FAB-FORM INDUSTRIES LTD
FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2020, and 2019

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For the years ended 31 December 2020, and 2019

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FAB-FORM INDUSTRIES LTD

Management's Report to Shareholders

The accompanying Financial Statements are the responsibility of the management of Fab-Form Industries Ltd. The Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) 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 Company's independent auditors, Culver & Co, have audited the Financial Statements, as reflected in their report.

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 to review the Company's Financial Statements and MD&A. The Audit Committee also reviews internal accounting controls, risk management 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 Financial Statements. 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 financial statements.

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Director
Rick Fearn
President and CEO
26 April 2021

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Director
Don Russell
Chief Financial Officer
26 April 2021

Culver & Co.
CHARTERED PROFESSIONAL ACCOUNTANTS

#205 – 1095 West Pender Street Vancouver, BC V6E 2M6
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 statements of financial position as at 31 December 2020 and 2019, and the statements of changes in equity, comprehensive income and cash flows for the years ended 31 December 2020 and 2019, 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 2020 and 2019 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

26 April 2021

FAB-FORM INDUSTRIES LTD

STATEMENTS OF COMPREHENSIVE INCOME

For the years ended 31 December

	Notes	2020 $	2019 $
Revenue		2,634,852	2,891,711
Cost of sales	7	(1,794,776)	(2,003,877)
Gross profit (Margin 32% (2019: 30.7%))		**840,076**	**887,834**
Other operating income/(expenses)		15,678	(10,280)
Expenses			
General and administration		(381,529)	(255,918)
Selling and marketing		(173,086)	(170,921)
Total expenses		**(554,615)**	**(426,839)**
Earnings from operations		**301,139**	**450,715**
Finance costs		436	-
Earnings before income taxes		**301,575**	**450,715**
Income taxes	4	(81,426)	(104,178)
Earnings for the year		**220,149**	**346,537**
Other comprehensive income		-	-
Total comprehensive income for the year		**220,149**	**346,537**
No of shares issued		8,822,055	8,822,055
Basic and diluted earnings per share		**0.025**	**0.039**

The accompanying notes are an integral part of these financial statements

FAB-FORM INDUSTRIES LTD
STATEMENTS OF FINANCIAL POSITION
As at 31 December

	Notes	2020 $	2019 $
ASSETS			
Current			
Cash and cash equivalents	5	1,299,653	878,154
Trade and other receivables	6	212,953	297,093
Inventories	7	547,043	527,949
		2,059,649	**1,703,196**
Non current assets			
Property, plant and equipment	8	70,349	74,888
Right of use assets	9	518,841	153,818
Deferred development	10	11,471	9,378
Patents	11	4,097	4,427
		604,758	**242,511**
Total Assets		**2,664,407**	**1,945,707**
LIABILITIES			
Current			
Trade and other payables	12	335,203	202,891
Lease liabilities	13	94,155	96,426
		429,358	**299,317**
Non current liabilities			
Lease liabilities	13	425,902	57,392
		425,902	**57,392**
Total liabilities		**855,260**	**356,709**
EQUITY			
Share capital	14	1,120,875	1,120,875
Retained earnings		688,272	468,123
Total equity		**1,809,147**	**1,588,998**
Total equity and liabilities		**2,664,407**	**1,945,707**

Approved and authorized by the Board 26 April 2021

"Richard Fearn"
..............................., Director

"Don Russell"
..............................., Director

The accompanying notes are an integral part of these financial statements

FAB-FORM INDUSTRIES LTD
STATEMENTS OF CHANGES IN EQUITY

	Issued Capital		Retained earnings	Total equity
	No of shares	Amount		
		$	$	$
Balance, 1 January 2019	8,822,055	1,120,875	121,586	1,242,461
Total comprehensive income			346,537	346,537
Balance, 31 December 2019	8,822,055	1,120,875	468,123	1,588,998
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

