



FAB-FORM INDUSTRIES LTD
CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 MARCH 2023

FAB-FORM INDUSTRIES LTD
CONDENSED INTERIM FINANCIAL STATEMENTS

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FAB-FORM INDUSTRIES LTD
Management's Report to Shareholders

For the quarter ended 31 March 2023

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
29 May 2023



.....
Director
Don Russell
Chief Financial Officer
29 May 2023

FAB-FORM INDUSTRIES LTD
CONDENSED STATEMENTS OF COMPREHENSIVE INCOME

For the quarters ended 31 March 2023, 2022, and year ended 31 December 2022

| | Quarter ended | | Year ended |
|--|------------------|------------------|------------------|
| | 31-Mar-23 | 31-Mar-22 | 31-Dec-22 |
| | \$ | \$ | \$ |
| Revenue | 707,075 | 1,137,710 | 6,132,164 |
| Cost of sales | (428,345) | (670,014) | (3,787,598) |
| Gross profit | 278,730 | 467,696 | 2,344,566 |
| <i>Gross profit margin %</i> | <i>39%</i> | <i>41%</i> | <i>38%</i> |
| Other operating expenses | - | (9,311) | 94,539 |
| Expenses | | | |
| General and administration | (96,899) | (96,089) | (512,208) |
| Selling and marketing | (56,002) | (53,235) | (196,975) |
| Total expenses | (152,901) | (149,324) | (709,183) |
| Earnings from operations | 125,829 | 309,061 | 1,729,922 |
| Finance income/(costs) | 22,039 | (3,304) | (6,811) |
| Earnings before income taxes | 147,868 | 305,757 | 1,723,111 |
| Income taxes | (35,946) | (82,755) | (465,107) |
| Earnings for the quarter/year | 111,922 | 223,002 | 1,258,004 |
| Other comprehensive income | - | - | - |
| Total comprehensive income for the quarter/year | 111,922 | 223,002 | 1,258,004 |
| Weighted average number of shares outstanding | 9,174,507 | 9,084,036 | 9,090,233 |
| Basic and diluted earnings per share | 0.012 | 0.025 | 0.138 |

The accompanying notes are an integral part of these financial statements

FAB-FORM INDUSTRIES LTD
CONDENSED STATEMENTS OF FINANCIAL POSITION

As at 31 March 2023, 2022 and 31 December 2022

| | 31-Mar-23 | 31-Mar-22 | 31-Dec-22 |
|-------------------------------------|------------------|------------------|------------------|
| | \$ | \$ | \$ |
| ASSETS | | | |
| Current | | | |
| Cash and cash equivalents | 1,151,712 | 1,864,951 | 831,894 |
| Short-Term Investments | 2,046,450 | - | 2,018,634 |
| Trade and other receivables | 400,355 | 665,758 | 608,091 |
| Inventories | 621,189 | 726,277 | 654,286 |
| | 4,219,706 | 3,256,986 | 4,112,905 |
| Non current assets | | | |
| Property, plant and equipment | 76,674 | 95,254 | 83,761 |
| Right of use assets | 380,078 | 494,102 | 408,583 |
| Deferred development | 81,932 | 34,362 | 65,450 |
| Intangible assets | 88,889 | 3,901 | 88,933 |
| | 627,573 | 627,619 | 646,727 |
| Total Assets | 4,847,278 | 3,884,605 | 4,759,632 |
| LIABILITIES | | | |
| Current | | | |
| Trade and other payables | 175,664 | 437,747 | 165,656 |
| Lease liabilities | 113,738 | 110,939 | 113,031 |
| Corporate tax payable | 69,505 | 3,776 | 75,795 |
| | 358,907 | 552,462 | 354,482 |
| Non current liabilities | | | |
| Lease liabilities | 276,654 | 390,392 | 305,356 |
| | 276,654 | 390,392 | 305,356 |
| Total liabilities | 635,561 | 942,854 | 659,838 |
| EQUITY | | | |
| Share capital | 1,388,006 | 1,264,965 | 1,388,006 |
| Retained earnings | 2,823,710 | 1,676,786 | 2,711,788 |
| Total equity | 4,211,716 | 2,941,751 | 4,099,793 |
| Total equity and liabilities | 4,847,278 | 3,884,605 | 4,759,632 |

