owes him this money plus accrued interest. The company's current management believes that only \$63,500 was advanced to the company and that these funds were advanced for the exercise of warrants. No further legal action has been undertaken by the plaintiff or the company since fiscal 2000. The outcome of the dispute is still unknown.

13. 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).

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>Quantity</i>	<i>Amount</i>
Balance – 31 December 2003 and 2004	6,318,116	\$ 613,674
Private placement – 2 June 2005	489,176	78,268
Balance – 31 December 2005	6,807,292	\$ 691,942

As at 31 December 2005, 55.9% (2004 – 55.9%) 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 31 December 2005:

- i) As a result of the 1999 reverse takeover, 3,419,307 (2004 - 3,419,307) shares were held in escrow to be released for every \$1.014 of cumulative positive cash flow before tax. The release of escrow shares must be made before 30 June 2009.

d) Options and warrants

Details of stock options are as follows (the options were not exercised and expired on 01 Feb 2006):

<i>Date</i>	<i>Description</i>	<i>Expiry</i>	<i>Value</i>	<i>Quantity</i>	<i>Balance</i>
01-Feb-03	New options	01-Feb-06	\$ 0.10	631,312	631,312
30-Apr-03	Cancellation of options	01-Feb-06	\$ 0.10	(155,000)	476,312
31-Dec-05	Ending balance	01-Feb-06	\$ 0.10		476,312

There are no warrants outstanding.

YEAR END CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS

31 December 2005

d) Options and warrants (continued)

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 was 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.

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.

14. Related party transactions

The following related party transactions occurred during the fiscal year:

<i>Category</i>	<i>Description</i>	<i>Year</i>	<i>Director & Officer</i>	<i>Relative of a Director & Officer</i>	<i>Director or Company Controlled by Director</i>	<i>Former Director</i>
Asset	Deferred Development Costs	2005	\$ -	\$ -	\$ -	\$ -
		2004	4,840	4,840	-	-
Asset	Capital Asset	2005	1800	1800	-	-
		2004	4,250	4,250	-	-
Liability	Balance due to Related Parties incurred in the ordinary course of business	2005	-	1,018	3,813	-
		2004	-	-	5,621	9,159
Expenses	Management Fees	2005	18,260	18,260	-	-
		2004	8,581	8,581	-	-

YEAR END CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS

31 December 2005

15. Income taxes

There is no income tax payable on the current year's income as a result of the application of prior year's losses. The company and its subsidiaries have available non-capital losses for tax purposes of approximately \$342,000, which may be carried forward and used to reduce taxable income of future years. These losses expire as follows:

2007	130,000
2008	76,000
2009	3,000
2010	57,000
2011	12,000
2012	3,000
<u>Total</u>	<u>\$ 342,000</u>

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 \$40,000 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.

16. Concentration of customers

In 2005, **9.5%** (2004, 19.9%) of the company's sales were made to one customer.

17. Segmented information

		<i>2005</i>		<i>2004</i>	
<i>Gross sales</i>	Canada	\$ 155,584	39.9%	\$ 119,481	46.3%
	U.S.	234,453	60.1%	138,792	53.7%
	<u>Total</u>	<u>\$ 390,037</u>	<u>100.0%</u>	<u>\$ 258,273</u>	<u>100.0%</u>
<i>Total assets</i>	Canada	\$ 501,714	100.0%	\$ 463,380	100.0%
	U.S.	0	0.0%	0	0.0%
	<u>Total</u>	<u>\$ 501,794</u>	<u>100.0%</u>	<u>\$ 463,380</u>	<u>100.0%</u>
<i>Capital expenditures</i>	Canada	\$ 29,436	100.0%	\$ 37,906	100.0%
	U.S.	0	0.0%	0	0.0%
	<u>Total</u>	<u>\$ 29,436</u>	<u>100.0%</u>	<u>\$ 37,906</u>	<u>100.0%</u>

YEAR END CONSOLIDATED FINANCIAL STATEMENTS

FURTHER INFORMATION

31 December 2005

FAB-FORM INDUSTRIES LTD. is a manufacturer and marketer of forming products using poly membranes to form and damp-proof concrete for the building industry. Fab-Form is the only company in the world commercializing this technology, and is headquartered in Surrey, BC. Its common shares trade on the Toronto Venture Exchange under the symbol "FBF".

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