

**INTERNATIONAL BUILDING INDUSTRIES
LIMITED
AND CONTROLLED ENTITIES**

ABN: 42 116 936 862

**Annual Financial Report For The Year Ended
30 June 2006**

INTERNATIONAL BUILDING INDUSTRIES LIMITED AND CONTROLLED ENTITIES

30 June 2006

ABN: 42 116 936 862

CONTENTS

Directors' Report

Auditor's Independence Declaration

Income Statement

Balance Sheet

Statement of Changes in Equity

Cash Flow Statement

Notes to the Financial Statements

Directors' Declaration

Independent Audit Report

INTERNATIONAL BUILDING INDUSTRIES LIMITED

ABN: 42 116 936 862

DIRECTORS' REPORT

Your directors present their report on the company and its controlled entities for the financial year ended 30 June 2006.

The names of directors in office at any time during or since the end of the year to the date of the financial statements are:

Vine, Brendon Robert (appointed 1/11/05)
Hunter, Samuel Francis (appointed 1/11/05)
Hoare, Ian (appointed 1/11/05)

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Company Secretary

The following person held the position of company secretary at the end of the financial year: Peter Benson

Principal Activities

The principal activities of the economic entity during the financial year was the distribution of waterproofing products.

There were no other significant changes in the nature of the economic entity's principal activities during the financial year.

Operating Results

The consolidated profit of the economic entity after providing for income tax amounted to \$22,941.

Dividends Paid or Recommended

There were no dividends paid or declared during the year.

Review of Operations

International Building Industries Limited was established to provide specialised building products and services primarily in Australasia. The company was subsequently listed on the Newcastle Stock Exchange following the acquisition of International Business Solutions Pty Limited in November 2005. International Building Solutions Pty Limited acquired exclusive distribution rights to distribute waterproofing products within Australia and New Zealand from Liquid Rubber Industries Inc, a company based in Toronto, Canada.

A number of problems were encountered with Liquid Rubber including the failure of the product to meet expectations. As a result of Liquid Rubber Inc. replacing Lafarge as the manufacturer of the Liquid Rubber product range, serious concerns arose regarding the ability of Liquid Rubber Inc. to provide comparable quality products. The company has been advised that there are available legal remedies but consider it more important to source additional high quality products and to this extent entered into supplier arrangements with Shell and a local manufacturer. Whilst the problems initially were a setback to the company the new agreements have resulted in better pricing, support and supply. The Shell contract was recently signed and this is a significant development for the company. Similarly, the group established Sterling Engineered Products as the entity/division to replace Liquid Rubber. In addition to the Shell contract for distribution, a company branded waterproofing product will shortly be available on the market. The directors believe that no actual or contingent liabilities exist for International Building Industries Limited and its controlled entities as a result of the above events.

In line with the group's aim to supply a diverse range of innovative building products, an exclusive distribution agreement was reached with No Skidding Products Inc, a company incorporated in Canada. Prior to the end of the financial year the group sold the exclusive rights to be a master distributor of International Building Industries Limited in New Zealand. This product range is close to being launched in Australia and significant sales are expected to ensue.

Financial Position

The net assets of the economic entity as at the end of the current year are \$4,849,220. This amount is largely attributable to the goodwill and intangible assets from the acquisition of the entire share capital of International Building Solutions Pty Limited.

Significant Changes in State of Affairs

The following significant changes in the state of affairs of the parent entity occurred during the financial year:

- (i) During the year, the company issued 25,000,000 ordinary shares at 20c to each shareholders and 1 ordinary share at \$1.
- (ii) Purchase of the entire share capital of International Building Solutions Pty Limited on 8 November 2005.

Adoption of Australian Equivalents to IFRS

As a result of the introduction of Australian equivalents to International Financial Reporting Standards (AIFRS), the company's financial report has been prepared in accordance with those Standards. As this is the first year of operation, a reconciliation of adjustments arising on the transition to AIFRS was not completed.

After Balance Date Events

No matters or circumstances have arisen since 30 June 2006 that has significantly affected or may significantly affect:

- (a) the group's operations in future financial years
- (b) the results of those operations in future financial years or
- (c) the group's state of affairs in future financial years.

Future Developments, Prospects and Business Strategies

To further improve the economic entity's profit and maximise shareholder wealth, the following developments are intended to be implemented in the near future:

- (i) Introduction of the No Skidding product range
- (ii) expansion of the water proofing product range with the addition of a company owned brand (Sterling Engineered Products) and Shell Flintkote. (Refer review of Operations above for further details).

INTERNATIONAL BUILDING INDUSTRIES LIMITED
ABN: 42 116 936 862
DIRECTORS' REPORT

Environmental Issues

The economic entity and the parent entity are not regulated by any Commonwealth and State environmental regulation and legislation.

Information on Directors

Vine, Brendon Robert	— Non - executive director
Qualifications	— Bachelor of Chemical Engineering, Diploma in Accounting and Advertising
Experience	— Mr. Vine has extensive knowledge and experience within national and international business sectors.
Hunter, Samuel Francis	— Non - executive director
Qualifications	— Bachelor of Business
Experience	— Mr. Hunter has previously held senior executive positions within Coca Cola Company and DDB Needham. He possesses extensive experience in marketing, sales and advertising.
Hoare, Ian	— Non - executive director
Qualifications	— Ph.D (Applied Chemistry)
Experience	— Dr. Hoare has extensive expertise and experience within the fields of pure and applied chemistry, including coal and nuclear energy technologies. His research publications are internationally recognised and brings highly developed critical analysis and innovation skills to the company.

REMUNERATION REPORT

This report details the nature and amount of remuneration for each director of International Building Industries Limited, and for the executives receiving the highest remuneration.

Remuneration policy

The remuneration policy of International Building Industries Limited has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the economic entity's financial results. The board of International Building Industries Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the economic entity, as well as create goal congruence between directors, executives and shareholders.

The board's policy for determining the nature and amount of remuneration for board members and senior executives of the economic entity is as follows:

- The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, was developed and approved by the board.
- All executives receive a base salary (which is based on factors such as length of service and experience), superannuation, fringe benefits, options and performance incentives.
- The board reviews executive packages annually by reference to the economic entity's performance, executive performance and comparable information from industry sectors.

The performance of executives is measured against criteria agreed periodically with each executive and is based predominantly on the forecast growth of the economic entity's profits and shareholders' value. All bonuses and incentives must be linked to predetermined performance criteria. The board may, however, exercise its discretion in relation to approving incentives, bonuses and options, and can recommend changes to the committee's recommendations. Any changes must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.

Presently, there is no employee share and option arrangement in place.

All remuneration paid to directors and executives is valued at the cost to the company and expensed. There are no outstanding options on unissued shares as at the date of this report.

