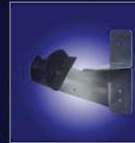


**FAB-FORM**  
*Sustainable Foundations*



INVESTOR



HELIX



**FAB-FORM**  
*Financial Statements*  
**2016**

# REPORT TO OUR SHAREHOLDERS

The cover to the financial statement is a screenprint of our current home page, showing the attendees of our recent ICF-Exposition held in Delta, BC on the 9<sup>th</sup> of March of this year. With over two hundred people in attendance and with several world renown speakers presenting, the exposition was an outstanding success. The theme of the exposition was to evaluate whether the ICF industry is undergoing a paradigm shift. Fab-Form donated \$1,000 as a prize for the attendee that could estimate the level of ICF growth in 2017. The archives of the expo can be seen at [www.icf-expo.org](http://www.icf-expo.org) and the contestant estimates at: [www.icf-expo.org/contestants](http://www.icf-expo.org/contestants).

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

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

The Company's independent auditors, Culver & Co., have audited the Consolidated Financial Statements, as reflected in their report for 2016.

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

The Consolidated Financial Statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized in Note 3 of the Notes to the Consolidated Financial Statements.

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

Sincerely



Richard Fearn  
President and CEO

30 April 2017



Herb Bentz  
Chief Financial Officer

30 April 2017

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Fab-Form Industries Ltd.

We have audited the accompanying consolidated financial statements of Fab-Form Industries Ltd. (the "Company"), which comprise the consolidated statements of financial position as at 31 December 2016 and 2015 and the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended 31 December 2016 and 2015, and a summary of significant accounting policies and other explanatory information.

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

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

### ***Auditor's responsibility***

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

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

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

### ***Opinion***

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Fab-Form Industries Ltd. as at 31 December 2016 and 2015 and its financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards.

CULVER & CO.

Chartered Professional Accountants

Vancouver, Canada

30 April 2017

FAB-FORM INDUSTRIES LTD.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

31 December

	Notes	2016	2015
<b>ASSETS</b>			
<b>Current</b>			
Cash		\$ 176,852	\$ 90,598
Accounts receivable	17	128,582	62,571
Prepaid expenses and advances		28,780	21,953
Inventory	4	299,353	156,300
<b>Total current assets</b>		<b>633,567</b>	331,422
<b>Property and equipment</b>	8	<b>55,603</b>	70,348
<b>Deferred development</b>	9	<b>2,766</b>	3,458
<b>Patents</b>	10	<b>4,197</b>	4,252
		<b>62,566</b>	78,058
		<b>\$ 696,133</b>	\$ 409,480
<b>LIABILITIES</b>			
<b>Current</b>			
Accounts payable and accrued liabilities	16	\$ 201,183	\$ 83,189
Accounts payable – related	15	148,266	52,412
Current portion of long-term debt	12	4,817	44,654
<b>Total current liabilities</b>		<b>354,266</b>	180,255
<b>Long-term debt</b>	12	-	87,713
<b>SHAREHOLDERS' EQUITY</b>			
<b>Share capital</b>	13	<b>769,520</b>	769,520
<b>Deficit</b>		<b>(427,653)</b>	(628,008)
		<b>341,867</b>	141,512
		<b>\$ 696,133</b>	\$ 409,480

