
# FAB-FORM
Financial Statements
2014

# REPORT TO OUR SHAREHOLDERS

The cover is a screenprint of our current home page, showing a builder in White Rock who used the Fab-Form Monopour System for his foundation. For a video and project pictures, go to:

http://www.fab-form.com/fastfootMp/nuduraComesToVancouver.php

We recently began distributing the Nudura ICF block which the contractor is proudly holding up in front of his project. This ICF is ideal for use with the Monopour System.

The accompanying Consolidated Financial Statements are the responsibility of Fab-Form Industries Ltd.'s management. The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards which recognize the necessity of relying on some of management's best estimates and informed judgements.

The Company maintains an accounting system and related controls to provide management with reasonable assurance that transactions are executed and recorded in accordance with its authorizations, that assets are properly safeguarded and accounted for, and that financial records are reliable for preparation of financial statements.

The Company's independent auditors, Culver & Co., have audited the Consolidated Financial Statements, as reflected in their report for 2014.

The Board of Directors oversees management's responsibilities for the Consolidated Financial Statements primarily through the activities of its Audit Committee. The Audit Committee meets with management of the Company and the Company's independent auditors to review the Company's consolidated financial statements and MD&A. The Audit Committee also reviews internal accounting controls, risk management, external audit results and accounting principles and practices. The Audit Committee is responsible for approving the remuneration and terms of engagement of the Company's independent auditors. The Audit Committee also meets with the independent auditors, without management present, to discuss the results of their audit and the quality of financial reporting. The Audit Committee reports its findings to the Board of Directors, and recommends approval of the interim and annual Consolidated Financial Statements.

The Consolidated Financial Statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized in Note 2 of the Notes to the Consolidated Financial Statements.

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

Sincerely

| | |
|---|---|
| Richard Fearn | Herb Bentz |
| President and CEO | Chief Financial Officer |
| 29 April 2015 | 29 April 2015 |

# INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Fab-Form Industries Ltd.

We have audited the accompanying consolidated financial statements of Fab-Form Industries Ltd. (the "Company"), which comprise the consolidated statements of financial position as at 31 December 2014 and 2013 and the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended 31 December 2014 and 2013, and a summary of significant accounting policies and other explanatory information.

***Management's responsibility for the financial statements***

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free of material misstatement, whether due to fraud or error.

***Auditor's responsibility***

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence that we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Fab-Form Industries Ltd. as at 31 December 2014 and 2013 and its financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards.

***Emphasis of Matter***

Without qualifying our opinion, we draw attention to Note 2 (a) in the consolidated financial statements which describes conditions and matters that indicates the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

CULVER & CO.

Chartered Accountants
Vancouver, Canada
29 April 2015

# CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

*31 December*

| | | 2014 | | 2013 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Current** | | | | |
| Cash *(note 5)* | $ | **61,781** | $ | - |
| Accounts receivable *(note 17)* | | **114,621** | | 76,096 |
| Prepaid expenses and advances | | **18,711** | | 18,306 |
| Inventory *(note 6)* | | **75,838** | | 79,290 |
| **Total current assets** | | **270,951** | | 173,692 |
| | | | | |
| **Property and equipment** *(note 10)* | | **106,016** | | 113,287 |
| **Deferred development** *(note 11)* | | **4,322** | | 7,860 |
| **Patents** *(note 12)* | | **3,895** | | 4,119 |
| | | **114,233** | | 125,266 |
| | | | | |
| | $ | **385,184** | $ | 298,958 |
| | | | | |
| **LIABILITIES** | | | | |
| **Current** | | | | |
| Bank indebtedness *(note 5)* | $ | **-** | $ | 26,909 |
| Accounts payable and accrued liabilities | | **126,750** | | 36,204 |
| Accounts payable – related *(note 16)* | | **68,711** | | 96,031 |
| Current portion of long-term debt *(note 14)* | | **38,427** | | 27,716 |
| **Total current liabilities** | | **233,888** | | 186,860 |
| | | | | |
| **Long-term debt** *(note 14)* | | **107,807** | | 105,511 |
| | | | | |
| **SHAREHOLDERS' EQUITY** | | | | |
| **Share capital** *(note 15)* | | **769,520** | | 769,520 |
| **Deficit** | | **(726,031)** | | (762,933) |
| | | **43,489** | | 6,587 |
| | | | | |
| | $ | **385,184** | $ | 298,958 |

Continuance of operations *(note 2)*
Contractual obligations *(note 18)*

Approved and authorized by the Board 29 April 2015

***"Richard Fearn"***
____________________, Director

***"Herb Bentz"***
____________________, Director

*The accompanying notes are an integral part of these consolidated financial statements*

FAB-FORM INDUSTRIES LTD.

# CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

***Years ended 31 December***

| | 2014 | 2013 |
|---|---|---|
| **Sales** *(note 4)* | **$ 1,100,315** | $ 462,053 |
| **Cost of sales** *(note 4, note 7)* | **833,294** | 292,049 |
| **Gross income** | **$ 267,021** | $ 170,004 |
| (Percent Gross Profit) | **24.3%** | 36.8% |
| **Selling, general and administrative expenses** | | |
| General and administration *(note 8)* | **132,175** | 110,872 |
| Selling and marketing *(note 9)* | **66,174** | 28,999 |
| | **198,349** | 139,871 |
| **Operating income** | **$ 68,672** | $ 30,133 |
| **Foreign exchange and interest** | | |
| Foreign exchange gain | **(90)** | (2,498) |
| Interest expense | **23,056** | 16,534 |
| | **22,966** | 14,036 |
| **Net income before other items** | **$ 45,706** | $ 16,097 |
| **Other items** | | |
| Inventory write-off | **6,160** | 7,019 |
| Development cost write-off | **2,644** | - |
| Bad debt expense | **-** | 5,056 |
| Patent write-off | **-** | 2,474 |
| | **8,804** | 14,549 |
| **Net income and comprehensive income** | **$ 36,902** | $ 1,548 |
| **Average shares outstanding** | | |
| Basic | **4,852,382** | 4,852,382 |
| Diluted | **7,797,988** | 7,797,988 |
| **Income (loss) per share** | | |
| Basic | **0.01** | 0.00 |
| Diluted | **0.00** | 0.00 |

The accompanying notes are an integral part of these consolidated financial statements

# CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

*Years 2014 and 2013*

| | *Shares* | | *Share capital* | | *Deficit* | | *Shareholders equity* |
|---|---|---|---|---|---|---|---|
| Balance, 1 January 2013 | 7,797,988 | $ | 769,520 | $ | (764,481) | $ | 5,039 |
| Comprehensive income | - | | - | | 1,548 | | 1,548 |
| Balance, 31 December 2013 | 7,797,988 | $ | 769,520 | $ | (762,933) | $ | 6,587 |
| | | | | | | | |
| Balance, 1 January 2014 | 7,797,988 | $ | 769,520 | $ | (762,933) | $ | 6,587 |
| Comprehensive income | - | | - | | 36,902 | | 36,902 |
| Balance, 31 December 2014 | 7,797,988 | $ | 769,520 | $ | (726,031) | $ | 43,489 |

*The accompanying notes are an integral part of these consolidated financial statements*

## CONSOLIDATED STATEMENTS OF CASH FLOWS

*Years ended 31 December*

| **Cash provided by (used in)** | | **2014** | | 2013 |
|---|---|---|---|---|
| **Operations** | | | | |
| Income for year (before interest, taxes paid) | **$** | **59,957** | $ | 18,081 |
| Corporate taxes paid | | **-** | | - |
| Interest paid | | **(23,055)** | | (16,533) |
| Income for year | | **36,902** | | 1,548 |
| Items not involving use of cash | | | | |
| Amortization and depreciation | | **31,480** | | 24,150 |
| Deferred development | | **2,644** | | - |
| Patent write-off | | **-** | | 2,474 |
| | | **71,828** | | 28,172 |
| Changes in non-cash working capital items | | | | |
| Accounts receivable | | **(38,525)** | | (41,916) |
| Prepaid expenses and advances | | **(406)** | | 5,008 |
| Inventory | | **3,453** | | (29,042) |
| Accounts payable and accrued liabilities | | **90,547** | | 57,392 |
| Accounts payable - related | | **(27,320)** | | (18,564) |
| Current portion of long term debt | | **10,711** | | 5,945 |
| | **$** | **41,104** | $ | 6,995 |
| **Financing** | | | | |
| Long term debt increase *(note 14)* | **$** | **2,296** | $ | 2,316 |
| **Investing** | | | | |
| Property and equipment *(note 10)* | | **(22,317)** | | (57,665) |
| Deferred development *(note 11)* | | **(775)** | | (2,880) |
| Patents *(note 12)* | | **-** | | (770) |
| | **$** | **(23,092)** | $ | (61,315) |
| **Increase (decrease) in cash (bank indebtedness)** | | **88,690** | | (52,004) |
| **Cash (bank indebtedness) beginning of year** | | **(26,909)** | | 25,095 |
| **Cash (bank indebtedness) end of year** | **$** | **61,781** | $ | (26,909) |

*The accompanying notes are an integral part of these consolidated financial statements*

## 1. Reporting Entity

Fab-Form Industries Ltd. (the "Company" or "Fab-Form") is a company domiciled in Canada and incorporated under the Company Act of British Columbia. The address of the Company's head office is Unit 19, 1610 Derwent Way, Delta BC V3M 6W1. The Company develops, manufactures and distributes proprietary technology to form concrete footings, columns, foundations and walls for building structures. The Company also exclusively distributes Helix® micro rebar into the BC market and Nudura® insulating concrete form into the Lower Mainland of BC market. The Company has traded on the TSX Venture Exchange ("TSX-V" under the symbol FBF) since 2000.

## 2. Basis of presentation

### a) Going concern

These consolidated financial statements have been prepared assuming the Company will continue as a going concern. The going concern basis of presentation assumes the Company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. While the Company has made a profit for the last four years, it has a cumulative deficit of $726,031 and a working capital surplus of $37,063.