The board policy is to remunerate non-executive directors at market rates for time, commitment and responsibilities. The remuneration committee determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. Fees for non-executive directors are not linked to the performance of the economic entity. However, to align directors interests with shareholder interests, the directors are encouraged to hold shares in the company and are able to participate in any employee option plan, that may be put in place by the company.

Details of remuneration for year ended 30 June 2006

The remuneration for each director and each of the executive officers of the consolidated entity receiving the highest remuneration during the year was as follows:

	Salary, Fees and Commissions \$	Superannuation Contribution \$	Cash Bonus \$	Non-cash Benefits \$	Options \$	Total \$
Directors						
Vine, Brendon Robert	25,358	-	-	-	-	25,358
Hunter, Samuel Francis	9,629	-	-	-	-	9,629
Hoare, Ian	-	-	-	-	-	-
	<u>34,987</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>34,987</u>

INTERNATIONAL BUILDING INDUSTRIES LIMITED

ABN: 42 116 936 862

DIRECTORS' REPORT**Specified Executives**

Behnfeld, Klaus	103,187	-	-	-	-	103,187
Scambler, Gary	100,811	-	5,000	-	-	105,811
	203,998	-	5,000	-	-	208,998

Options issued as part of remuneration for the year ended 30 June 2006

No options were issued to any directors or specified executives during the year.

Meetings of Directors

During the financial year, two meetings of directors were held.

Attendances by each director during the year were as follows:

Directors'	
Number eligible to attend	Number attended
Vine, Brendon Robert	2
Hunter, Samuel Francis	2
Hoare, Ian	2

Vine, Brendon Robert
Hunter, Samuel Francis
Hoare, Ian

Indemnifying Officers or Auditor

During or since the end of the financial year the company has given an indemnity or entered into an agreement to indemnify, or paid or agreed to pay insurance premiums. The terms of the insurance contract prohibit the disclosure of the details of the contract.

Options

At the date of this report, there are no unissued ordinary shares of International Building Industries Limited under option.

During the year ended 30 June 2006, no ordinary shares of International Building Industries Limited were issued on the exercise of options nor were any options granted under any Option Plan.

Proceedings on Behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings during the year

Non-audit Services

The board of directors, in accordance with advice from the audit committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the board prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence as set out in the Institute of Chartered Accountants in Australia and CPA Australia's Professional Statement F1: Professional Independence.

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2006 has been received and can be found following the directors' report.

Director


Vine, Brendon Robert

Dated this

11th day of October 2006

International Building Industries Limited & its controlled entities
ABN 42 116 936 862

Corporate Governance Statement

This statement outlines the main Corporate Governance practices that were in place throughout the financial year, unless otherwise stated.

(i) Board of Directors

International Building Industries Limited ("IBIL") acknowledges that the Corporate Law clearly establishes that the Board is ultimately responsible for all matters relating to the running of IBIL.

In general, the Board is responsible for and has the authority to determine all matters relating to the policies, practices, management and operations of the Company. The Board has the ultimate responsibility for the objectives and successful operation of the Company.

(ii) Statement of Compliance Philosophy

IBIL is a company of integrity and therefore will not breach the law or proper ethical standards. Accordingly, it is part of the philosophy of this company that it will at all times comply with the law (or particular laws) and will demonstrate ethical behaviour. We believe that ensuring everyone in our company complies with the law is simply a part of good management.

(iii) Composition of the Board

Since good governance principles require independence, transparency and flexibility, the Board acknowledges the importance of Board structure and, as a consequence, the Board seeks to use the following provisions as guidance when implementing an effective structure in the Company.

In accordance with the Constitution, the Board may comprise between three and fifteen individual Directors.

The Board shall contain a relevant blend of expertise in

- Accounting;
- Finance;
- Business; and
- Legal skills

Directors are appointed under terms contained in the Constitution.

Subject to the number of Directors allowed under the Constitution, a Director may be appointed by an ordinary resolution of the Company at a General Meeting, while the Board may appoint additional Directors at any time. Such Directors shall only hold office until the next Annual General Meeting of the Company.

The length of appointment for a Director is governed by the Constitution. To ensure a gradual and controlled movement of Directors, the longest serving of all Directors are expected to retire at each Annual General Meeting, but shall be eligible for re-election. However, in the interest of ensuring continual supply of new talent to the Board, Directors are only expected to serve for a maximum of three terms. The exception to this policy is a Chairman who is eligible to serve an additional term in that role.

Corporate Governance Statement (Cont'd)

(iv) Conflict of Interest and Related Third Party Transactions

Directors must:

- Disclose to the Board actual or potential conflicts of interest which may exist or might reasonably be thought to exist between the interests of the Director or the Directors personal interests and the interests of any other related parties in carrying out the activities of the Company; and
- At the request of the Board within seven days or such further period as may be allowed, take such steps as are necessary and reasonable to remove any conflict of interest referred to above.

If a Director cannot or is unwilling to remove a conflict of interest as required, then the Director must absent herself or himself from the room when discussing matters about which the conflict relates.

(iv) Audit Committee

The Board currently constitutes three members, including one executive director and two non-executive directors. The present small size of the Board is deemed sufficient for the scale of operations being conducted presently. As a result, no separate Audit Committee currently exists, with the whole Board performing this role.

(v) Remuneration Committee

For reasons mentioned above, no separate Remuneration Committee exists with the whole Board performing this role.

(vi) Compliance Committee

For reasons mentioned above, no separate Compliance Committee exists with the whole Board performing this role.

(vii) Legal Compliance

The Board is charged with implementing appropriate compliance systems within the organisation. In particular, the Company Secretary will oversee the Company's compliance system. The Company Secretary will work in conjunction with relevant parties to ensure all areas of compliance are covered within the Company.

(viii) Directors Remuneration

By serving on the Board of a limited company, the Directors of a corporation assume a significant responsibility. The Company may offer its non-employee Directors a competitive compensation package, which may include a retainer, meeting fees, liability insurance at the Board's discretion, business travel, accident insurance, and a restricted stock plan. The package will be recommended each year by the remuneration committee, for adoption by the Board. At the present time all Directors have determined to forego Directors fees and benefits.



**AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF INTERNATIONAL BUILDING INDUSTRIES LIMITED
ABN: 42 116 936 862**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2006 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

DUNCAN DOVICO
Chartered Accountants

SYDNEY, 11th OCTOBER 2006

ROSEMARY MEGALE
Partner

CHARTERED ACCOUNTANTS

LEVEL 4, 5-9 HARBOURVIEW CRESCENT, MILSONS POINT NSW 2061 • PO BOX 446, MILSONS POINT NSW 1565

T: 9922 1166 • F: 9922 2044 • E: email@duncandovico.com.au • ABN: 19 173 326 199

Liability limited by a scheme approved under Professional Standards Legislation

INTERNATIONAL BUILDING INDUSTRIES LIMITED

ABN: 42 116 936 862

INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2006

	Note	Economic Entity		Parent Entity	
		2006	2005	2006	2005
		\$	\$	\$	\$
Sales Revenue	3	2,213,236	-	76,829	-
Cost of Sales		(934,497)	-	-	-
Gross Profit		<u>1,278,739</u>	-	<u>76,829</u>	-
Other income	3	11,278	-	2,108	-
Marketing expenses		(128,751)	-	-	-
Occupancy expenses		(51,818)	-	-	-
Administrative expenses		(897,634)	-	(116,923)	-
Finance costs	4	(6,995)	-	(3,226)	-
Other expenses		<u>(127,538)</u>	-	-	-
Profit before income tax		77,281	-	(41,212)	-
Income tax expense	5	<u>(54,340)</u>	-	<u>(4,423)</u>	-
Profit attributable to members of the parent entity		<u><u>22,941</u></u>	-	<u><u>(45,635)</u></u>	-
Overall Operations					
Basic earnings per share (cents per share)	8	0.11	-		

The accompanying notes form part of these financial statements.

INTERNATIONAL BUILDING INDUSTRIES LIMITED

ABN: 42 116 936 862

BALANCE SHEET

AS AT 30 JUNE 2006

	Note	Economic Entity		Parent Entity	
		2006	2005	2006	2005
		\$	\$	\$	\$
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	9	1,785	-	23	-
Trade and other receivables	10	915,686	-	94,081	-
Inventories	11	60,951	-	-	-
Other current assets	16	23,391	-	-	-
TOTAL CURRENT ASSETS		1,001,813	-	94,104	-
NON-CURRENT ASSETS					
Trade and other receivables	10	-	-	1,302,538	-
Financial assets	12	-	-	3,500,106	-
Property, plant and equipment	14	512,724	-	-	-
Deferred tax assets	19	50,362	-	6,000	-
Intangible assets	15	4,348,014	-	-	-
TOTAL NON-CURRENT ASSETS		4,911,100	-	4,808,644	-
TOTAL ASSETS		5,912,913	-	4,902,748	-
CURRENT LIABILITIES					
Trade and other payables	17	842,864	-	27,588	-
Short-term borrowings	18	172,955	-	84,087	-
Current tax liabilities	19	-	-	-	-
Short-term provisions	20	7,200	-	-	-
TOTAL CURRENT LIABILITIES		1,023,019	-	111,675	-
NON-CURRENT LIABILITIES					
Trade and other payables	17	-	-	6	-
Long-term borrowings	18	30,251	-	-	-
Deferred tax liabilities	19	10,423	-	10,423	-
TOTAL NON-CURRENT LIABILITIES		40,674	-	10,429	-
TOTAL LIABILITIES		1,063,693	-	122,104	-
NET ASSETS		4,849,220	-	4,780,644	-
EQUITY					
Issued capital	21	4,826,279	-	4,826,279	-
Retained earnings		22,941	-	(45,635)	-
Parent interest		4,849,220	-	4,780,644	-
TOTAL EQUITY		4,849,220	-	4,780,644	-

The accompanying notes form part of these financial statements.

INTERNATIONAL BUILDING INDUSTRIES LIMITED

ABN: 42 116 936 862

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2006**

Economic Entity

Balance at 1 July 2004

Profit attributable to members of parent entity

Sub-total

Balance at 30 June 2005

Adjustment on prospective application of AASB 139

Shares issued during the year

Capital raising costs

Profit attributable to members of parent entity

Sub-total

Dividends paid or provided for

Balance at 30 June 2006

Note	Share Capital				Retained Earnings	Total
	Ordinary	Redeemable Preference	Convertible Preference			
	\$	\$	\$		\$	\$
2	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	5,000,001	-	-	-	-	5,000,001
	(173,722)	-	-	-	-	(173,722)
	-	-	-	-	22,941	22,941
	4,826,279	-	-	-	22,941	4,849,220
	-	-	-	-	-	-
	4,826,279	-	-	-	22,941	4,849,220

The accompanying notes form part of these financial statements.

Parent Entity

Balance at 1 July 2004

Profit attributable to members of parent entity

Sub-total

Balance at 30 June 2005

Adjustment on prospective application of AASB 139

Shares issued during the year

Transaction costs

Profit attributable to members of parent entity

Sub-total

Dividends paid or provided for

Balance at 30 June 2006

Note	Share Capital				Retained Earnings	Total
	Ordinary	Redeemable Preference	Convertible Preference			
	\$	\$	\$		\$	\$
2	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	5,000,001	-	-	-	-	5,000,001
	(173,722)	-	-	-	-	(173,722)
	-	-	-	-	(45,635)	(45,635)
	4,826,279	-	-	-	(45,635)	4,780,644
	-	-	-	-	-	-
	4,826,279	-	-	-	(45,635)	4,780,644

INTERNATIONAL BUILDING INDUSTRIES LIMITED

ABN: 42 116 936 862

CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2006

	Note	Economic Entity		Parent Entity	
		2006	2005	2006	2005
		\$	\$	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		1,274,158	-	2,108	-
Interest received		4,472	-	-	-
GST received		343	-	-	-
Payments to suppliers and employees		(1,476,082)	-	(55,297)	-
Finance costs		(6,995)	-	-	-
Income tax paid		-	-	-	-
GST paid		-	-	(4,516)	-
Net cash provided by (used in) operating activities	25a	<u>(204,104)</u>	-	<u>(57,705)</u>	-
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment		(543,881)	-	-	-
Purchase of investments		(50,000)	-	(50,000)	-
Payment for subsidiary, net of cash acquired	25b	4,104	-	4,104	-
Acquisition of intangibles		(733,819)	-	-	-
Loans to subsidiaries		-	-	(1,306,742)	-
Net cash provided by (used in) investing activities		<u>(1,323,596)</u>	-	<u>(1,352,638)</u>	-
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of shares		1,500,001	-	1,500,001	-
Proceeds from borrowings		127,244	-	84,087	-
Capital raising costs		(173,722)	-	(173,722)	-
Net cash provided by (used in) financing activities		<u>1,453,523</u>	-	<u>1,410,366</u>	-
Net increase in cash held		(74,177)	-	23	-
Cash at beginning of financial year		-	-	-	-
Cash at end of financial year	9	<u>(74,177)</u>	-	<u>23</u>	-

The accompanying notes form part of these financial statements.

