FAB-FORM

Financial Statements
2019 Year End

REPORT TO OUR SHAREHOLDERS

On the cover of this report is a picture of Fab-Form's new product, Zeveler. This was introduced in April 2020 and has received an excellent reception in the ICF market place. Read more Zeveler details in the Management Discussion and Analysis, or go to www.fab-form.com/zontBracing/zeveler.php.

The accompanying Financial Statements are the responsibility of Fab-Form Industries Ltd.'s management. The 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 Financial Statements, as reflected in their report for 2019.

The Board of Directors oversees management's responsibilities for the 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 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 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 Financial Statements.

The 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 3 of the Notes to the Financial Statements.

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

Sincerely

Richard Fearn
President and CEO
30 April 2020

Don Russell
Chief Financial Officer
30 April 2020

Culver & Co. #205 – 1095 West Pender Street Vancouver, BC V6E 2M6
CHARTERED PROFESSIONAL ACCOUNTANTS Telephone 604-685-1321 Facsimile 604-689-9695

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Fab-Form Industries Ltd.

Opinion

We have audited the financial statements of Fab-Form Industries Ltd. (the 'Company'), which comprise the statement of financial position as at 31 December 2019 and 2018, and the statements of changes in equity and income and comprehensive income and cash flows for the years ended 31 December 2019 and 2018, and a summary of significant accounting policies and other explanatory information.

In our opinion the accompanying financial statements present fairly, in all material respects, the financial position of Company at 31 December 2019 and 2018 and the results of its operations and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis ("MDA"). Our opinion on the financial statements does not cover Other Information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the MDA prior to the date of this auditor's report and, in doing so , consider whether the information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the MDA prior to the date of this auditor's report. If based on the work we have performed on this information, we conclude that there is a material misstatement of this information, we are required to report the fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing these financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative to do so. Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Chris Miles.

CULVER & CO.

Chartered Professional Accountants
Vancouver, Canada
30 April 2020

STATEMENTS OF FINANCIAL POSITION

31 December

	Notes	2019	2018
ASSETS			
Current			
Cash		**$ 878,154**	$ 500,968
Accounts receivable	5	**252,801**	432,159
Prepaid expenses and advances		**44,292**	67,274
Inventory	6	**527,949**	424,269
Total current assets		**1,703,196**	1,424,670
Right of use assets	9	**153,818**	-
Property and equipment	8	**74,888**	60,721
Deferred development	10	**9,378**	6,840
Patents	11	**4,427**	5,119
		242,511	72,680
		$ 1,945,707	$ 1,497,350
LIABILITIES			
Current			
Accounts payable	7	**$ 202,890**	$ 254,889
Lease liability	12	**96,427**	-
Total current liabilities		**299,317**	254,889
Lease liability	12	**57,392**	-
SHAREHOLDERS' EQUITY			
Share capital	13	**1,120,875**	1,120,875
Surplus		**468,123**	121,586
		1,588,998	1,242,461
		$ 1,945,707	$ 1,497,350

Approved and authorized by the Board 30 April 2020

"Richard Fearn"
____________________, Director

"Don Russell"
____________________, Director

The accompanying notes are an integral part of these financial statements

FAB-FORM INDUSTRIES LTD.

STATEMENTS OF COMPREHENSIVE INCOME

Years ended 31 December

	Notes	2019	2018
Sales		**$ 2,891,711**	$ 2,820,024
Cost of sales	14	**2,003,877**	1,989,254
Gross profit		**887,834**	830,770
(Percent Gross Profit)		**30.7%**	29.4%
Administrative & selling expenses			
General and administrative expenses	15	**229,543**	244,969
Selling and marketing expenses		**170,921**	163,983
Credit card & interest expenses		**26,375**	18,920
		426,838	427,872
Net ordinary income		**460,996**	402,898
Other items			
Inventory adjustments		**-**	27,838
Adjustment to duties		**3,349**	(7,570)
Bad debt expense		**248**	3,930
Foreign exchange loss (gain)		**6,683**	(12,123)
		10,280	12,075
Income before provision of income taxes		**$ 450,715**	$ 390,823
Provision for income taxes	16	**104,178**	53,500
Net income		**$ 346,537**	$ 337,323
Average shares outstanding	13	**8,822,055**	8,822,055
Income per share after taxes		**0.039**	0.038

