FOCUSED ON THE

FUTURE

REKO

INTERNATIONAL GROUP INC.

2020 ANNUAL REPORT


REKO




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CONTENTS


We will get through these difficult times and come out stronger!

FOCUSED ON THE FUTURE

I'm unsure how many companies can claim that they've survived a global pandemic, but I don't think it was a large number before 2020.

Reko International Group Inc. can be added to that list.

I expect that many companies will not be able to make that claim because they will no longer be here. Not only has Reko survived, it has remained profitable during these challenging times.

Many industries are struggling and it is likely that many companies will fall victim to insufficient demand or lack of cash. Even industries which are enjoying increasing market demand are challenged with other problems like lack of capacity and supply chain interruptions and delays. The inconsistent consumer confidence in North America continues as I write this, so I think there is still a way to go before we will see the recovery of the economy and sales increases in our traditional markets.

Fortunately for Reko International Group Inc., we entered the pandemic with two valuable resources: cash and a dedicated team of problem solvers. The cash will make it possible to weather the extended downturn in sales. The team of problem solvers will ensure that we find the niche areas of demand and will help us move towards the growing areas of the economy that best suit our organization.

Our strong balance sheet is a source of pride for Reko. We had $5.4 million in cash at the end of fiscal 2019. At the end of fiscal 2020, the cash and short-term investments has grown to $9.4 million. The combination of these cash balances and the CEWS funding provided by the federal government allowed us to maintain employment levels even when sales were heavily impacted by the pandemic. The strong balance sheet will be maintained and is critical to our ability to participate in new projects as the economy begins to strengthen and orders begin to flow again. If our quote volumes are any indication, there is currently a great deal of pent up demand.

Cash and our strong balance sheet are important not only for surviving the pandemic, but also as the foundation for pursuing growth and future opportunities. As our world has changed dramatically over the past number of months, many of the problems are unique and require unique solutions. Having a strong team of problem solvers is another reason why I am confident in the future of Reko.

Here are some of the innovations that we deployed during the lockdown. When customers couldn't travel here for mold tryouts, we used Microsoft Teams and a laptop to let them participate virtually. The savings in travel time and expense as well as the potential for unlimited participants, and archived recordings, were the added value generated by this innovation. One could say that the Covid 19 lockdown accelerated the adoption of this alternate process. In the future, it will likely be the preferred method of approving a mold; pandemic or not. While this specific innovation was not capital intensive, having the financial ability to develop and invest in innovation is critical. When we learned that local frontline workers were not able to access face shields, we commenced 3D printing the supporting structures and began to assemble them for free distribution. There were so many grateful recipients that we then produced a mold and increased our production to help others in our community.

The importance of our manufacturing base became obvious when we were dependent upon foreign countries and companies to get the personal protection equipment required to protect our people. I suspect that the Second World War was probably the last time manufacturing was appreciated to this extent. Hopefully we've learned the importance of maintaining a domestic manufacturing base.

Reko remains focused on the future. We are cognizant of the changes in technology and demand and are working to adjust our manufacturing processes and output accordingly. We know that the innovation of our team will allow us to succeed in these efforts. It's important to our customers and it is important to the people who live in North America that Reko exists. We are here to help other manufacturers stay globally competitive and to help us all maintain our independence. We will get through these difficult times and come out stronger!

"Diane Reko"
Diane Reko
Chief Executive Officer

FOCUSED ON WELL BEING

MANAGEMENT TEAM

Diane Reko
Chief Executive Officer

Caterina (Catia) Longo CPA, CMA
Chief Financial Officer

Dave Romanello
Director, Tooling Division

Ernie Stajduhar
Director, Technology

Greg Yzerman
Director, Sales and Business Development

Lauren Brummell-Beaudoin
Director, Corporate Human Resources

Peter Gobel
Director, Concorde Precision Manufacturing

Barrie Cutting
Mechanical Engineering Manager

Gennaro Pignanelli
Engineering Manager

Paul Rauch
Controls Engineering Manager

Christine Ferrari CPA, CMA
Controller

FOCUSED ON PRECISION

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is management's discussion and analysis of operations and financial position ("MD&A") and should be read in conjunction with the audited consolidated financial statements for the year ended July 31, 2020 and the audited consolidated financial statements and MD&A for the years ended July 31, 2019 and July 31, 2018 included in our 2019 Annual Report to Shareholders. The audited consolidated financial statements for the years ended July 31, 2020 and July 31, 2019 have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Reko's Chief Executive Officer and Chief Financial Officer have signed a statement outlining management's responsibility for financial information in the annual consolidated financial statements and MD&A. The statement, which can be found on page 29, also explains the roles of the Audit Committee and Board of Directors in respect of that financial information. When we use the terms "we", "us", "our", "Reko", or "Company", we are referring to Reko International Group Inc. and its subsidiaries.

This MD&A contains forward-looking information and forward-looking statements within the meaning of applicable securities laws. We use words such as "anticipate", "plan", "may", "will", "should", expect", "believe", "estimate" and similar expressions to identify forward-looking information and statements. Such forward-looking information and statements are based on assumptions and analyses made by us in light of our experience and our perception of historical trends, current conditions and expected future developments, as well as other factors we believe to be relevant and appropriate in the circumstances. Readers are cautioned not to place undue reliance on forward-looking information and statements, as there can be no assurance that the assumptions, plans, intentions or expectations upon which such statements are based will occur. Forward-looking information and statements are subject to known and unknown risks, uncertainties, assumptions and other factors which may cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed, implied or anticipated by such information and statements. These risks are described in the Company's MD&A and, from time to time, in other reports and filings made by the Company with securities regulators. While the Company believes that the expectations expressed by such forward-looking information and statements are reasonable, there can be no assurance that such expectations and assumptions will prove to be correct. In evaluating forward-looking information and statements, readers should carefully consider the various factors, which could cause actual results or events to differ materially from those, indicated in the forward-looking information and statements. Readers are cautioned that the foregoing list of important factors is not exhaustive. Furthermore, the Company disclaims any obligations to update publicly or otherwise revise any such factors of any of the forward-looking information or statements contained herein to reflect subsequent information, events or developments, changes in risk factors or otherwise.

This MD&A has been prepared by reference to the MD&A disclosure requirements established under National Instrument 51-102 "Continuous Disclosure Obligations" ("NI 51-102") of the Canadian Securities Administrators. Additional information regarding Reko International Group Inc., including copies of our continuous disclosure materials, is available on our website at www.rekointl.com or through the SEDAR website at www.sedar.com.

In this MD&A, reference is made to earned revenue, which is not a measure of financial performance under IFRS. The Company calculates earned revenue as sales less materials, sub-contracting and inventory adjustments. The Company included information concerning this measure because it is used by management as a measure of performance, and management believes it is used by certain investors and analysts as a measure of the Company's financial performance. This measure is not necessarily comparable to a similarly titled measure used by other companies.

All amounts in this MD&A are expressed in 000's of Canadian dollars, except per share amounts and where otherwise indicated.

This MD&A is current to October 16, 2020.

FOCUSED ON GROWTH

OVERVIEW

Reko International Group Inc. is a diversified, technology-driven manufacturing organization. Our touchstone philosophy is "Strengthening Communities By Advancing Manufacturing" which epitomizes our commitment to using our distinctive blend of technology and skills to improve the lives of our team members, our customers, our shareholders, as well as our local and global communities.

Reko designs and manufactures a variety of engineered products and services for original equipment manufacturers ("OEMs") and their Tier suppliers. These products include design and construction of unique specialty machines and lean cell factory automation solutions and robotics integration; high precision, custom machining of very large critical components and assemblies; and plastic injection and compression acoustic molds. While many of our customers are in the automotive market, the Company has diversified beyond automotive and into a number of sectors.

For the transportation and oil and gas industries, the Company machines customer supplied metal castings to customer indicated specifications. For the automotive industry, the Company conceptualizes, designs and builds innovative solutions to manufacturing challenges, including specialty machines for gas tank assembly lines; unique material handling applications; work cell solutions, as well as compression molds and plastic injection molds. Across our target industries, Reko is known for outstanding quality and customer focus and for an unwavering commitment to exceeding customer expectations and deliverables while striving for constant improvement across all our chosen metrics.

Our design and manufacturing operations are carried on in three manufacturing plants located on adjacent parcels of land in Lakeshore, Ontario - a suburb of the City of Windsor in Southwestern Ontario. This includes a new state of the art automation facility which was opened in April 2018.

SUMMARY OF RESULTS

Reko International Group Inc. had a challenging fiscal 2020, particularly in the latter part of the year which experienced the impact of COVID-19. Efforts to reduce discretionary and non-production spending helped mitigate some of the impact of the pandemic on lower sales volumes. The Company also held its commitment to maintaining a strong cash position.

FOCUSED ON

DEMAND

RECONCILIATION OF NON-IFRS MEASURES

The reconciliation of earned revenue to sales in accordance with IFRS is provided in the following table:

		2020		2019
Sales	$	40,226	$	47,989
Less: Material		10,574		12,650
Subcontracting		2,447		2,876
Inventory adjustments		(651)		100
	$	27,856	$	32,363

RESULTS OF OPERATIONS

REVENUES

Revenues for the year ended July 31, 2020 decreased by 16.1%, or $7,763, to $40,226 compared to the prior year. The decrease is primarily driven by continued lower volumes in certain sectors, as well as continued challenges with breaking into diversified markets. Certain divisions also experienced a delayed timing of kick off and completion for certain jobs throughout the year. The COVID-19 pandemic did affect the Company's ability to secure sales, particularly in Q4. Wide-spread shutdowns of businesses temporarily impacted customer demand during the quarter and made overall contact with new or existing customers difficult at times. The decrease was partially offset by an increase in foreign exchange for U.S. dollar sales, particularly in the latter half of the year.

EARNED REVENUE

Earned revenue is not a standard IFRS measurement. The Company's explanation of how it measures earned revenue is noted previously. Earned revenue effectively measures that portion of total revenue available to pay for the Company's employees, fixed and operating costs, and to earn a profit. The Company believes that earned revenue is an effective measurement of how it is performing. For 2020, earned revenue decreased by 13.9%, or $4,507, to $27,856 compared to 2019. The decrease is largely due to the overall decrease in revenues.

GROSS PROFIT

Gross profit for 2020 decreased $3,739 to $4,442, or 11.0% of sales, compared to 17.0% of sales in 2019. The decrease in gross profit was mostly driven by the decrease in sales and earned revenue. Lower sales volume and corresponding lower utilization of assets, driven partly by the impact of the COVID-19 pandemic, had a negative impact on the Company's profitability.

SELLING AND ADMINISTRATION

Selling and administration expenses ("SG&A") during 2020 decreased by 3.3% to $5,096, or 12.7% of sales, compared to $5,271, or 11.0% of sales during 2019. The decrease in SG&A was mostly attributed to efforts made by the Company, particularly in the latter half of the year in response to the COVID-19 pandemic, to reduce discretionary and non-production spending. Those efforts resulted in an overall decrease in office expenses, travel, and wages.

EARNINGS OVERVIEW

Fourth quarter net income was $501, or $0.08 per share, being the same as the final quarter of fiscal 2019. Net income for the year ended July 31, 2020 was $763, or $0.12 per share, compared to net income of $1,577, or $0.25 per share, for the year ended July 31, 2019. As previously explained, the lower sales volumes and efficiency challenges, partially a result of the COVID-19 pandemic, significantly impacted the Company's overall profitability.

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FOCUSED ON
TECHNOLOGY

LIQUIDITY AND CAPITAL RESOURCES

Cash flow from operations decreased from $6,765 in the prior year to $6,657 in the current year. The decrease is primarily a result of a decrease in net income from operations.

The Company met its financial covenants at all times during the year.