The Company cannot be certain that cash generated from its operations will continue to satisfy its liquidity requirements, and it may need to continue to raise capital by selling additional equity and/or by securing credit facilities. The Company's future capital requirements will depend on many factors, including, but not limited to, the market acceptance of its products and services. No assurance can be given that additional funding will be available or that it can be obtained on terms favourable to the Company. The operations are dependent on the personal efforts of management and would be disrupted if these services were not available.

The financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern basis was not appropriate for these financial statements, then adjustments would be necessary to the carrying value of assets and liabilities, the reported revenues and expenses, and the statement of financial position classifications used.

### b) Basis of preparation and adoption of IFRS

These consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standard Board (IASB) and comply fully with IAS 34.

These consolidated financial statements have been prepared in accordance with the accounting policies presented below and are based on the IFRS and International Financial Reporting Interpretations Committee (IFRIC) interpretations issued and effective as of 31 December 2014.

### c) Basis of measurement

These financial statements were prepared on the historical cost basis. The accounting policies set out in Note 3 have been applied consistently to all periods presented in these financial statements.

### d) Functional and presentation currency

These financial statements are presented in Canadian dollars, the Company's functional currency.

**e) Use of estimates and judgements**

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

In the process of applying the Company's accounting policies, management has made the following estimates and judgments, which have the most significant effect on the amounts recognized in the consolidated financial statements:

- **Impairment of non-financial assets**

  Impairment exists when the carrying value of a non-financial asset or cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The value in use calculation is based on a discounted cash flow model. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash flows and the growth rates used.

- **Depreciation and amortization rates**

  In calculating the depreciation and amortization expense, management is required to make estimates of the expected useful lives of property and equipment and intangible assets.

- **Taxes**

  Deferred tax assets, if any, are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

- **Trade and other receivables**

  Allowance for doubtful accounts

  The Company uses historical trends and performs specific account assessments when determining the allowance for doubtful accounts. These accounting estimates are in respect to the trade and other receivables line on the Company's consolidated statement of financial position. At 31 December 2014, the trade and other receivables line represented 34.6% of total assets.

  The estimate of the Company's allowance for doubtful accounts could change from period to period due to the allowance being a function of the balance and composition of accounts receivable. If the future were to adversely differ from management's expectations of allowance for doubtful accounts, the Company could experience an additional bad debt charge in the future.

- **Inventories**

  Allowance for inventory obsolescence

  The Company determines its allowance for inventory obsolescence based upon expected inventory turnover, inventory aging and current and future expectations with respect to product offerings. The Company reviews future revenue trends and forecasts, expected inventory requirements and inventory composition necessary to support future revenues. These accounting estimates are with respect to inventory on the Company's consolidated statement of financial position. At 31 December 2014, the inventory represented 22.9% of total assets.

  The estimate for the Company's allowance for inventory obsolescence could change from period to period due to changes in product offerings and customer acceptance of those products. If the inventory obsolescence was inadequate it would result in a charge to operations expense in the future.

## 3. Significant accounting policies

### a) Basis of consolidation

The consolidated financial statements comprise the accounts of the Company and its wholly-owned subsidiaries.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the Company using consistent accounting policies. Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

### b) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences are recognized in profit or loss.

### c) Revenue recognition

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the revenues are recognized.

### d) Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

**e) Financial Instruments**

**i) Non-derivative financial assets**

a) Initial recognition and measurement

Financial assets within the scope of IAS 39 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition.

All financial assets are recognized initially at fair value plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Company's financial assets include cash and cash equivalents and accounts receivable.

b) Subsequent measurement

The subsequent measurement of financial assets depends on their classification.

c) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets at fair value through profit and loss are carried in the statement of financial position at fair value with changes in fair value recognized in finance income or finance cost in the statement of comprehensive income.

d) Loans and receivables and cash and cash equivalents

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents and accounts receivable

Cash and cash equivalents consist of bank balances and short-term investments that are redeemable in three months or less. The Company uses the direct method of reporting cash flow from operating activities.

e) Derecognition

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

**ii) Non-derivative financial liabilities**

a) Initial recognition and measurement

Financial liabilities within the scope of IAS 39 Financial Instruments: Recognition and Measurement are classified as financial liabilities at fair value through profit or loss or other financial liabilities. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value plus any directly attributable transaction costs.

The Company's financial liabilities including accounts payable and accrued liabilities, bank indebtedness, convertible debentures and long-term debt, are classified as other financial liabilities.

b) Subsequent measurement

Subsequent to initial recognition, the Company's financial liabilities are measured at amortized cost using the effective interest method.

c) Derecognition

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

**iii) Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, there is a currently enforceable legal right to offset the recognized amounts and the Company intends to settle on a net basis or to realize the asset and settle the liability simultaneously.

**iv) Share capital**

a) Common shares

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

b) Warrants

Warrants are classified as equity. Incremental costs directly attributable to the issue of warrants are recognized as a deduction from equity, net of any tax effects. The fair value of warrants is estimated using the Black-Scholes option pricing model.

**f) Property and equipment**

Property and equipment is measured at cost, net of accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment, and are recognized net within other income in profit or loss. The cost of replacing a part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in profit or loss as incurred.

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

The company provides for amortization of property and equipment on the declining balance basis using a 20% annual rate. One-half of the above rates are taken in the year of acquisition. No amortization is taken on equipment under development.