INTERNATIONAL BUILDING INDUSTRIES LIMITED
ABN: 42 116 936 862
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

Note 1 Statement of Significant Accounting Policies

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Urgent Issues Group Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report covers the economic entity of International Building Industries Limited and controlled entities, and International Building Industries Limited as an individual parent entity. International Building Industries Limited is a listed public company, incorporated and domiciled in Australia.

The financial report of International Building Industries Limited and controlled entities, and International Building Industries Limited as an individual parent entity comply with all Australian equivalents to International Financial Reporting Standards (AIFRS) in their entirety.

The parent company was incorporated on 1 November 2005. Hence, there are no comparatives included in this financial report for the previous year.

The following is a summary of the material accounting policies adopted by the economic entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated

Basis of Preparation

First-time Adoption of Australian Equivalents to International Financial Reporting Standards

International Building Industries Limited and controlled entities, and International Building Industries Limited as an individual parent entity have prepared financial statements in accordance with the Australian equivalents to International Financial Reporting Standards (AIFRS) from 1 July 2005

In accordance with the requirements of AASB 1: First-time Adoption of Australian Equivalents to International Financial Reporting Standards, adjustments to the parent entity and consolidated entity accounts resulting from the introduction of AIFRS have been applied retrospectively to 2006 comparative figures excluding cases where optional exemptions available under AASB 1 have been applied. These consolidated accounts are the first financial statements of International Building Industries Limited to be prepared in accordance with Australian equivalents to IFRS.

The accounting policies set out below have been consistently applied to all years presented. The parent and consolidated entities have however elected to adopt the exemptions available under AASB 1 relating to AASB 132: Financial Instruments: Disclosure and Presentation, and AASB 139: Financial

Reporting Basis and Conventions

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

Accounting Policies

(a) Principles of Consolidation

A controlled entity is any entity International Building Industries Limited has the power to control the financial and operating policies so as to obtain benefits from its activities.

A list of controlled entities is contained in Note 13 to the financial statements. All controlled entities have a June financial year-end.

All inter-company balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

Where controlled entities have entered or left the economic entity during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased.

(b) Income Tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(c) Inventories

Inventories are measured at the lower of cost and net realisable value.

(d) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment

Plant and equipment

Plant and equipment are measured on the cost basis. The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

INTERNATIONAL BUILDING INDUSTRIES LIMITED
ABN: 42 116 936 862
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

Depreciation

The depreciable amount of all fixed assets including building and capitalised lease assets, but excluding freehold land, is depreciated on a straight-line basis over their useful lives to the economic entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Plant and equipment	15%
Leased plant and equipment	15%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

(e) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to entities in the economic entity are classified as finance leases. Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term. Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred. Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

(f) Financial Instruments

Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Financial assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and within the requirements of AASB 139: Recognition and Measurement of Financial Instruments. Derivatives are also categorised as held for trading unless they are designated as hedges. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the income statement in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Available-for-sale financial assets

Available-for-sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arms length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, the group assess whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

(g) Impairment of Assets

At each reporting date, the group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the assets carrying value. Any excess of the assets carrying value over its recoverable amount is expensed to the income statement.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

INTERNATIONAL BUILDING INDUSTRIES LIMITED

ABN: 42 116 936 862

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

(h) Intangibles

Goodwill

Goodwill and goodwill on consolidation are initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net assets at date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Distribution agreements

Distribution agreements are recognised at cost of acquisition. Distribution agreements have a finite life and are carried at cost less any accumulated amortisation and any impairment losses.

Intellectual property

Acquired intellectual property is initially recognised at cost of acquisition. Intellectual property is carried at cost less any accumulated impairment

(o) Foreign Currency Transactions and Balances

Functional and presentation currency

The functional currency of each of the group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the yearend exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values

Exchange differences arising on the translation of monetary items are recognised in the income statement, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the income statement.

Group companies

The financial results and position of foreign operations whose functional currency is different from the group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the groups foreign currency translation reserve in the balance sheet. These differences are recognised in the income statement in the period in which the operation is disposed.

(l) Employee Benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs.

Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

(j) Provisions

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(k) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

(l) Revenue

Revenue from the sale of goods is recognised upon the delivery of goods to customers. Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Revenue from investment properties is recognised on an accruals basis or straight line basis in accordance with leases agreements.

Dividend revenue is recognised when the right to receive a dividend has been established. Dividends received from associates and joint venture entities are accounted for in accordance with the equity method of accounting.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

All revenue is stated net of the amount of goods and services tax (GST).

(m) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in income in the period in which they are incurred.

INTERNATIONAL BUILDING INDUSTRIES LIMITED
ABN: 42 116 936 862
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

(n) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(o) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Critical accounting estimates and judgments

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

Key estimates — Impairment

The group assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

Note 2 First-time Adoption of Australian Equivalents to International Financial Reporting Standards

The economic entity of International Building Industries Limited and its controlling entities was incorporated on 1 November 2005. Accordingly, reconciliation of equity at 1 July 2004 and 1 July 2005 and profit and loss for the year ended 30 June 2005 was deemed not to be required in this instance.

Note 3 Revenue

	Note	Economic Entity		Parent Entity	
		2006	2005	2006	2005
		\$	\$	\$	\$
Operating activities					
— sale of goods		2,213,236	-	76,829	-
— interest received	3(a)	4,472	-	2,108	-
— other revenue		15,626	-	-	-
Total Revenue		2,233,334	-	78,937	-
Non-operating activities					
— gain/ (loss) on disposal of property, plant and equipment		(8,820)	-	-	-
Other Income		(8,820)	-	-	-
(a) Interest revenue from:					
— Bank		4,472	-	2,108	-
Total interest revenue		4,472	-	2,108	-

Note 4 Profit for the Year

	Economic Entity		Parent Entity	
	2006	2005	2006	2005
	\$	\$	\$	\$
(a) Expenses				
Cost of sales	934,497	-	-	-
Finance costs:				
— Bank	6,995	-	3,226	-
Total finance costs	6,995	-	3,226	-
Bad and doubtful debts:				
— trade receivables	134,390	-	-	-
Total bad and doubtful debts	134,390	-	-	-
Rental expense on operating leases				
— minimum lease payments	51,818	-	-	-
Impairment loss on investment in associate	50,000	-	50,000	-