The Company believes it has sufficient operating room with respect to its financial covenants for the next fiscal year and does not anticipate being in breach of any of its financial covenants during this period.

CAPITAL ASSETS AND INVESTMENT SPENDING

For the year ended July 31, 2020, the Company invested $1,683 in capital assets (maintenance CAPEX spending).

CASH RESOURCES/WORKING CAPITAL REQUIREMENTS

As at July 31, 2020, Reko had cash and short term investments of $9,441 compared to $5,448 at July 31, 2019 and $7,405 at April 30, 2020.

Reko has a $20,000 revolver available. However, based on our current lender defined margining capabilities, our borrowings are limited to $16,922, all of which was unused and available at the end of the year.

CONTRACTUAL OBLIGATIONS AND OFF-BALANCE SHEET FINANCING

	PAYMENTS DUE BY PERIOD				
CONTRACTUAL OBLIGATIONS	TOTAL	LESS THAN 1 YEAR	1 – 3 YEARS	4 – 5 YEARS	AFTER 5 YEARS
Long-term debt	$ 3,270	$ 85	$ 269	$ 2,916	$ --
Long term debt subject to demand provisions	6,306	351*	701*	2,619*	2,635*
Lease liabilities	30	10	20	--	--
Total contractual obligations	$ 9,606	$ 446	$ 990	$ 5,535	$ 2,635

Except as disclosed elsewhere in this MD&A, there have been no material changes with respect to the contractual obligations of the Company during the year.

Amounts denoted by an asterisk (*) are subject to demand provisions in that the lender is contractually entitled to require payment of the outstanding balance "on demand". The Company is in receipt of correspondence from the lender indicating that there is no expectation that the balances will be called within the next twelve months and it is anticipated that principal and interest payments on these facilities will be made as scheduled throughout the term of the loans. These scheduled payments are reflected in the table above.

Reko does not maintain any off-balance sheet financing.

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SHARE CAPITAL

The Company had 6,242,650 common shares outstanding at July 31, 2020. During the year, 630 shares were issued as a result of a purchase under the Company's stock option plan.

OUTSTANDING SHARE DATA

DESIGNATION OF SECURITY	NUMBER OUTSTANDING	MAXIMUM NUMBER ISSUABLE IF CONVERTIBLE, EXERCISABLE OR EXCHANGEABLE FOR COMMON SHARES
Common Shares	6,242,650	
Stock options outstanding	202,900	
Stock options exercisable	73,740	
Total (maximum) number of common shares		6,445,550

QUARTERLY RESULTS

The following table sets out certain unaudited financial information for each of the eight fiscal quarters up to and including the fourth quarter of fiscal 2020, ended July 31, 2020. The information has been derived from the Company's unaudited condensed consolidated financial statements, which in management's opinion, have been prepared on a basis consistent with the audited consolidated financial statements contained elsewhere in this Annual Report and include all adjustments necessary for a fair presentation of the information presented. Past performance is not a guarantee of future performance and this information is not necessarily indicative of results for any future period.

F2019		OCT/18	JAN/19	APR/19	JULY/19
Sales		$ 11,438	$ 11,615	$ 14,277	$ 10,659
Net income		170	272	609	526
Earnings per share:	Basic	0.03	0.04	0.10	0.08
	Diluted	0.03	0.04	0.09	0.07
F2020		**OCT/19**	**JAN/20**	**APR/20**	**JULY/20**
Sales		$ 9,350	$ 9,538	$ 9,985	$ 11,353
Net income		140	57	65	501
Earnings per share:	Basic	0.02	0.01	0.01	0.08
	Diluted	0.02	0.01	0.01	0.08

INDUSTRY TRENDS AND RISKS

While the Company has increased the level of diversification across industries, sales volumes still have a significant dependence upon the levels of new model releases for cars and light trucks by OEMs and on the construction, expansion or retooling of production facilities and our ability to secure tooling and automation programs from them through their Tier suppliers. New model releases in the automotive sector can be impacted by many factors, including general economic and political conditions, interest rates, energy and fuel prices, labour relations issues, regulatory requirements, infrastructure, legislative changes, environmental emissions and safety considerations. The Company's sales levels are also impacted by demand levels in the transportation and oil and gas sectors. Demand in these areas can be affected by many factors, including general economic and political conditions, interest rates, energy and fuel prices, regulatory requirements, transportation infrastructure and safety issues.

The following additional risk factors, as well as the other information contained in this MD&A, for the year ended July 31, 2020 or otherwise incorporated herein by reference, should be considered carefully. These risk factors could materially and adversely affect the Company's future operating results and could cause actual events to differ materially from those described in forward-looking statements related to the Company.

OPERATIONAL RISK

CURRENT OUTSOURCING AND IN-SOURCING TRENDS

During periods of weakened demand, our customers traditionally revisit outsourcing decisions as a method of maintaining their employment levels. Then, during periods of strong demand, they return to previous levels of outsourcing. As a result of this and other factors, our demand levels will swing with general economic activity related to the industries we serve. Depending on how the current economic climate impacts particular customers, Reko may experience reductions in outsourced work orders.

A SHIFT AWAY FROM TECHNOLOGIES IN WHICH THE COMPANY IS INVESTING

Like our OEM and Tier 1 and 2 customers, we continue to invest in technologies and innovations, which the Company believes are critical to long-term growth. Our ability to anticipate changes in technology and to successfully develop and introduce new and enhanced products on a timely basis using such technologies will be a significant factor in our ability to remain competitive. Current technological shifts in the industry would include the application of the Internet of Things, integration of additive manufacturing capabilities into our processes and the transition to electric and autonomous vehicles. If there is a movement away from the use of specific technologies that the Company is focused on developing or someone applies these technologies more quickly or effectively, our costs may not be fully recovered. In addition, if other technologies in which our investment is not as great, or our expertise is not as fully developed emerge as the industry-leading technologies, we may be placed at a competitive disadvantage, which could have a material adverse effect on our profitability and financial condition. Management pays particular attention to the emergence of new technologies and updates our investments in these emerging technologies accordingly.

DIVERSIFICATION OF OUR SALES

Although we supply factory automation, molds, gauges, and fixtures to all of the leading automobile manufacturers, a good portion of our sales are to the Detroit 3. In addition, although we supply machined locomotive crankcases to each of the leading locomotive manufacturers, a majority of our sales continues to be with one locomotive OEM. While we have diversified our customer base in recent years, and continue to attempt to further diversify, we may experience varying degrees of success. Inability to successfully grow our sales to non-traditional customers could have an adverse effect on our profitability and financial condition.

CHALLENGES SUCCESSFULLY COMPETING AGAINST SUPPLIERS WITH OPERATIONS IN DEVELOPING MARKETS

Many of our customers have sought and will likely continue to seek to take advantage of lower operating costs in Mexico, China, India, Southeast Asia, and other developing markets. We continue to investigate opportunities to expand our manufacturing sources, with a view to taking advantage of these lower cost countries. However, we cannot guarantee that we will be able to fully realize such opportunities. The inability to quickly adjust our manufacturing sources to take advantage of opportunities in these markets could harm our ability to compete with competitors and suppliers operating in or from such markets, which could have an adverse effect on our profitability and financial condition.

THE CONSEQUENCES OF THE AUTOMOTIVE INDUSTRY'S DEPENDENCE ON CONSUMER SPENDING AND GENERAL ECONOMIC CONDITIONS

The global automotive industry is cyclical and largely tied to general economic conditions. As our customers revisit their business models and make design changes to existing models and new vehicle introductions, the market for tooling and factory automation may decline. However, management feels that the existence of multiple product lines in our automotive focused divisions should serve to moderate the impact of any such declines.

THE FINANCIAL VIABILITY OF OUR SUPPLY BASE

While our exposure to individual entities in our supply chain is limited, we are still exposed to multiple relatively small niche market players whose declining financial viability may present challenges for securing the necessary inputs to our manufacturing process. Management continues to monitor the strength of our supply base and restricts the development of single source suppliers for any significant inputs into our production process.

CHANGES IN CONSUMER DEMAND FOR SPECIFIC VEHICLES

The global automotive industry is cyclical and consumer demand for automobiles is sensitive to changes in economic and political conditions, including interest rates, energy prices, employment levels, and international conflicts, including acts of terrorism. Automotive production and, more importantly for Reko, the frequency of automotive model changes, is affected by consumer demand and may be impacted by macro-economic factors. As a result of these and other factors, some of our customers are currently experiencing, and/or may experience in the future, reduced consumer demand for all or a portion of their vehicles, leading to reduced product offerings.

RELIANCE ON KEY PERSONNEL AND SUCCESSFULLY RECRUITING TALENT IN CRITICAL AREAS

The success of Reko is dependent on many people including our design engineers, control engineers, machinists, and our management team. The experience and talents of these individuals is a significant factor in the Company's continued growth and success. While the Company continues to develop appropriate succession plans for these positions, the loss of one or more of these individuals without adequate replacement, or the inability to recruit appropriate talent in a competitive labour market, could have a material adverse effect on the Company's operations and business prospects. Management has implemented several innovative recruitment and retention strategies to effectively reduce the risks in this area.

THE SECURITY OF OUR INFORMATION TECHNOLOGY (IT) SYSTEM

While the Company has established (and continues to monitor and enhance) security controls and has appropriate employee training in order to protect the Company's IT systems, there is no guarantee that these measures will be effective in preventing unauthorized access or cyberattacks. A significant failure or breach of the Company's IT systems could cause disruption to manufacturing processes; loss, destruction or inappropriate use of data; or result in the theft of intellectual property or confidential information of the Company or its key customers. While the Company carries what it considers to be an adequate amount of cybersecurity insurance coverage and continuously monitors its system, the consequences of these events could have a material adverse effect on the Company, its profitability, and financial condition.

FINANCIAL AND CAPITAL MANAGEMENT RISK

CONTINUED UNCERTAIN ECONOMIC CONDITIONS

While some of the world regions are experiencing significant economic growth and have fully recovered from the 2008-2009 global recession, uncertainty remains about the strength of growth prospects in some regions, while still other jurisdictions continue to experience economic downturns. A rise in economic uncertainty or a deterioration of the global economy, particularly in the wake of the current COVID-19 global pandemic, could have a material adverse effect on our profitability and financial condition.

PRICING PRESSURES AND PRESSURE TO ABSORB ADDITIONAL COSTS

We face significant pricing pressure, as well as pressure to absorb costs related to tooling and machine design and program management, as well as other items previously paid for directly by automobile manufacturers and non-automotive OEMs (such as support in remote production facility locations). These pressures are expected to continue. The continuation or intensification of these pricing pressures and pressure to absorb additional costs and assume additional design, engineering, and management responsibilities could have an adverse effect on our profitability and financial condition.

CONTINUED SUPPORT OF OUR LENDERS

The Company operates in a capital-intensive business, has significant financing requirements placed on it by its customers, and our financial resources are, in many cases, less than the financial resources of our customer base. While there can be no assurance that if and when the Company seeks additional equity or debt financing, it will be able to obtain the additional financial resources required to successfully compete in its markets on favourable commercial terms (or to obtain these resources at all), the Company continues to enjoy strong banking relationships and support from major charter banks. Any additional equity financing to raise new capital may result in dilution to existing shareholders.

SIGNIFICANT LONG-TERM FLUCTUATIONS IN RELATIVE CURRENCY VALUES

Although our financial results are reported in Canadian dollars, significant portions of our sales are realized in US dollars. Movements in the US dollar against the Canadian dollar affect our profitability. As a result of the purchase of appropriate amounts of forward exchange contracts, foreign currency transactions are not fully impacted by movements in exchange rates. Due to this program, our accounting risk (i.e. the risk associated with our foreign exchange balances on our balance sheet at any point in time) is reduced. This program does not necessarily reduce our economic risk (i.e. the risk associated with our foreign exchange balances and potential balances regardless of whether those balances and potential balances are on our balance sheet at any one particular time). Despite these measures, significant long-term fluctuations in relative currency values could have an adverse effect on our profitability and financial condition and any sustained change could adversely impact our competitiveness.