The accompanying notes are an integral part of these financial statements

FAB-FORM INDUSTRIES LTD
STATEMENTS OF CASHFLOWS
For the years ended 31 December

	Notes	2020 $	2019 $
Cash flows form operating activities			
Earnings before income taxes		**301,575**	**450,715**
Items not involving use of cash			
Depreciation		9,903	23,557
Depreciation - Right of Use Assets	9	98,217	93,951
Profit on disposal of assets		(8,101)	-
Finance cost - lease liabilities	13	1,083	5,053
		402,677	**573,276**
Changes in working capital items			
Trade and other receivables	6	77,830	195,358
Inventories	7	(19,094)	(80,698)
Trade and other payables	12	132,310	(51,999)
Cash generated from operating activities		**593,723**	**635,937**
Income taxes paid	15	(75,116)	(120,178)
Net cash generated from operating activities		**518,606**	**515,759**
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(14,500)	(35,233)
Proceeds from sales of assets		19,092	-
Deferred development	10	(3,616)	(4,339)
Net cash used in investing activities		**976**	**(39,572)**
Cash flows from financing activities			
Lease payments	13	(98,084)	(99,002)
Net cash used in financing activities		**(98,084)**	**(99,002)**
Net increase in cash and cash equivalents		421,499	377,185
Cash and cash equivalents at beginning of the year		878,154	500,969
Cash and cash equivalents at end of the year	5	**1,299,653**	**878,154**

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

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) New standards and interpretations adopted

The Company adopted IAS 8 - Accounting policies changes in accounting estimates and errors effective from 1 January 2020. This policy did not have an impact.

e) 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)

e) 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 obsolescense**
  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 accounting policies

a) Financial Instruments

Financial Assets

The Company classifies its financial assets in the following categories at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income ("FVTOVI"), or at amortised 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 FCTPL are initially, recorded at fair value and transaction costs are expenses 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 as 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 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 obligations, 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 at 31 December 2020, 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.

3 Significant accounting policies (continued)

c) Revenue recognition

The Company manufactures and sells a range of form concrete footings, columns, foundations and walls for building structures. The Company also exclusively distributes Helix® micro rebar and Nudura® insulating concrete forms. Revenue is recognised when performance obligations are satisfied per the contract with customers. Performance obligations will be met when control of the products has transferred being when the products are delivered to the customer or a contractor. Delivery occurs when the products have been delivered to specific location. Revenue from a contract with customers 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. If it is possible that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the revenue are

d) Expenditure recognition

Expenses are recognised in the Statement of Comprehensive Income on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditures are incurred in the running of the business and in maintaining the property, plant and equipment in a state of efficiency has been charged to the Statement of Comprehensive Income.

For the purpose of presentation of Statement of Comprehensive Income, the Directors are of the opinion that "function of expenses" method presents fairly the elements of the Company's performance; hence the presentation method is adopted.

e) Finance income/(cost)

Interest income is recorded using the Effective Interest Rate (EIR) method, which is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instruments or a shorter period, where appropriate, to the net carrying amount of the financial asset. Interest income is included in net finance cost in the Statement of Operations and Comprehensive Income. Interest expenses are expensed in the period in which they occur. Interest expenses consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

f) 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 they relate 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.

3 Significant accounting policies (continued)

g) Property and equipment

Property and equipment is measured at cost, net of accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditures that are 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.

Depreciation is recognised in profit or loss on the declining balance basis using a 20% annual rate. No amortization is taken on equipment under development. Depreciation of an asset begins when it is available for use whereas depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognised.

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.

h) 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 to use or sell the asset. The expenditure capitalised includes the cost of material and direct labour costs that are attributable to preparing the asset for it 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.

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.

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.

3 Significant accounting policies (continued)

j) Inventories

Inventories are measured 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. Costs of purchased inventory are determined after deducting rebates and discounts.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

k) Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Other financial nature receivables are recognised as other receivables.

Trade and other receivables are initially measured at fair value and subsequently measured at amortised cost using the Effective Interest Rate (EIR) method less any provision for impairment.

The Company applies the simplified approach in measuring expected credit losses (ECL) allowance which is recommended by IFRS 9 on making impairment of trade receivables.