Approved and authorized by the Board 30 April 2017

**"Richard Fearn"**

\_\_\_\_\_, Director

**"Herb Bentz"**

\_\_\_\_\_, Director

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

## FAB-FORM INDUSTRIES LTD.

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years ended 31 December

	Notes	2016	2015
<b>Sales</b>		<b>\$ 1,697,029</b>	\$ 1,108,644
<b>Cost of sales</b>	5	<b>1,211,366</b>	761,055
<b>Gross profit</b>		<b>485,663</b>	347,590
(Percent Gross Profit)		<b>28.6%</b>	31.4%
<b>Administrative &amp; selling expenses</b>			
General and administrative expenses	6	<b>144,295</b>	142,450
Selling and marketing expenses	7	<b>115,790</b>	82,107
		<b>260,084</b>	224,557
<b>Operating profit</b>		<b>225,579</b>	123,032
<b>Foreign exchange &amp; interest</b>			
Foreign exchange loss (gain)		<b>2,913</b>	(13,058)
Interest expense		<b>19,652</b>	25,045
		<b>22,565</b>	11,986
<b>Net Profit before other items</b>		<b>203,014</b>	111,046
<b>Other items</b>			
Inventory write-off		<b>(30)</b>	1,372
Bad debt expense		<b>2,689</b>	-
Development cost write-off		-	(300)
Capital asset write-off		-	11,951
		<b>2,659</b>	13,023
<b>Comprehensive income</b>		<b>\$ 200,355</b>	\$ 98,023
<b>Average shares outstanding</b>	13	<b>7,797,988</b>	7,797,988
<b>Income per share</b>		<b>0.026</b>	0.013

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

FAB-FORM INDUSTRIES LTD.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Years 2016 and 2015

	<i>Shares</i>		<i>Share capital</i>		<i>Deficit</i>		<i>Shareholders' equity</i>
Balance, 1 January 2015	7,797,988	\$	769,520	\$	(726,031)	\$	43,489
Comprehensive income	-		-		98,023		98,023
Balance, 31 December 2015	7,797,988	\$	769,520	\$	(628,008)	\$	141,512
Balance, 1 January 2016	7,797,988	\$	769,520	\$	(628,008)	\$	141,512
Comprehensive income	-		-		200,355		200,355
Balance, 31 December 2016	7,797,988	\$	769,520	\$	(427,653)	\$	341,867

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

FAB-FORM INDUSTRIES LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended 31 December

<b>Cash provided by (used in)</b>	Notes	<b>2016</b>	2015
<b>Operations</b>			
Income for year		\$ 200,355	\$ 98,023
Items not involving use of cash			
Amortization and depreciation	11	19,787	26,944
Impairment and other		-	11,951
		<u>220,142</u>	<u>136,918</u>
Changes in non-cash working capital items			
Accounts receivable		(66,011)	52,049
Prepaid expenses and advances		(6,827)	(3,242)
Inventory		(143,053)	(80,462)
Accounts payable and accrued liabilities		117,994	(43,561)
Accounts payable - related		95,854	(16,299)
Current portion of long term debt		(39,837)	6,228
		<u>(41,880)</u>	<u>(85,287)</u>
<b>Financing</b>			
Long term debt repayment	12	<u>(87,713)</u>	<u>(20,094)</u>
<b>Investing</b>			
Property and equipment	8	(4,086)	(2,110)
Patents	10	(209)	(610)
		<u>(4,295)</u>	<u>(2,720)</u>
<b>Increase in cash</b>		<b>86,254</b>	28,817
<b>Cash beginning of year</b>		<u>90,598</u>	61,781
<b>Cash end of year</b>		<b>\$ 176,852</b>	<b>\$ 90,598</b>

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2016

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

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

- **Impairment of non-financial assets**

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

- **Depreciation and amortization rates**

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

- **Taxes**

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



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2016

- **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 consolidated statement of financial position. At 31 December 2016, the accounts receivable line represented 18.5% of total assets.

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

- **Inventories**

Allowance for inventory obsolescence

The Company determines its allowance for inventory obsolescence based upon expected inventory turnover, inventory aging and current and future expectations with respect to product offerings. The Company reviews future revenue trends and forecasts, expected inventory requirements and inventory composition necessary to support future revenues. These accounting estimates are with respect to inventory on the Company's consolidated statement of financial position. At 31 December 2016, the inventory represented 43% of total assets.

