



**FAB-FORM INDUSTRIES LTD
CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 JUNE 2021**

FAB-FORM INDUSTRIES LTD
CONDENSED INTERIM FINANCIAL STATEMENTS

Table of Contents

Management's Report to Shareholders	3
Condensed Statements of Comprehensive Income	4
Condensed Statements of Financial Position	5
Condensed Statements of Changes in Equity	6
Condensed Statements of Cashflows	7
Selected notes to the Condensed Interim Financial Statements	8-10

FAB-FORM INDUSTRIES LTD
Management's Report to Shareholders

For the quarter ended 30 June 2021

The accompanying Condensed Interim Financial Statements are the responsibility of the management of Fab-Form Industries Ltd. The Condensed Interim Financial Statements have been prepared in accordance with International Financial Reporting Standards including International Accounting Standard ("IAS") 34 – Interim Financial Reporting and, where appropriate, include management's best estimates and judgments.

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 Board of Directors oversees management's responsibilities for the Condensed Interim Financial Statements primarily through the activities of its Audit Committee. The Audit Committee meets with management of the Company to review the Company's Condensed Interim Financial Statements and MD&A. The Audit Committee also reviews internal accounting controls, risk management and accounting principles and practices. The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the Condensed Interim Financial Statements.

The Condensed Interim Financial Statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies of the Company.

The Company's independent auditors have neither reviewed nor audited these Condensed Interim Financial Statements.



.....
Director
Rick Fearn
President and CEO
20 August 2021



.....
Director
Don Russell
Chief Financial Officer
20 August 2021

FAB-FORM INDUSTRIES LTD
CONDENSED STATEMENTS OF COMPREHENSIVE INCOME

For the quarters and periods ended 30 June 2021, 2020, and year ended 31 December 2020

	Quarter ended		Period ended		Year ended
	30-Jun-21	30-Jun-20	30-Jun-21	30-Jun-20	31-Dec-20
	\$	\$	\$	\$	\$
Revenue	1,279,623	877,284	2,001,507	1,188,270	2,634,852
Cost of sales	(807,789)	(616,143)	(1,296,638)	(838,085)	(1,794,776)
Gross profit	471,834	261,141	704,869	350,185	840,076
<i>Gross profit margin %</i>	37%	30%	35%	29%	32%
Other operating income/(expenses)	(7,739)	(5,626)	(12,898)	36,477	15,678
Expenses					
General and administration	(93,884)	(57,507)	(162,360)	(109,584)	(381,529)
Selling and marketing	(47,219)	(51,853)	(88,085)	(99,740)	(173,086)
Total expenses	(141,103)	(109,360)	(250,445)	(209,324)	(554,615)
Earnings from operations	322,992	146,155	441,526	177,338	301,139
Finance costs	(156)	-	(467)	-	436
Earnings before income taxes	322,836	146,155	441,059	177,338	301,575
Income taxes	(84,883)	(47,923)	(118,879)	(47,923)	(81,426)
Earnings for the quarter/year	237,953	98,232	322,180	129,415	220,149
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the quarter/period/year	237,953	98,232	322,180	129,415	220,149
No of shares issued	8,822,055	8,822,055	8,822,055	8,822,055	8,822,055
Basic and diluted earnings per share	0.027	0.011	0.037	0.015	0.025

The accompanying notes are an integral part of these financial statements

FAB-FORM INDUSTRIES LTD
CONDENSED STATEMENTS OF FINANCIAL POSITION

As at 30 June 2021, 2020 and 31 December 2020

	30-Jun-21	30-Jun-20	31-Dec-20
	\$	\$	\$
ASSETS			
Current			
Cash and cash equivalents	1,639,359	1,057,927	1,299,653
Trade and other receivables	695,547	576,560	212,953
Inventories	292,584	328,468	547,043
	2,627,490	1,962,955	2,059,649
Non current assets			
Property, plant and equipment	63,990	65,823	70,349
Right of use assets	579,622	105,915	518,841
Deferred development	17,096	10,999	11,471
Patents	3,929	4,265	4,097
	664,637	187,002	604,758
Total Assets	3,292,127	2,149,957	2,664,407
LIABILITIES			
Current			
Trade and other payables	528,244	275,601	335,203
Lease liabilities	105,766	48,523	94,155
Corporate tax payable	52,935	50,028	-
	686,945	374,152	429,358
Non current liabilities			
Lease liabilities	473,855	57,392	425,902
	473,855	57,392	425,902
Total liabilities	1,160,800	431,544	855,260
EQUITY			
Share capital	1,120,875	1,120,875	1,120,875
Retained earnings	1,010,452	597,538	688,272
Total equity	2,131,327	1,718,413	1,809,147
Total equity and liabilities	3,292,127	2,149,957	2,664,407

