



# **FAB-FORM**



**2nd QTR 2008 REPORT**

## REPORT TO OUR SHAREHOLDERS

Our cover shows a three dimensional model of Fab-Form's revolutionary 'Fastfoot® MP+' (monopour system) wherein all footing forms and stakes are eliminated. The contractor sets the ICF block on proprietary supports, adjusts for z-height and x-y location, installs steel reinforcing, attaches Fastfoot® to the base of block and pours concrete. It's that simple.

A Technical Committee of ICF forming experts from across Canada and the USA has been developing and testing the system, and I would like to take this opportunity to thank the them:

- Chuck Wilson, Pacific Polysteel®, Tacoma, WA
- Herb Bentz, Form3 Design, Vancouver, BC
- JC Chartrand, Centre Construction, London, ON
- Paul Menzel, ICF Builders, Star ID
- Rick Umpierre, Advanced Energy and Supply, Esko, MN

Mr. JC Chartrand will be pouring the first Fastfoot® MP+ foundation within a week. We look forward to his success.

The ability to pour a concrete wall without constructing the footing forms will have a huge impact on the foundation industry:

- Reduces 1 or 2 days from schedule;
- Eliminates 1 visit by the pump and concrete truck;
- Eliminates screeding labour for the footing concrete;
- Eliminates all forming lumber and stakes;
- Eliminates all stripping of footing formwork.

The Fastfoot® MP+ is a **green** solution providing savings to both the contractor and homeowner.

As always, thank you Board Members, Shareholders, and progressive Dealers and Contractors for continued support and commitment to fabric forming.

Sincerely



Richard Fearn  
President  
August 28 2008

SECOND QUARTER REPORT 2008  
**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 period ended 30 June 2008.

**QUARTERLY FINANCIAL SUMMARY**

	2008		2007				2006		
	2nd Qtr	1 <sup>st</sup> Qtr	4th Qtr	3rd Qtr	2nd Qtr	1 <sup>st</sup> Qtr	4th Qtr	3rd Qtr	2nd Qtr
Revenues	56,628	38,163	57,646	91,044	105,874	62,994	76,752	77,332	113,972
Net Income (loss)	(11,538)	(19,380)	4,025	(6,694)	3,647	(20,290)	(177,670)	(9,994)	6,951
Shares outstanding (diluted)	6,807,292	6,807,292	6,807,292	6,807,292	6,807,292	6,807,292	6,807,292	6,807,292	6,807,292
Income (loss) per diluted share	(0.00)	(0.00)	0.00	(0.00)	0.00	(0.00)	(0.03)	(0.00)	0.00

**FINANCIAL RESULTS**

**Sales**

Sales for the second quarter were \$56,625, a 46.5% decrease over 2007. Sales in Canada for the second quarter were \$37,274, an increase of 62.7% over 2007. US sales have taken a pummeling, dropping from \$82,907 in 2007 to \$19,354 in 2008. Slow US sales are expected to continue for the balance of 2008 and the first half of 2009. We expect Canadian housing starts to follow the US with an 18 month lag.

Sales of Fastfoot® decreased 23.8%, Fastbags® decreased 76.0%, and Fast-Tube™ decreased 70.5% over the previous year's quarter. The category 'Other' is shipping costs and any marketing materials.

	<u>Apr - Jun 08</u>	<u>Apr - Jun 07</u>	<u>\$ Change</u>	<u>% Change</u>
<b>Fastfoot®</b>	39,030	51,259	-12,229	-23.9%
<b>Fastbag®</b>	4,225	17,569	-13,345	-76.0%
<b>Fast-Tube™</b>	8,255	28,018	-19,763	-70.5%
<b>Other</b>	<u>3,119</u>	<u>9,034</u>	<u>-5,915</u>	<u>-65.5%</u>
<b>Total</b>	<u>54,628</u>	<u>105,880</u>	<u>-51,252</u>	<u>-48.4%</u>

**Cost of goods sold**

Gross margins for the quarter were 64%, an improvement over 2007's 57%. This is attributable to less sales through master distributors.