COVID-19 PANDEMIC

In March 2020, the World Health Organization declared the coronavirus (COVID-19) a global pandemic. This outbreak, which has spread globally, has adversely affected workforces, economies, and financial markets globally. While the recent events are potentially leading to an economic downturn, governments and central banks have implemented significant monetary and fiscal interventions designed to stabilize the economic conditions.

COVID-19 has resulted in wide-spread and extended shutdowns of businesses throughout the world. Such disruptions have included temporary closures of third-party supplier facilities, restrictions on the export or shipment of product, or unavailability of key components sourced from affected manufacturers or suppliers. The outbreak has also impacted customer demand, either temporarily or permanently. While the effects of the pandemic did have a negative impact on the Company's financial results, the Company cannot determine the ultimate financial impacts at this time. The extent to which COVID-19 may impact the Company's business activities will depend on future developments, and in particular, the duration of the outbreak, including the possibility of a "second wave", travel restrictions, business disruptions and the effectiveness of actions taken in Canada and other countries to contain and treat the disease.

On March 23, 2020, the Government of Ontario announced that certain manufacturers and their suppliers were deemed essential businesses due to their importance to the Ontario economy. As Reko has maintained full operations during this unprecedented time, the Company implemented several measures aimed at protecting the health and safety of our employees, and customers, and limiting the exposure and spread of the virus.

The Company will continue to evaluate all developments and make any necessary modifications and enhancements to our COVID-19 response. We continuously monitor the updates provided by public health authorities and by all levels of government, and will modify our response as new information is provided. Our efforts with respect to this pandemic are ongoing and include our top executive and operational management team continually monitoring changes in best practices and regulations, and their impact on the safety of our employees, our operations and our customers and suppliers. While it is unclear how long the economic recovery from COVID-19 will take, we are committed as a Company to make every effort to succeed.

In March 2020, the Government of Canada announced the introduction of the Canada Emergency Wage Subsidy (CEWS) to support employers that are hardest hit by the pandemic and protect the jobs Canadians depend on.

The subsidy generally covers 75% of an employee's wages (to a maximum amount) for employers of all sizes and across all sectors who have suffered a drop in gross revenues of at least 15% in March, and 30% in April and May. The Company has determined that it would be eligible for the CEWS amount and has applied for such assistance from the Government of Canada. Details are noted in Note 17 of the Company's financial statements.

The Company will continue to review all programs offered by the Government and ensure that it applied for all appropriate support.

THE POSSIBILITY OF IMPAIRMENT CHARGES IN THE FUTURE

Annually or whenever indicators of impairment exist, we must test our capital assets, future income taxes, and any other long-lived assets for impairment. The bankruptcy of a significant customer could be an indicator of impairment. In addition, to the extent that forward-looking assumptions regarding the impact of improvement plans on current operations, outsourcing, and other new business opportunities are not met, impairment charges could occur.

OUR INABILITY TO UTILIZE TAX LOSSES

Prior to 2011, we incurred tax losses in both Canada and the United States, which we may not be able to fully or partially offset against future income in those countries. The losses which arose in Canada during this period have now largely been applied to taxable income generated through operations. In the case of the United States, we may not be able to utilize these losses if we do not generate profits in the United States.

POTENTIAL VOLATILITY OF REKO'S SHARE PRICES

The market price of the Company's common shares has been, and will likely continue to be, subject to fluctuations in response to a variety of factors, many of which are beyond the Company's control. These fluctuations may be exaggerated if the trading volume of the common shares remains low. In addition, due to the evolving nature of its business, the market price of the common shares may fall dramatically in response to a variety of factors, including quarter-to-quarter variations in operating profits, announcements of technological or competitive developments by the Company or its competitors, large short-term fluctuations in foreign exchange rates, acquisitions or entry into strategic alliances by the Company or its competitors, the industry or its customer's industry, and general market and economic conditions.

INTEREST OF THE MAJORITY AND MINORITY SHAREHOLDERS MAY BE IN CONFLICT WITH THE INTERESTS OF THE COMPANY

As of the date of this MD&A, The Reko Family Corporation and individuals related to it, own directly or indirectly 65.85% of the outstanding shares of the Company. Given the number of shares held, the Reko Family Corporation will be able to elect or remove the directors of the Company and to exercise control in certain respects over the Company's affairs.

REGULATORY RISK

SIGNIFICANT CHANGES IN LAW, GOVERNMENT REGULATIONS, OR ACCOUNTING REGULATIONS

A significant change in the current regulatory environment in our principal markets could impact future profitability. Specifically, our profitability could be adversely impacted by significant changes in the tariffs and duties imposed on our products or on our inputs. In addition, we could be affected by changes in tax or other laws, which impose additional costs on automobile manufacturers or consumers, or more stringent or inconsistent fuel economy requirements on manufacturers of sport-utility vehicles, light trucks, and other vehicles from which we derive some of our sales.

We are subject to a wide range of environmental laws and regulations relating to air emissions, wastewater discharge, waste management, and storage of hazardous substances as well as to requirements related to investigation and clean-up of any environmental contamination as defined by these regulations. These environmental laws and regulations are complex, change frequently, and, in Canada, have tended to become more stringent and expensive over time. Therefore, we may not have been, and in the future may not be, in complete compliance with all such laws and regulations, and we may incur material costs or liabilities as a result of such laws and regulations significantly in excess of amounts we have reserved.

FOREIGN EXCHANGE AND OTHER FINANCIAL INSTRUMENTS

Reko is exposed to the impacts of changes in the foreign exchange rate between Canadian and United States ("US") dollars. More specifically, approximately 85% of the Company's sales and 20% of its costs are incurred in US dollars. In addition, the Company maintains certain working capital balances in US funds.

In order to minimize our exposure to the impacts of changes in the foreign exchange rate, the Company maintains a forward foreign exchange programme ("FFEC Programme"). Reko's Programme is based on maintaining our net exposure to the US dollar (total US exposure less forward foreign exchange contracts) between positive and negative $5,000. This Programme is designed to minimize the Company's exposure to foreign exchange risks over the mid-term. During periods of rapid fluctuation in the foreign exchange rate between the Canadian dollar and the US dollar, regardless of our net exposure to the US dollar, the Company can

generate significant gains or losses, which may materially impact financial results. These significant gains or losses are entirely related to mark-to-market accounting rules and represent the product of our net exposure to the US dollar and the change during any given month of the value of the US dollar in relation to the Canadian dollar.

During each of the last four quarters, the Company's month-end exposure to the US dollar has been:

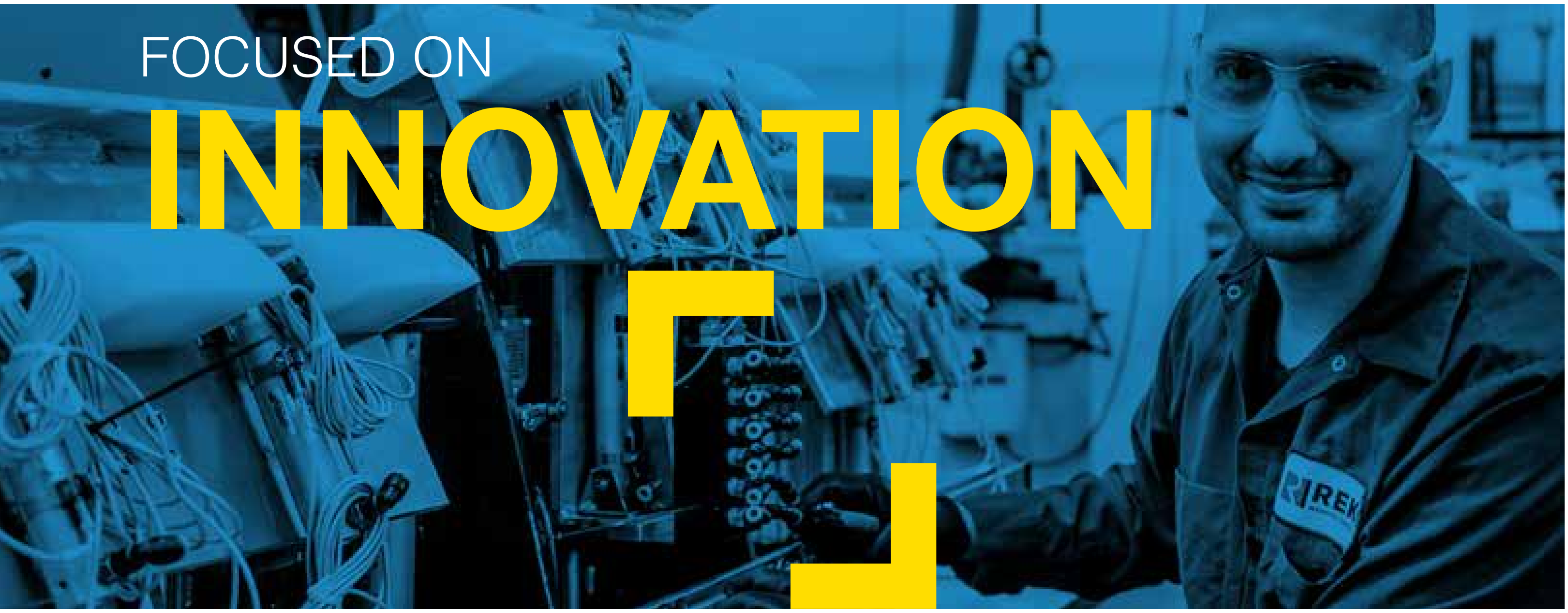
FISCAL PERIOD	TOTAL U.S. EXPOSURE BEFORE HEDGING PROGRAMME	FORWARD FOREIGN EXCHANGE CONTRACTS BOOKED	NET EXPOSURE TO THE US DOLLAR
Q4 – 2020	$ 8,717	$ 4,000	$ 4,717
Q3 – 2020	$ 7,436	$ 9,000	$ (1,564)
Q2 – 2020	$ 7,772	$ 1,000	$ 6,772
Q1 – 2020	$ 9,300	$ 4,000	$ 5,300

As a result of the Company's purchase of forward foreign exchange contracts ("FFECs"), the Company is subject to changes in foreign exchange rates that may not be consistent with changes in the current quoted foreign exchange rates. More specifically, the Company's foreign exchange risk is split such that its net exposure to the US dollar, as detailed above, is subject to change in market foreign exchange rates on a monthly basis and the remainder of its US dollar exposure is subject to foreign exchange risks based on the specific foreign exchange rate contained in its FFECs.

The table below presents a comparison between actual foreign exchange rates and Reko's effective rate on its booked FFECs.

	FOR THE THREE MONTHS ENDED JULY 31,				FOR THE YEAR ENDED JULY 31,			
	2020		2019		2020		2019	
	ACTUAL	REKO EFFECTIVE RATE	ACTUAL	REKO EFFECTIVE RATE	ACTUAL	REKO EFFECTIVE RATE	ACTUAL	REKO EFFECTIVE RATE
US Dollar equals Canadian Dollar	1.3705	1.3982	1.3309	1.3275	1.3448	1.3480	1.3234	1.3150

The Company's FFECs represent agreements with an intermediary to trade a specific amount of US dollars for Canadian dollars at a specific rate on a specific date. Currently, the date is between one (1) and six (6) months after the date on which the FFEC is booked. The specific rate entered into is not necessarily indicative of what either the intermediary or Reko believes the foreign exchange rate will be on the date the settlement of the trade occurs, rather it is a rate set by the intermediary which Reko can either accept or reject.