ECLs are probability-weighted estimate of credit losses. The allowance is provided by considering evidence of impairment for receivables of both individual and collective level. Receivables are individually assessed for impairment by considering objective evidence such as experiencing a significant financial difficulty or default in payment by customer. Debtors that are not specifically impaired are then collectively assessed for any impairment. In assessing collective impairment, the Company uses historical information on the probability of default, the timing of recoveries, the amount of loss incurred and makes an adjustment if current and forward looking economic and credit conditions are likely to be greater or lesser than suggested historical trends.

l) Cash and cash equivalents

Cash and cash equivalents are defined as cash in hand, demand deposits and short-term highly liquid investments with maturities of three months or less, readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

m) 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.

n) Trade and other payables

Trade payables are the aggregate amount of obligation to suppliers for goods delivered to or services consumed by the Company in the ordinary course of business. Trade payables are classified as current liabilities if they are payable within one year or less.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

3 Significant accounting policies (continued)

o) 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.

p) 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.

q) Share capital

The Company records proceeds from share issuances net of issue costs. Common shares issued for consideration other than cash are valued based on their market value at the date of issuance.

r) Earning per share

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

FAB-FORM INDUSTRIES LTD
NOTES TO THE FINANCIAL STATEMENTS
For the years ended 31 December

		2020 $	2019 $
4	**Income taxes**		

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

	2020 $	2019 $
Earnings before income taxes	301,575	346,537
Expected income taxes	81,426	120,178
Changes in unrecognized temporary differences	-	(16,000)
Income taxes	81,426	104,178

5 Cash and cash equivalents

	2020 $	2019 $
Cash at banks	1,299,653	878,154

6 Trade and other receivables

	2020 $	2019 $
Trade	111,501	152,599
Supplier rebates	38,279	84,202
Deposits, advances and prepayments	53,483	44,292
Corporate tax (Note 15)	9,690	16,000
	212,953	297,093

7 Inventories

	2020 $	2019 $
Raw material	89,721	70,139
Finished goods	457,322	457,810
	547,043	527,949

Inventories recognised as an expense in cost of sales during the year ended 31 December 2020 amounted to $1,585,549 (2019:$1,787,872). No write-down of inventories occurred in 2020 or 2019.

8 Property, plant and equipment

	Office Assets	Production equipment	Warehouse equipment	Vehicles	Total
	$	$	$	$	$
Cost					
Balance at 01 January :$	1,933	89,123	33,909	60,408	185,373
Additions	400	6,083	3,392	25,357	35,232
Balance at 31 December 2019	2,333	95,206	37,301	85,765	220,605
Additions	4,875	8,203	1,422	-	14,500
Disposals	-	-	-	(60,408)	(60,408)
Balance at 31 December 2020	7,208	92,030	38,723	25,357	163,319
Accumulated depreciation					
Balance at 01 January 2019	(97)	(63,988)	(15,860)	(44,707)	(124,652)
Depreciation	(611)	(10,844)	(3,949)	(5,661)	(21,065)
Balance at 31 December 2019	(708)	(74,832)	(19,809)	(50,368)	(145,717)
Depreciation	(175)	3,150	(6,325)	(4,700)	(8,050)
Disposals	-	-	-	49,417	49,417
Balance at 31 December 2020	(883)	(60,303)	(26,134)	(5,651)	(92,971)
Net book value at 31 December 2019	1,625	20,374	17,492	35,397	74,888
Net book value at 31 December 2020	6,325	31,727	12,589	19,706	70,349

9 Right of use of assets

	2020 $	2019 $
Cost		
Balance at 01 January	247,769	-
Day 1 adjustment	-	247,769
Additions	463,240	-
Balance at 31 December	711,009	247,769
Accumulated depreciation		
Balance at 01 January	(93,951)	-
Depreciation	(98,217)	(93,951)
Balance at 31 December	(192,168)	(93,951)
Net book value	518,841	153,818

10 Deferred development

	2020 $	2019 $
Cost		
Balance at 01 January	24,667	20,328
Additions	3,616	4,339
Balance at 31 December	28,283	24,667
Accumulated depreciation		
Balance at 01 January	(15,289)	(13,488)
Depreciation	(1,523)	(1,801)
Balance at 31 December	(16,812)	(15,289)
Net book value	11,471	9,378

11 Patents

	2020 $	2019 $
Cost		
Balance at 01 January	6,237	6,616
Disposals	-	(379)
Balance at 31 December	6,237	6,237
Accumulated depreciation		
Balance at 01 January	(1,810)	(1,498)
Depreciation	(330)	(312)
Balance at 31 December	(2,140)	(1,810)
Net book value	4,097	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 Trade and other payables

	2020 $	2019 $
Trade	229,709	143,097
Related party (Note 16)	27,112	20,029
Payroll related accruals	65,988	32,263
Government remittances	12,394	7,502
	335,203	202,891

Trade payables are unsecured and are usually paid within 30 days of recognition. The carrying amount of trade and other payable are considered to be the same as their fair values due to their short-term nature.