Approved and authorized by the Board 20 August 2021

“Richard Fearn”
....., Director

“Don Russell”
....., Director

The accompanying notes are an integral part of these financial statements

FAB-FORM INDUSTRIES LTD
CONDENSED STATEMENTS OF CHANGES IN EQUITY

For the period ended 30 June 2021, and year ended 31 December 2020

	Issued Capital		Retained earnings	Total equity
	No of shares	Amount		
		\$	\$	\$
Balance, 1 January 2020	8,822,055	1,120,875	468,123	1,588,998
Total comprehensive income			220,149	220,149
Balance, 31 December 2020	8,822,055	1,120,875	688,272	1,809,147
Balance, 1 January 2021	8,822,055	1,120,875	688,272	1,809,147
Total comprehensive income			322,180	322,180
Balance, 30 June 2021	8,822,055	1,120,875	1,010,452	2,131,327

The accompanying notes are an integral part of these financial statements

FAB-FORM INDUSTRIES LTD
CONDENSED STATEMENTS OF CASHFLOWS

For the quarters and periods ended 30 June 2021, 2020, and year ended 31 December 2020

	Quarter ended		Period ended		Year ended
	30-Jun-21	30-Jun-20	30-Jun-21	30-Jun-20	31-Dec-20
	\$	\$	\$	\$	\$
Cash flows form operating activities					
Earnings before income taxes	322,836	146,155	441,059	177,338	301,575
Items not involving use of cash					
Depreciation	3,865	3,697	7,641	9,581	9,903
Depreciation - Right of Use Assets	24,249	24,029	60,780	47,904	98,217
Profit on disposal of assets	-	-	-	(8,101)	(8,101)
Finance cost - lease liabilities	156	-	467	-	1,083
	351,106	173,882	509,947	226,723	402,677
Changes in working capital items					
Trade and other receivables	(183,720)	(135,255)	(399,627)	(118,681)	77,830
Inventories	62,388	102,465	251,544	198,041	(19,094)
Trade and other payables	224,258	11,657	110,091	(36,609)	132,310
Cash generated from operating activities	454,031	152,748	471,954	269,473	593,723
Income taxes paid	(67,057)	-	(65,944)	(47,923)	(75,116)
Net cash generated from operating activities	386,974	152,748	406,010	221,549	518,606
Cash flows from investing activities					
Purchase of property, plant and equipment	(426)	(2,882)	(426)	(10,511)	(14,500)
Proceeds from sales of assets	-	-	-	19,092	19,092
Deferred development	(4,645)	(1,318)	(6,315)	(2,454)	(3,616)
Net cash used in investing activities	(5,071)	(4,200)	(6,741)	6,127	976
Cash flows from financing activities					
Lease payments	(24,935)	(24,029)	(59,563)	(47,904)	(98,084)
Net cash used in financing activities	(24,935)	(24,029)	(59,563)	(47,904)	(98,084)
Net increase in cash and cash equivalents	356,968	124,519	339,706	179,773	421,499
Cash and cash equivalents at beginning of the quarter/year	1,282,391	933,408	1,299,653	878,154	878,154
Cash and cash equivalents at end of the quarter/period/year	1,639,359	1,057,927	1,639,359	1,057,927	1,299,653

The accompanying notes are an integral part of these financial statements

FAB-FORM INDUSTRIES LTD
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the quarter ended 30 June 2021

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) Basis of preparation

These condensed interim financial statements were prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standard Board (IASB) and the interpretations issued by International Financial Reporting Interpretations Committee (IFRIC).

b) Basis of measurement

These condensed interim financial statements were prepared on the historical cost basis. The accounting policies of the company, and have been applied consistently to all periods presented in these financial statements.

c) Functional and presentation currency

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

d) Use of significant estimates and judgements

The preparation of the condensed interim 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 condensed interim 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.