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

### 3. Significant accounting policies

#### a) Basis of consolidation

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

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

#### b) Foreign currency transactions

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

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

Foreign currency differences are recognized in profit or loss.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2016

### **c) Revenue recognition**

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

### **d) Income taxes**

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

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

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

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

### **e) Financial Instruments**

#### **i) Non-derivative financial assets**

##### **a) Initial recognition and measurement**

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

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

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

##### **b) Subsequent measurement**

The subsequent measurement of financial assets depends on their classification.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2016

c) Financial assets at fair value through profit or loss

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

d) Loans and receivables and cash and cash equivalents

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

Loans and receivables comprise cash and cash equivalents and accounts receivable

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

e) Derecognition

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

### ii) Non-derivative financial liabilities

a) Initial recognition and measurement

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

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

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

b) Subsequent measurement

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

c) Derecognition

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

### iii) Offsetting of financial instruments

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2016

### iv) Share capital

#### a) Common shares

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

#### b) Warrants

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

### f) Property and equipment

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

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

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

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

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

### g) Deferred development costs

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

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

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

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

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

### h) Inventory

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2016

### **i) Patents**

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

### **j) Impairment**

#### **i) Financial assets**

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

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

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

#### **ii) Non-financial assets**

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

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

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2016

**k) Share-based payment transactions**

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

**l) Income per share**

Income 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.

**m) Operating leases**

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

**n) Provisions**

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

**o) Adoption of new and revised IFRS and IFRS not yet effective**

No new standards were adopted in the year and there are no of the pending changes which are expected to have a significant impact on the Company's financial statements except for IFRS 16 Leases which is effective 1 January 2019. The company is assessing the impact of IFRS 16.

**4. Inventory**

	<i>31 Dec 2016</i>	<i>31 Dec 2015</i>
Raw materials	\$ 164,922	\$ 67,877
Work in progress	156	73
Finished goods	134,275	88,350
Total	\$ 299,353	\$ 156,300

**5. Cost of sales**

	<i>2016</i>	<i>2015</i>
Direct product costs	\$ 1,145,994	\$ 684,861
Indirect cost of goods sold		
Amortization	9,002	15,471
Occupancy	29,083	29,192
Tools	260	1,456
Variable overheads	13,719	21,800
Unrecovered delivery	13,308	8,275
Total	\$ 1,211,366	\$ 761,055

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2016

**6. General and administration**

	<i>2016</i>	<i>2015</i>
General and administration		
General	\$ 62,980	\$ 58,786
Amortization	8,723	11,473
Management fees	12,961	19,274
Occupancy	11,672	10,804
Patent maintenance fees	821	821
Professional fees	22,803	20,602
Pubco	17,140	13,863
Telecommunications	7,195	6,827
<b>Total</b>	<b>\$ 144,295</b>	<b>\$ 142,450</b>

**7. Selling and marketing**

	<i>2016</i>	<i>2015</i>
Advertising	\$ 20,275	\$ 14,761
Selling commissions	57,447	40,881
Trade shows	21,270	15,084
Associations	2,069	1,475
Promo materials	14,509	9,906
<b>Total</b>	<b>\$ 115,790</b>	<b>\$ 82,107</b>

**8. Property and equipment** (pledged as security for director's loan)

	<i>Manuf. equip.</i>	<i>Warehs. Equip.</i>	<i>Lease improv.</i>	<i>Vehicles</i>	<i>Total</i>
<b>Cost</b>					
As at 1 January 2015	\$ 197,972	18,651	23,933	53,350	293,906
Additions	2,110	-			2,110
Disposals					-
As at 31 December 2015	200,082	18,651	23,933	53,350	296,016
Additions	1,084	3,002	-	-	4,086
Disposals	-	-	-	-	-
As at 31 December 2016	201,166	21,653	23,933	53,350	300,103
<b>Depreciation</b>					
As at 1 January 2015	\$ (150,223)	\$ (8,151 )	\$ (6,768 )	\$ (22,749 )	(187,891 )
Depreciation	(9,760)	(2,100 )	(4,787 )	(9,180 )	(25,827 )
Disposals	(11,951)	-	-	-	(11,951)
As at 31 December 2015	(171,934)	(10,251 )	(11,555 )	(31,929 )	\$ (225,669 )
Depreciation	(5,738)	(1,800 )	(4,787 )	(6,426 )	(18,831 )
Impairment	-	-	-	-	-
As at 31 December 2016	\$ (177,672)	(12,131 )	(16,342 )	(38,355 )	\$ (244,500 )
<b>Net book value</b>					
As at 31 December 2015	\$ 28,148	\$ 8,400	\$ 12,378	\$ 21,421	\$ 70,348
<b>As at 31 December 2016</b>	<b>\$ 23,494</b>	<b>\$ 9,522</b>	<b>\$ 7,591</b>	<b>\$ 14,995</b>	<b>\$ 55,603</b>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2016