Payroll accruals include bonus and vacation pay payable. Total salaries and wages paid to employees during the year was $406,267 (2019:$305,488). Salaries and wages were charged to Statement of Comprehensive Income.

13 Lease liabilities

	2020 $	2019 $
Balance at 1 January	153,818	-
Day 1 adjustment	-	247,769
Additions	463,240	-
Payments	(98,084)	(99,004)
Finance cost	1,083	5,053
Balance at 31 December	520,057	153,818
Current	94,155	96,426
Non-Current	425,902	57,392
	520,057	153,818

14 Share Capital

(i) **Authorised:** 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 2019	8,822,055	1,120,875
Balance - 31 December 2020	8,822,055	1,120,875

As of 31 December, 46% 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.

15 Income taxes paid

	2020 $	2019 $
Balance at the begining	16,000	-
Charge for the year	(81,426)	(104,178)
Income taxes paid	75,116	120,178
Balance at the end of year	9,690	16,000

16 Related party transactions

Transaction between the Company and the related parties are given below Related parties includes Directors, CEO & President and Vice President.

	2020 $	2019 $
Related party (Note 12)	27,112	20,029

Related party payables include directors fee and bonus payable. These are payable on demand.

Key management compensation

	2020 $	2019 $
Management salaries	217,219	151,533
Directors fees	8,000	8,000

17 Commitments

	2020 $	2019 $
Commitments for purchase of raw material in the ordinary course of business. (USD 35,581)	45,778	-

18 Financial instruments and financial risk management

18.1 Management of Capital

The Company considers it's 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 2020 and the Company does not have any externally imposed capital restrictions.

18.2 Fair value of financial instruments

The Company's financial instruments consist of cash and cash equivalents, trade and other receivables, trade payables and other accruals.

The fair values of cash and cash equivalents, trade and other receivables, trade payables and other accruals approximate their carrying values due to the short-term maturities of those instruments.

18.3 Financial risk management

Exposure to counterparty credit risk and foreign currency risk arises in the normal course of the Company's business.
The Company currently does not enter into derivative financial instruments to reduce exposure to fluctuations in any of the risks impacting the Company's operations.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company's maximum exposure to credit risk, which is a worst case scenario and does not reflect results expected by the Company, is as follows:

	2020	2019
	$	$
Cash and Cash Equivalents	1,299,653	878,154
Accounts receivable	149,780	236,801
Total	**1,449,433**	**1,114,955**

The credit risk on cash is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Company has 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 December 31, 2020, only one customer represented greater than 10% of the balance amounting to $11,855.

18 Financial instruments and financial risk management (continued)

18.3 Financial risk management (continued)

Credit risk (continued)

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-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**

30-Dec-19

	0-30 Days	31-60 Days	61-90 Days	Over 91 Days	Total
	$	$	$	$	$
Trade receivables (CAD customers)	10,678	37,418	55,750	10,688	114,534
Trade receivables (US Dollar customers)	16,457	9,546	-	24,628	50,630
Total	**27,135**	**46,964**	**55,750**	**35,316**	**165,164**
Loss allowance %	-	-	-	35.6%	7.6%
Expected credit losses	-	-	-	(12,565)	(12,565)
Net receivables	**27,135**	**46,964**	**55,750**	**22,751**	**152,599**

	2020	2019
	$	$
The loss allowances for trade receivables as at 31 December reconciled to the opening loss allowances as follows:		
Opening loss allowance at 1 January	12,565	8,547
Increase in loss allowance recognised in profit or loss during the year	15,687	4,018
Closing balance at 31 December	28,252	12,565

Trade receivables are non-interest bearing and are generally on 30 day terms.