**Expenses**

Operating expenses for the second quarter decreased by 15.8% to \$47,958 from \$56,932 the previous year's quarter. The largest changes are due to:

	2nd Qtr, 2008	2nd Qtr, 2007	\$ Diff.	% Diff.
Public company expenses	\$ 5,910	\$ 3,455	\$ 2,456	71.1%
Marketing and advertising	\$ 9,012	\$ 8,148	\$ 864	10.6%
Foreign exchange loss (gain)	\$ 1	\$ 2,528	\$ (2,527)	-100.0%
Management fees	\$ 10,685	\$ 17,030	\$ (6,345)	-37.3%

Public company expense increased due to directors' fees. Management fees were reduced to conserve cash. Stabilization of the Canadian dollar prevented the loss on exchange in this year's quarter compared with 2007.

**Statement of operations & deficit**

The company's net loss was \$11,538, compared with 2007's profit of \$3,647. This loss was attributable to lower sales due to the US slowdown.

**Investing activities**

\$8,714 was invested in the Fastfoot MP<sup>+</sup> Monopour System.

**Financing activities**

The company reduced long term debt by \$4,350.

SECOND QUARTER REPORT 2008  
 MANAGEMENT DISCUSSION & ANALYSIS

**Cash flow**

Operating activities for the quarter generated cash of \$54, compared with (\$13,837) in 2007. The net decrease in cash for the quarter was \$11,123 compared with a decrease of \$12,806 in 2007.

**Liquidity**

The Company's working capital at the end of the first quarter was (\$33,933), a worsening from the previous year's quarter of \$42,954.

**DISCUSSION OF NON FINANCIAL ITEMS**

<b>Off balance sheet arrangements</b>	<b>Material contracts</b>	<b>Subsequent events</b>
None	None	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.

**SELECTED ANNUAL INFORMATION**

<i>Year ended</i>	<i>31-Dec-07</i>	<i>31-Dec-06</i>	<i>31-Dec-05</i>	<i>31-Dec-04</i>
Revenues	\$ 317,558	\$ 355,714	\$ 390,037	\$ 258,273
Cost of sales	\$ 141,619	\$ 162,879	\$ 175,358	\$ 117,083
Gross profit	\$ 175,939	\$ 192,835	\$ 214,679	\$ 141,190
% gross profit	55%	54%	55%	55%
Expenses	\$ 218,159	\$ 219,272	\$ 178,063	\$ 133,711
Net income (loss)	\$ (19,312)	\$ (177,670)	\$ 36,616	\$ 7,479
Shares outstanding (diluted)	6,807,292	6,807,292	7,283,604	6,794,928
Income (loss) per diluted share	\$ (0.00)	\$ (0.00)	\$ 0.01	\$ 0.00
Total assets	\$ 310,489	\$ 284,476	\$ 501,714	\$ 463,380
Long term debt (excluding current portion)	\$ 40,400	\$ 43,467	\$ 61,347	\$ 79,227
Cash Dividends Declared	\$ None	\$ None	\$ None	\$ None

Approved  
 "Board of Directors"  
 August 28 2008

### 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 2008

SECOND QUARTER CONSOLIDATED FINANCIAL STATEMENTS

BALANCE SHEETS

30<sup>th</sup> June

<b>ASSETS</b>	<b>2008</b>	<b>2007</b>
<b>Current</b>		
Cash	\$ -	\$ -
Accounts receivable	<b>46,104</b>	55,622
Prepaid expenses and advances	<b>18,944</b>	27,104
Inventory	<b>51,810</b>	55,946
<b>Total current assets</b>	<b>116,858</b>	138,672
<b>Property, plant and equipment</b> (Note 6)	<b>73,651</b>	81,407
<b>Deferred development</b> (Note 7)	<b>18,119</b>	12,922
<b>Patents</b> (Note 8)	<b>89,853</b>	91,646
<b>Trademarks</b> (Note 9)	<b>4,959</b>	6,434
	<b>186,582</b>	192,409
	<b>\$ 303,440</b>	\$ 331,081
<b>LIABILITIES</b>		
<b>Current</b>		
Bank overdraft	\$ 26,216	\$ 8,632
Accounts payable and accrued liabilities	<b>84,899</b>	55,442
Accounts payable – related (Note 14)	<b>9,149</b>	-
Due to related parties (Note 14)	<b>6,407</b>	4,164
Current portion of long-term debt (Note 11)	<b>24,120</b>	27,480
<b>Total current liabilities</b>	<b>150,791</b>	95,718
<b>Long-term debt</b> (Note 11)	<b>40,400</b>	74,527
<b>Obligation to issue shares</b> (Note 12)	<b>63,500</b>	63,500
	<b>103,900</b>	138,027
<b>SHAREHOLDERS' EQUITY</b>		
<b>Share capital</b> (Note 13)	<b>691,942</b>	691,942
<b>Deficit</b>	<b>(643,193)</b>	(594,606)
	<b>48,749</b>	97,336
	<b>\$ 303,440</b>	\$ 331,081

