



***FAB-FORM***  
***2nd QUARTER REPORT***

***2007***

***Fabric forming a green future.***

## REPORT TO OUR SHAREHOLDERS

The wide diameter Fast-Tube™ machine is now in production with diameters up to 24" available. This is a major technological breakthrough for our Company, and we thank our shareholders, suppliers and customers for their continued support.

Sincerely



Richard Fearn  
President  
August 28 2007



*Cover photo shows Cahill Contractors of San Fransico, CA using Fastfoot® to edge form large slabs for a warehouse. Fastfoot® saved the contractor and client thousands of dollars over forming with plywood.*

2007 SECOND QUARTER 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 30 June 2007.

QUARTERLY FINANCIAL SUMMARY

	2007		2006				2005		
	2nd Qtr	1st Qtr	4th Qtr	3rd Qtr	2nd Qtr	1st Qtr	4th Qtr	3rd Qtr	2nd Qtr
Revenues	105,874	62,994	76,752	77,332	113,972	87,658	69,030	77,735	166,781
Net Income (loss)	3,647	(20,290)	(177,670)	(9,994)	6,951	(8,156)	(1,382)	(3,173)	48,190
Shares outstanding (diluted)	6,807,292	6,807,292	6,807,292	6,807,292	6,807,292	6,807,292	7,283,604	7,283,604	7,283,604
Income (loss) per diluted share	0.00	0.00	(0.02)	0.00	0.00	0.00	0.00	0.00	0.01

FINANCIAL RESULTS

Sales

Sales for the second quarter were \$105,874, a 7.1% decrease over 2006. Sales of Fast-Tube™ increased 210.0 %, Fastfoot® decreased 35.5% over the previous year's quarter. The sales increase in Fast-Tube resulted from agent pull-through as well as strong local sales.

	<u>Apr - Jun 07</u>	<u>Apr - Jun 06</u>	<u>\$ Change</u>	<u>% Change</u>
<b>Fastfoot®</b>	51,254	79,459	(28,205)	(35.5%)
<b>Fastbag®</b>	17,569	18,010	(440)	(2.4%)
<b>Fast-Tube™</b>	28,014	9,037	18,977	210.0%
<b>Other</b>	9,034	7,467	1,567	21.0%
<b>Total Sales</b>	<u>105,871</u>	<u>113,972</u>	<u>(8,101)</u>	<u>(7.1%)</u>

Cost of goods sold

Gross margins for the quarter were 57%, an improvement of 2% over 2006. This is attributable to the purchase of fabric direct from the manufacturer.

Expenses

Operating expenses remained close to the previous year at \$56,932 compared to \$56,058 in 2006. Amortization and depreciation dropped significantly from \$14,881 in 2006 to \$6,785 in 2007 due to complete amortization of development costs on Fastfoot®. Management fees increased 17.5% from \$14,497 in 2006 to \$17,030 in this quarter. Marketing expenses increased 54.5% from \$5,273 in 2006 to \$8,148 in 2007 as a result of increased promotional material sent out to US agents.

<u>Expenses</u>	<u>2007</u>	<u>2006</u>	<u>Change</u>
Amortization & depreciation	\$ <b>6,785</b>	\$ 14,881	(54.4%)
Management fees	<b>17,030</b>	14,497	17.5%
Marketing	<b>8,148</b>	5,273	54.5%

Amortization decreased because of the complete amortization of Fastfoot® development costs. Marketing expenses increased as a result of agent support.

Statement of operations & deficit

The company's net income was \$3,647, in line with \$6,951 in 2006.

Investing activities

Investment for the quarter of \$6,758 was primarily in Fast-Tube™ production equipment and new warehouse racking.

2007 SECOND QUARTER REPORT  
MANAGEMENT DISCUSSION & ANALYSIS

**Financing activities**

None

**Cash flow**

Operating activities for the quarter provided cash of \$17,239, compared with \$30,822 in 2006. Net increase in cash for the quarter was \$5,673 compared with \$20,095 in 2006.

**Liquidity**

The Company's working capital at the end of the second quarter was \$42,954, a slight increase over the previous year's \$41,672.

