

**INTERNATIONAL BUILDING INDUSTRIES LIMITED
AND ITS CONTROLLED ENTITIES**

ABN: 42 116 936 862

**INTERIM FINANCIAL REPORT
31 DECEMBER 2006**

TABLE OF CONTENTS

SECTION	PAGE NO.
DIRECTORS' REPORT	1
AUDITOR'S INDEPENDENCE DECLARATION	3
INTERIM INCOME STATEMENT	4
INTERIM BALANCE SHEET	5
INTERIM STATEMENT OF CHANGES IN EQUITY	6
INTERIM STATEMENT OF CASHFLOWS	7
NOTES THE FINANCIAL STATEMENTS	8
DIRECTORS' DECLARATION	10
REVIEW REPORT	11

**INTERNATIONAL BUILDING INDUSTRIES LIMITED
AND ITS CONTROLLED ENTITIES
HALF YEAR ENDED 31 DECEMBER 2006**

DIRECTOR'S REPORT

Your directors present their report on the consolidated entity for the half year ended 31 December 2006.

Directors

The names of directors who held office during or since the end of the half-year:

Mr Brendon Vine

Dr Ian Hoare

Mr Samuel Hunter (resigned 19 February 2007)

Mr Martin Lloyd Callaghan (appointed 22 February 2007)

Principal Activities

The principal activity of the consolidated entity is the procurement of distribution rights and sale of world leading and innovative building products.

There were no significant changes in the nature of the activities of the Company or consolidated entity during the half-year.

Review of Operations

The company is currently on the Official List of the National Stock Exchange of Australia Limited, and the securities of the company trade under the ticket symbol IBIL.

In a period where the group experienced a severe lack of leadership and direction from senior management and others, the group realised total revenues for the relevant period of \$238,883 and made a loss of \$6,390,934.

The Board of Directors have removed previous management, and have appointed a new Chief Executive Officer. Since this appointment, measures have been taken to improve the corporate governance of the group to that always expected and demanded by the directors, and financially consolidate the groups position in the marketplace. This has included a write off of assets not deemed recoverable at the period end, and has directly attributed to the loss realised.

The loss incurred for the interim period include the following non recurring amounts:

- Write down of acquired goodwill and intellectual property of \$4,317,883;
- Provision against debts whose recoverability is either doubtful or not assured of \$587,972
- Write down of non current assets to recoverable amounts of \$465,836

Corporate Restructure

During the interim period, and up to the date of signing, the Board have commenced a process of corporate restructure, culminating with the appointment of a new Chief Executive Officer, Mr Martin Callaghan. The Board believes that this appointment will help facilitate the change management process commenced during the interim period, with a view to creating required corporate governance, and ultimately, increasing value to shareholders.

INTERNATIONAL BUILDING INDUSTRIES LIMITED
AND ITS CONTROLLED ENTITIES
HALF YEAR ENDED 31 DECEMBER 2006

DIRECTOR'S REPORT (Cont'd)

Review of Operations (Cont'd)

Capital Raising

The company completed a number of share placements during the period, and as a result 3,216,668 fully paid ordinary shares were issued at a price of \$0.24 per share as consideration.

Administration of IBS Pty Limited

During the interim period, a wholly owned subsidiary, International Building Solutions Pty Limited, was in receipt of inventory which was found to be below specifications, and deemed unsaleable. As a result of this, on 16th November 2006 the Directors placed International Building Solutions Pty Limited into Voluntary Administration. This created a moratorium on all creditors of the company, potentially enabling the Directors to pursue action against the suppliers of the stock.

On 30th January 2007, creditors of International Building Solutions Pty Limited accepted a deed of arrangement for outstanding liabilities. At the time of signing this report, the Deed of Arrangement was being executed by the Administrator.

Likely Developments

The Board in the coming months is seeking to consolidate the groups position with its suppliers and distributors. It seeks to cement the foundations established through the recent restructure and use these foundations to build the operations of the business, with sound leadership, direction and corporate governance.