The assets' residual values, useful lives, and methods of depreciation are reviewed at each financial year end and adjusted if appropriate. Any changes in these estimates are accounted for prospectively.

**g) Deferred development costs**

Product development costs are capitalized only if development costs can be measured reliably, the product is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalized includes the cost of materials and direct labour costs that are directly attributable to preparing the asset for its intended use. Overhead costs are not included. Other development expenditure is recognized as an expense in the statement of comprehensive income as incurred.

Capitalized product development costs are measured at cost less accumulated amortization and accumulated impairment losses.

Other intangible assets acquired separately are measured on initial recognition at cost which represents the fair market value at the date of the acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses.

The Company amortizes deferred development costs using the declining balance basis using a 20% annual rate. One-half of the above rates are taken in the year of acquisition.

Research and development investment tax credits and government grants are applied against the deferred costs or expense, as applicable, in the period in which the investment tax credits and government grants are received.

**h) Inventory**

Inventory is valued at the lower of weighted average cost or net realizable value. Cost is determined on the first-in, first-out basis. Cost includes all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

**i) Patents**

Expenditures relating to patents are recorded at cost and are amortized on a straight-line basis over the life of the patent to a maximum of 17 years, commencing in the year in which the patent certificate is received or when only 17 years remains in the potential life of the patent. Costs related to abandoned patent applications are written off in the year the application is abandoned.

**j) Impairment**

**i) Financial assets**

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default, or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

If there is objective evidence that an impairment loss has incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

Losses are recognized in profit or loss and reflected in an allowance account against the asset. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

**ii) Non-financial assets**

The Company assesses at each reporting date whether there is an indication that a non-financial asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit. In determining fair value less costs to sell, an appropriate valuation model is used.

An impairment loss is recognized if the carrying amount of an asset or its CGU (cash generating unit) exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss and are allocated to reduce the carrying amounts of the assets in the CGU on a pro rata basis.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. A previously recognized impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. The reversal is limited such that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation or amortization, had no impairment loss been recognized in prior periods.

**k) Share-based payment transactions**

The grant-date fair value of share-based payment awards granted to employees is recognized as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and nonmarket performance conditions are expected to be met, such that the amount ultimately recognized as an expense in based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

**l) Income per share**

Income (loss) per share is calculated using the weighted average number of common shares outstanding during the year. Diluted loss per share is calculated using the treasury stock method and reflects the potential dilution of securities by including stock held in escrow in the weighted average number of shares outstanding, if dilutive.

**m) Operating leases**

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

**n) Provisions**

A provision is recognized if the Company has a present legal or constructive obligation, as a result of a past event, that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. The expense relating to any provision is presented in profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

**o) Changes in Accounting Policy**

The Company has adopted the following amendments to standards and new IFRIC:

**i) IAS 19, Employee Benefits (effective 1 January 2014)**

These clarify the accounting by entities with defined benefit plans that require employee contributions linked only to service in each period. The adoption of this amendment had no impact on the Company's financial position.

**ii) IAS 32, Financial Instruments (effective 1 January 2014)**

The amendments clarify existing application issues relating to offsetting requirements. The adoption of this amendment had no impact on the Company's presentation of financial instruments

**iii) IFRIC 21, Levies (effective 1 January 2014)**

These provide guidance on the recognition of liabilities to pay levies to government bodies in accordance with legislation. This interpretation had no impact on the Company's financial position.

**iv) IFRIC 21, Business Combinations (effective for acquisitions is on or after 1 July 2014)**

These clarify that contingent consideration classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument or a non-financial instrument. Changes in fair value (other than measurement period adjustments) should be recognized in net income. This amendment had no impact on the Company's financial position.

**p) Future Accounting Pronouncements**

The Company has not applied the following new standards and amendments to standards that have been issued but are not yet effective:

**i) IFRS 8, Operating Segments (effective 1 January 2015)**

These require disclosure of the judgments made by management in aggregating operating segments. This includes a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics. Management is currently assessing the impact of the amendments on its annual financial statement disclosures.

**ii) Amendments to IAS 19, Employee Benefits (effective 1 January 2016)**

These clarify that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid. Management is currently assessing the impact of the amendment on its consolidated financial statements.

**iii) IAS 1, Presentation of Financial Statements (effective 1 January 2016)**

These are designed to encourage companies to apply professional judgment in determining what information to disclose in their financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Management is currently assessing the impact of the amendment on its annual financial statement disclosures.

**iv) IFRS 15, Revenue from Contracts with Customers (effective 1 January 2017)**

This outlines a single comprehensive model for companies to use in accounting for revenue arising from contracts with customers. Management is currently assessing the impact of the new standard.

**v) IFRS 9, Financial Instruments (effective 1 January 2018)**

This introduces new requirements for the classification and measurement of financial assets and financial liabilities, impairment of financial assets, and hedge accounting. Management is currently assessing the impact of the new requirements on its consolidated financial statements.

## 4. Reclassification of 2013 income statement

The 2014 income statement presentation differs from previous years:

- Sales now exclude shipping recoveries. Previously sales included gross recoveries.
- Cost of sales now includes indirect costs previously included in expenses (see Note 7).
- 2013 comparative amounts have been reclassified to conform to the current presentation.