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-06</i>	<i>31-Dec-05</i>	<i>31-Dec-04</i>	<i>31-Dec-03</i>
Revenues	\$ 355,714	\$ 390,037	\$ 258,273	\$ 151,624
Cost of sales	\$ 162,879	\$ 175,358	\$ 117,083	\$ 69,921
Gross profit	\$ 192,835	\$ 214,679	\$ 141,190	\$ 81,703
% gross profit	54%	55%	55%	54%
Expenses	\$ 219,272	\$ 178,063	\$ 133,711	\$ 126,902
Net income (loss)	\$ (177,670)	\$ 36,616	\$ 7,479	\$ (45,199)
Shares outstanding (diluted)	6,807,292	7,283,604	6,794,928	6,794,928
Income (loss) per diluted share	\$ (0.02)	\$ 0.01	\$ 0.00	\$ (0.01)
Total assets	\$ 284,476	\$ 501,714	\$ 463,380	\$ 454,322
Long term debt (excluding current portion)	\$ 43,467	\$ 61,347	\$ 79,227	\$ 37,360
Cash Dividends Declared	\$ None	\$ None	\$ None	\$ None

Approved  
"Board of Directors"  
August 28 2007

### 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.

Richard N. Fearn  
President, CEO & CFO  
FAB-FORM INDUSTRIES LTD.  
28 August 2007

---

SECOND QUARTER CONSOLIDATED FINANCIAL STATEMENTS

BALANCE SHEETS

30 June, unaudited

<b>ASSETS</b>	<b>2007</b>	2006
<b>Current</b>		
Cash	\$ -	\$ 13,824
Accounts receivable	<b>55,622</b>	61,046
Prepaid expenses and advances	<b>27,104</b>	13,786
Inventory	<b>55,946</b>	41,036
<b>Total current assets</b>	<b>138,672</b>	129,692
<b>Property, plant and equipment</b> (Note 5)	<b>81,407</b>	84,402
<b>Deferred development</b> (Note 6)	<b>12,922</b>	164,620
<b>Patents</b> (Note 7)	<b>91,646</b>	107,748
<b>Trademarks</b> (Note 8)	<b>6,434</b>	7,909
	<b>192,409</b>	364,679
	<b>\$ 331,081</b>	\$ 494,371
<b>LIABILITIES</b>		
<b>Current</b>		
Bank overdraft (Note 9)	<b>8,632</b>	-
Accounts payable and accrued liabilities	<b>55,442</b>	66,460
Due to related parties (Note 14)	<b>4,164</b>	3,680
Current portion of long-term debt (Note 11)	<b>27,480</b>	17,880
<b>Total current liabilities</b>	<b>95,718</b>	88,020
<b>Long-term debt</b> (Note 11)	<b>74,527</b>	52,407
<b>Obligation to issue shares</b> (Note 12)	<b>63,500</b>	63,500
	<b>138,027</b>	115,907
<b>SHAREHOLDERS' EQUITY</b>		
<b>Share capital</b> (Note 13)	<b>691,942</b>	691,942
<b>Deficit</b>	<b>(594,606)</b>	(401,498)
	<b>97,336</b>	290,444
	<b>\$ 331,081</b>	\$ 494,371

ON BEHALF OF THE BOARD:

**"Richard Fearn"**

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

**"Herb Bentz"**

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

*See accompanying notes to the consolidated financial statements*

FIRST QUARTER CONSOLIDATED FINANCIAL STATEMENTS

STATEMENTS OF OPERATIONS AND DEFICIT

30 June, unaudited

	THREE MONTHS		SIX MONTHS	
	2007	2006	2007	2006
<b>Sales</b>	\$ <b>105,874</b>	\$ 113,972	\$ <b>168,868</b>	\$ 201,630
<b>Cost of Sales</b>	<b>45,295</b>	50,963	<b>72,727</b>	92,166
<b>Gross Profit</b>	<b>60,579</b>	63,009	<b>96,141</b>	109,464
(Percent Gross Profit)	<b>57%</b>	55%	<b>57%</b>	54%
<b>Expenses</b>				
Administrative expenses	<b>4,907</b>	5,936	<b>10,784</b>	11,099
Amortization and depreciation	<b>6,785</b>	14,881	<b>14,923</b>	29,597
Interest on short-term debt, bank charges	<b>812</b>	1,119	<b>1,546</b>	1,618
Interest on long-term debt	<b>2,838</b>	1,559	<b>4,076</b>	2,870
Foreign exchange loss (gain)	<b>2,528</b>	1,269	<b>2,037</b>	1,509
Management fees	<b>17,030</b>	14,497	<b>32,915</b>	25,969
Marketing	<b>8,148</b>	5,273	<b>18,973</b>	13,627
Occupancy	<b>5,206</b>	4,522	<b>10,079</b>	9,376
Patent maintenance	<b>598</b>	199	<b>918</b>	756
Production	<b>580</b>	232	<b>1,204</b>	365
Professional fees	<b>2,985</b>	2,119	<b>5,985</b>	4,285
Public company expenses	<b>3,455</b>	2,980	<b>6,137</b>	5,726
Telecommunications	<b>655</b>	1,103	<b>1,920</b>	2,388
Wages and benefits	<b>405</b>	369	<b>1,287</b>	1,484
	<b>56,932</b>	56,058	<b>112,784</b>	110,669
<b>Net income</b>	<b>3,647</b>	6,951	<b>(16,643)</b>	(1,205)
<b>Deficit – beginning of period</b>	<b>(598,253)</b>	(408,449)	<b>(577,963)</b>	(400,293)
<b>Deficit – end of period</b>	\$ <b>(594,606)</b>	\$ (401,498)	\$ <b>(594,606)</b>	\$ (401,498)
<b>Average shares outstanding</b>				
Basic	3,387,985	2,898,809	3,387,985	2,898,809
Diluted	6,807,292	7,283,604	6,807,292	7,283,604
<b>Earnings per share</b>				
Basic	0.00	0.00	0.01	0.00
Diluted	0.00	0.00	0.00	0.00