**9. Deferred development**

<b>Cost</b>	
As at 1 January 2015	\$ 14,274
Additions	-
Disposals	-
As at 31 December 2015	\$ 14,274
Additions	-
Disposals	-
As at 31 December 2016	\$ 14,274
<b>Depreciation</b>	
As at 1 January 2015	\$ (9,952 )
Depreciation	(864 )
As at 31 December 2015	(10,816 )
Depreciation	(692 )
As at 31 December 2016	\$ (11,508 )
<b>Net book value</b>	
As at 31 December 2015	\$ 3,458
<b>As at 31 December 2016</b>	<b>\$ 2,766</b>

**10. Patents**

<b>Cost</b>	
As at 1 January 2015	\$ 4,478
Additions	610
Disposals	-
As at 31 December 2015	\$ 4,478
Additions	209
Disposals	-
As at 31 December 2016	\$ 5,297
<b>Depreciation</b>	
As at 1 January 2015	\$ (583 )
Depreciation	(253 )
Disposals	-
As at 31 December 2015	\$ (836 )
Depreciation	(264 )
Disposals	-
As at 31 December 2016	\$ (1,100 )
<b>Net book value</b>	
As at 31 December 2015	\$ 4,252
<b>As at 31 December 2016</b>	<b>\$ 4,197</b>

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.



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2016

**11. Summary of amortization and depreciation expense:**

	<b>31 Dec 2016</b>	<i>31 Dec 2015</i>
Production equipment	\$ 9,002	\$ 9,760
Non production equipment	7,767	16,067
Deferred development	692	864
Patents	264	253
<b>Total</b>	<b>\$ 17,725</b>	<b>\$ 26,944</b>

**12. Long-term debt**

<i>Description</i>	<b>31 Dec 2016</b>	<i>31 Dec 2015</i>
Working capital loan from the Business Development Bank for \$98,575, payable \$1,645 per month, interest 7.5%.	\$ -	\$ 42,770
Less current portion	-	(19,740)
Long-term portion	\$ -	\$ 23,030
Equipment loan from the Business Development Bank for \$50,000, payable \$840 per month, interest 6.75%.	\$ -	\$ 31,080
Less current portion	-	(10,080)
Long-term portion	\$ -	\$ 21,000
Equipment loan from the Business Development Bank for \$30,000, payable \$500 per month, interest 6.25%.	\$ -	\$ 25,000
Less current portion	-	(6,000)
Long-term portion	\$ -	\$ 19,000
Collateral loan from the Scotia Bank for \$27,229, secured on vehicle, payable \$209 biweekly with interest at 0.00%, maturing 16 November 2017.	\$ 4,817	\$ 10,053
Less current portion	(4,817)	(5,446)
Long-term portion	\$ -	\$ 4,607
Collateral loan, Envision Financial for \$30,250, secured on vehicle, payable \$190 biweekly, interest 6.99%.	\$ -	\$ 23,464
Less current portion	-	(3,388)
Long-term portion	\$ -	\$ 20,076
Total long term debt	\$ 4,817	\$ 132,368
Less current portion	(4,817)	(44,654)
Total long-term portion	\$ -	\$ 87,713

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2016

**13. Share capital****a) Details of share capital**

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

<i>Common shares</i>	<i>Quantity</i>	<i>Amount</i>
Balance – 31 December 2004	6,318,116	\$ 613,674
Private placement – 2 June 2005	489,176	78,268
<b>Balance – 31 December 2008</b>	<b>6,807,292</b>	<b>\$ 691,942</b>
Private placement, 23 January 2009	880,222	51,668
Debt settlement, 23 January 2009	431,841	25,910
Escrow shares expired in 2009	(321,367)	-
<b>Balance – 1 January 2011</b>	<b>8,359,488</b>	<b>\$ 769,520</b>
Expiry of warrants, January 2011	(561,500)	-
<b>Balance – 31 Dec 2011 to 31 Dec 2016</b>	<b>7,797,988</b>	<b>\$ 769,520</b>

As at 31 Dec 2016 51.2% of the issued and outstanding voting common shares of the company were owned by a director and officer of the company and a relative of the director and officer.