At the end of the year, we held FFECs of $4,000 compared to $7,000 at the end of the prior year. During fiscal 2020, on average, we held FFECs of $5,250, as compared with the $9,917 held during the prior year.

The following table outlines the level of FFECs presently maintained and the average effective rate of these contracts:

FISCAL PERIOD	CONTRACT VALUE BOOKED (000'S)	EFFECTIVE AVERAGE RATE
Q4 – 2020	$ 4,000	1.4076

The Company notes that at current levels of FFECs and US dollar denominated assets and liabilities, an increase in the value of the US dollar against the Canadian dollar results in the Company recording gains and an increase in the value of the Canadian dollar against the US dollar results in financial losses for the Company.

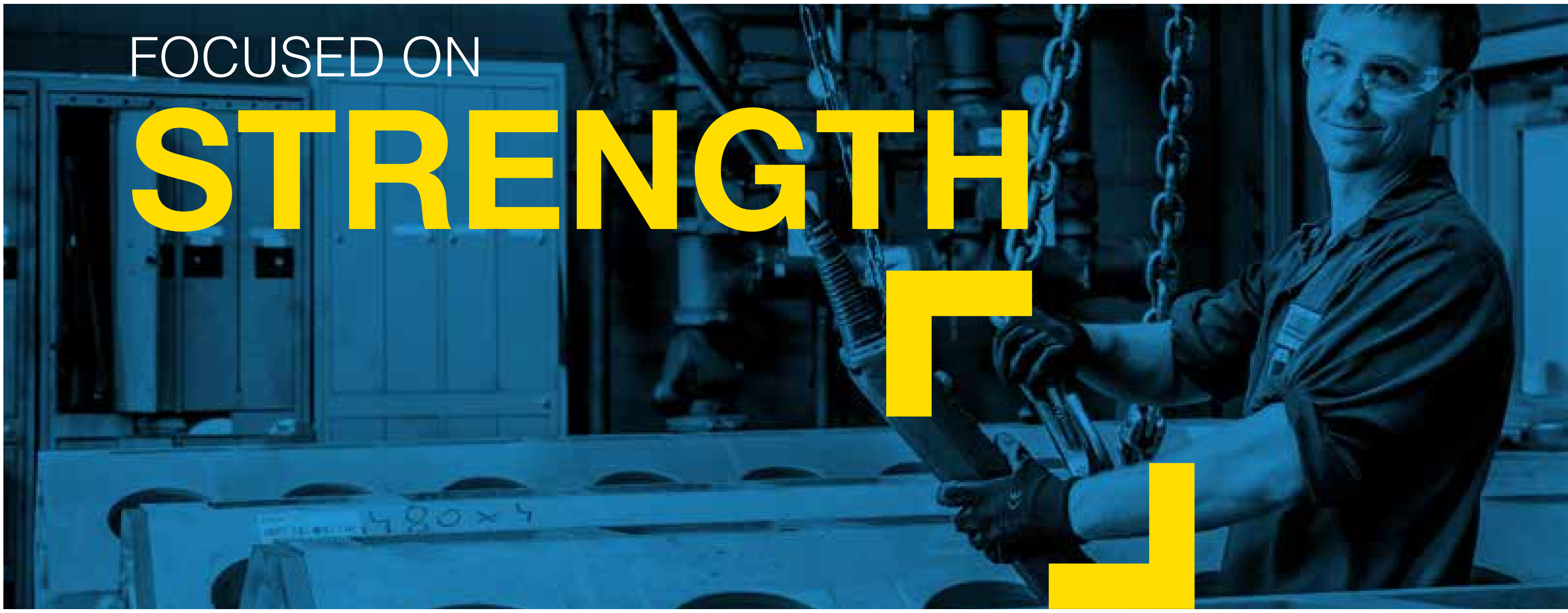
Foreign currency transactions are recorded at rates in effect at the time of the transaction. Forward exchange contracts are recorded at month-end at their fair value, with unrealized holding gains and losses recorded in foreign exchange gain (loss).

Additional information with respect to financial instruments is provided in Note 3 and Note 5 to Reko's audited consolidated financial statements, which by this reference are hereby incorporated herein.

NORMAL COURSE ISSUER BID

On December 27, 2019, the Company announced the extension of the normal course issuer bid. Under the plan, the Company may purchase on the TSX Venture Exchange up to a total of 316,933 of its common shares during the twelve-month period which commenced December 31, 2019. The 316,933 common shares represent approximately 5% of the total common shares outstanding. The price that the Company will pay for any such shares will be the market price at the time of acquisition and all shares acquired under the bid will be cancelled by the Company.

During the quarter ended July 31, 2020, Reko purchased and subsequently cancelled 20,600 shares under the provision of the normal course issuer bid. The total amount of shares purchased and cancelled during the current fiscal year are 109,600.







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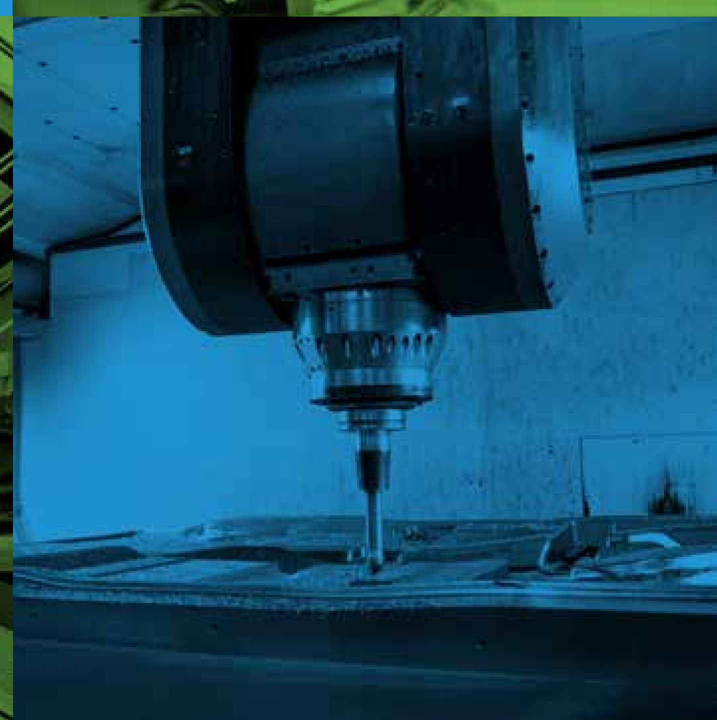

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INTERNATIONAL GROUP INC.

2020 CONSOLIDATED FINANCIAL STATEMENTS

FOCUSED ON THE FUTURE

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements and other financial information in this annual report were prepared by management of Reko International Group Inc., reviewed by the Audit Committee and approved by the Board of Directors.

Management is responsible for the consolidated financial statements and believes that they fairly present the Company's financial condition and results of operation in conformity with International Financial Reporting Standards. Management has included in the Company's consolidated financial statements amounts based on estimates and judgments that it believes are reasonable, under the circumstances.

To discharge its responsibilities for financial reporting and safeguarding of assets, management believes that it has established appropriate systems of internal accounting control which provide reasonable assurance that the financial records are reliable and form a proper basis for the timely and accurate preparation of financial statements. Consistent with the concept of reasonable assurance, the Company recognizes that the relative cost of maintaining these controls should not exceed their expected benefits. Management further assures the quality of the financial records through careful selection and training of personnel and through the adoption and communication of financial and other relevant policies.

These financial statements have been audited by the shareholders' auditors, PricewaterhouseCoopers LLP, and their report is presented herein.

"Diane Reko"

Diane Reko, B.COMM
Chief Executive Officer

"Caterina (Catia) Longo"

Caterina (Catia) Longo, CPA
Chief Financial Officer

October 16, 2020

FOCUSED ON THE NUMBERS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Reko International Group Inc.

OUR OPINION

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Reko International Group Inc. and its subsidiaries (together, the Company) as at July 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated balance sheets as at July 31, 2020 and 2019;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of income and comprehensive income for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

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 consolidated financial statements* section of our report.

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

Independence
We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

OTHER INFORMATION

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to 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 but 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 CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 reasonably 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 Scott Gilfillan.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Professional Accountants, Licensed Public Accountants

Waterloo, Ontario
October 16, 2020

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CONSOLIDATED BALANCE SHEET

As at July 31 (in 000's)		2020		2019
ASSETS (Notes 9)				
Current				
Cash	$	4,441	$	5,448
Accounts receivable		8,140		12,522
Short-term investments		5,000		--
Non-hedging financial derivatives (Note 5)		276		25
Work-in-progress (Note 6)		12,298		8,605
Prepaid expenses and current assets		1,302		1,286
Embedded derivative (Note 8)		--		24
		31,457		27,910
Grant receivable (Note 16)		114		237
Capital assets (Note 7)		27,260		29,340
Deferred income taxes (Note 4)		2,464		2,864
	$	61,295	$	60,351
LIABILITIES				
Current				
Accounts payable and accrued liabilities (Note 17)	$	4,425	$	3,417
Unearned revenue on work-in-progress (Note 6)		439		255
Unearned revenue		--		47
Current portion of long-term debt (Note 9)		382		741
Long-term debt subject to demand provisions (Note 9)		5,955		6,244
		11,201		10,704
Long-term debt (Note 9)		3,185		3,229
SHAREHOLDERS' EQUITY				
Share capital (Note 10)		18,210		18,531
Contributed surplus (Note 11)		1,869		1,820
Retained earnings		26,830		26,067
		46,909		46,418
	$	61,295	$	60,351

Contingencies and commitments (Note 18)

On behalf of the Board	"Diane Reko"	"Andrew J. Szonyi"
	Diane Reko	Andrew J. Szonyi
	Director	Director

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(in 000's)	SHARE CAPITAL	CONTRIBUTED SURPLUS	RETAINED EARNINGS	TOTAL EQUITY
Balance at July 31, 2018	$ 18,824	$ 1,865	$ 24,490	$ 45,179
Net share-based transactions	(293)	(45)	--	(338)
Net income	--	--	1,577	1,577
Balance at July 31, 2019	**$ 18,531**	**$ 1,820**	**$ 26,067**	**$ 46,418**
Net share-based transactions (Notes 10 and 11)	**(321)**	**49**	**--**	**(272)**
Net income	**--**	**--**	**763**	**763**
Balance at July 31, 2020	**$ 18,210**	**$ 1,869**	**$ 26,830**	**$ 46,909**

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

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

Year Ended July 31 (in 000's, except for per share data)		**2020**		**2019**
Sales	**$**	**40,226**	$	47,989
Costs and expenses				
Cost of sales		**32,116**		36,078
Depreciation		**3,668**		3,730
		35,784		39,808
Gross profit		**4,442**		8,181
Selling and administrative (Note 14)		**5,096**		5,271
Income (loss) before the following items		**(654)**		2,910
Foreign exchange loss		**169**		444
Other income		**(2,518)**		(78)
Loss on sale of capital assets		**95**		11
Interest on long-term debt		**368**		415
Interest on other interest-bearing obligations		**15**		59
		(1,871)		851
Income before income taxes		**1,217**		2,059
Income tax provision (Note 4)				
Current and deferred (Note 4)		**454**		482
		454		482
Net income and comprehensive income	**$**	**763**	$	1,577
Earnings per common share (Note 12)				
Basic	**$**	**0.12**	$	0.25
Diluted	**$**	**0.12**	$	0.23

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

Year Ended July 31 (in 000's)		2020		2019
OPERATING ACTIVITIES				
Net income for the year	**$**	**763**	$	1,577
Adjustments for:				
Depreciation		**3,668**		3,730
Income tax provision		**454**		482
Interest expense		**383**		474
Unrealized foreign exchange loss (gain)		**50**		(28)
Change in non-hedging financial derivatives		**(251)**		(52)
Loss on sale of capital assets		**95**		11
Change in fair value of embedded derivative		**24**		24
Stock-based compensation		**49**		(45)
		5,235		6,173
Net change in non-cash working capital (Note 15)		**1,764**		1,025
Interest paid		**(342)**		(433)
CASH PROVIDED BY OPERATING ACTIVITIES		**6,657**		6,765
FINANCING ACTIVITIES				
Net proceeds of bank indebtedness		**--**		(4,815)
Proceeds from issuance (repurchase) of capital stock		**(321)**		(293)
Payments on long-term debt		**(783)**		(1,151)
CASH PROVIDED BY FINANCING ACTIVITIES		**(1,104)**		(6,259)
INVESTING ACTIVITIES				
Investment in capital assets		**(1,683)**		(1,822)
Purchase of short term investments		**(5,000)**		--
Change in grant receivable		**123**		199
CASH USED IN INVESTING ACTIVITIES		**(6,560)**		(1,623)
Net change in cash		**(1,007)**		(1,117)
Cash, beginning of year		**5,448**		6,565
Cash, end of year	**$**	**4,441**	$	5,448

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in 000's, except for per share data)

NATURE OF OPERATIONS

Reko International Group Inc. (the "Company" or "Reko"), is a diversified, technology-driven manufacturing organization located in Southwestern Ontario with areas of expertise including robotic factory automation solutions, precision machining of large, critical parts, and plastic injection and low compression acoustic tooling. The Company, incorporated under the laws of Ontario, has several subsidiaries, which operate or exist in the Province of Ontario in Canada and in the State of Michigan in the United States.