## 5. Cash and cash equivalents

| | ***31 Dec 2014*** | *31 Dec 2013* |
|---|---|---|
| Bank balances | **$ 61,781** | $ - |
| Bank overdraft | **-** | **(26,909 )** |
| Total | **$ 61,781** | $ **(26,909 )** |

Bank overdraft is secured by a shareholder guarantee and bears interest at bank prime plus 3%.

## 6. Inventory

| | | ***31 Dec 2014*** | | *31 Dec 2013* |
|---|---|---|---|---|
| Raw materials | **$** | **36,343** | $ | 39,581 |
| Work in progress | | **369** | | 786 |
| Finished goods | | **39,126** | | 38,923 |
| Total | **$** | **75,838** | $ | 79,290 |

## 7. Cost of sales

| | | ***2014*** | | *2013* |
|---|---|---|---|---|
| Direct product costs | **$** | **778,866** | $ | 253,241 |
| Indirect cost of goods sold | | | | |
| Amortization | | **10,554** | | 10,740 |
| Occupancy | | **31,630** | | 21,726 |
| Tools | | **1,788** | | 2,178 |
| Variable overheads | | **3,031** | | 2,079 |
| Unrecovered delivery | | **7,425** | | 2,085 |
| Total | **$** | **833,294** | $ | 292,049 |

## 8. General and administration

| | | ***2014*** | | *2013* |
|---|---|---|---|---|
| General and administration | | | | |
| General | **$** | **27,602** | $ | 38,881 |
| Amortization | | **20,946** | | 13,410 |
| Management fees | | **36,464** | | 10,526 |
| Occupancy | | **11,612** | | 12,087 |
| Patent maintenance fees | | **821** | | 3,387 |
| Professional fees | | **13,539** | | 12,861 |
| Pubco | | **13,335** | | 12,307 |
| Telecommunications | | **7,856** | | 7,413 |
| Total | | **132,175** | | 110,872 |

## 9. Selling and marketing

| | | ***2014*** | | *2013* |
|---|---|---|---|---|
| Advertising | **$** | **12,966** | $ | 7,253 |
| Selling commissions | | **42,631** | | 12,331 |
| Trade shows | | **6,643** | | 4,456 |
| Associations | | **1,310** | | 0 |
| Promo materials | | **2,624** | | 4,959 |
| Total | **$** | **66,174** | $ | 28,999 |

## 10. Property and equipment

Property and equipment is pledged as security for long term debt.

| | *Manuf. equip.* | *Warehs. Equip.* | *Lease improv.* | *Vehicles* | *Total* |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| As at 1 January 2013 | $ 176,537 | $ 10,959 | $ - | $ 24,448 | $ 211,944 |
| Additions | 2,568 | 4,403 | 23,773 | 28,902 | 59,645 |
| Disposals | - | - | - | - | - |
| As at 31 December 2013 | $ 179,105 | $ 15,362 | $ 23,773 | $ 53,350 | $ 271,590 |
| Additions | 18,867 | 3,289 | 160 | - | 22,317 |
| Disposals | - | - | - | - | - |
| As at 31 December 2014 | 197,972 | 18,651 | 23,933 | 53,350 | 293,907 |
| **Depreciation** | | | | | |
| As at 1 January 2013 | $ (131,280) | $ (4,486 ) | $ - | $ (1,222 | $ (136,988 ) |
| Depreciation | (9,333) | (1,588 ) | (1,982 ) | (8,412 ) | (21,315 ) |
| Disposals | - | - | - | - | - |
| As at 31 December 2013 | (140,613) | (6,074 ) | (1,982 ) | (9,634 ) | (158,303 ) |
| Depreciation | (9,610) | (2,077 ) | (4,787 ) | (13,114 ) | (29,588 ) |
| Disposals | - | - | - | - | - |
| As at 31 December 2014 | $ (150,223) | $ (8,151 ) | $ (6,768 ) | $ (22,749 ) | $ (187,891 ) |
| **Net book value** | | | | | |
| As at 31 December 2013 | $ 38,492 | $ 9,288 | $ 21,791 | $ 43,716 | $ 113,287 |
| **As at 31 December 2014** | **$ 47,749** | **$ 10,500** | **$ 17,165** | **$ 30,601** | **$ 106,016** |

## 11. Deferred development

| **Cost** | Monopour |
|---|---|
| As at 1 January 2013 | $ 13,317 |
| Additions | 2,827 |
| As at 31 December 2013 | $ 16,144 |
| Additions | 774 |
| Disposals | (2,644 ) |
| As at 31 December 2014 | $ 14,274 |
| **Depreciation** | |
| As at 1 January 2013 | $ (6,672 ) |
| Depreciation | (1,612 ) |
| As at 31 December 2013 | (8,284 ) |
| Depreciation | (1,668 ) |
| As at 31 December 2014 | $ (9,952 ) |
| **Net book value** | |
| As at 31 December 2013 | $ 7,860 |
| **As at 31 December 2014** | **$ 4,322** |