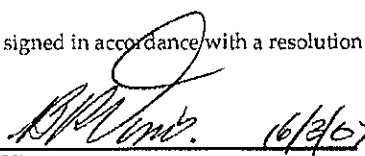
Events Subsequent to Reporting Date

At the time of signing, the Board has secured additional funding to the amount of \$525,000, to be advanced as and when deemed required by the Board.

Auditor's Declaration

The lead auditor's independence declaration under section 307C of the *Corporations Act 2001* is set out on page 3 for the half year ended 31 December 2006.

This report is signed in accordance with a resolution of the Board of Directors.



Mr. Brendan Vine
Chairman

Date: 16 March 2007.

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307c OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF INTERNATIONAL BUILDING INDUSTRIES LIMITED

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2006 there have been:

- (a) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review, and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is made in respect of International Building Industries Limited and the entities it controlled during the period.



R Megale
Partner
Duncan Dovico Chartered Accountants

Sydney
16 March 2007

**INTERNATIONAL BUILDING INDUSTRIES LIMITED
AND ITS CONTROLLED ENTITIES**

INTERIM CONSOLIDATED INCOME STATEMENT FOR THE HALF YEAR ENDED 31 DECEMBER 2006

	Economic Entity Half Year	
	2006	2005
	\$	\$
Revenue	238,883	213,695
Raw materials and consumables used	(137,800)	(41,021)
Employee benefits expense	(248,685)	-
Depreciation and amortisation expense	(8,677)	(532)
Finance costs	(4,612)	(4,452)
Impairment of intangible assets	(4,317,883)	-
Other expenses	(1,923,938)	(204,259)
Profit / (loss) before income tax	<u>(6,402,712)</u>	<u>(36,569)</u>
Income tax benefit / (expense)	-	10,971
Profit / (loss) from continuing operations	<u>(6,402,712)</u>	<u>(25,598)</u>
Profit / (loss) from discontinued operations	-	-
Profit / (loss) for the period	<u>(6,402,712)</u>	<u>(25,598)</u>
Profit / (loss) attributable to minority equity interest	-	-
Profit / (loss) attributable to members of the parent entity	<u>(6,402,712)</u>	<u>(25,598)</u>
Overall Operations:		
Basic earnings per share (cents per share)	(\$0.23)	(\$0.14)
Diluted earnings per share (cents per share)	(\$0.23)	(\$0.14)

This statement is to be read in conjunction with the notes to and forming part of the financial statements

**INTERNATIONAL BUILDING INDUSTRIES LIMITED
AND ITS CONTROLLED ENTITIES**

INTERIM CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2006

	Economic Entity	
	31-Dec 2006 \$	30-Jun 2006 \$
CURRENT ASSETS		
Cash and cash equivalents	(19,056)	1,785
Trade and other receivables	54,757	915,686
Inventories	233,922	60,951
Current tax asset	-	23,391
TOTAL CURRENT ASSETS	269,623	1,001,813
NON-CURRENT ASSETS		
Property, plant and equipment	48,859	512,724
Incorporation & listing expenses	-	0
Intangible assets	-	4,348,014
Deferred tax asset	-	50,362
TOTAL NON-CURRENT ASSETS	48,859	4,911,100
TOTAL ASSETS	318,482	5,912,913
CURRENT LIABILITIES		
Trade and other payables	1,092,340	1,023,019
Current tax liabilities	(4,366)	-
TOTAL CURRENT LIABILITIES	1,087,974	1,023,019
NON-CURRENT LIABILITIES		
Borrowings	-	30,251
Deferred tax liability	-	10,423
TOTAL NON-CURRENT LIABILITIES	-	40,674
TOTAL LIABILITIES	1,087,974	1,063,693
NET ASSETS	(769,492)	4,849,220
EQUITY		
Issued capital	6	4,826,279
Retained earnings / (Accumulated losses)	(6,379,771)	22,941
TOTAL EQUITY	(769,492)	4,849,220

This statement is to be read in conjunction with the notes to and forming part of the financial statements