INTERNATIONAL BUILDING INDUSTRIES LIMITED
ABN: 42 116 936 862
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

Note 5 Income Tax Expense

	Note	Economic Entity		Parent Entity	
		2006	2005	2006	2005
		\$	\$	\$	\$
(a) The components of tax expense comprise:					
Current tax		-	-	-	-
Deferred tax	19	54,340	-	4,423	-
		<u>54,340</u>	<u>-</u>	<u>4,423</u>	<u>-</u>
(b) The prima facie tax on profit from ordinary activities before tax as follows					
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2005: 30%)					
— economic entity		23,184	-	-	-
— parent entity		-	-	-	-
— other members of the income tax consolidated group		-	-	-	-
net of intercompany transactions		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		23,184	-	-	-
Add:					
Tax effect of:					
— other non-allowable items		31,603	-	4,870	-
		<u>54,787</u>	<u>-</u>	<u>4,870</u>	<u>-</u>
Less:					
Tax effect of:					
— Blackhole expenditure		447	-	447	-
		<u>54,340</u>	<u>-</u>	<u>4,423</u>	<u>-</u>
Income tax expense to wholly-owned subsidiaries under the tax sharing agreement		-	-	-	-
Income tax attributable to entity		<u>54,340</u>	<u>-</u>	<u>4,423</u>	<u>-</u>
The applicable weighted average effective tax rates are as follows:		70%	-11%		

Note 6 Key Management Personnel Compensation

- (a) Names and positions held of economic and parent entity key management personnel in office at any time during the financial year are:

Key Management Person	Position
Vine, Brendon Robert	Executive director
Hunter, Samuel Francis	Non - executive director
Hoare, Ian	Non - executive director
Behnfeld, Klaus	Chief Executive Officer
Scambler, Gary	General Manager

- (b) **Compensation Practices**

The board's policy for determining the nature and amount of compensation of key management for the group is as follows:

The compensation structure for key management personnel is based on a number of factors, including length of service, particular experience of the individual concerned, and overall performance of the company. The contracts for service between the company and key management personnel are on a continuing basis, the terms of which are not expected to change in the immediate future. Upon retirement key management personnel are paid employee benefit entitlements accrued to date of retirement. Any options not exercised before or on the date of termination lapse.

The Remuneration Committee determines the proportion of fixed and variable compensation for each key management personnel. Refer Note 7(c).

- (c) **Key Management Personnel Compensation**

	Cash, salary & commissions	Cash bonus	Non-cash benefit	Other	Total
	\$	\$	\$	\$	\$
2006					
Key Management Person					
Vine, Brendon Robert	25,358	-	-	-	25,358
Hunter, Samuel Francis	9,629	-	-	-	9,629
Hoare, Ian	-	-	-	-	-
Behnfeld, Klaus	103,187	-	-	-	103,187
Scambler, Gary	100,811	5,000	-	-	105,811
	<u>238,985</u>	<u>5,000</u>	<u>-</u>	<u>-</u>	<u>243,985</u>

INTERNATIONAL BUILDING INDUSTRIES LIMITED
ABN: 42 116 936 862
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

(d) Shareholdings

Number of Shares held by Key Management Personnel

2006	Balance 1/07/2005	Received as Compensation	Options Exercised	Net Change Other*	Balance 30/06/2006
Key Management Personnel					
Vine, Brendon Robert	-	-	-	-	-
Hunter, Samuel Francis	-	-	-	-	-
Hoare, Ian	-	-	-	-	-
Behnfeld, Klaus	-	-	-	-	-

* Net change other refers to shares purchased or sold during the financial year.

Note 7 Auditors' Remuneration

	Economic Entity		Parent Entity	
	2006	2005	2006	2005
	\$	\$	\$	\$
Remuneration of the auditor of the parent entity for:				
— auditing or reviewing the financial report	20,000	-	20,000	-

Note 8 Earnings per Share

	Economic Entity			
	2006	2005		
	\$	\$		
(a) Reconciliation of earnings to profit or loss				
Profit			22,941	-
Earnings used to calculate basic EPS			22,941	-
Earnings used in the calculation of dilutive EPS			22,941	-
(b) Reconciliation of earnings to profit or loss from continuing operations				
Profit from continuing operations			22,941	-
Earnings used to calculate basic EPS from continuing operations			22,941	-
Earnings used in the calculation of dilutive EPS from continuing operations			22,941	-
(c) Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS			No.	No.
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS			21,825,727	-
			21,825,727	-
(e) Diluted earnings per share is not reflected for discontinuing operations as the result is anti-dilutive in nature.				

Note 9 Cash and Cash Equivalents

	Note	Economic Entity		Parent Entity	
		2006	2005	2006	2005
		\$	\$	\$	\$
Cash at bank and in hand		1,785	-	23	-
		1,785	-	23	-
Reconciliation of cash					
Cash at the end of the financial year as shown in the cash flow statement is reconciled to items in the balance sheet as follows:					
Cash and cash equivalents		1,785	-	23	-
Bank overdrafts	18	(75,962)	-	-	-
		(74,177)	-	23	-

Note 10 Trade and Other Receivables

	Note	Economic Entity		Parent Entity	
		2006	2005	2006	2005
		\$	\$	\$	\$
CURRENT					
Trade receivables		821,605	-	-	-
Other receivables		94,081	-	94,081	-
		915,686	-	94,081	-
NON-CURRENT					
Amounts receivable from:					
— wholly-owned entities		-	-	1,302,538	-
		-	-	1,302,538	-

INTERNATIONAL BUILDING INDUSTRIES LIMITED
ABN: 42 116 936 862
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

Note 11 Inventories

	Note	Economic Entity		Parent Entity	
		2006	2005	2006	2005
		\$	\$	\$	\$
CURRENT					
At cost					
Finished goods		60,951	-	-	-
		<u>60,951</u>	<u>-</u>	<u>-</u>	<u>-</u>

Note 12 Other Financial Assets

	Note	Economic Entity		Parent Entity	
		2006	2005	2006	2005
		\$	\$	\$	\$
NON CURRENT					
Investments in controlled entities	13	-	-	3,500,106	-
		<u>-</u>	<u>-</u>	<u>3,500,106</u>	<u>-</u>

Note 13 Controlled Entities & Associates

(a) Controlled Entities Consolidated

	Country of Incorporation	Percentage Owned (%)	
		2006	2005
Parent Entity:			
International Building Industries Limited	Australia		
Ultimate Parent Entity:			
International Building Industries Limited	Australia		
Subsidiaries of International Building Industries Limited:			
I.B.I.L. (ADMIN) Pty Limited	Australia	100	-
International Building Solutions Pty Limited	Australia	100	-
I.B.S. (DIST) Pty Limited	Australia	100	-
Non Skid Australia Pty Limited	Australia	100	-
Sterling Engineered Products Pty Limited	Australia	100	-
S.E.P Logistics Pty Limited	Australia	100	-
S.E.P (DIST) Pty Limited	Australia	100	-

* Percentage of voting power is in proportion to ownership

(b) Acquisition of Controlled Entities

On 8 November 2005 the parent entity acquired 100% of International Building Solutions Pty Limited, with International Building Industries Limited entitled to all profits earned from 1 November 2005 for a purchase consideration of \$3,500,000.