See accompanying notes to the consolidated financial statements

FIRST QUARTER CONSOLIDATED FINANCIAL STATEMENTS

STATEMENTS OF CASH FLOW

30 June, unaudited

<b>Cash resources provided by (used in)</b>	<b>THREE MONTHS</b>		<b>SIX MONTHS</b>	
	<b>2007</b>	2006	<b>2007</b>	2006
<b>Operating activities</b>				
Cash receipts from customers	\$ <b>98,097</b>	\$ 112,937	\$ <b>141,498</b>	\$ 178,472
Direct costs	<b>(33,313)</b>	(53,280)	<b>(94,812)</b>	(93,174)
Cash paid to suppliers and employees	<b>(47,545)</b>	(28,835)	<b>(78,993)</b>	(80,053)
	<b>17,239</b>	30,822	<b>(32,307)</b>	5,244
<b>Investing activities</b>				
Property, plant and equipment	<b>(6,019)</b>	(3,274)	<b>(12,587)</b>	(3,274)
Research and development	<b>(393)</b>	-	<b>(789)</b>	-
Patents	<b>(346)</b>	(2,798)	<b>(1,479)</b>	(2,911)
	<b>(6,758)</b>	(6,072)	<b>(14,856)</b>	(6,186)
<b>Financing activities</b>				
Long term debt	<b>(4870)</b>	(4,470)	<b>30,628</b>	(8,940)
Due to related parties		(242)	-	(1,260)
Shares issued for cash	-	-	-	-
Obligation to issue shares	-	-	-	-
Directors loan	<b>62</b>	57	<b>123</b>	109
	<b>(4,808)</b>	(4,655)	<b>30,751</b>	(10,091)
<b>Net increase in cash</b>	<b>5,673</b>	20,095	<b>(16,412)</b>	(11,032)
<b>Cash position, opening</b>	<b>(14,305)</b>	(6,271)	<b>7,780</b>	24,856
<b>Cash position, ending</b>	<b>\$ (8,632)</b>	\$ 13,824	<b>\$ (8,632)</b>	\$ 13,824
<b>Supplementary cash flow information</b>				
Cash paid for interest	\$ <b>3,588</b>	\$ 2,627	\$ <b>5,499</b>	\$ 4,388
Cash paid for income taxes	\$ -	\$ -	\$ -	\$ -

See accompanying notes to the consolidated financial statements

## SECOND QUARTER CONSOLIDATED FINANCIAL STATEMENTS

### NOTES TO FINANCIAL STATEMENTS

30 June 2007, unaudited

#### 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.

#### 2. Nature of business

Fab-Form Industries Ltd. (the "company" or "Fab-Form") was incorporated 13 June 1995 under the Company Act of British Columbia. Fab-Form develops, manufactures and distributes proprietary fabric-based technology to form concrete footings, foundations, and walls for building structures. The company is currently distributing three products: Fastfoot® footing form, Fastbag® point load footing form, and Fast-Tube™ column form.

#### 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 of assets

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) 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 lesser of seven years and 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.

NOTES TO FINANCIAL STATEMENTS

30 June 2007, unaudited

**d) Deferred development costs (continued)**

Deferred development costs include:

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

**e) 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.

**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) Impairment of long-lived assets**

Long-lived assets, including capital assets and intangible assets with finite useful lives, are amortized over their useful lives. The company annually reviews the useful lives and the carrying values of its long-lived assets for continued appropriateness. The company performs an impairment assessment of long-lived assets held for use whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. If the sum of the undiscounted expected future cash flows expected to result from the use and eventual disposition of an asset is less than its carrying amount, it is considered to be impaired. An impairment loss is measured at the amount by which the carrying amount of the asset exceeds its fair value, which is estimated as the expected future cash flows discounted at a rate commensurate with the risks associated with the recovery of the asset. At December 31 2006 and 2005, no events or changes in circumstances had occurred which indicated that the carrying amounts of long-lived assets may not be recoverable.