**INTERNATIONAL BUILDING INDUSTRIES LIMITED
AND ITS CONTROLLED ENTITIES**

**INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2006**

	\$	\$	\$	\$	\$
	Share Capital Ordinary	Retained Profits	Asset Revaluation	Minority Interests	Total
Balance at 1.7.2005	-	-	-	-	-
Shares issued during the period	4,000,001	-	-	-	4,000,001
Capital raising costs	-	-	-	-	-
Profit attributable to members of parent entity	-	(25,598)	-	-	(25,598)
Sub-total	-	-	-	-	-
Dividends paid or provided for	-	-	-	-	-
Balance at 31.12.2005	4,000,001	(25,598)	-	-	3,974,403
Balance at 1.7.2006	5,000,001	22,941	-	-	5,022,942
Shares issued during the period	784,000	-	-	-	784,000
Capital raising costs	(173,722)	-	-	-	(173,722)
Profit attributable to members of parent entity	-	(6,402,712)	-	-	(6,402,712)
Revaluation increment	-	-	-	-	-
Sub-total	5,610,279	(6,379,771)	-	-	(769,492)
Dividends paid or provided for	-	-	-	-	-
Balance at 31.12.2006	5,610,279	(6,379,771)	-	-	(769,492)

This statement is to be read in conjunction with the notes to and forming part of the financial statements

**INTERNATIONAL BUILDING INDUSTRIES LIMITED
AND ITS CONTROLLED ENTITIES**

INTERIM CONSOLIDATED CASH FLOW STATEMENT FOR THE HALF YEAR ENDED 31 DECEMBER 2006

	Economic Entity Half Year	
	2006 \$	2005 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	481,572	136,830
Payments to suppliers and employees	(1,172,908)	(485,485)
Dividends received	-	-
Interest received	268	142
Finance costs	(4,613)	(4,452)
Income tax paid	-	-
Net cash provided by (used in) operating activities	<u>(695,681)</u>	<u>(352,965)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of non-current assets	-	-
Purchase of non-current assets	(15,363)	-
Proceeds from disposal of entities	-	-
Payment for subsidiary, net of cash acquired	-	-
Net cash provided by (used in) investing activities	<u>(15,363)</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	784,000	500,001
Proceeds from borrowings	-	-
Repayment of borrowings	(203,206)	(97,868)
Dividends paid	-	-
Net cash provided by (used in) financing activities	<u>580,794</u>	<u>402,133</u>
Net increase in cash held	(130,250)	49,168
Cash at <i>1 July</i>	1,785	-
Net cash acquired on acquisition of subsidiary	-	4,210
Cash at <i>31 December</i>	<u>(128,465)</u>	<u>53,378</u>

This statement is to be read in conjunction with the notes to and forming part of the financial statements

**INTERNATIONAL BUILDING INDUSTRIES LIMITED
AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2006**

NOTE 1: BASIS OF PREPARATION OF FINANCIAL REPORT

This general purpose financial report for the interim half-year reporting period ended 31 December 2006 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2006 and any public announcements made by International Building Industries Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

NOTE 2: PROFIT FROM ORDINARY ACTIVITIES

The following revenue and expense items are relevant in explaining the financial performance for the interim period:

	Economic Entity Half Year	
	2006	2005
	\$	\$
Depreciation	8,677	532
Interest paid	4,612	4,452
Bad and doubtful debts	617,972	-

INTERNATIONAL BUILDING INDUSTRIES LIMITED
AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2006

Economic Entity
Half Year

2006
\$

2005
\$

NOTE 3: SEGMENT INFORMATION

The economic entity currently operates in only one business and geographical segment being the sale of building products throughout Australia.

NOTE 4: CONTINGENT LIABILITIES

The Directors believe there are no material reportable contingent liabilities as at the date of this report..

NOTE 5: EVENTS SUBSEQUENT TO REPORTING DATE

Subsequent to reporting date, Directors have secured additional funding from Ascent Asset Management (College Street Nominees Pty Limited) of \$525,000. These funds are to be advanced to the company as deemed necessary by the Directors.