(c) Associates

During the financial year, the parent entity acquired 50% of the issued capital of Mandela Investments Pty Limited for \$50,000. At year end, the directors have assessed the investment value is impaired. As a result, the investment has been written off in full.

INTERNATIONAL BUILDING INDUSTRIES LIMITED
ABN: 42 116 936 862
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

Note 14 Property, Plant and Equipment

	Economic Entity		Parent Entity	
	2006	2005	2006	2005
	\$	\$	\$	\$
PLANT AND EQUIPMENT				
Plant and equipment:				
At cost	534,529	-	-	-
Accumulated amortisation	(21,805)	-	-	-
Total Plant and Equipment	<u>512,724</u>	<u>-</u>	<u>-</u>	<u>-</u>

(a) Movements in Carrying Amounts

Movements in carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year.

	Plant and Equipment	Total
	\$	\$
Economic Entity:		
Balance at the beginning of year	-	-
Additions	543,880	543,880
Disposals	(8,820)	(8,820)
Depreciation expense	(22,336)	(22,336)
Carrying amount at the end of year	<u>512,724</u>	<u>512,724</u>

(b) Impairment losses

There was no impairment loss during the period. Accordingly, no impairment loss was recognised for the year ended 30 June 2006.

Note 15 Intangible Assets

	Economic Entity		Parent Entity	
	2006	2005	2006	2005
	\$	\$	\$	\$
Intangible Assets				
At cost	33,819	-	-	-
(Accumulated Amortisation)	(3,688)	-	-	-
Intellectual Property	<u>983,883</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>1,014,014</u>	<u>-</u>	<u>-</u>	<u>-</u>
Goodwill				
Cost	3,334,000	-	-	-
Net carrying value	<u>3,334,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total intangibles	<u>4,348,014</u>	<u>-</u>	<u>-</u>	<u>-</u>

Economic Entity:

	Goodwill	Distribution Agreements	Intellectual Property
	\$	\$	\$
Year ended 30 June 2006			
Balance at the beginning of year	-	-	-
Additions	-	33,819	983,883
Amortisation charge	-	(3,688)	-
Acquisitions through business combinations	3,237,709	-	-
Closing carrying value at 30 June 2006	<u>3,237,709</u>	<u>30,131</u>	<u>983,883</u>

Intangible assets, other than goodwill have finite useful lives. The current amortisation charges in respect of intangible assets are included under depreciation and amortisation expense per the income statement. Goodwill has an infinite life.

Note 16 Other Assets

	Economic Entity		Parent Entity	
	2006	2005	2006	2005
	\$	\$	\$	\$
CURRENT				
Prepayments	23,391	-	-	-
	<u>23,391</u>	<u>-</u>	<u>-</u>	<u>-</u>

INTERNATIONAL BUILDING INDUSTRIES LIMITED

ABN: 42 116 936 862

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

Note 17 Trade and Other Payables

	Economic Entity		Parent Entity	
	2006	2005	2006	2005
	\$	\$	\$	\$
CURRENT				
Unsecured liabilities				
Trade payables	740,785	-	12,104	-
Sundry payables and accrued expenses	102,079	-	15,484	-
	<u>842,864</u>	<u>-</u>	<u>27,588</u>	<u>-</u>
NON-CURRENT				
Unsecured liabilities				
Related party loans	-	-	6	-
	<u>-</u>	<u>-</u>	<u>6</u>	<u>-</u>

Note 18 Borrowings

	Note	Economic Entity		Parent Entity	
		2006	2005	2006	2005
		\$	\$	\$	\$
CURRENT					
Unsecured liabilities					
Bank overdrafts		75,962	-	-	-
Lease liability	22	12,906	-	-	-
Other third party loan		84,087	-	84,087	-
		<u>172,955</u>	<u>-</u>	<u>84,087</u>	<u>-</u>
NON-CURRENT					
Unsecured liabilities					
Lease liability	22	30,251	-	-	-
		<u>30,251</u>	<u>-</u>	<u>-</u>	<u>-</u>

Note 19 Tax

	Note	Economic Entity		Parent Entity	
		2006	2005	2006	2005
		\$	\$	\$	\$
(a) Liabilities					
CURRENT					
Income Tax		-	-	-	-
TOTAL		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NON-CURRENT					
Deferred tax liability comprises:					
Other		10,423	-	10,423	-
Total		<u>10,423</u>	<u>-</u>	<u>10,423</u>	<u>-</u>
(b) Assets					
Deferred tax assets comprise:					
Provisions		8,160	-	6,000	-
Tax Loss		26,096	-	-	-
Income received in advance		15,000	-	-	-
Tax allowances relating to plant & equipment		1,106	-	-	-
		<u>50,362</u>	<u>-</u>	<u>6,000</u>	<u>-</u>
(c) Reconciliations					
(i) Gross Movements					
The overall movement in the deferred tax account is as follows:					
Opening balance		-	-	-	-
(Charge) / credit to income statement	5	(54,340)	-	(4,423)	-
Charge to equity		-	-	-	-
Closing balance		<u>(54,340)</u>	<u>-</u>	<u>(4,423)</u>	<u>-</u>

INTERNATIONAL BUILDING INDUSTRIES LIMITED

ABN: 42 116 936 862

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006**

	Economic Entity		Parent Entity	
	2006	2005	2006	2005
	\$	\$	\$	\$
(ii) Deferred Tax Liability				
The movement in deferred tax liability for each temporary difference during the year is as follows:				
Tax allowances relating to property, plant and equipment:				
Opening Balance	-	-	-	-
Charged to the income statement	10,423	-	10,423	-
Closing Balance	10,423	-	10,423	-
(iii) Deferred Tax Assets				
The movement in deferred tax assets for each temporary difference during the year is as follows:				
Provisions				
Opening Balance	-	-	-	-
Credited to the income statement	8,160	-	6,000	-
Closing Balance	8,160	-	6,000	-
Other				
Opening Balance	-	-	-	-
Credited/(charged) to the income statement	16,106	-	-	-
Closing Balance	16,106	-	-	-
(d) Deferred tax assets not brought to account, the benefits of which will only be realised if the conditions for deductibility set out in Note 1(b)				
— temporary differences				
— tax losses:				
— operating losses	104,198	-	-	-
	104,198	-	-	-

Note 20 Provisions

CURRENT

Employee Entitlements

Opening balance at beginning of year	-	-	-	-
Additional provisions raised during year	7,200	-	-	-
Balance at end of the year	7,200	-	-	-

Note 21 Issued Capital

25,000,001 (2005: Nil) fully paid ordinary shares
Capital raising costs

	Economic Entity		Parent Entity	
	2006	2005	2006	2005
	\$	\$	\$	\$
25,000,001 (2005: Nil) fully paid ordinary shares	5,000,001	-	5,000,001	-
Capital raising costs	(173,722)	-	(173,722)	-
	4,826,279	-	4,826,279	-

(a) Ordinary Shares

At the beginning of reporting period				
Shares issued during year				
— 01/11/2005	1	-	1	-
— 08/11/2005	20,000,000	-	20,000,000	-
— 06/03/2006	5,000,000	-	5,000,000	-
At reporting date	25,000,001	-	25,000,001	-

	Economic Entity		Parent Entity	
	2006	2005	2006	2005
	No.	No.	No.	No.
At the beginning of reporting period				
Shares issued during year				
— 01/11/2005	1	-	1	-
— 08/11/2005	20,000,000	-	20,000,000	-
— 06/03/2006	5,000,000	-	5,000,000	-
At reporting date	25,000,001	-	25,000,001	-

The company issued 25,000,001 ordinary shares at 20 cents each to shareholders.