The accompanying notes are an integral part of these financial statements

STATEMENTS OF CHANGES IN EQUITY

Years 2019 and 2018

	Shares		*Share capital*		*Surplus*		*Shareholders' equity*
Balance, 1 January 2018	8,119,345	$	769,520	$	(215,737)	$	553,783
Private placement	702,710		351,355		-		351,355
Comprehensive income	-		-		337,323		337,323
Balance, 31 December 2018	8,822,055	$	1,120,875	$	121,586	$	1,242,461
Balance, 1 January 2019	8,822,055	$	1,120,875	$	121,586	$	1,242,461
Comprehensive income	-		-		346,537		346,537
Balance, 31 December 2019	8,822,055	$	1,120,875	$	468,123	$	1,588,998

The accompanying notes are an integral part of these financial statements

STATEMENTS OF CASH FLOWS

Years ended 31 December

Cash provided by (used in)	Notes	**2019**	2018
Operations			
Income for year		**$ 346,537**	$ 337,323
Items not involving use of cash			
Income taxes	16	**104,178**	53,500
Depreciation of property and equipment	8	**21,065**	13,328
Depreciation of right of use asset	9	**93,951**	-
Amortization of deferred development costs	10	**1,801**	1,427
Amortization of patents	11	**691**	331
Cash interest paid on lease liabilities	12	**5,053**	-
Cash taxes and installments paid		**(120,178)**	(108,500)
Changes in non-cash working capital items			
Trade accounts receivable		**195,358**	(74,272)
Inventory		**(103,682)**	(61,954)
Prepaid expenses		**22,984**	(22,394)
Accounts payable		**(51,999)**	(123,972)
Cash provided by operating activities		**515,759**	14,817
Financing			
Payment of lease liabilities	12	**(99,002)**	**-**
Private placement		**-**	166,470
Cash provided by (used in) financing activities		**(99,002)**	166,470
Investing			
Property and equipment	8	**(35,233)**	(26,578)
Deferred development	10	**(4,339)**	(6,053)
Cash provided by (used in) investing activities		**(39,572)**	(32,631)
Increase in cash position		**377,185**	148,656
Cash beginning of year		**500,968**	352,312
Cash end of year		**$ 878,154**	$ 500,968

The accompanying notes are an integral part of these 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) Basis of preparation and adoption of IFRS

These 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 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.

c) Functional and presentation currency

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

d) Use of 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.

- **Accounts receivable**

  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 accounts receivable line on the Company's statement of financial position. At 31 December 2019, the accounts receivable line represented 13.0% 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**

  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 statement of financial position. At 31 December 2019, inventory represented 27.1% 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) Financial Instruments

On January 1, 2018 the Company adopted IFRS 9, Financial Instruments. This new standard replaces International Accounting Standards ("IAS") 39. Financial Instruments: Recognition and Measurement.

IFRS 9 uses a single approach to determine whether a financial asset is classified and measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments and contractual cash flow characteristics of the financial asset. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9 and, therefore, the accounting policy with respect to financial liabilities is unchanged

The following is the new accounting policy for financial assets and liabilities under IFRS 9:

Financial assets

The Company will now classify its financial assets in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (“FVTOCI"), or at amortized cost. The determination of the classification of financial assets is made at initial recognition. Equity instruments that are held for trading (including all equity derivative instruments) are classified as FVTPL; for other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by instrument basis) to designate them as at FVTOCI

The Company's accounting policy for each of the categories is as follows:

- Financial assets at FVTPL: Financial assets carried at FVTPL are initially. recorded at fair value and transaction costs are expensed in profit or loss. Realized' and unrealized gains and losses arising from changes in the fair value of financial assets held at FVTPL are included in profit or loss.
- Financial assets at FVTOCI: Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income in they arise.
- Financial assets at amortized cost: A financial asset is measured at amortized cost if the objective of the business model is to hold the financial asset for the collection of contractual cash flows, and the asset's contractual cash flows are comprised solely of payments of principal and interest. They are classified as current assets or non-current assets based on their maturity date, and are initially recognized at fair value and subsequently carried at amortized cost less any impairment.
- Impairment of financial assets at amortized cost: The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost.
- The Company's financial instruments consist of cash, receivables, accounts payable and accounts payable to related parties. The Company has designated its cash as FVTPL, which are measured at fair value. Receivables are classified as amortized cost.

Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was incurred. The Company's accounting policy for each category is as follows:

- Fair value through profit or loss — This category comprises derivatives or liabilities acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in profit or loss.
- Other financial liabilities - This category includes accounts payable and accrued liabilities, accounts payable to related parties, secured convertible debentures and flow-through obligation, all of which are recognized at amortized cost using the effective interest method.
- Accounts payable and accounts payable to related parties are classified as other financial liabilities, which are measured at amortized cost.
- Transaction costs in respect of financial instruments at fair value through profit or loss are recognized in profit or loss immediately, while transaction costs associated with all other financial instruments are included in the initial measurement of the financial instrument.

As the accounting reflected by the adoption of IFRS 9 under the above classifications and election is similar to that of IAS 39, there was no impact on the Company's financial statements and no restating of prior periods was required.

As at 31 December 2019, the Company does not have any derivative financial liabilities.

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) 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.

f) 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.

g) Inventory

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

h) 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.

i) 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.

j) Income per share

Income per share is calculated using the weighted average number of common shares outstanding during the year. Diluted income 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.

k) 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.

l) Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company has elected to apply the practical expedient to account for each lease component and any non-lease components as a single lease component.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The assets are depreciated to the earlier of the end of the useful life of the right-of-use asset or the lease term using the straight-line method as this most closely reflects the expected pattern of consumption of the future economic benefits. The lease term includes periods covered by an option to extend if the Company is reasonably certain to exercise that option. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero. The Company has elected to apply the practical expedient not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are recognized as an expense on a straight-line basis over the lease term.

4. Changes in significant accounting policies: Leases, IFRS 16 ("IFRS 16")

IFRS 16 specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all major leases. Effective 1 January 2019, the Company adopted IFRS 16 using the modified retrospective approach and accordingly the information presented for 2018 has not been restated. It remains as previously reported under IAS 17 and related interpretations.

On initial application, the Company has elected to record right-of-use assets based on the corresponding lease liability. Right-of-use assets and lease obligations of $247,769 were recorded as of 1 January 2019, with no net impact on retained earnings.

When measuring lease liabilities, the Company discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted-average rate applied is 2.5%. The Company has elected to apply the practical expedient to account for leases for which the lease term ends within 12 months of the date of initial application as short-term leases.

The Company has elected to apply the practical expedient to grandfather the assessment of which transactions are leases on the date of initial application, as previously assessed under IAS 17 and IFRIC 4. The Company applied the definition of a lease under IFRS 16 to contracts entered into or changed on or after 1 January 2019.

The following table reconciles the Company's operating lease obligations at 31 December 2018, as previously disclosed in the Company's financial statements, to the lease obligations recognized on initial application of IFRS 16 at 1 January 2019:

Operating lease commitment at 31 December 2018	$255,762
Discounted using the incremental borrowing rate at 1 January 2019	(7,993)
Finance lease liabilities recognized at 1 January 2019	$247,769

5. Accounts receivable

		2019		*2018*
Trade receivables	**$**	**140,434**	$	351,809
Rebate receivable		**84,202**		87,438
Corporate taxes receivable		**16,000**		-
Sales taxes receivable		**9,690**		-
Subtotal	**$**	**260,326**	$	439,247
Loss allowance		**(7,525)**		(7,088)
Total	**$**	**252,801**	$	432,159

6. Inventory

		2019		*2018*
Raw materials	**$**	**78,704**	$	63,248
Work in progress		**-**		-
Finished goods		**449,245**		361,021
Total	**$**	**527,949**	$	424,269

7. Accounts payable

		2019		*2018*
Trade payable and accruals	**$**	**176,111**	$	143,094
Related parties payables				
Officers and directors		**12,029**		15,471
Directors		**7,500**		86,611
Government remittances		**7,250**		6,413
Total	**$**	**202,890**	$	254,889