Reko is listed on the TSX Venture Exchange under the symbol REKO. The Company's shares are traded in Canadian dollars. The registered head office for Reko International Group Inc. is 469 Silver Creek Industrial Drive, Lakeshore, Ontario, Canada.

All amounts are in thousands and in Canadian dollars unless otherwise noted.

The consolidated financial statements were authorized for issue by the Board of Directors on October 15, 2020.

1. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These consolidated financial statements were prepared on a going concern basis, under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value.

CONSOLIDATION

The consolidated financial statements represent the accounts of Reko and its subsidiaries. Subsidiaries are entities controlled by the Company. Control exists when Reko has the power, directly or indirectly, to govern the financial and operating policies of an entity and be exposed to the variable returns from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All significant intercompany balances and transactions have been eliminated.

Intragroup balances, and any unrealized gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with jointly controlled entities are eliminated to the extent of the Company's interest in the entity. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

Reko's subsidiaries are as follows:

SUBSIDIARY	LOCATION	PERCENTAGE OWNERSHIP	CONSOLIDATION
Concorde Precision Machining Inc.	Ontario	100%	Full
Reko Manufacturing Group Inc.	Ontario	100%	Full
Reko International Holdings, Inc.	Michigan	100%	Full
Reko International Sales, Inc.	Michigan	100%	Full
Concorde USA LLC	Michigan	100%	Full

FOREIGN CURRENCY TRANSLATION

The reporting currency of the reporting entity is Canadian dollars. All subsidiaries, including those in the United States, have a functional currency of Canadian dollars. Transactions in foreign currencies are translated at the foreign exchange rate in effect at the date of the transaction. The Company translates monetary assets and liabilities denominated in foreign currencies at the exchange rate as at the balance sheet date. Foreign exchange differences arising on translation are recognized in profit or loss. Revenues and expenses are translated at rates prevailing on the date of the transaction. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at foreign exchange rates at the dates the fair value was determined. For the year ended July 31, 2020, Reko reported a foreign exchange loss of $169 (2019 - loss of $444).

Notes to Consolidated Financial Statements (in 000's, except for per share data) 39

FINANCIAL INSTRUMENTS

Reko utilizes financial instruments in the management of its foreign currency exposure by economically hedging its foreign exchange exposure on anticipated net cash inflows in US dollars through the use of US dollar denominated debt and forward foreign exchange contracts. In accordance with its treasury policy, the Company does not hold or issue derivative financial instruments for trading or speculative purposes.

Financial assets and financial liabilities are initially recognized at fair value. Subsequent to initial recognition, financial instruments are remeasured depending on their classification as described below. Their classification depends on the purpose, for which the financial instruments were acquired or issued, their characteristics and Reko's designation of such instruments. Settlement date accounting is used. The gain or loss on remeasurement to fair value is recognized immediately in profit or loss.
The following table outlines the classification of financial instruments under IFRS 9:

CLASSIFICATION	CLASSIFICATION UNDER IFRS 9
Cash	FVTPL
Non-hedging financial derivatives	FVTPL
Accounts receivable	Amortized cost
Embedded derivative	FVTPL
Accounts payable and accrued liabilities	Amortized cost
Long-term debt subject to demand provisions	Amortized cost
Long-term debt	Amortized cost

FINANCIAL ASSETS AND FINANCIAL LIABILITIES AT FVTPL

Financial assets designated as FVTPL are financial assets typically held for trading or that are designated as FVTPL. They are measured at fair value at the balance sheet date. Fair value fluctuations including interest earned, interest accrued, gains and losses realized on disposal and unrealized gains and losses are included in non-operating items. Financial liabilities designated as FVTPL are those non-derivative financial liabilities that the Company elects to designate on initial recognition as instruments that it will measure at fair value through profit or loss. These are accounted for in the same manner as FVTPL assets.

AMORTIZED COST FINANCIAL ASSETS

Financial assets at amortized cost are non-derivative financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset is initially measured at fair value, including transactions costs, and subsequently at amortized cost.

OTHER FINANCIAL LIABILITIES

Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method and include all financial liabilities, other than derivative instruments.

TRANSACTION COSTS

Transaction costs related to FVTPL financial assets are expensed as incurred. Transaction costs related to available-for-sale financial assets, held-to-maturity financial assets, other financial liabilities and loans and receivables are netted against the carrying value of the asset or liability and are then recognized over the expected life of the instrument using the effective interest method.

IMPAIRMENT OF FINANCIAL ASSETS

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

The carrying amount of all financial assets, excluding accounts receivable, is directly reduced by the impairment loss. The carrying amount of trade receivables is reduced through the use of an allowance account.

The Company uses an expected credit loss (“ECL”) model. The new impairment model applies to financial assets measured at amortized cost and contract assets.

The Company is using the simplified approach to recognize lifetime expected credit losses for its trade receivables and contract assets that are within the scope of IFRS 15 and that do not have a significant financing component.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls. ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Company assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is “credit-impaired” when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the asset.

EFFECTIVE INTEREST METHOD

Reko uses the effective interest method to recognize interest income or expense, which includes transaction costs or fees, premiums or discounts, earned or incurred for financial instruments.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the right to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of the financial asset are transferred.

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

COVID-19 PANDEMIC

In March 2020, the World Health Organization declared the outbreak of coronavirus (COVID-19) a global pandemic. Extraordinary actions have been taken by public health and governmental authorities across the globe to contain the spread of COVID-19, including travel bands, social distancing, quarantines, stay-at-home orders and similar mandates for many businesses to curtail or cease normal operations.

COVID-19 has resulted in wide-spread and extended shutdowns of businesses throughout the world. Such disruptions included temporary closures of third-party supplier facilities, restrictions on the export or shipment of product, or unavailability of key components sourced from affected manufacturers and suppliers. Many of the OEMs, for example, along with their supply chain, idled their manufacturing operations in regions around the world. Reko has, thus far, remained fully operational during this pandemic.

The global reach of this disease could cause operating, manufacturing supply chain, and project development delays and disruptions, labour shortages, travel and shipping disruption and extended shutdowns. Some of these factors have and may continue to have an adverse effect on the Company’s sales volumes and overall profitability. There is also a risk of experiencing delays in payment and collection of accounts receivable, which could unfavourably impact the Company’s cash position. Any future waves or the potential for a recession in key markets due to COVID-19 could adversely affect our business and lead to impairment of assets. The full impact of COVID-19 on our business, results of operations, cash flows and financial position cannot be determined at this time.

USE OF SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with IFRS requires management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. These estimates are made on the assumption Reko will continue as a going concern and are based on information available at the time of preparation. Estimates may be revised where the circumstances on which they are based change or where new information becomes available.

Judgment is commonly used in determining whether a balance or transaction should be recognized in the consolidated financial statements and estimates and assumptions are more commonly used in determining the measurement of recognized transactions and balances. However, judgment and estimates are often interrelated.

The Company has applied judgment in its use of the going concern assumption, identifying cash generating units, identifying indicators for impairment of long-lived assets and deferred taxes and assessing the Company's functional currency. In the absence of standards or interpretations applicable to a specific transaction, management uses its judgment to define and apply accounting policies that provide relevant and reliable information in the context of the preparation of the financial statements.

Estimates are used when estimating the useful lives of long-lived assets for the purposes of quantifying amortization, when accounting for or measuring such items as allowance for uncollectible accounts, allowances for provisions on loss contracts, realizable value of tax losses and other tax credits, assessing the percent complete of work-in progress, certain fair value measures including those related to share based payments and financial instruments, and when testing long-lived assets for impairment. Actual results could differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

As a result of the continued and uncertain impact of COVID-19, management has reviewed the estimates, judgments, and assumptions used in the preparation of its financial statements. Although no significant revisions were required at this time, revisions may be required in future periods to the extent that the negative impacts on the business arising from COVID-19 continue or worsen. Any such revision may result in, among other things, write-downs or impairment to assets, and/or adjustments to the carrying amounts of accounts receivable an/or inventories; these could have a material impact on results of operations and financial position.

REVENUE RECOGNITION

Reko enters into contracts with customers to design and manufacture a variety of engineered products and services. These contracts are entered into with a customer when the Company can identify each parties' rights and the contract has commercial substance, where the parties have approved the contract in accordance with customary Company business practices, both parties are committed to their obligations and payment terms are identifiable and collectible. Contracts are typically priced based on estimated expected costs plus a margin approach.

The Company recognizes revenue over time as performance obligations are satisfied. Revenue is recognized based on the extent of progress towards completion of performance obligations. Reko generally determines the progress of performance obligations based on the proportionate share of accumulated costs to date compared to the total expected costs. The Company considers all jobs, which have completed all aspects of engineering and design to have progressed to the point where total expected costs can be reasonably estimated. Historically, this occurs somewhere between 15% and 25%, depending on the complexity of the job. Revenues, including estimated reasonable profits, are then recorded proportionately as costs are incurred.

The Company has elected to use the practical expedient provided under IFRS 15 for unsatisfied or partially unsatisfied performance obligations of contracts that have an expected duration of one year or less. Any projected loss is recognized immediately.

WORK-IN-PROGRESS

Work-in-progress includes unbilled contract revenue and inventory. Tooling inventory is valued at the lower of cost and net realizable value, less any amounts billed to the customer. Cost includes the cost of materials, direct labour applied to the product and specifically identified manufacturing overhead. The results reported under the percentage of completion method are based on management's estimates. Actual results could differ from these estimates.

CONSIDERATION GIVEN TO CUSTOMERS

Cash consideration given by Reko to a customer, such as cash discounts and rebates, are presumed to be a reduction of the selling prices of the Company's products or services and are, therefore, accounted for as a reduction of revenue when recognized in the statement of income.

LEASE LIABILITY PAYMENTS

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Effective August 1, 2019, the Company adopted IFRS 16 for leases. The adoption of this standard results in an increase to capital assets and long-term debt.

CASH

Cash includes cash on hand and balances with maturities less than 90 days.