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held. At the shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

INTERNATIONAL BUILDING INDUSTRIES LIMITED
ABN: 42 116 936 862
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

Note 22 Capital and Leasing Commitments

	Note	Economic Entity		Parent Entity	
		2006	2005	2006	2005
		\$	\$	\$	\$
(a) Finance Lease Commitments					
Payable — minimum lease payments					
— not later than 12 months		12,906	-	-	-
— between 12 months and 5 years		30,251	-	-	-
Minimum lease payments		<u>43,157</u>	-	-	-
Present value of minimum lease payments	18	<u>43,157</u>	-	-	-
(b) Operating Lease Commitments					
Non-cancellable operating leases contracted for but not capitalised in the financial statements					
Payable — minimum lease payments					
— not later than 12 months		98,400	-	-	-
— between 12 months and 5 years		-	-	-	-
— greater than 5 years		-	-	-	-
		<u>98,400</u>	-	-	-

The property lease is a non-cancellable lease with a five-year term, with rent payable monthly in advance. Contingent rental provisions within the lease agreement require the minimum lease payments shall be increased to account for CPI. An option exists to renew the lease at the end of the five-year term for an additional term of five years. The lease allows for subletting of all lease areas.

Note 23 Contingent Liabilities and Contingent Assets

The Company is not aware of any contingent assets or liabilities as at 30 June 2006 or to the date of the financial report, except as indicated hereunder.

INTERNATIONAL BUILDING INDUSTRIES LIMITED
ABN: 42 116 936 862
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

Note 24 Segment Reporting

The Company and its controlled entities operated solely within Australia during the current financial year. Accordingly, the directors believe that no segment reporting was deemed necessary for the current financial year.

INTERNATIONAL BUILDING INDUSTRIES LIMITED
ABN: 42 116 936 862
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

Note 25 Cash Flow Information

	Economic Entity		Parent Entity	
	2006	2005	2006	2005
	\$	\$	\$	\$
(a) Reconciliation of Cash Flow from Operations with Profit after Income Tax				
Profit after income tax	22,941	-	(45,635)	-
Cash flows excluded from profit attributable to operating activities				
Non-cash flows in profit				
Amortisation	3,688	-	-	-
Depreciation	22,337	-	-	-
Impairment loss on investment	50,000	-	50,000	-
Net gain / (loss) on disposal of property, plant and	8,820	-	-	-
Changes in assets and liabilities, net of the effects of purchase of subsidiaries				
(Increase)/decrease in trade and term receivables	(821,606)	-	-	-
(Increase)/decrease in other receivables	(94,081)	-	(98,597)	-
(Increase)/decrease in prepayments	(23,391)	-	-	-
(Increase)/decrease in inventories	(60,951)	-	-	-
(Increase)/decrease in deferred tax assets	(50,362)	-	(6,000)	-
Increase/(decrease) in trade payables and accruals	720,878	-	32,104	-
Increase/(decrease) in deferred taxes payable	10,423	-	10,423	-
Increase/(decrease) in provisions	7,200	-	-	-
Cash flow from operations	<u>(204,104)</u>	<u>-</u>	<u>(57,705)</u>	<u>-</u>

INTERNATIONAL BUILDING INDUSTRIES LIMITED
ABN: 42 116 936 862
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

(b) Acquisition of Entities

During the year 100% of the controlled entity International Building Solutions Pty Limited was acquired. Details of this transaction are:

Purchase consideration	3,500,000	-	-	-
Cash consideration	-	-	-	-
Cash outflow	-	-	-	-
Assets and liabilities held at acquisition date:				
Cash	4,210	-	-	-
Receivables	231,356	-	-	-
Inventories	97,012	-	-	-
Property, plant and equipment	293,234	-	-	-
Payables	(459,812)	-	-	-
	166,000	-	-	-
Goodwill on consolidation	3,334,000	-	-	-
Minority equity interests in acquisition	-	-	-	-
	3,500,000	-	-	-

The assets and liabilities arising from the acquisition are recognised at fair value which is equal to its carrying value.

Operating loss of International Building Solutions Pty Limited included in consolidated profit of the group since the acquisition date on 8 November 2005 amounted to \$102,598. Had the results relating to International Building Solutions Pty Limited been consolidated from 1 July 2005, consolidated revenue would have been \$2,878,061 and consolidated loss \$130,279 for the year ended 30 June 2006.

Note 26 Events After the Balance Sheet Date

No matters or circumstances have arisen since 31 December 2005 that has significantly affected or may significantly affect:

- (a) the group's operations in future financial years
- (b) the results of those operations in future financial years or
- (c) the group's state of affairs in future financial years.

Note 27 Related Party Transactions

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Transactions with related parties:

(a) Parent Company

Management fees charged by parent entity to its subsidiaries
Advances receivable from subsidiaries at year end

Economic Entity		Parent Entity	
2006	2005	2006	2005
\$	\$	\$	\$

-	-	76,829	-
-	-	1,302,538	-

(b) Other Related Parties

Amounts payable to Benson Partners Pty Limited (related to Peter Benson) for accounting and related services

19,800	-	-	-
--------	---	---	---

INTERNATIONAL BUILDING INDUSTRIES LIMITED
ABN: 42 118 936 862
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

Note 28 Financial Instruments

(a) Financial Risk Management

The group's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable, loans to and from subsidiaries, bills, leases, preference shares, and derivatives.

The main purpose of non-derivative financial instruments is to raise finance for group operations. Derivatives are used by the group for hedging purposes. Such instruments include forward exchange and currency option contracts and interest rate swap agreements. The group does not speculate in the trading of derivative instruments.

(i) Treasury Risk Management

As part of the boards regular meetings, material exposure to currency and interest rates are evaluated, in the context of the most recent economic conditions and forecasts.

(ii) Financial Risks

The main risks the group is exposed to through its financial instruments are interest rate risk, foreign currency risk, liquidity risk, credit risk and price risk.