NOTE 6: CONTRIBUTED EQUITY

26,216,668 fully paid ordinary shares (31 December 2005: 20,000,001)	5,610,279	4,000,001
	<u>5,610,279</u>	<u>4,000,001</u>

NOTE 7: GOING CONCERN

The financial report has been prepared on a going concern basis, which assesses the continuity of normal business, and the ability of the business to realise its assets and settle its liabilities at stated values, and in the course of ordinary business.

At 31 December 2006, the group had net liabilities of \$757,711 and minimal cash reserves.

The Directors have prepared cash flow projections indicating that over the next 12 months, the company will be able to pay all debts, as and when they fall due. These forecasts are based on the following assumptions:

- The company continues to receive financial support from shareholders; and
- The company continues to actively raise additional capital.

The Directors are of the opinion that the going concern basis is appropriate for the preparation of the interim financial report for the group. If the group does not receive the funding anticipated by the Directors, there is no certainty as to whether the group may be able to realise its assets and extinguish its liabilities during the normal course of business, and at the amounts stated in this financial report.

**INTERNATIONAL BUILDING INDUSTRIES LIMITED
AND ITS CONTROLLED ENTITIES
HALF YEAR ENDED 31 DECEMBER 2006**

DIRECTOR'S DECLARATION

The directors of the company declare that:

1. The financial statements and notes, as set out on 1 to 9:
 - a. comply with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations; and
 - b. give a true and fair view of the economic entity's financial position as at 31 December 2006 and of its performance for the half year ended on that date.
2. 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.

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



16/3/07.

Mr. Brendan Vine
Chairman

Date: 16 March 2007

**INDEPENDENT REVIEW REPORT
TO THE MEMBERS OF
INTERNATIONAL BUILDING INDUSTRIES LIMITED & ITS CONTROLLED ENTITIES**

Scope

We have reviewed the accompanying interim financial report of International Building Industries Limited and its controlled entities, which comprises the consolidated interim balance sheet as at 31 December 2006, the income statement, the statement of changes in equity, cash flow statement for the half year ended on that date, a statement of accounting policies, and other selected explanatory notes and the directors' declaration.

Directors' responsibility for the Financial Report

The Directors' of the company are responsible for the preparation and fair presentation of the interim financial report in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the interim financial report that is free of material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on the interim financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASGRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the interim financial report is not presented fairly, in all material respects, in accordance with the Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. As the auditor of International Building Industries Limited, and its controlled entities, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.

Qualification

Corporate Governance and Accounting Records

During the interim period, management did not maintain complete corporate governance, including the retention of sufficient accounting records. As a result, some financial transactions that transpired during the review period, relating to the payment for goods and services, were not accompanied with an adequate trail of accounting records, or evidence of Board approval, or any other evidence, which would have permitted the application of necessary review procedures.

Qualified Audit Opinion

Based on our review, which is not an audit, we have become aware of matters that make us believe that the interim financial report of International Building Solutions Limited contains limitations on the scope of our work. As a result of this limitation, and the effects of such adjustments, if any, as might have been determined necessary had the limitation not existed; we are unable, and do not express an opinion as to whether the interim financial report is in accordance with the Corporations Act 2001, including:

- i. giving a true and fair view of the entity's financial position at 31 December 2006 and of its performance for the half-year ended on that date; and
- ii. complying with Australian Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001.

Emphasis of Matter

Going Concern

Without further qualification to the above, at the interim period, a deficiency of net assets of \$769,492 exists. As disclosed at Note 6, additional funding has been secured by the Directors, but not enough to extinguish the deficiency of net assets. As indicated in Note 7, at the time of signing, the Board is confident that it will be able to generate additional funds for the group to continue its activities beyond the next 12 months. Further, the Board have obtained from nominated shareholders, a commitment to continue to financially support the group, to ensure that the groups' debts will be payable as and when they fall due.

Should this financial support cease to exist, and should the Directors' not generate additional funds for the group, then the going concern basis for the preparation of these accounts is not valid, and there is no certainty as to whether the group may be able to realise assets and extinguish liabilities at the values stated in this interim financial report.



DUNCAN DOVICO CHARTERED ACCOUNTANTS



R Megale

Partner

Duncan Dovico Chartered Accountants

This 16th day of March 2007.