ON BEHALF OF THE BOARD:

**"Richard Fearn"**

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

**"Herb Bentz"**

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

*See accompanying notes to the consolidated financial statements*

SECOND QUARTER CONSOLIDATED FINANCIAL STATEMENTS

STATEMENTS OF OPERATIONS AND DEFICIT

30<sup>th</sup> June

	THREE MONTHS		SIX MONTHS	
	2008	2007	2008	2007
<b>Sales</b>	\$ 56,628	\$ 105,874	\$ 94,791	\$ 168,868
<b>Cost of Sales</b>	<b>20,208</b>	45,295	<b>35,288</b>	72,727
<b>Gross Profit</b>	<b>36,420</b>	60,579	<b>59,503</b>	96,141
(Percent Gross Profit)	<b>64%</b>	57%	<b>63%</b>	57%
<b>Expenses</b>				
Administrative expenses	<b>4,063</b>	4,907	<b>8,975</b>	10,784
Amortization and depreciation	<b>6,677</b>	6,785	<b>13,332</b>	14,923
Interest on short-term debt, bank charges	<b>1,351</b>	812	<b>2,713</b>	1,546
Interest on long-term debt	<b>1,940</b>	2,838	<b>3,642</b>	4,076
Foreign exchange loss (gain)	<b>1</b>	2,528	<b>421</b>	2,037
Management fees	<b>10,685</b>	17,030	<b>21,799</b>	32,915
Marketing	<b>9,012</b>	8,148	<b>19,869</b>	18,973
Occupancy	<b>4,276</b>	5,206	<b>9,228</b>	10,079
Patent maintenance	<b>199</b>	598	<b>398</b>	918
Production	<b>10</b>	580	<b>25</b>	1,204
Professional fees	<b>2,400</b>	2,985	<b>5,400</b>	5,985
Public company expenses	<b>5,910</b>	3,455	<b>16,461</b>	6,137
Telecommunications	<b>1,357</b>	655	<b>2,068</b>	1,920
Wages and benefits	<b>77</b>	405	<b>1,088</b>	1,287
	<b>47,958</b>	56,932	<b>105,421</b>	112,784
<b>Net income</b>	<b>(11,538)</b>	3,647	<b>(45,918)</b>	(16,643)
<b>Deficit – beginning of period</b>	<b>(631,655)</b>	(598,253)	<b>(597,275)</b>	(577,963)
<b>Deficit – end of period</b>	<b>\$ (638,164)</b>	\$ (594,606)	<b>\$ (643,193)</b>	\$ (594,606)
<b>Average shares outstanding</b>				
Basic	3,387,985	3,387,985	3,387,985	3,387,985
Diluted	6,807,292	6,807,292	6,807,292	6,807,292
<b>Earnings per share</b>				
Basic	0.00	0.00	0.01	0.01
Diluted	0.00	0.00	0.01	0.00