8. Property and equipment

	Office Ass.	*Prod eq*	*Warehouse*	*Vehicles*	*Lease improvemt.*	*Total*
Cost						
1 Jan 2018	**-**	**75,405**	**30,040**	**53,350**	**23,933**	**182,797**
Additions	1,933	13,718	3,869	7,058	-	26,577
Disposal	-	-	-	-	-	-
31 Dec 2018	**1,933**	**89,123**	**33,909**	**60,408**	**23,933**	**209,306**
Additions	400	6,083	3,392	25,357	-	35,233
Disposal	-	-	-	-	-	-
31 Dec 2019	**2,333**	**95,206**	37,301	**85,765**	**23,933**	**244,538**
Depreciation						
1 Jan 2018	**-**	**(57,171)**	**(14,104)**	**(42,853)**	**(21,129)**	**(135,257)**
Additions	(97)	(6,817)	(1,756)	(1,854)	(2,804)	(13,328)
Disposal	-	-	-	-	-	-
31 Dec 2018	**(97)**	**(63,988)**	**(15,860)**	**(44,707)**	**(23,933)**	**(148,585**
Additions	(611)	(10,844)	(3,949)	(5,661)	-	(21,065)
Disposal	-	-	-	-	-	-
31 Dec 2019	**(708)**	**(74,832)**	**(19,809)**	**(50,368)**	**(23,933)**	**(169,650)**
Net book value						
31 Dec 2018	1,836	25,135	18,049	15,701	**-**	60,721
31 Dec 2019	**1,625**	**20,374**	**17,492**	**35,397**	**-**	**74,888**

9. Right of use assets

	Total
At 1 January 2019	247,769
Additions 2019	-
Depreciation expense	(93,951)
Balance – 31 December 2019	**153,818**

10. Deferred development

Cost		
As at 1 January 2018	$	14,274
Additions		6,054
Disposals		-
As at 31 December 2018	$	20,328
Additions		4,339
Disposals		-
As at 31 December 2019	$	24,667
Depreciation		
As at 1 January 2018	$	(12,061)
Depreciation		(1,427)
As at 31 December 2018		(13,488)
Depreciation		(1,801)
As at 31 December 2019	$	(15,289)
Net book value		
As at 31 December 2018	$	6,840
As at 31 December 2019	**$**	**9,378**

11. Patents

Cost		
As at 1 January 2018	$	6,617
Additions		-
Disposals		-
As at 31 December 2018	$	6,617
Additions		-
Disposals		(379)
As at 31 December 2019	$	6,237
Depreciation		
As at 1 January 2018	$	(1,167)
Additions		(331)
Disposals		-
As at 31 December 2018	$	(1,498)
Additions		(312)
Disposals		-
As at 31 December 2019	$	(1.810)
Net book value		
As at 31 December 2018	$	5,119
As at 31 December 2019	**$**	**4,427**

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.

12. Lease liability

The Company leases warehouse and office space. These leases contain no renewal option.

	Total
Current	96,427
Non-current	57,392
Total lease obligation – 31 December 2019	**153,818**

The contractual undiscounted cash flows for lease obligations as of 31 December 2019:

	Total
Less than one year	99,005
One to five years	57,753
Total undiscounted lease obligations	**156,758**

Interest expense on lease obligations for the year ending 31 December 2019 was $5,053. Total cash outflow for leases in 2019 was $99,005, including $93,952 of principal payments on lease obligations.

13. 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	**$**	613,674
Private placement – 2 June 2005	489,166		78,268
Balance – 31 December 2008	**6,807,282**	**$**	**691,942**
Private placement, 23 January 2009	880,222		51,668
Debt settlement, 23 January 2009	431,841		25,910
Balance – 31 December 2017	**8,119,345**	**$**	**769,520**
Private placement 12 January 2018	702,710		351,355
Balance – 31 December 2018 and 2019	**8,822,055**	**$**	**1,120,875**

As of 31 December 2019, 46.0% 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**: None

iv) **Warrants**: None

14. Cost of sales

		2019		*2018*
Direct product costs	**$**	**1,942,158**	$	1,923,206
Indirect cost of goods sold				
Depreciation		**8,983**		8,573
Occupancy		**37,821**		33,929
Tools		**649**		1,359
Variable overheads		**9,427**		12,691
Unrecovered delivery, misc.		**4,839**		9,496
Total cost of sales	**$**	**2,003,877**	$	1,989,254

15. General and administration

		2019		2018
General and administration				
General	**$**	**32,665**	$	20,334
Depreciation		**3,544**		5,830
Gross wages		**95,160**		122,563
Occupancy		**21,022**		17,030
Patent maintenance fees		**665**		122
Professional fees		**26,668**		24,695
Pubco		**28,487**		28,581
Telecommunications		**21,332**		25,814
Total	**$**	**229,543**	$	244,969

16. Income taxes

A reconciliation of income tax at statutory rates at the reporting date with the reported taxes is shown in the table below. Income tax expense differs from the amount calculated by applying the enacted federal and provincial rates as follows:

	2019	2018
Income for the year	$ 346,537	$ 390,448
Expected income tax	120,178	105,000
Changes in unrecognized deductible temporary differences	(16,000)	(51,500)
Corporate income tax expense	$ 104,178	$ 53,500