Approved and authorized by the Board 29 May 2023

“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 quarters ended 31 March 2023, and year ended 31 December 2022

| | Issued Capital | | Retained earnings | Total equity |
|----------------------------|-----------------------|------------------|--------------------------|---------------------|
| | No of shares | Amount | | |
| | | \$ | \$ | \$ |
| Balance, 1 January 2022 | 9,084,036 | 1,264,965 | 1,453,784 | 2,718,749 |
| Issue of shares | 90,471 | 123,041 | - | 123,041 |
| Total comprehensive income | | - | 1,258,004 | 1,258,004 |
| Balance, 31 December 2022 | <u>9,174,507</u> | <u>1,388,006</u> | <u>2,711,788</u> | <u>4,099,793</u> |
| Balance, 1 January 2023 | 9,174,507 | 1,388,006 | 2,711,788 | 4,099,793 |
| Total comprehensive income | | | 111,922 | 111,922 |
| Balance, 31 March 2023 | <u>9,174,507</u> | <u>1,388,006</u> | <u>2,823,710</u> | <u>4,211,715</u> |

The accompanying notes are an integral part of these financial statements

FAB-FORM INDUSTRIES LTD
CONDENSED STATEMENTS OF CASHFLOWS

For the quarters ended 31 March 2023, 2022, and year ended 31 December 2022

| | Quarter ended | | Year ended |
|---|------------------|------------------|--------------------|
| | 31-Mar-23 | 31-Mar-22 | 31-Dec-22 |
| | \$ | \$ | \$ |
| Cash flows form operating activities | | | |
| Earnings before income taxes | 147,868 | 305,757 | 1,723,111 |
| Items not involving use of cash | | | |
| Depreciation | 10,738 | 4,452 | 20,138 |
| Impairment of assets | - | - | 21,824 |
| Depreciation - Right of Use Assets | 28,506 | 28,506 | 114,024 |
| Finance cost - lease liabilities | 2,615 | 3,304 | 12,188 |
| | 189,727 | 342,019 | 1,891,285 |
| Changes in working capital items | | | |
| Trade and other receivables | 207,738 | (217,041) | (159,375) |
| Inventories | 33,097 | 75,143 | 147,134 |
| Trade and other payables | 10,008 | 295,321 | 146,271 |
| Cash generated from operating activities | 440,570 | 495,442 | 2,025,316 |
| Income taxes paid | (69,350) | (80,000) | (390,397) |
| Net cash generated from operating activities | 371,220 | 415,442 | 1,634,920 |
| Cash flows from investing activities | | | |
| Short-Term investments | - | - | (2,018,634) |
| Purchase of property, plant and equipment | (7,783) | (28,196) | (52,901) |
| Deferred development | (6,330) | (7,409) | (39,533) |
| Intangible assets | (5,972) | - | (85,312) |
| Net cash used in investing activities | (20,085) | (35,605) | (2,196,380) |
| Cash flows from financing activities | | | |
| Lease payments | (31,317) | (30,673) | (122,437) |
| Net cash used in financing activities | (31,317) | (30,673) | (122,437) |
| Net increase in cash and cash equivalents | 319,818 | 349,164 | (683,897) |
| Cash and cash equivalents at beginning of the quarter/year | 831,894 | 1,515,787 | 1,515,792 |
| Cash and cash equivalents at end of the quarter/year | 1,151,712 | 1,864,951 | 831,894 |

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 31 March 2023

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 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 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 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 31 July 2021.

3 Subsequent events

3.1 Year-end change

Subsequent to the quarter end, the Board of Directors has approved a change in Fab-Form's fiscal year end from December 31 to June 30. This change in fiscal year end from December 31 to June 30 is being made to better align Fab-Form's reporting calendar. We received the required approval from the tax authorities to affect the change.

Fab-Form's latest financial year ended on 31 December 2022. The new financial year end means that, following the audited report to issue in respect of the 30 June 2023 financial year, the Company's next audited financial report will cover the six-month period from 1 January 2023 to 30 June 2023, and will be filed in accordance with the section 4.2 of the National Instrument 51-102. Subsequent annual financial reports will cover the twelve months ending 30 June. Reporting requirement on interim periods, including the comparative reporting periods will be in accordance section 4.8 of the National Instrument "N51-102"

There is no change to the comparative information presented in the condensed financial statements as result of above change.