**h) Comparative figures**

Certain comparative figures have been reclassified to conform to the current year's presentation.

**i) 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 2006, 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.

## SECOND QUARTER CONSOLIDATED FINANCIAL STATEMENTS

### NOTES TO FINANCIAL STATEMENTS

30 June 2007, unaudited

#### 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.

#### 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. The company does not use derivative instruments to reduce its currency risk.

#### 5. Property, plant and equipment

	2007			2006
	Cost	Accum. Amort.	Net Book Value	Net Book Value
Manufacturing equipment	\$ 143,636	\$ (64,727)	\$ 78,909	\$ 78,569
Office furniture	-	-	-	608
Computers	-	-	-	1,656
Vehicle	29,391	(26,893)	2,719	3,569
Total	\$ 173,027	\$ (91,620)	\$ 81,407	\$ 84,402

#### 6. Deferred development costs

	2007			2006
	Cost	Accum. Amort.	Net Book Value	Net Book Value
Fastfoot®	307	-	307	15,998
Fabwall™	-	-	-	134,368
Fast-Tube™	17,457	(4,842)	12,615	14,254
Total	\$ 17,764	\$ (4,842)	\$ 12,922	\$ 164,620

- 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.

SECOND QUARTER CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS

30 June 2007, unaudited

**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>2007</b>		<b>2006</b>	
	<i>Cost</i>	<i>Accum. Amort.</i>	<i>Net Book Value</i>	<i>Net Book Value</i>
Fabwall™	\$ -	\$ -	\$ -	\$ 16,865
Fastfoot®	77,384	(25,011)	<b>52,373</b>	56,924
Foundation & Floor System	11,106	(9,472)	<b>1,634</b>	2,286
Concrete Foundation Wall	6,957	(3,887)	<b>3,070</b>	3,479
Fast-Tube™	34,569	-	<b>34,569</b>	28,194
<b>Total</b>	<b>\$ 130,016</b>	<b>\$ (38,370)</b>	<b>\$ 91,646</b>	<b>\$ 107,748</b>

**8. Trademarks**

The company has three registered trademarks:

	<b>2007</b>		<b>2006</b>	
	<i>Cost</i>	<i>Accum. Amort.</i>	<i>Net Book Value</i>	<i>Net Book Value</i>
Fastfoot®	\$ 6,212	\$ (4,350)	\$ <b>1,862</b>	\$ 2,442
Fastfabric®	3,883	(2,136)	<b>1,747</b>	2,137
Fastbag®	5,070	(2,245)	<b>2,825</b>	3,332
<b>Total</b>	<b>\$ 15,165</b>	<b>\$ (8,731)</b>	<b>\$ 6,434</b>	<b>\$ 7,909</b>

**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. Amortization and depreciation (year to date)**

	<b>2007</b>	<b>2006</b>
Property, plant and equipment	4,406	\$ 4,850
Deferred development	606	8,258
Patents	1,404	1,404
Trademarks	369	369
<b>Total</b>	<b>\$ 6,785</b>	<b>\$ 14,881</b>

SECOND QUARTER CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS

30 June 2007, unaudited

**11. Long-term debt**

<i>Description</i>	<i>2007</i>	<i>2006</i>
Loan from the Program for Export Market Development. This money has been advanced to the company for allowable marketing expenditures. The loan is repayable if a sales target is exceeded.	<b>\$ 22,907</b>	\$ 22,907
Less current portion	-	-
Long-term portion	<b>22,907</b>	22,907
Machinery loan from the Business Development Bank for \$50,000. Secured by guarantee, payable \$840 per month plus interest currently 8.75%, maturing May 18 <sup>th</sup> , 2008	<b>12,600</b>	22,680
Less current portion	<b>(10,080)</b>	(10,080)
Long-term portion	<b>2,520</b>	12,600
Working capital loan from the Business Development Bank for \$40,000. Secured by guarantee, payable \$650 per month plus interest, currently 9.5%, maturing Aug 23 2009.	<b>16,900</b>	24,700
Less current portion	<b>(7,800)</b>	(7,800)
Long-term portion	<b>9,100</b>	16,900
Working capital/research & development loan from the Business Development Bank for \$50,000. Secured by guarantee, payable \$800 per month plus interest, currently 10.5%, maturing Aug 2012.	<b>49,600</b>	-
Less current portion	<b>(9,600)</b>	-
Long-term portion	<b>40,000</b>	-
<b>Total long-term debt</b>	<b>102,007</b>	70,287
<b>Less current portion</b>	<b>(27,480)</b>	(17,880)
<b>Long-term portion</b>	<b>\$ 74,527</b>	\$ 52,407