- iii) Escrow:

None

**b) Options and warrants**

None

**14. Related party transactions**

The following related party transactions are included in the financial statements (see also Note 12):

<i>Category</i>	<i>Description</i>	<i>Year</i>	<i>Shareholder, Director &amp; Officer</i>	<i>Shareholder, Relative of a Director &amp; Officer</i>	<i>Shareholder Director or Company Controlled by Director</i>	<i>Total</i>
Asset	Capital asset	<b>31 Dec 2016</b>	\$ -	\$ -	\$ -	\$ -
		31 Dec 2015	-	-	-	-
Liability	Balance due to Related Parties incurred in the course of business	<b>31 Dec 2016</b>	\$ 14,463	\$ 13,105	\$ 120,698	\$ 148,266
		31 Dec 2015	16,227	\$ 22,835	\$ 13,350	\$ 52,412
Equity	Share issue & debt settlement	<b>31 Dec 2016</b>	\$ -	\$ -	\$ -	\$ -
		31 Dec 2015	-	-	-	-
Expenses	Management fees	<b>2016</b>	\$ 15,560	\$ 17,995	\$ -	\$ 33,555
		2015	9,637	\$ 9,637	\$ -	\$ 19,274
Expenses	Interest	<b>2016</b>	\$ -	\$ -	\$ 687	\$ 687
		2015	-	\$ -	\$ -	\$ -
Expenses	Marketing fees	<b>2016</b>	\$ -	\$ 52,000	\$ -	\$ 52,000
		2015	-	\$ 39,153	\$ -	\$ 39,153

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

A director loaned the Company \$103,000.00 at prime rate +2% (currently 4.7%), with no monthly paydown. Repayment can be requested any time upon a 6-month notice. The Company can repay the loan at any time with a 6-month notice. The loan is secured by a general security agreement over the assets of the Company excluding working capital, Kia vehicle and patents.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2016

**15. 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:

	<b>31 Dec 2016</b>		<b>31 Dec 2015</b>	
Cash and cash equivalents	\$	<b>176,852</b>	\$	90,598
Accounts receivable		<b>128,582</b>		62,571
<b>Total</b>	<b>\$</b>	<b>305,434</b>	<b>\$</b>	<b>153,169</b>

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

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

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

	<b>31 Dec 2016</b>		<b>31 Dec 2015</b>	
Canada	\$	<b>115,012</b>	\$	44,188
United States		<b>13,570</b>		18,383
<b>Total</b>	<b>\$</b>	<b>128,582</b>	<b>\$</b>	<b>62,571</b>

In 2016, **5.1%** (2015, 6.4%) of the Company's sales were made to one customer.

**ii) Impairment losses**

The aging of trade receivables at the reporting date was:

	<b>31 Dec 2016</b>			<b>31 Dec 2015</b>		
	<b>Gross</b>	<b>Allow.</b>	<b>Net</b>	<b>Gross</b>	<b>Allow.</b>	<b>Net</b>
Current	\$ <b>27,539</b>	\$ -	\$ <b>27,539</b>	\$ 24,582	\$ -	\$ 24,582
0 – 30 days	<b>48,585</b>	-	<b>48,585</b>	26,207	-	26,207
31 – 90 days	<b>32,893</b>	-	<b>32,893</b>	5,432	-	5,432
> 90 days	<b>19,565</b>	<b>9,807</b>	<b>9,758</b>	14,469	7,119	7,350
<b>Total</b>	<b>\$ 138,389</b>	<b>\$ 9,807</b>	<b>\$ 128,582</b>	\$ 69,690	\$ 7,119	\$ 62,571

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.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2016