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:

		2019		2018
Cash and cash equivalents	**$**	**878,154**	$	500,968
Accounts receivable		**252,801**		432,159
Total	**$**	**1,130,955**	$	933,127

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 accounts receivable. The amounts disclosed in the 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:

		2019		2018
Canada	**$**	**215,522**	$	341,845
United States		**37,279**		90,314
Total	**$**	**252,801**	$	432,159

In 2019, **2.8%** (2018, 4.8%) of the Company’s sales were made to one customer.

ii) Impairment losses

The aging of trade receivables at the reporting date was:

	2019			2018		
	Gross	***Allow.***	***Net***	*Gross*	*Allow.*	*Net*
Current	**$ 127,337**	**$ -**	**$ 127,337**	$ 153,725	$ -	$ 153,725
0 – 30 days	**46,964**	**-**	**46,964**	68,714	-	68,714
31 – 90 days	**55,750**	**-**	**55,750**	189,403	-	189,403
> 90 days	**30,275**	**7,525**	**22,750**	27,405	7,088	20,317
Total	**$ 260,326**	**$ 7,525**	**$ 252,801**	$ 439,247	$ 7,088	$ 432,159

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 unrecoverable and are written off against the financial asset directly.

b) Exchange risk

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

		2019	*2018*
Cash	US dollars	**$ 212,713**	$ 59,173
	Equivalent Canadian	**276,272**	80,726
Accounts receivable	US dollars	**34,401**	66,200
	Equivalent Canadian	**44,680**	90,314
Accounts payable	US dollars	**(12,633)**	(13,523)
	Equivalent Canadian	**(16,408)**	(18,449)

18. Segmented information

		2019		2018	
Gross sales	Canada	**$ 2,213,377**	**76.5%**	$ 2,197,985	77.9%
	USA	**678,334**	**23.5%**	622,039	22.1%
	Total	**$ 2,891,711**	**100.0%**	$ 2,820,024	100.0%
Total assets	Canada	**$ 1,632,156**	**83.9%**	$ 1,326,309	87.9%
	USA	**313,551**	**16.1%**	171,041	12.1%
	Total	**$ 1,945,707**	**100.0%**	$ 1,497,350	100.0%
Capital expenditures	Canada	**$ 35,233**	**100.0%**	$ 26,577	100.0%
	USA	**-**	**0.0%**	-	0.0%
	Total	**$ 35,233**	**100.0%**	$ 26,577	100.0%

19. 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 2019 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.

20. Compensation of Directors and Management

The compensation of directors, President and Chief Operating Officer was:

		2019		*2018*
Management salaries and benefits	**$**	**122,331**	$	121,605

21. COVID-19

The long term effects of the COVID lock-down to the housing industry is uncertain at this time. Three factors must be considered to evaluate the risk to Fab-Form (US figures provided, date of this report):

a) **Damage of lock-down to the housing sector**
The 26.5 million unemployed will have a significant negative impact on housing demand. This will lead to a decline in housing pricing and a fall in new housing starts. This is negative for Fab-Form sales.

b) **Covid-19 stimulus package**
The US Government recently approved a stimulus package which will increase the deficit spending in 2020 to $3.8 trillion ($38,000 per working person). This will have a positive influence on housing starts and Fab-Form sales.

c) **Quantitative easing program**
Over the past 30 years, central banks around the world have used quantitative easing as a means of avoiding recessions. This policy has increased capital and financial asset prices (including the housing stock). As today's asset pricing structure is based on extremely low interest rates (US 10 year treasuries now yield 0.6%), further easing (including the $3.8 trillion deficit) will tend to reduce the positive impact on housing starts.

Fab-Form COVID-19 strategy

On balance, these three factors will have a high probability of a negative impact on housing starts and Fab-Form sales.

The Company has been very concerned with 30 years of quantitative easing and has prudently managed cash and debt. As of the report date the Company has a cash balance of approximately $1.1 million and no debt (exclusive of lease liabilities).

The Company continues to focus on the development of propriety products that interface the gap between the ground and manufactured housing components.

FURTHER INFORMATION

31 December 2019

FAB-FORM INDUSTRIES LTD., headquartered in Delta BC, is a manufacturer and distributor of green and cost effective concrete forming products for the building industry. Its common shares trade on the Toronto Venture Exchange under the symbol "FBF".

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