## 12. Patents

| | | *Fastfoot* | | *Monopour* | | *Fnd Wall* | | *Fast-Tube* | | *Total* |
|---|---|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | | | |
| As at 1 January 2013 | $ | 42,015 | | 3,656 | | 6,957 | | 4,509 | | 57,137 |
| Additions | | - | | 822 | | - | | - | | 822 |
| Disposals | | (42,015) | | - | | (6,957 ) | | (4,509 ) | | (53,481 ) |
| As at 31 December 2013 | | - | $ | 4,478 | $ | - | $ | - | $ | 4,478 |
| Additions | | - | | - | | - | | - | | - |
| Disposals | | - | | - | | - | | - | | - |
| As at 31 December 2014 | $ | - | $ | 4,478 | $ | - | $ | - | $ | 4,478 |
| **Depreciation** | | | | | | | | | | |
| As at 1 January 2013 | $ | (39,642) | | (183 ) | | (6,138 ) | | (2,199 ) | | (48,162 ) |
| Depreciation | | (2,373) | | (359 ) | | (819 ) | | - | | (3,125 ) |
| Disposals | | (42,015) | | - | | 6,857 | | 2,199 | | - |
| As at 31 December 2013 | $ | - | $ | (359 ) | $ | - | $ | - | $ | (359 ) |
| Depreciation | | - | | (224 ) | | - | | - | | (224 ) |
| Disposals | | - | | - | | - | | - | | - |
| As at 31 December 2014 | $ | - | $ | (583 ) | $ | - | $ | - | $ | (583 ) |
| **Net book value** | | | | | | | | | | |
| As at 31 December 2013 | $ | - | $ | 4,119 | $ | - | $ | - | $ | 4,119 |
| **As at 31 December 2014** | **$** | **-** | **$** | 3,895 | **$** | - | **$** | - | **$** | 3,895 |

The company has an exclusive license agreement with its majority shareholder for use of proprietary technology protected by a number of current and pending patents for the life of the patents. No license fees are payable under the agreement except for the costs to register and maintain the patents.

## 13. Summary of amortization and depreciation expense:

| | | ***31 Dec 2014*** | | *31 Dec 2013* |
|---|---|---|---|---|
| Production equipment | **$** | **10,554** | $ | 10,740 |
| Non production equipment | | **19,034** | | 8,594 |
| Deferred development | | **1,688** | | 1,665 |
| Patents | | **224** | | 3,151 |
| **Total** | **$** | **31,480** | $ | 24,150 |

## 14. Long-term debt

| *Description* | ***31 Dec 2014*** | *31 Dec 2013* |
|---|---|---|
| Working capital loan from the Business Development Bank for $98,575, payable $1,645 per month, plus interest presently at 7.5%, maturing 23 February 2018. | **$ 62,492** | $ 82,250 |
| Less current portion | **(19,740)** | (19,740) |
| Long-term portion | **$ 42,752** | $ 62,510 |
| Equipment loan from the Business Development Bank for $50,000, payable $840 per month with interest presently at 6.75%, maturing 13 January 2019. | **$ 41,160** | $ - |
| Less current portion | **(10,080)** | - |
| Long-term portion | **$ 31,080** | $ - |
| Collateral loan from the Scotia Bank for $27,229, secured on vehicle, payable $209 biweekly with interest at 0.00%, maturing 16 November 2017. | **$ 15,499** | $ 20,945 |
| Less current portion | **(5,446)** | (5,027) |
| Long-term portion | **$ 10,053** | $ 15,918 |
| Collateral loan from Envision Financial for $30,250, secured on vehicle, payable $190 biweekly with interest at 6.99%, maturing 21 November 2020. | **$ 27,083** | $ 30,031 |
| Less current portion | **(3,161)** | (2,949) |
| Long-term portion | **$ 23,922** | $ 27,083 |
| Total long term debt | **$ 146,234** | $ 133,227 |
| Less current portion | **(38,427)** | (27,716) |
| Total long-term portion | **$ 107,807** | $ 105,511 |

The Business Development Bank loans are secured by a general security agreement over the assets of the Company including a first charge on equipment, and a shareholder guarantee.

On 13 March 2015, the Company received a second equipment loan from the Business Development Bank for $30,000, with principle payable $500 per month, floating rate of interest currently at 5.75%, maturing on 13 February 2020. This loan is secured by a shareholder guarantee and a general security agreement over the assets of the Company including a first charge on equipment.