See accompanying notes to the consolidated financial statements

SECOND QUARTER CONSOLIDATED FINANCIAL STATEMENTS

STATEMENTS OF CASH FLOW

30<sup>th</sup> June

<b>Cash resources provided by (used in)</b>	<b>THREE MONTHS</b>		<b>SIX MONTHS</b>	
	<b>2008</b>	2007	<b>2008</b>	2007
<b>Operating activities</b>				
Cash receipts from customers	\$ 30,815	\$ 98,097	\$ 83,237	\$ 141,498
Direct costs	(11,027)	(33,313)	(18,509)	(94,812)
Cash paid to suppliers and employees	(19,734)	(47,545)	(78,565)	(78,993)
	(54)	17,239	(13,837)	(32,307)
<b>Investing activities</b>				
Property, plant and equipment	(441)	(6,019)	(441)	(12,587)
Research and development	(8,714)	(393)	(8,714)	(789)
Patents	(300)	(346)	(520)	(1,479)
	(9,455)	(6,758)	(9,675)	(14,856)
<b>Financing activities</b>				
Long term debt	(4,350)	(4870)	-	30,628
Due to related parties	2,578	-	8,595	-
Shares issued for cash	-	-	-	-
Obligation to issue shares	-	-	-	-
Directors loan	50	62	2,112	123
	(1,722)	(4,808)	10,707	30,751
<b>Net increase in cash</b>	<b>(11,123)</b>	5,673	<b>(12,805)</b>	(16,412)
<b>Cash position, opening</b>	<b>(15,093)</b>	(14,305)	<b>(13,411)</b>	7,780
<b>Cash position, ending</b>	<b>\$ (26,216)</b>	\$ (8,632)	<b>\$ (26,216)</b>	\$ (8,632)
<b>Supplementary cash flow information</b>				
Cash paid for interest	\$ 3,341	\$ 3,588	\$ 6,467	\$ 5,499
Cash paid for income taxes	\$ -	\$ -	\$ -	\$ -

See accompanying notes to the consolidated financial statements

NOTES TO FINANCIAL STATEMENTS

30<sup>th</sup> June 2008

**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 Industries Ltd., and its wholly owned subsidiary 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<sup>th</sup> June 2008

**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 March 31 2007 and 2006, no events or changes in circumstances had occurred which indicated that the carrying amounts of long-lived assets may not be recoverable except for the costs of \$151,233 related to the development of Fabwall written off in 2006.

**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 2007, 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.

NOTES TO FINANCIAL STATEMENTS

30<sup>th</sup> June 2008

**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 held in escrow 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. Significant amounts that require estimates as a basis for determining the stated amounts include plant and equipment, deferred development and patents.

**4. Change in Accounting Policies**

Effective January 1, 2007, the Company adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA") relating to financial instruments. These new standards have been adopted on a prospective basis with no restatement to prior period financial statements.

**a) Financial Instruments – Recognition and Measurement (Section 3855)**

This standard sets out criteria for the recognition and measurement of financial instruments for fiscal years beginning on or after October 1, 2006. This standard requires all financial instruments within its scope, including derivatives, to be included on a Company's balance sheet and measured either at fair value or, in certain circumstances when fair value may not be considered most relevant, at cost or amortized to cost. Changes in fair value are to be recognized in the statements of operations and comprehensive income. All financial assets and liabilities are recognized when the Company becomes a party to the contract creating the item. As such, any of the Company's outstanding financial assets and liabilities at the effective date of adoption are recognized and measured in accordance with the new requirements as if these requirements had always been in effect. Any changes to the fair value of assets and liabilities prior to January 1, 2007 are recognized by adjusting opening deficit or opening accumulated other comprehensive income. All financial instruments are classified into one of the following five categories: held for trading, held-to-maturity, loans and receivables, available-for-sale financial assets, or other financial liabilities. Initial and subsequent measurement and recognition of changes in the value of financial instruments depends on their initial classification:

- (i) Held-to-maturity investments, loans and receivables, and other financial liabilities are initially measured at fair value and subsequently measured at amortized cost. Amortization of premiums or discounts and losses due to impairment are included in current period net earnings.
- (ii) Available-for-sale financial assets are measured at fair value. Revaluation gains and losses are included in other comprehensive income until the asset is removed from the balance sheet.
- (iii) Held for trading financial instruments are measured at fair value. All gains and losses are included in net earnings in the period in which they arise.
- (iv) All derivative financial instruments are classified as held for trading financial instruments and are measured at fair value, even when they are part of a hedging relationship. All gains and losses are included in net earnings in the period they arise. In accordance with this new standard, the Company has classified its financial instruments as follows: Marketable securities and investments are classified as available-for-sale securities. Such securities are measured at fair market value in the consolidated financial statements with unrealized gains or losses recorded in comprehensive income (loss). At the time securities are sold or otherwise disposed of, gains or losses are included in net earnings (loss).

**b) Hedging (Section 3865)**

This new standard specifies the circumstances under which hedge accounting is permissible and how hedge accounting may be performed. The Company currently does not have any hedges.