Total trade accounts receivable (net of ECLs) held by the Company at December 31, 2020 amounted to $111,502 ($2019: $152,599). In determining the expected credit loss amount, the Company considers the client's financial position, service and payment history and economic conditions. The estimated credit loss for trade accounts receivable as at 31 Dec 2020 was $ 28,252 (2019: $12,565)

18 Financial instruments and financial risk management (continued)

18.3 Financial risk management (continued)

Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient funds to meet its obligations as they come due. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements at any point in time. The Company achieves this by maintaining sufficient cash, as well as through the availability of funding from committed credit facilities. As at December 31, 2020, the Company had cash and cash equivalents of $1,299,653.

The Company's financial liabilities, based on contractual undiscounted payments, were $874,809 as at December 31 2020. Management believes that future cash flows from operations will be adequate to support the financial liabilities. Trade payables are non-interest bearing and are normally settled on 30 day term.

The tables below analyse the Company's non-derivative financial liabilities into relevant maturity groupings based on their contractual maturities.

	Total	Less than 6 months	6-12 months	Between 2-3 years	Between 4-5 years	More than 5 years
	$	$	$	$	$	$
As at 31 December 2020						
Trade and other payables	322,809	322,809	-	-	-	-
Lease liabilities	552,000	50,182	50,182	200,727	200,727	50,182
	874,809	372,991	50,182	200,727	200,727	50,182

	Total	Less than 6 months	6-12 months	Between 2-3 years	Between 4-5 years	More than 5 years
	$	$	$	$	$	$
As at 31 December 2019						
Trade and other payables	195,389	195,389	-	-	-	-
Lease liabilities	153,818	49,042	49,042	55,734	-	-
	349,207	244,431	49,042	55,734	-	-

Market risk

(a) Foreign currency exchange risk
The Company has foreign currency risk mainly because it is exposed to foreign currency fluctuations due to its operations in the USA.

	2020	2019
	$	$
Accounts receivable - USD customers	33,098	50,630
Cash & cash equivalents - Cash at bank USD	257,591	274,798
	290,689	325,428
Accounts payable - USD suppliers	(35,894)	(16,408)
Net Exposure	254,795	309,020
Impact on profits from a change in USD/CAD exchange rate by 10%	25,480	30,902

(b) Price risk
The Company has not exposed any price risk as there are no financial instruments that are classified as Fair value through other comprehensive income (FVOCI) or at fair value through profit or loss (FVTPL).

(c) Interest rate risk
The Company does not have any short or long term borrowings or deposits that are directly expose to interest rate risk.

19 Segmented information

		2020		2019	
		$		$	
Gross Sales	Canada	1,890,155	71.7%	2,213,377	76.5%
	USA	744,697	28.3%	678,334	23.5%
	Total	**2,634,852**	**100.0%**	**2,891,711**	**100.0%**
Total assets	Canada	2,385,069	89.5%	1,632,156	83.9%
	USA	279,338	10.5%	313,551	16.1%
	Total	**2,664,407**	**100.0%**	**1,945,707**	**100.0%**
Capital expenditure	Canada	14,500	100.0%	35,233	100.0%
	USA	-	0.0%	-	0.0%
	Total	**14,500**	**100.0%**	**35,233**	**100.0%**

20 Covid - 19

The situation remains dynamic, and new impacts on the business may emerge. Demand for housing has increased due to lower interest rates, and suspended construction activities are expected to resume.

FAB-FORM INDUSTRIES LTD
GENERAL INFORMATION

Nature of the business
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. The Company's shares trade on the Toronto Venture Exchange under the symbol "FBF".

Board of Directors

Rick Fearn	-	President, CEO (rick@fab-form.com)
Joey Fearn	-	Chief Operating Officer (joey@fab-form.com)
Bruce Clark	-	Secretary (bruce@fab-form.com) (Resigned 31 Dec 2020)
Don Russell	-	Chief Financial Officer (don@fab-form.com)
Nigel Protter	-	Director - Non executive Independent (Appointed 01 Jan 2021)

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(604)596-3278

Shareholders and interested investors should visit:
www.fab-form.com/investor/overview.php
www.vancouvericf.com
www.steelfiberswest.com

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11th Floor, South Tower
Toronto, ON.