Future principal payments on long-term debt are:

| *Year* | *Payments* |
|---|---|
| 2015 | $ 38,427 |
| 2016 | 38,654 |
| 2017 | 38,060 |
| 2018 | 17,246 |
| 2019 | 5,014 |
| 2020 | 4,119 |
| 2021 | 4,714 |
| **Total** | $ **146,234** |

## 15. Share capital

### a) Details of share capital

i) Authorized: 100,000,000 common shares without par value and 100,000,000 class A preferred shares without par value

ii) Issued:

| *Common shares* | *Quantity* | | *Amount* |
|---|---|---|---|
| Balance – 31 December 2004 | 6,318,116 | $ | 613,674 |
| Private placement – 2 June 2005 | 489,176 | | 78,268 |
| **Balance – 31 December 2008** | **6,807,292** | **$** | **691,942** |
| Private placement, 23 January 2009 | 880,222 | | 51,668 |
| Debt settlement, 23 January 2009 | 431,841 | | 25,910 |
| Escrow shares expired in 2009 | (321,367 ) | | - |
| **Balance –1 January 2011** | **8,359,488** | **$** | **769,520** |
| Expiry of warrants, January 2011 | (561,500 ) | | - |
| **Balance – 31 Dec 2011, 2012, 2013, 2014** | **7,797,988** | **$** | **769,520** |

As at 31 Dec 2014, 2013 51.2% of the issued and outstanding voting common shares of the company were owned by a director and officer of the company and a relative of the director and officer.

iii) Escrow:

| *Escrow shares* | *Quantity* |
|---|---|
| Balance – 31 December 2008 | 3,419,307 |
| Escrow shares not transferred to new time-release escrow shares | (321,367 ) |
| Escrow release, 23 December 2009, 5% *(See note below)* | (152,334 ) |
| **Balance – 31 December 2011, 2012, 2013, 2014** | **2,945,606** |

Future escrow release schedule:

| *Date* | *% released* | *Quantity* | *Balance* |
|---|---|---|---|
| 23-Jun-15 | 100.0% | 1,963,737 | 1,963,737 |

Scheduled releases were not taken in 2010, 2011, 2012, 2013 and 2014 to minimize transfer agent costs.

### b) Options and warrants

None

## 16. Related party transactions

The following related party transactions are included in the financial statements:

| *Category* | *Description* | *Year* | *Shareholder, Director & Officer* | *Shareholder, Relative of a Director & Officer* | *Shareholder Director or Company Controlled by Director* | *Total* |
|---|---|---|---|---|---|---|
| Asset | Capital asset | **31 Dec 2014** | **$ -** | **$ -** | **$ -** | **$ -** |
| | | 31 Dec 2013 | - | - | - | - |
| Liability | Balance due to Related Parties incurred in the course of business | **31 Dec 2014** | **$ 21,514** | **$ 34,856** | **$ 12,341** | **$ 68,711** |
| | | 31 Dec 2013 | 32,905 | 47,034 | 16,092 | 96,031 |
| Equity | Share issue & debt settlement | **31 Dec 2014** | **$ -** | **$ -** | **$ -** | **$ -** |
| | | 31 Dec 2013 | - | - | - | - |
| Expenses | Management fees | **2014** | **$ 18,232** | **$ 18,233** | **$ -** | **$ 36,465** |
| | | 2013 | 5,263 | 5,263 | - | 10,526 |
| Expenses | Marketing fees | **2014** | **$ -** | **$ 33,501** | **$ -** | **$ 33,501** |
| | | 2013 | - | 6,000 | - | 6,000 |

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

## 17. Financial Instruments

### a) Credit risk

#### i) Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

| | | ***31 Dec 2014*** | | *31 Dec 2013* |
|---|---|---|---|---|
| Cash and cash equivalents | **$** | **61,781** | $ | (26,909) |
| Trade and other receivables | | **114,621** | | 76,096 |
| **Total** | **$** | **176,402** | $ | 49,187 |

The carrying amount of the financial assets of the Company approximate their fair values due to the relatively short periods to maturity of the instruments.

The Company's credit risk is primarily attributable to its trade receivables. The amounts disclosed in the Consolidated Statements of Financial Position are net of allowances for impairment, estimated based on prior experience.

The maximum exposure to credit risk for trade and other receivables at the reporting date by geographic region was:

| | | ***31 Dec 2014*** | | *31 Dec 2013* |
|---|---|---|---|---|
| Canada | **$** | **20,713** | $ | 50,781 |
| United States | | **93,908** | | 25,315 |
| **Total** | **$** | **114,621** | $ | 76,096 |

In 2014, **34.2%** (2013, 15.0%) of the Company's sales were made to one customer.

#### ii) Impairment losses

The aging of trade receivables at the reporting date was:

| | ***31 Dec 2014*** | | | | | | *31 Dec 2013* | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | ***Gross*** | | ***Allow.*** | | ***Net*** | | *Gross* | | *Allow.* | | *Net* |
| Current | **$** | **2,960** | **$** | **-** | **$** | **2,960** | $ | 6,851 | $ | - | $ | 6,851 |
| 0 – 30 days | | **89,417** | | **-** | | **89,417** | | 59,808 | | - | | 59,808 |
| 31 – 90 days | | **14,760** | | **-** | | **14,760** | | 7,433 | | - | | 7,433 |
| > 90 days | | **14,603** | | **7,119** | | **7,484** | | 9,123 | | 7,119 | | 2,004 |
| Total | **$** | **121,740** | **$** | **7,119** | **$** | **114,621** | $ | 83,215 | $ | 7,119 | $ | 76,096 |

When receivables are more than 90 days an allowance for impairment is recognized with consideration of the customers' credit ratings and historic payment behavior. The allowance account in respect of trade receivables is used to record impairment loss unless the Company is satisfied that no recovery of the amount owing is possible, at which point the amounts are considered irrevocable and are written off against the financial asset directly.