Future principal payments on long-term debt are:

2007	13,740
2008	24,960
2009	14,800
2010	9,600
2011	9,600
2012	6,400
EMD	22,907
<b>Total</b>	<b>\$ 102,007</b>

**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.

SECOND QUARTER CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS

30 June 2007, unaudited

**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 2004	6,318,116	\$ 613,674
Private placement – 2 June 2005	489,176	78,268
<b>Balance – 30 June 2007</b>	<b>6,807,292</b>	<b>\$ 691,942</b>

As at 30 June 2007, 55.9% (2006 – 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.

- iii) Escrow: As at 30 June 2007:As a result of the 1999 reverse takeover, 3,419,307 (2006 - 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.

**c) Options and warrants**

There are no stock options or warrants outstanding.

**14. Related party transactions**

The following related party transactions occurred during the period:

<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>
Asset	Capital asset	<b>2007</b>	-	-	-
		2006	-	-	-
Liability	Balance due to Related Parties incurred in the course of business	<b>2007</b>	-	-	<b>62</b>
		2006	-	-	57
Expenses	Management fees	<b>2007</b>	<b>8,515</b>	<b>8,515</b>	-
		2006	7,249	7,248	-

These transactions were in the normal course of operations and are measured at the exchange value, which represented the amount of the consideration established and agreed to by the related parties.

SECOND QUARTER CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS

30 June 2007, unaudited

**15. Income taxes (as of December 31<sup>st</sup> year ends)**

A reconciliation of income tax at statutory rates with the reported taxes is as follows:

	<b>2006</b>	<b>2005</b>
Income (loss) for the year	(177,670 )	36,616
Expected income tax (recovery)	(60,585 )	14,232
Non taxable items	(71,550 )	(22,925 )
Unrecognized benefit of non-capital losses	132,135	8,693
Less valuation allowance	(179,200 )	(163,600 )
	\$ -	\$ -

Details of future income taxes assets are as follows:

	<b>2006</b>	<b>2005</b>
Non capital loss carry forwards	96,500	132,700
Equipment, patents and trademarks	(11,300 )	(27,100 )
Development	54,000	18,000
Research tax credits	40,000	40,000
Total future income tax assets	179,200	163,600
Less valuation allowance	(179,200 )	(163,600 )
	\$ -	\$ -

At 31 December 2006 the company had tax losses of approximately \$283,000 available for deduction against future taxable income. The losses expire as follows:

2007	\$ 130,000
2008	76,000
2009	3,000
2010	57,000
2014	12,000
2015	3,000
2026	2,000
	<b>\$ 283,000</b>

**16. Concentration of customers**

In 2007, **10.0%** (2006, 12.6%) of the company's sales were made to one customer.

**17. Segmented information**

	<b>2007</b>		<b>2006</b>	
<i>Gross sales</i>	Canada	<b>\$ 22,904 21.6%</b>	\$ 45,817	40.2%
	U.S.	<b>82,970 78.4%</b>	68,155	59.8%
	Total	<b>\$ 105,874 100.0%</b>	\$ 113,972	100.0%
<i>Total assets</i>	Canada	<b>\$ 331,081 100.0%</b>	\$ 560,175	100.0%
	U.S.	<b>0 0.0%</b>	0	0.0%
	Total	<b>\$ 331,081 100.0%</b>	\$ 560,175	100.0%
<i>Capital expenditures</i>	Canada	<b>\$ 6,758 100.0%</b>	\$ 6,072	100.0%
	U.S.	<b>0 0.0%</b>	0	0.0%
	Total	<b>\$ 6,758 100.0%</b>	\$ 6,072	100.0%

## SECOND QUARTER CONSOLIDATED FINANCIAL STATEMENTS

### FURTHER INFORMATION

*30 June 2007, unaudited*

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".

For additional information, please contact:

**Richard Fearn**

President, CEO, CFO

[richard.fearn@fab-form.com](mailto:richard.fearn@fab-form.com)

**Herb Bentz**

Chairman of the Board

[herb.bentz@fab-form.com](mailto:herb.bentz@fab-form.com)

**FAB-FORM INDUSTRIES LTD.**

Unit 212, 6333 148<sup>th</sup> Street

Surrey, BC V3S 3C3, Canada

(604)596-3278

Shareholders and interested investors should visit:

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