2 Basis of presentation (Continued)

d) Use of significant estimates and judgements (continued)

- **Credit losses**

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Significant management judgement is required in developing segments and determining level of stratification. The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past history and existing market conditions, as well as forward-looking estimates at the end of each reporting period.

- **Provision 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.

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 allowance was inadequate it would result in a charge to operations expense in the future.

- **Right of use assets and lease liability**

The Company applies judgement in determining the lease term by considering all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option and whether it is reasonably likely that options will be exercised by considering factors such as how far in the future an option occurs, the entity's business planning cycle and past history of terminating/not renewing leases. Extension options (or periods after termination options) are only included in the lease term applied if the lease is reasonably certain to be extended (or not terminated). The extended lease term for recognised leases is 5 years commencing from 01 Aug 2021. The Company also applied judgement in determining the incremental borrowing of 2.50% based on prime rate plus 0.05% as of the assessment date (30 Sep 2020).

3) Significant changes in the current reporting period

The company has reviewed its exposure to volatile market conditions and emerging business risks but has not identified any significant risk that could impact the performance or position of the Company as of 30 June 2021.

The financial position and performance of the Company was particularly affected by the following events and transactions during the quarter ended 31 June 2021.

- * During the quarter ended 30 June 2021, the Company renewed its leases for another 5 year period effective 01 August 2021, for both head office and warehouses. The lease rate has increased 23% over the previous lease. This change has resulted in an increase in right of use assets and lease liabilities by \$109,278 in accordance with the provisions contained in IFRS 16 for leases. There is no impact to the current quarter results from this change.
- * Inventory balance was reduced 47% during the period due to high turnover over the previous years quarter.
- * Total accounts and other receivable includes \$113,341 (USD 91,744) advances paid to our suppliers for deliveries scheduled in July and August 2021.
- * Trade receivables has grown by 281% during the period ended 30 June 2021 as a result of increase in credit sales. Credit granted to customers following a proper credit approval process to mitigate the credit risk. Remeasurement principals were applied for credit loss allowance in accordance with IFRS 9 - Financial Instruments, required to recognise an additional impairment of \$5,717 for the quarter ended 30 June 2021. Refer to note 4.

FAB-FORM INDUSTRIES LTD
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
For the quarter ended 30 June 2021

4) Credit risk - Accounts receivable

The following table presents an analysis of the age of customer accounts receivable not allowed for as at the dates of the statements of financial position.

31-Mar-21

	0-30 Days	31-60 Days	61-90 Days	Over 91 Days	Total
	\$	\$	\$	\$	\$
Trade receivables (CAD customers)	347,705	40,738	1,631	44,032	434,106
Trade receivables (US Dollar customers)	62,342	18,404	7,350	10,377	98,474
Total	410,047	59,143	8,981	54,409	532,579
Loss allowance %	1.5%	4.5%	29.8%	42.4%	6.5%
Expected credit losses	(6,127)	(2,668)	(2,673)	(23,090)	(34,558)
Net receivables	403,920	56,475	6,308	31,319	498,021

31-Dec-20

	0-30 Days	31-60 Days	61-90 Days	Over 91 Days	Total
	\$	\$	\$	\$	\$
Trade receivables (CAD customers)	88,603	25	4,286	13,742	106,656
Trade receivables (US Dollar customers)	12,998	6,516	2,084	11,500	33,098
Total	101,601	6,541	6,370	25,241	139,754
Loss allowance %	4.1%	0.7%	24.3%	89.0%	20.2%
Expected credit losses	(4,206)	(48)	(1,545)	(22,453)	(28,252)
Net receivables	97,395	6,493	4,825	2,788	111,501

Quarter ended
30-Jun-21
\$

The loss allowances for trade receivables as at 30 June reconciled to the opening loss allowances as follows:

Opening loss allowance at 1 April	28,841
Increase in loss allowance recognised in profit or loss during the quarter	5,717
Closing balance at 30 June	<u>34,558</u>

The Company has a credit risk as a result of its trade accounts receivable. Trade accounts receivable consists of a large number of customers, spread across diverse industries. The concentration of credit risk is limited due to the fact that the customer base is large and unrelated. As such, the Company does not anticipate any significant credit losses. Of the trade receivable balance at June 30, 2021, only four customers represented greater than 5% of the balance amounting to \$91,925.