**b) Liquidity risk**

As of 31 December 2014 and 2013, the Company did not have any derivative financial liabilities. The following are the contractual maturities of non-derivative financial liabilities excluding estimated interest payments:

| ***31 Dec 2014*** | ***Carrying amount*** | *6 months or less* | *6 – 12 months* | *1 – 2 years* | *> 2 years* |
|---|---|---|---|---|---|
| Bank indebtedness | **$ -** | $ - | $ - | $ - | $ - |
| Trade Payables | **126,750** | 126,750 | - | - | - |
| Related Payables | **68,711** | - | - | - | 68,711 |
| Long term debt | **146,234** | 19,214 | 19,213 | 38,427 | 69,380 |
| **Total** | **$ 341,695** | **$ 145,964** | **$ 19,213** | **$ 38,427** | **$ 138,091** |

| ***31 Dec 2013*** | | | | | |
|---|---|---|---|---|---|
| Bank indebtedness | **$ 26,909** | $ 26,909 | $ - | $ - | $ - |
| Trade Payables | **36,204** | 36,204 | - | - | - |
| Related Payables | **96,031** | - | - | - | 96,031 |
| Long term debt | **133,227** | 13,758 | 13,758 | 28,347 | 77,364 |
| **Total** | **$ 292,371** | **$ 76,868** | **$ 23,758** | **$ 40,257** | **$ 173,395** |

**c) Exchange risk**

The company has assets and liabilities denominated in US dollars subject to exchange risk as follows:

| | | ***31 Dec 2014*** | *31 Dec 2013* |
|---|---|---|---|
| Cash | US dollars | **$ 36,932** | $ 1,445 |
| | Equivalent Canadian | **42,845** | 1,537 |
| Accounts receivable | US dollars | **88,287** | 23,798 |
| | Equivalent Canadian | **93,908** | 25,315 |
| Accounts payable | US dollars | **48,295** | 4,150 |
| | Equivalent Canadian | **56,031** | 4,415 |

## 18. Commitments and contractual obligations

On 1st August 2013 the Company signed a five year lease for a warehouse located at Unit 19, 1610 Derwent Way, Delta BC. Basic rent payments are $5.90 per square foot over the five year period for 3,909 square feet of space, including a mezzanine and dock loading. The Company spent $23,772 installing offices, bathroom, kitchen and stairs to the mezzanine. These improvements are amortized over the five year lease period, with common expenses assumed to increase at 3.5% per year.

Future lease payments are as follows:

| **For years ended 31 December** | |
|---|---|
| 2015 | $ 42,340 |
| 2016 | 43,185 |
| 2017 | 44,050 |
| 2018 | 26,210 |
| **Total** | **$ 155,785** |

## 19. Income taxes

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

| | ***31 Dec 2014*** | ***31 Dec 2013*** |
|---|---|---|
| Income for the year | $ 36,902 | $ 1,548 |
| | | |
| Expected income tax | 9,600 | 400 |
| Changes in unrecognized deductible temporary differences | (9,600) | (400) |
| | $ - | $ - |

| *Future income tax* | ***31 Dec 2014*** | ***31 Dec 2013*** | *Expiry date range* |
|---|---|---|---|
| Non capital losses available for future periods | $ 12,000 | $ 77,000 | 2028 - 2029 |
| Equipment, patents | 252,000 | 272,000 | No expiry date |
| Development | 204,000 | 198,000 | No expiry date |
| "Unrecognized" temporary differences | $ 468,000 | $ 547,000 | |

Investment tax credits of $40,000 are potentially available to offset future tax (expiry 2019 – 2027).

## 20. Segmented information

| | | **2014** | | 2013 | |
|---|---|---|---|---|---|
| *Gross sales* | Canada | **$ 681,723** | **62.0%** | $ 261,059 | 56.5% |
| | USA | **416,182** | **37.8%** | 200,993 | 43.5% |
| | ROW | **2,410** | **0.2%** | - | 0.0% |
| | Total | **$ 1,100,315** | **100.0%** | $ 462,052 | 100.0% |
| | | | | | |
| *Total assets* | Canada | **$ 248,431** | **64.8%** | $ 272,105 | 92.3% |
| | USA | **136,753** | **35.2%** | 26,852 | 7.7% |
| | ROW | **-** | **0.0%** | - | 0.0% |
| | Total | **$ 385,184** | **100.0%** | $ 298,957 | 100.0% |
| | | | | | |
| *Capital expenditures* | Canada | **$ 20,468** | **100.0%** | $ 58,839 | 100.0% |
| | USA | **-** | **0.0%** | - | 0.0% |
| | ROW | **-** | **0.0%** | - | 0.0% |
| | Total | **$ 20,468** | **100.0%** | $ 58,839 | 100.0% |

## 21. Other Items

None

## 22. Management of Capital

The Company considers its capital to consist of all components of its shareholders' equity.

The Company's objectives for managing capital are to safeguard its ability to continue as a going concern in order to pursue the design, development and marketing of new products to service the concrete forming industry. There were no changes in the Company's approach to capital management during the year ended 31 December 2014 and the company does not have any externally imposed capital restrictions.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may issue new shares or issue debt.

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

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