ACCOUNTS RECEIVABLE

Accounts receivable are stated at their cost less allowances for doubtful accounts. The allowance for doubtful accounts is determined by taking into consideration the age of receivables, Reko's prior experience with the customer including their ability to pay and/or an assessment of the current economic conditions. Accounts receivable and allowance for doubtful accounts are written off when the balance is no longer considered to be collectible under the ECL model.

CAPITAL ASSETS AND DEPRECIATION

OWNED ASSETS

Capital assets are stated at cost less accumulated depreciation and impairment losses (see impairment loss accounting policy). The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of production overheads. The cost of self-constructed assets and acquired assets includes (i) the initial estimate at the time of installation and during the period of use, when relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and (ii) changes in the measurement of existing liabilities recognized for these costs resulting from changes in the timing or outflow of resources required to settle the obligation or from changes in the discount rate.

When parts of capital assets have different useful lives, those components are accounted for as separate items of capital assets.

RIGHT OF USE ASSETS

Leases for which the Company assumes substantially all of the risks and rewards of ownership are classified as a right-of-use asset. Each lease is reflected on the balance sheet as a right-of-use asset and a lease liability.

SUBSEQUENT COSTS

Reko recognizes in the carrying amount of a capital asset the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the Company and the cost of the item can be measured reliably. All other costs are recognized in profit or loss as an expense as incurred.

DEPRECIATION

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of each capital asset. Land is not depreciated. The estimated useful lives are as follows:

Buildings	10 - 50 years
Machinery and equipment	3 - 30 years
Leasehold improvements	5 - 25 years

The residual value and estimated useful life is reassessed annually.

GOVERNMENT GRANTS

Grants from the government are recognized at their fair value where there is reasonable assurance that the grant will be received and that the Company will comply with all the attached conditions. Government grants relating to the purchase of capital assets are deducted from the cost of the related capital asset. Government assistance under the Canada Emergency Wage Subsidy (CEWS) program have been recorded at the amount applied for under the CEWS program and classified as Other Income on the Company's financial statements.

BORROWING COSTS

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other borrowing costs are expensed in the period in which they are incurred.

TRADE AND OTHER PAYABLES

Trade and other payables are stated at amortized cost.

UNEARNED REVENUE ON WORK-IN-PROGRESS

In situations where the customer is billed more than the Company has recognized as revenue for an individual project on the reporting date, the invoiced amount in excess of the revenue recognized is recorded as unearned revenue on work-in-progress.

INCOME TAXES

Income tax on the profit or loss from the periods presented comprises any current (if applicable) and deferred income tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in comprehensive income, in which case it is recognized in comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, if any after application of available losses and deductions, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustments to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of assets or liabilities that affect neither accounting, nor taxable profit; and, differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date that are expected to apply when the deferred tax is realized/settled.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

SHARE CAPITAL

When share capital recognized as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognized as a change in equity. Repurchased shares that are not subsequently cancelled are classified as treasury shares and presented as a deduction from total equity.

COMPREHENSIVE INCOME

Other comprehensive income is the change in the Company's net assets that result from translations, events and circumstances from sources other than the Company's shareholders. When it occurs, other comprehensive income is presented below net income on the Consolidated Statements of Income and Comprehensive Income. Comprehensive income is composed of net income and other comprehensive income.

Accumulated other comprehensive income is a separate component of shareholders' equity which includes the accumulated balances of all components of other comprehensive income which are recognized in comprehensive income but excluded from net income.

EARNINGS PER SHARE

Basic earnings per share is calculated on net income using the weighted average number of common shares outstanding during the year.

Diluted earnings per share is calculated on the weighted average number of common shares that would have been outstanding during the year had all "in the money" stock options outstanding been exercised and converted into common shares using the treasury method.

IMPAIRMENT LOSSES

The carrying amounts of Reko's long-lived non-financial assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such impairment exists, the asset's recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in profit or loss unless the asset is recorded at a revalued amount in which case it is treated as a revaluation decrease.

REVERSALS OF IMPAIRMENT LOSSES

An impairment loss, with the exception of goodwill, is reversed if there has been a change in the estimate used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized.

DEFINED CONTRIBUTION EMPLOYEE BENEFIT PLANS

Obligations for contributions to defined contribution pension plans are recognized as an expense in profit or loss as incurred.

PROVISIONS

A provision is recognized in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability.

STOCK-BASED COMPENSATION

The share option programme allows certain Company employees to acquire shares of the Company. The fair value of options granted is recognized as an employee expense with a corresponding increase in equity. The Company measures the fair value of stock options at the grant date and spreads the expense over the period during which the employees become unconditionally entitled to the options. The fair value of the options is measured using the Black-Scholes option-pricing model. This model requires the input of a number of assumptions, including expected dividend yields, expected stock volatility, expected forfeiture rates, expected time until exercise and risk-free interest rates. Although the assumptions used reflect management's best estimates, they involve inherent uncertainties based on market conditions generally outside the Company's control. If other assumptions are used, stock-based compensation expense could be significantly impacted. As stock options are exercised, the proceeds received on exercise, in addition to the portion of the contributed surplus balance related to those stock options, is credited to share capital and contributed surplus is reduced accordingly.

CHANGES IN ACCOUNTING POLICIES

The Company has adopted the following new standards, along with any consequential amendments, effective August 1, 2019. These changes were made in accordance with applicable transitional provisions.

a) IFRS 16 Leases

Effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2019, the IASB issued IFRS 16, *Leases*, to supersede IAS 17, *Leases*. This new standard provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. IFRS 16 applies a control model to the identification of leases, distinguishing between leases and service contracts on the basis of whether there is an identified asset controlled by the customer. Significant changes to lessee accounting are introduced, with the distinction between operating and finance leases removed and assets and liabilities recognized in respect of all leases (subject to limited exceptions for short-term leases and leases of low value assets).

Management evaluated all the changes introduced by IFRS 16 and determined that the new lease guidance did not have a significant impact to the Company's consolidated statement of financial position and consolidated statement of earnings. The Company adopted this guidance effective August 1, 2019 using the modified retrospective approach, which resulted in an increase to capital assets and long-term debt of $39.

NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

As of the date of these consolidated financial statements, there are no new standards, amendments or interpretations to existing standards have been published but are not yet effective and have not been adopted early by Reko.

All pronouncements will be adopted in the Company's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Company's financial statements would have been provided below. Certain other new standards, amendments and interpretations may have been issued but are not expected to have a material impact on the Company's financial statements.

2. GEOGRAPHIC INFORMATION

The following information reflects the geographic breakdown of revenues and capital assets based on the physical location of the Company's operations. The Company does not track revenues based on ship to locations.

	2020		2019	
	REVENUES	CAPITAL ASSETS	REVENUE	CAPITAL ASSETS
Canada	$ 40,215	$ 27,260	$ 47,867	$ 29,340
United States	11	--	122	--
	$ 40,226	$ 27,260	$ 47,989	$ 29,340

3. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, accounts receivable, non-hedging financial derivatives, embedded derivative, grant receivable, , accounts payable and accrued liabilities and long-term debt.

FAIR VALUE

Reko has determined the estimated fair value of its financial instruments based on appropriate valuation methodologies; however, considerable judgment is required to develop these estimates. Accordingly, these estimated fair values are not necessarily indicative of the amounts the Company could realize in a current market exchange. The estimated fair value amounts can be materially affected by the use of different assumptions or methodologies. The methods and assumptions used to estimate the fair value of financial instruments are described below:

ACCOUNTS RECEIVABLE, BANK INDEBTEDNESS, ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Due to the short period of maturity of the instruments, the carrying values as presented in the consolidated balance sheets are reasonable estimates of fair value.

FAIR VALUE HIERARCHY

The following provides an analysis of cash, non-hedging financial derivatives, embedded derivative and long-term debt that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and,
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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	LEVEL 1	LEVEL 2	LEVEL 3	2020
Financial assets at FVTPL				
Cash	$ 4,441	$ --	$ --	$ 4,441
Non-hedging financial derivatives	--	276	--	276
	$ 4,441	$ 276	$ --	$ 4,717

	LEVEL 1	LEVEL 2	LEVEL 3	2019
Financial assets at FVTPL				
Cash	$ 5,448	$ --	$ --	$ 5,448
Non-hedging financial derivatives	--	25	--	25
Embedded derivative	--	24	--	24
	$ 5,448	$ 49	$ --	$ 5,497

NON-HEDGING FINANCIAL DERIVATIVES

Reko's non-hedging financial derivatives are the Company's future forward exchange contracts and are subject to fluctuations in foreign exchange rates between the Canadian and US dollar. The Company's non-hedging financial derivatives are valued based on discounting the future cash outflows associated with the contract based on the closing foreign exchange rate between the Canadian and US dollar.

EMBEDDED DERIVATIVE

The Company's embedded derivative relates to a provision in a long-term supply agreement with a customer. The provision provides that at the end of each six-month period in the five-year contract, the average foreign exchange rate between US dollars and Canadian dollars, during that period, shall be at least $1.09. In the event, the average foreign exchange rate is less than $1.09 the customer equalizes Reko based on an average foreign exchange rate of $1.09. The Company's embedded derivative is valued based on valuation models for Asian puts and the closing foreign exchange rate between the Canadian and US dollar.

LONG-TERM DEBT

Reko's long-term debt of CDN $5,937 and USD $2,715 (currently valued at CDN $3,639) is subject to fixed interest rates. The Company's long-term debt is valued based on discounting the future cash outflows associated with the long-term debt. The discount rate is based on the incremental premium above market rates for Government of Canada securities of similar duration. In each period thereafter, the incremental premium is held constant while the Government of Canada security is based on the then current market value to derive the discount rate. At July 31, 2020, the fair value of the Company's long-term debt is CDN $5,974 and USD $2,717 (currently valued at CDN $3,640). At July 31, 2019, the fair value of the Company's long-term debt was CDN $6,043 and USD $2,763.

The Company has exposure to the following risks from its use of financial instruments:
- Credit risk
- Liquidity risk
- Market risk

This note presents information about Reko's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has delegated authority of risk management to the Audit Committee, which is responsible for developing and monitoring the Company's risk management policies. The committee reports regularly to the Board of Directors on its activities.

Reko's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. Reko, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

CREDIT RISK

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's receivables from customers and foreign exchange contracts.

ACCOUNTS RECEIVABLE

Reko's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Company's customer base, including the default risk of the industry and country, in which the customers operate, has less of an influence on credit risk. Approximately 51.1% of the Company's revenue is attributable to the automotive industry. Annually, between 80% and 90% of the Company's revenue is derived from customers who pay in United States dollars.

For the year ended July 31, 2020, sales to the Company's three largest customers (inclusive of all divisions of the same parent company) represented 19%, 12% and 9%, respectively, of total sales. These same customers represent approximately 12%, 14% and 15%, of total accounts receivable, respectively as at July 31, 2019.

The Audit Committee has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. Reko's review generally also includes application for accounts receivable insurance, and in some cases bank references. Open amount limits are established for each customer; actual open amounts are reported monthly to the Audit Committee and any accounts of concern are reviewed at least quarterly by the Audit Committee. Customers that fail to meet Reko's benchmark creditworthiness may transact with the Company only on a prepayment basis.

Goods are sold subject to available financial liens, so that in the event of non-payment Reko may have a secured claim. The Company does not require collateral in respect of accounts receivable. In addition, Reko maintains, to the extent available, industry standard accounts receivable insurance programs to reduce its exposure to credit risk.

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of accounts receivable. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified.

Reko's financial assets that are exposed to credit risk consist primarily of cash, accounts receivable, non-hedging financial instruments and unbilled contract revenue.

Cash and non-hedging financial instruments are subject to counterparty credit risk. The Company mitigates this credit risk by dealing with counterparties who are major financial institutions that the Company anticipates will be able to satisfy its obligations with the Company.