SECOND QUARTER CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS

30<sup>th</sup> June 2008

**c) Comprehensive Income (Section 1530)**

Comprehensive income is the change in shareholders' equity during a period from transactions and other events from non-owner sources. This standard requires certain gains and losses that would otherwise be recorded as part of net earnings to be presented in other "comprehensive income" until it is considered appropriate to recognize into net earnings. This standard requires the presentation of comprehensive income, and its components, in a separate financial statement that is displayed with the same prominence as the other financial statements.

The Company had no "other comprehensive income or loss" transactions during the year ended December 31 2007 and no opening or closing balances for accumulated other comprehensive income or loss.

**5. 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.

**6. Property, plant and equipment**

	2008			2007		
	Cost	Accum. Amort.	NBV	Cost	Accum. Amort.	NBV
Manufact. equip	\$ 153,417	\$ (81,514)	\$ 71,903	\$ 143,636	\$ (64,727)	\$ 78,909
Office furniture	-	-	-	-	-	-
Computers	-	-	-	-	-	-
Vehicle	29,391	(27,643)	1,748	29,391	(26,893)	2,719
<b>Total</b>	<b>\$ 182,808</b>	<b>\$ (109,157)</b>	<b>\$ 73,651</b>	<b>\$ 173,027</b>	<b>\$ (91,620)</b>	<b>\$ 81,407</b>

**7. Deferred development**

	2008			2007		
	Cost	Accum. Amort.	NBV	Cost	Accum. Amort.	NBV
Fast-Tube™	\$ 17,928	\$ (7,571)	\$ 10,357	\$ 17,371	\$ (4,236)	\$ 13,135
Fastfoot®	\$ 7,762	-	\$ 7,762	-	-	-
<b>Total</b>	<b>25,690</b>	<b>\$ (7,571)</b>	<b>\$ 18,119</b>	<b>\$ 17,371</b>	<b>\$ (4,236)</b>	<b>\$ 13,135</b>

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

**8. 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:

	2008			2007		
	Cost	Accum. Amort.	NBV	Cost	Accum. Amort.	NBV
Fastfoot®	\$ 77,385	\$ (29,563)	\$ 47,822	\$ 77,384	\$ (25,011)	\$ 52,373
Found. & Floor System	11,105	(10,125)	980	11,106	(9,472)	1,634
Concrete Found Wall	6,957	(4,296)	2,661	6,957	(3,887)	3,070
Fast-Tube™	38,390	-	38,390	34,569	-	34,569
<b>Total</b>	<b>\$ 133,837</b>	<b>\$ (43,984)</b>	<b>\$ 89,853</b>	<b>\$ 130,016</b>	<b>\$ (38,370)</b>	<b>\$ 91,646</b>

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**9. Trademarks**

The company has three registered trademarks:

	<b>2008</b>			<b>2007</b>		
	<i>Cost</i>	<i>Accum. Amort.</i>	<i>NBV</i>	<i>Cost</i>	<i>Accum. Amort.</i>	<i>NBV</i>
Fastfoot®	\$ 6,212	\$ (4,930)	\$ 1,282	\$ 6,212	\$ (4,350)	\$ 1,862
Fastfabric®	3,883	(2,524)	1,359	3,883	(2,136)	1,747
Fastbag®	5,070	(2,752)	2,317	5,070	(2,245)	2,825
<b>Total</b>	<b>\$ 15,165</b>	<b>\$ (10,206)</b>	<b>\$ 4,959</b>	<b>\$ 15,165</b>	<b>\$ (8,731)</b>	<b>\$ 6,434</b>

**10. Amortization and depreciation**

	<b>2008</b>	<b>2007</b>
Property, plant and equipment	\$ 8,273	\$ 4,406
Deferred development	1,516	606
Patents	2,806	1,404
Trademarks	738	369
<b>Total</b>	<b>\$ 13,332</b>	<b>\$ 6,785</b>