Interest rate risk

For interest rate risk please refer to Note 28(b).

Liquidity risk

The group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained.

INTERNATIONAL BUILDING INDUSTRIES LIMITED
ABN: 42 116 936 862
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements.

The economic entity does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the economic entity.

(b) Financial Instruments

(i) Interest Rate Risk

The economic entity's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

	Weighted Average Effective Interest Rate	Floating Interest Rate	Non-interest Bearing	Total
	2006	2006	2005	\$
Financial Assets:				
Cash and cash equivalents	4.50%	1,785	-	1,785
Receivables	N/A	-	917,455	917,455
Total Financial Assets		1,785	917,455	919,240
Financial Liabilities:				
Bank loans and overdrafts	7.50%	75,962	-	75,962
Trade and sundry payables	N/A	-	794,289	794,289
Lease liabilities	8.00%	43,157	-	43,157
Other borrowings	10.00%	84,087	-	84,087
Total Financial Liabilities		203,206	794,289	997,495

(ii) Net Fair Values

The net fair values of:

- Cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities of the Company approximates their carrying value.
- Other assets and other liabilities approximate their carrying value.

No financial assets and financial liabilities are readily traded on organised markets in standardised form other than listed investments, forward exchange contracts and interest rate swaps.

INTERNATIONAL BUILDING INDUSTRIES LIMITED

ABN: 42 116 936 862

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006**

Note 29 Company Details

The registered office of the company is:
International Building Industries Limited
C/- Benson Partners
Level 1, 168 Wharf Street
Brisbane QLD 4001

The principal place of business of the company is:
International Building Industries Limited
10 Virginia Street, Virginia
Brisbane QLD 4014

Note 30 Going Concern

At year end, there exists a net current assets deficiency of \$21,206 in the economic entity and \$17,571 in the parent entity. Despite this, the financial statements have been prepared on a going concern basis. Additional equity capital was raised after balance date (but before the signing date of this report) to provide sufficient funding to the economic entity and the parent entity to allow it to pay its debts as and when due.

INTERNATIONAL BUILDING INDUSTRIES LIMITED
ABN: 42 116 936 862

The directors of the company declare that:

1. the financial statements, comprising the income statement, the balance sheet, the statement of changes in equity, the cash flow statement and notes to the financial statements, are in accordance with the
 - (a) comply with Accounting Standards and the Corporations Regulations 2001; and
 - (b) give a true and fair view of the financial position as at 30 June 2006 and of the performance for the year ended on that date of the company and economic entity;
2. the Chief Executive Officer and Chief Finance Officer have each declared that:
 - (a) the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
 - (b) the financial statements and notes for the financial year comply with the Accounting Standards; and
 - (c) the financial statements and notes for the financial year give a true and fair view.
3. in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

At the date of this declaration, there are reasonable grounds to believe that the companies which are party to this deed of cross guarantee will be able to meet any obligations or liabilities to which they are, or may become subject to, by virtue of the deed.

This declaration is made in accordance with a resolution of the Board of Directors.

Director



Vine, Brendon Robert

Dated this 11th day of October 2006

INDEPENDENT AUDIT REPORT
TO THE MEMBERS OF INTERNATIONAL BUILDING INDUSTRIES LIMITED

Scope

The financial report and directors' responsibility

The financial report comprises the income statement, balance sheet, statement of changes in equity, cash flow statement, accompanying notes to the financial statements, and the directors' declaration for International Building Industries Limited (the entity) and International Building Industries and its controlled entities (the consolidated entity), for the year ended 30 June 2006. The consolidated entity comprises both the company and the entities it controlled during

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit Approach

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgment, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.

In accordance with ASIC Class Order 05/83, we declare to the best of our knowledge and belief that the auditors independence declaration set out on page 4 of the financial report has not changed as at the date of providing our audit

Audit Opinion

In our opinion, the financial report of International Building Industries Limited is in accordance with:

a. the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2006 and of their performance for the year ended on that date; and
- (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

b. other mandatory financial reporting requirements in Australia.

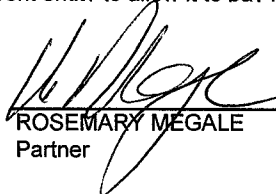
Emphasis of matter

Without qualification to the above audit opinion, attention is drawn to the following.

As disclosed in Note 30 of the financial statements, there exists a net current assets deficiency of \$21,206 in the economic entity and \$17,571 in the parent entity. Despite this, the financial statements have been prepared on a going concern basis. Additional equity capital was raised after balance date (but before the signing date of this report) to provide sufficient funding to the economic entity and the parent entity to allow it to pay its debts as and when due.



DUNCAN DOVICO
Chartered Accountants



ROSEMARY MEGALE
Partner

SYDNEY, 11th OCTOBER 2006

CHARTERED ACCOUNTANTS

LEVEL 4, 5-9 HARBOURVIEW CRESCENT, MILSONS POINT NSW 2061 • PO BOX 446, MILSONS POINT NSW 1565

T: 9922 1166 • F: 9922 2044 • E: email@duncandovico.com.au • ABN: 19 173 326 199

Liability limited by a scheme approved under Professional Standards Legislation

International Building Industries Limited & its controlled entities
ABN 42 116 936 862

NSX Additional Information

Additional information required by the Stock Exchange of Newcastle Limited ("NSX") Listing Rules and not disclosed elsewhere in this report is set out below.

Stock Exchange Listing

The Company's shares are listed on the NSX and trade under the NSX code IBL.

Twenty Largest Shareholders

The top 20 shareholders as at 30 June 2006 were as follows:

Shareholder name	No. of shares	% of shares issued
Mr. Thomas Forsberg	9,375,062	37.50
Mr. Gerard Trives	2,287,436	9.15
Arcodoro Pty Ltd	1,525,008	6.10
M & D Rogers Investments Pty Ltd	1,525,008	6.10
Ms. Joyce Edith Starnes	1,137,504	4.55
Claude Tropea	1,000,000	4.00
Mr. Alexander Smith	999,974	4.00
Mr. Geoffrey R Pollard	888,104	3.55
R&C Holland Properties Pty Ltd	762,504	3.05
William Green	750,000	3.00
1 st Fleet Pty Ltd	420,000	1.68
Beverly Conway	250,000	1.00
Vikki Fudge	250,000	1.00
Lawrence Gaffney	250,000	1.00
Mr. Peter Holley	250,000	1.00
Mr. Paul McCabe	250,000	1.00
Smartcom Pty Ltd	250,000	1.00
Shareholding Pty Ltd	200,000	0.80
Mr. Frederick Clements	160,000	0.64
Martin Place Securities Pty Ltd	150,000	0.60
	22,680,600	90.72