LIQUIDITY RISK

Liquidity risk is the risk that Reko will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Typically, Reko ensures that it has sufficient cash on demand to meet expected operational expenses for a period of at least 150 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. As part of that ability, the Company maintains a $20,000 line of credit facility that is secured against the Company's accounts receivable and work-in-process. Interest is payable on the drawn portion of the line-of-credit at the rate of LIBOR or Banker's Acceptance rates plus an applicable margin ranging from 175 to 250 basis points. As at July 31, 2020, the Company has cash on hand of $4,441 in addition to available undrawn lines of credit of approximately $20,000; however, under its current margining provisions with its lender, the maximum it can draw on its available lines of credit is limited to $16,922.

A portion of the debt noted above (CDN$2,667 and USD$2,715) is subject to demand provisions in that the lender is contractually entitled to require payment of the outstanding balance "on demand". The Company is in receipt of correspondence from the lender indicating that there is no expectation that the balances will be called and that it is anticipated that principal and interest payments on these facilities will be made as scheduled throughout the term of the loans.

MARKET RISK

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Reko buys and sells derivatives, and also incurs financial liabilities, in order to manage market risks. All such transactions are carried out within the guidelines set by the Audit Committee.

CURRENCY RISK

Reko is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the functional currency of the parent Company, the Canadian dollar. The Company's goal is to maintain foreign currency future contracts that are within $5,000 of its total accounting foreign currency exposure. The Company uses forward foreign exchange contracts to mitigate its currency risk, all with a maturity of less than one year from the reporting date.

At July 31, 2020, the Company had outstanding foreign exchange contracts, representing commitments to buy and sell foreign currencies. US dollar contracts represent the significant commitments as follows:

	US DOLLAR AMOUNT	WEIGHTED AVERAGE RATE
Sell US dollars for delivery in 2020 under forward exchange contracts	$ 4,000	1.4076

Based on the Company's foreign currency exposures, as at July 31, 2020, a change in the US dollar/Canadian dollar foreign exchange rate to reflect a 100-basis point strengthening of the US dollar would have increased net income by $47. We caution that this sensitivity is based on an assumed net US dollar denominated asset or liability balance at a point in time. Our net US dollar denominated asset or liability position changes on a daily basis, sometimes materially.

INTEREST RATE RISK

Reko is not exposed to significant interest rate risk due to the short-term maturity of its monetary current assets and current liabilities. The Company uses LIBORs, bankers' acceptances, and its line-of-credit to reduce the exposure to interest rate changes.

The Company's interest rate risk primarily arises from its floating rate debt, in particular its bank indebtedness. At July 31, 2020, $4,700 of Reko's total debt portfolio is subject to movements in floating interest rates.

Based on the value of interest-bearing financial instruments, subject to movements in floating interest rates, as at July 31, 2020, an assumed 0.5 percentage point increase in interest rates on the first day of the year would have increased net income by $47, with an equal but opposite effect for an assumed 0.5 percentage point decrease.

OTHER MARKET PRICE RISK

The Company does not enter into commodity contracts other than to meet the Company's expected usage and sale requirements; such contracts are not settled net.

CAPITAL MANAGEMENT

The Board's policy is to ensure sufficient liquidity to pursue its organic growth strategy, while at the same time taking a conservative approach to financial leverage and management of financial risk. The Company's capital is composed of net debt and shareholders' equity. Net debt consists of interest-bearing debt less cash. Reko's primary uses of capital are to finance increases in non-cash working capital and capital expenditures for capacity expansion. The Company currently funds these requirements out of its internally generated cash flows and when internally generated cash flow is insufficient, its revolving bank credit facility.

The primary measure used by Reko to monitor its financial leverage is its ratio of net debt to shareholders' equity, which it aims to maintain at less than 1:1. As at July 31, 2020 and July 31, 2019, the above capital management criteria can be illustrated as follows:

	2020	2019
Net debt		
Current portion of long-term debt	$ 382	$ 741
Long term debt subject to demand provisions	5,955	6,244
Long-term debt	3,185	3,229
Less: cash	(4,441)	(5,448)
Net debt	**$ 5,081**	$ 4,766
Shareholders' equity	**$ 46,909**	$ 46,418
Ratio	**0.11**	0.10

From time to time, the Company purchases its own shares on the market; the timing of these purchases depends on market prices.

There were no changes in the Company's approach to capital management during the year.

As part of the Company's existing debt agreements, three financial covenants are monitored and communicated, as required by the terms of credit agreements, on a quarterly basis, by management, to ensure compliance with the agreements. The quarterly covenants are: i) debt to equity ratio – calculated as total debt, excluding deferred income taxes divided by shareholders' equity minus minority interest, if any; ii) current ratio – calculated as current assets divided current liabilities and (iii) debt service coverage ratio – calculated as EBITDA less cash taxes (for previous 52 weeks) divided by interest expense plus repayments of long-term debt (based on upcoming 52 weeks).

The Company was in compliance with these covenants at all times during the year.

EBITDA is defined as earnings before interest, taxes, depreciation and amortization. EBITDA is a non-GAAP measure but can be used as an indicator of the overall profitability of a company.

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4. INCOME TAXES

Significant components of the Company's deferred income taxes are as follows:

		2020		2019
Deferred income tax asset				
SR & ED tax credits	$	4,977	$	5,065
Non-capital losses		54		44
Capital assets		--		248
Other		9		161
Deferred income tax asset	$	5,040	$	5,518

		2020		2019
Deferred income tax liability				
Tax impact of SR & ED tax credits	$	1,280	$	1,297
Unbilled contract revenue		806		1,334
Other		490		23
Deferred income tax liability	$	2,576	$	2,654
Net income deferred tax asset	$	2,464	$	2,864

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of deferred taxable income during the years in which these temporary differences and loss carry forwards are deductible. Management considers the scheduled reversal of deferred tax liabilities, the character of deferred income tax assets and available tax planning strategies in making this assessment.

The provision for income taxes reflects an effective tax rate, which differs from the combined Federal and Provincial rate for the following reasons:

	2020	2019
Combined Federal and Provincial rate	26.5%	26.5%
Manufacturing and processing deduction	(.5%)	(0.5%)
Permanent and other differences including SR & ED	11.2%	(2.6%)
Effective rate	37.2%	23.4%

The details of taxable losses by jurisdiction are as follows:

		2020		2019
Canada, which begin to expire, at the earliest, in 2031	$	204	$	178
United States, which expire between 2022 and 2032		12,632		12,423

The deferred income tax asset attributable to the taxable losses in the United States are not recognized.

5. NON-HEDGING FINANCIAL DERIVATIVES

Reko utilizes financial instruments to manage the risk associated with fluctuations in foreign exchange. As at July 31, 2020, the Company had entered into foreign exchange contracts to sell an aggregate amount of $4,000 (USD). These contracts mitigate the Company's expected exposure to US dollar denominated net assets and mature at the latest at September 10, 2020 at an average exchange rate of $1.4076 Canadian. The mark-to-market value on these financial instruments as at July 31, 2020 was an unrealized gain of $276, which has been recorded in net income for the year.

As at July 31, 2020	MATURITY	NOTIONAL VALUE	AVERAGE RATE	NOTIONAL USD EQUIVALENT	CARRYING & FAIR VALUE ASSET
Sell USD/ Buy CAD	0-6 months	$ 4,276	1.4076	$ 4,000	$ 276
As at July 31, 2019	**MATURITY**	**NOTIONAL VALUE**	**AVERAGE RATE**	**NOTIONAL USD EQUIVALENT**	**CARRYING & FAIR VALUE ASSET**
Sell USD/ Buy CAD	0-6 months	$ 7,025	1.3220	$ 7,000	$ 25

6. WORK-IN-PROGRESS AND UNEARNED REVENUE ON WORK-IN-PROGRESS

A reconciliation of the beginning and ending carrying amounts of work-in-progress and unearned revenue on work-in-progress is as follows:

	2020		2019	
For the year ended July 31,	WORK-IN-PROGRESS	UNEARNED REVENUE ON WORK-IN PROGRESS	WORK-IN-PROGRESS	UNEARNED REVENUE ON WORK-IN PROGRESS
Balance outstanding – beginning of year	**$ 8,605**	**$ (255)**	$ 10,163	$ (336)
Revenue earned in the year	**40,226**	**(184)**	47,989	--
Billings in the year	**(36,533)**	**--**	(49,547)	81
Balance outstanding – end of year	**$ 12,298**	**$ (439)**	$ 8,605	$ (255)

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7. CAPITAL ASSETS

Capital assets are comprised of:

	LAND	BUILDINGS	MACHINERY AND EQUIPMENT	LEASEHOLD IMPROVEMENTS	EQUIPMENT UNDER CONSTRUCTION	TOTAL
Cost or deemed cost						
Balance at July 31, 2018	$ 661	$ 13,650	$ 50,193	$ 587	$ 2,211	$ 67,302
Additions	--	134	--	--	1,688	1,822
Transfers	--	313	3,176	224	(3,713)	--
Disposals	--	--	(63)	--	--	(63)
Balance at July 31, 2019	**$ 661**	**$ 14,097**	**$ 53,306**	**$ 811**	**$ 186**	**$ 69,061**
Additions	**--**	**49**	**37**	**--**	**1,597**	**1,683**
Transfers	**--**	**--**	**1,333**	**33**	**(1,366)**	**--**
Disposals	**--**	**--**	**(1,030)**	**--**	**--**	**(1,030)**
Balance at July 31, 2020	**$ 661**	**$ 14,146**	**$ 53,646**	**$ 844**	**$ 417**	**$ 69,714**

	LAND	BUILDINGS	MACHINERY AND EQUIPMENT	LEASEHOLD IMPROVEMENTS	EQUIPMENT UNDER CONSTRUCTION	TOTAL
Amortization and impairment losses						
Balance at July 31, 2018	$ --	$ 4,100	$ 31,693	$ 250	$ --	$ 36,043
Additions	--	470	3,214	46	--	3,730
Disposals	--	--	(52)	--	--	(52)
Balance at July 31, 2019	**$ --**	**$ 4,570**	**$ 34,855**	**$ 296**	**$ --**	**$ 39,721**
Additions	**--**	**482**	**3,113**	**73**	**--**	**3,668**
Disposals	**--**	**--**	**(935)**	**--**	**--**	**(935)**
Balance at July 31, 2020	**$ --**	**$ 5,052**	**$ 37,033**	**$ 369**	**$ --**	**$ 42,454**
Carrying value						
Balance at July 31, 2019	$ 661	$ 9,527	$ 18,451	$ 515	$ 186	$ 29,340
Balance at July 31, 2020	**$ 661**	**$ 9,094**	**$ 16,613**	**$ 475**	**$ 417**	**$ 27,260**

8. EMBEDDED DERIVATIVE

During the first quarter of 2015, the Company entered into a long-term supply agreement with one of its customers. One of the terms of that agreement included an embedded derivative, establishing a foreign exchange rate floor of $1.09 on sales by the Company to the customer. This floor is measured every six months during the term of the agreement and is based on the average foreign exchange rate during the period under measurement. The long-term supply agreement expired during the year.