**11. Long-term debt**

<i>Description</i>	<b>2008</b>	<b>2007</b>
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. The loan agreement expired on December 19 2007.	\$ -	\$ 22,907
Less current portion	-	-
Long-term portion	-	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 2008	6,720	12,600
Less current portion	(6,720)	(10,080)
Long-term portion	-	2,520
Working capital loan from the Business Development Bank for \$40,000. Secured by guarantee, payable \$650 per month plus interest, currently 9.5%, maturing August 23 2009.	13,000	16,900
Less current portion	(7,800)	(7,800)
Long-term portion	5,200	9,100
Working capital loan from the Business Development Bank for \$50,000. Secured by guarantee, payable \$800 per month plus interest, currently 10.5%, maturing August 23 2012.	44,800	49,600
Less current portion	(9,600)	(9,600)
Long-term portion	35,200	40,000
<b>Total long-term debt</b>	<b>64,520</b>	<b>102,007</b>
<b>Less current portion</b>	<b>(24,120)</b>	<b>(27,480)</b>
<b>Long-term portion</b>	<b>\$ 40,400</b>	<b>\$ 74,527</b>

Future principal payments on long-term debt are:

2008	\$ 13,740
2009	19,080
2010	10,900
2011	9,600
2012	9,600
2013	1,600
<b>Total</b>	<b>\$ 64,520</b>

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**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) 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 2005, 2006, 2007, 2008</b>	<b>6,807,292</b>	<b>\$ 691,942</b>

As at 30 June 2008, 51.9% (2007 – 51.9%) 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 2008 3,419,307 (2007 - 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.

**b) Options and warrants**

There are no stock options or warrants outstanding.

**14. Related party transactions**

The following related party transactions occurred during the fiscal quarter:

<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>2008</b>	<b>2,000</b>	-	<b>949</b>
		2007	-	-	-
Liability	Balance due to Related Parties incurred in the course of business	<b>2008</b>	<b>4,000</b>	<b>572</b>	<b>10,357</b>
		2007	-	-	4,102
Expenses	Management fees	<b>2008</b>	<b>5,557</b>	<b>5,557</b>	-
		2007	7,943	7,943	-

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.

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**15. Income taxes**

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

	<b>2007</b>	<b>2006</b>
Income (loss) for the year	\$ (19,312)	\$ (177,670)
Expected income tax (recovery)	(6,566)	(60,581)
Non taxable items	(9,841)	(71,551)
Unrecognized benefit of non-capital losses	16,400	132,131
	<u>\$</u>	<u>\$</u>

Details of future income taxes assets are as follows:

	<b>2007</b>	<b>2006</b>
Non capital loss carry forwards	\$ 56,000	\$ 96,500
Equipment, patents and trademarks	(3,500)	(11,300)
Development	62,500	54,000
Research tax credits	40,000	40,000
Total future income tax assets	<u>155,000</u>	<u>179,200</u>
Less valuation allowance	<u>(155,000)</u>	<u>(179,200)</u>
	<u>\$ -</u>	<u>\$ -</u>

At 31 December 2007 the company had tax losses of approximately \$164,000 available for deduction against future taxable income. The losses expire as follows:

2008	76,000
2009	3,000
2010	57,000
2014	12,000
2015	3,000
2026	13,000
	<u><b>\$ 164,000</b></u>

**16. Concentration of customers**

In **2008, 16.4%** (2007, 13.3%) of the company's sales were made to one customer.

**17. Segmented information**

	<b>2008</b>		<b>2007</b>	
<i>Gross sales</i>	Canada	<b>\$ 37,274 65.8%</b>	\$ 22,904	40.2%
	U.S.	<b>19,354 34.2%</b>	82,907	59.8%
	Total	<b>\$ 56,628 100.0%</b>	\$ 105,874	100.0%
<i>Total assets</i>	Canada	<b>\$ 303,440 100.0%</b>	\$ 331,081	100.0%
	U.S.	<b>0 0.0%</b>	0	0.0%
	Total	<b>\$ 303,440 100.0%</b>	\$ 331,081	100.0%
<i>Capital expenditures</i>	Canada	<b>\$ 9,455 100.0%</b>	\$ 6,758	100.0%
	U.S.	<b>0 0.0%</b>	0	0.0%
	Total	<b>\$ 9,455 100.0%</b>	\$ 6,758	100.0%

## SECOND QUARTER CONSOLIDATED FINANCIAL STATEMENTS

### FURTHER INFORMATION

*30<sup>th</sup> June 2008*

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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