**b) Liquidity risk**

As of 31 December 2016 and 2015, the Company did not have any derivative financial liabilities. The following are the contractual maturities of non-derivative financial liabilities excluding estimated interest payments:

<b>31 Dec 2016</b>	<b>Carrying amount</b>	<sup>6</sup> <i>months or less</i>	<i>6 – 12 months</i>	<i>1 – 2 years</i>	<i>&gt; 2 years</i>
Trade Payables	<b>206,040</b>	206,040	-	-	-
Related Payables	<b>148,226</b>	45,226	103,000	-	-
<b>Total</b>	<b>\$ 354,266</b>	<b>\$ 251,266</b>	<b>\$ 103,000</b>	<b>\$ -</b>	<b>\$ -</b>

<b>31 Dec 2015</b>					
Trade Payables	<b>83,189</b>	83,189	-	-	-
Related Payables	<b>52,412</b>	52,412	-	-	-
Long term debt	<b>132,367</b>	22,327	22,327	44,058	43,655
<b>Total</b>	<b>\$ 267,968</b>	<b>\$ 105,517</b>	<b>\$ 22,327</b>	<b>\$ 44,058</b>	<b>\$ 43,655</b>

**c) Exchange risk**

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

		<b>31 Dec 2016</b>	<i>31 Dec 2015</i>
Cash	US dollars	<b>\$ 48,226</b>	\$ 14,701
	Equivalent Canadian	<b>64,754</b>	20,346
Accounts receivable	US dollars	<b>10,107</b>	13,283
	Equivalent Canadian	<b>13,570</b>	18,384
Accounts payable	US dollars	<b>4,284</b>	1,733
	Equivalent Canadian	<b>6,677</b>	2,399

**16. Commitments and contractual obligations**

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

On the 6<sup>th</sup> March 2016 the Company signed an addendum to the lease agreement to occupy the adjacent Unit 20, 1610 Derwent Way. The unit provides an additional 3,075 square feet of space along with a single dock loading area, for a total area of 6,984 square feet.

Future lease payments are as follows:

<b>For years ended 31 December</b>	
2017	44,050
2018	26,210
<b>Total</b>	<b>\$ 70,260</b>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2016

**17. Income taxes**

A reconciliation of income tax at statutory rates 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:

	<b>31 Dec 2016</b>	<b>31 Dec 2015</b>
Income for the year	\$ 200,355	\$ 98,023
Expected income tax	51,500	25,600
Changes in unrecognized deductible temporary differences	(51,500)	(25,600)
	\$ -	\$ -

Deferred tax assets and liabilities have not been recognized in respect of the deductible difference between undepreciated capital cost and net book value of \$61,000 (2015 - \$193,000). Investment tax credits of \$30,000 are potentially available to offset future tax (expiry 2019 – 2027).

**18. Segmented information**

	<b>2016</b>			<b>2015</b>		
<i>Gross sales</i>	Canada	\$ 1,063,303	62.7%	\$ 633,726	57.2%	
	USA	477,034	37.3%	472,508	42.6%	
	ROW	-	0.0%	2,410	0.2%	
	Total	\$ 1,697,029	100.0%	\$ 1,108,644	100.0%	
<i>Total assets</i>	Canada	\$ 617,809	88.7%	\$ 389,134	95.0%	
	USA	78,324	11.3%	20,346	5.0%	
	ROW	-	0.0%	-	0.0%	
	Total	\$ 696,133	100.0%	\$ 409,480	100.0%	
<i>Capital expenditures</i>	Canada	\$ 4,086	100.0%	\$ 2,710	100.0%	
	USA	-	0.0%	-	0.0%	
	ROW	-	0.0%	-	0.0%	
	Total	\$ 4,086	100.0%	\$ 2,710	100.0%	

**19. Other Items**

None

**20. 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 2016 and the company does not have any externally imposed capital restrictions.

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

FAB-FORM INDUSTRIES LTD.

**FURTHER INFORMATION**

*31 December 2016*

*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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[www.vancouvericf.com](http://www.vancouvericf.com)

[www.helixwest.com](http://www.helixwest.com)

[www.icf-expo.com](http://www.icf-expo.com)