Embedded derivative is comprised of:

	2020	2019
Embedded derivative, beginning of year	**$ 24**	$ 48
Fair value change, during the year	**(24)**	(24)
Embedded derivative, end of year	**$ --**	$ 24

9. LONG-TERM DEBT

The long-term debt is comprised of:

	2020	2019
Mortgage payable – 4.25% (2019 – 3.97%), repayable $21 monthly including interest, due in full April 2023, secured by certain land and building and an assignment of rents on the subject property	**$ 3,270**	$ 3,352
Mortgage payable – 4.31% (2019 – 4.42%), repayable $21 monthly including interest, due in full August 2023, secured by certain land and building and general security agreement, subject to demand provisions	**2,667**	2,815
Mortgage payable – 3.06% plus a credit spread, which may vary over the life of facility to a maximum of 275, currently at 175 for an all-in rate of 5.00% (2019 – 4.81%), repayable $14 USD monthly plus interest, due in full August 2025, secured by certain land, buildings and a general security agreement, subject to demand provisions	**3,639**	3,778
Loan payable – US dollar LIBOR (USD$800) plus applicable margin from 175 to 250 basis points, USD$45 monthly plus interest, due in full in March 2020, secured by general assignment of receivables and work-in-progress, together with a collateral mortgage, subject to demand provisions	**--**	342
	9,576	10,287
Deduct - unamortized finance fees	**54**	73
- principal portion included in current liabilities	**6,337**	6,985
Long-term portion	**$ 3,185**	$ 3,229

Notwithstanding the fact that certain facilities listed above are subject to demand provisions and are classified as current liabilities as a result, the Company expects to repay the principal over the entire scheduled term of the loans and these payments are outlined below. At July 31, 2020, $436 is due within the next twelve months under normal repayment terms and an additional $5,955 is not expected to be due in the next year but is subject to demand provisions.

Notes to Consolidated Financial Statements (in 000's, except for per share data) 55

Total bank credit facilities are as follows:

YEAR	BANK CREDIT FACILITIES	
Next 12 months	$	436
2 years		482
3 years		488
4 years		3,267
5 years		2,268
Thereafter		2,635
Balance of obligation	**$**	**9,576**

10. SHARE CAPITAL

Share capital is comprised of:

	AUTHORIZED	ISSUED SHARES	AMOUNT	
Class A preference shares	Unlimited	Nil		--
Class B preference shares	Unlimited	Nil		--
Common shares – no par value	Unlimited	6,242,650	$	18,210

Share capital transactions during the year were as follows:

	2020			2019		
As at July 31	SHARES		AMOUNT	SHARES		AMOUNT
Outstanding, beginning of year	**6,351,620**	**$**	**18,531**	6,439,920	$	18,824
Transactions during year	**(108,970)**		**(321)**	(88,300)		(293)
Outstanding, end of year	**6,242,650**	**$**	**18,210**	6,351,620	$	18,531

During the year, 630 shares were issued as a result of a purchase under the Company's stock option plan for proceeds of $2. A charge of $0.5 was applied to contributed surplus from this transaction. In addition, the Company repurchased 109,600 shares during the year for consideration of $323.

The following table presents the maximum number of shares that would be outstanding if all the dilutive "in the money" instruments outstanding, as at July 31, 2020 were exercised:

Common shares outstanding at July 31, 2020	6,242,650
Stock options (Note 13)	73,740
	6,316,390

11. CONTRIBUTED SURPLUS

Contributed surplus is comprised of:

	2020	2019
Balance, beginning of year	$ 1,820	$ 1,865
Amounts in respect of exercised stock options	--	(69)
Amounts in respect of the stock-based compensation	49	24
Balance, end of year	$ 1,869	$ 1,820

12. EARNINGS PER SHARE

The calculation of basic earnings per share at July 31, 2020 was based on the net income attributable to common shareholders of $763 (2019 - $1,577) and a weighted average number of common shares outstanding of 6,308,962 calculated as follows:

	2020	2019
Basic earnings per share:		
Net income	$ 763	$ 1,577
Average number of common shares outstanding during the year	6,308,962	6,432,387
Basic earnings per share	$ 0.12	$ 0.25

Diluted earnings per share:		
Net earnings available to common shareholders	$ 763	$ 1,577
Average number of common shares outstanding during the year	6,308,962	6,432,387
‘In the money’ stock options outstanding during the year	73,740	307,500
	6,382,702	6,739,887
Diluted earnings per share	$ 0.12	$ 0.23

Notes to Consolidated Financial Statements (in 000’s, except for per share data) 57

13. STOCK BASED COMPENSATION

The Company has established a stock option plan for directors, officers, and key employees. The terms of the plan state that the aggregate number of shares, which may be issued and sold, will not exceed 10% of the issued and outstanding common shares of the Company on a non-diluted basis. The issue price of the shares shall be determined at the time of grant based on the closing market price of the shares on the specified date of issue. Options shall be granted for a period of five years. At the directors' discretion, the vesting progression is 30% in the year of grant, 30% in the second year, and 40% in the third year. Options given to outside directors vest immediately and can be exercised immediately.

During the year, the Company granted an additional 10,000 options to employees and directors (2019 - 120,000). During the year, 630 options (2019 - 30,000) from a previous award were exercised by employees.

As at July 31, 2020, the following options and warrants were outstanding:

NUMBER OF OPTIONS	EXERCISE PRICE	EXPIRY
90,000	$ 3.90	2022
102,900	$ 2.90	2024
10,000	$ 3.50	2025

The weighted average of the options is as follows:

As at July 31	2020 NUMBER OF OPTIONS	2020 WEIGHTED AVERAGE EXERCISE PRICE	2019 NUMBER OF OPTIONS	2019 WEIGHTED AVERAGE EXERCISE PRICE
Outstanding at beginning of year	**462,000**	**2.60**	401,000	$ 2.47
Issued during the year	**10,000**	**3.50**	120,000	2.90
Exercised during the year	**(630)**	**2.90**	(30,000)	1.15
Cancelled during the year	**(268,470)**	**2.06**	(29,000)	3.62
Outstanding at end of year	**202,900**	**$ 3.37**	462,000	$ 2.60
Exercisable at the end of the year	**73,740**	**$ 2.90**	58,500	$ 2.93

The description of the method and significant assumptions used during the year to estimate the fair values of options, including the weighted average information, is as follows:

	2020	2019
Expected life	**5 years**	5 years
Expected dividends	**$ Nil**	$ Nil
Expected volatility – based on a 60-month historical average	**40.55%**	45.26%
Risk free rate of return	**(0.19%)**	0.32%
Expected forfeiture rate	**100%**	98.0%
Total compensation cost recognized in income for stock-based employee compensation awards	**$ Nil**	$ 24

14. RELATED PARTY TRANSACTIONS

TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

In addition to their salaries, the Company also provides non-cash benefits to its executive officers and contributes to a post-employment defined contribution benefit plan on their behalf. In accordance with the terms of the plan, executive officers living in Canada are entitled to receive a $1 contribution to the pension plan annually, once they have completed 5 years of service to the Company. During the year, the Company expensed contributions of $5 (2019 - $5) to the defined contribution plan in Canada. The above contribution plans are identical to the contribution plans provided to all employees of the Company.

Executive officers are also eligible, as are all employees, to participate in the Company's share option programme.

Key management personnel and directors compensation comprised:	2020	2019
Salaries and cash bonuses	$ 659	$ 693
Short-term employment benefits	29	24
Post-employment benefits	3	3
	$ 691	$ 720

KEY MANAGEMENT PERSONNEL AND DIRECTOR TRANSACTIONS

Directors of the Company control 3.8% of the voting shares of the Company (2019 - 3.73%). Individuals related to a director own, directly or indirectly, 62.06% of the voting shares of the Company (2019 - 64.72%).

15. SUPPLEMENTAL CASH FLOW INFORMATION

Net change in non-cash working capital is comprised of:	2020	2019
Accounts receivable	$ 4,382	$ (544)
Work-in-progress	(3,693)	1,558
Prepaid expenses and other current assets	(16)	33
Accounts payable and accrued liabilities	954	114
Unearned revenue	(47)	(55)
Unearned revenue on work-in-progress	184	(81)
	$ 1,764	$ 1,025

Notes to Consolidated Financial Statements (in 000's, except for per share data) 59

16. GOVERNMENT GRANTS

SOUTHWESTERN ONTARIO DEVELOPMENT FUND

Effective August 1, 2017, the Company entered into a contract with the Ontario Ministry of Economic Growth and Development to receive funding in the amount of $1.5 million under the Southwestern Ontario Development Fund (SWODF). The contract provides a non-repayable grant in the amount of 10% of approved capital expenditures incurred in connection with the expansion of the Company's manufacturing capabilities during the period from May 1, 2017 through July 31, 2021 and is contingent upon the Company meeting agreed upon job creation targets. The funding relates to capital acquisitions and as a result, related assets are recorded net of the applicable grant amount - with the net amount being amortized over the useful life of each individual asset.

At July 31, 2020, the Company had received $300 (2019 - $300) in cash funding from SWODF and accrued an additional amount receivable of $414 (2019 - $537) on total eligible expenditures of $12,671. The current portion of this amount is included in prepaids and other current assets and the balance is reflected in long term grants receivable. Grant amounts will be paid in accordance with the funding contract over the period of the agreement as long as job creation targets and certain reporting and other obligations are fulfilled on an annual basis.

CANADA EMERGENCY WAGE SUBSIDY

In March 2020, the Government of Canada announced the introduction of the Canada Emergency Wage Subsidy (CEWS) to support employers that are hardest hit by the pandemic and to protect the jobs Canadians depend on.

The subsidy generally covers 75% of an employee's wages (to a maximum) for employers of all sizes and across all sectors who have suffered a drop in gross revenues of at least 15% in March, and 30% in subsequent months. The Company determined that it would be eligible for the CEWS amount and has applied for such assistance from the Government of Canada. At July 31, 2020, the Company applied for $2,430 in assistance from the CEWS program; $2,204 of this amount has been paid to the Company by the Government of Canada.

17. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

As at July 31	2020	2019
Accounts payable	$ 2,448	$ 1,766
Accrued liabilities	1,977	1,651
	$ 4,425	$ 3,417

18. CONTINGENCIES & COMMITMENTS

The Company, in the course of its operations, is subject to lawsuits, contingencies, environmental and other claims.

Provisions are made in instances where it is probable that a net outflow of cash will occur. The Company has no reason to believe that the ultimate outcome of these matters would have a significant impact on its financial position, cash flows or results of operations.

19. COMPARATIVE FIGURES

Certain comparable figures have been reclassified to conform to the current year's financial statement presentation.

SUMMARY OF INCOME

Year Ended July 31 *(in 000's, except for per share data)*	2020	2019	2018	2017	2016
Sales	**$ 40,226**	$ 47,989	$ 42,272	$ 42,967	$ 50,599
Costs and expenses					
Cost of sales	**32,116**	36,078	32,288	32,402	32,026
Depreciation	**3,668**	3,730	3,264	3,089	2,954
	35,784	39,808	35,552	35,491	34,980
Gross profit	**4,442**	8,181	6,720	7,476	15,619
Selling and administrative	**5,096**	5,271	4,729	3,972	4,626
Income before the following items	**(654)**	2,910	1,991	3,504	10,993
Foreign exchange (gain)/ loss	**169**	444	(189)	154	456
Other income	**(2,518)**	(78)	(280)	(192)	(160)
Loss (gain) on sale of capital assets	**95**	11	3	(15)	39
Interest on long-term debt	**368**	415	204	297	390
Interest on other interest-bearing obligations	**15**	59	23	12	124
	(1,871)	851	(239)	256	849
Income before income taxes	**1,217**	2,059	2,230	3,248	10,144
Income taxes (recovered)					
Current	**--**	--	--	--	--
Deferred	**454**	482	195	703	2,543
	454	482	195	703	2,543
Net income and comprehensive income	**$ 763**	$ 1,577	$ 2,035	$ 2,545	$ 7,601
Earnings per common share					
Basic	**$ 0.12**	$ 0.25	$ 0.32	$ 0.40	1.18

STATISTICAL DATA COSTS AND EXPENSES AS A PERCENT OF SALES BASED ON CONTINUING OPERATIONS

Year Ended July 31	2020	2019	2018	2017	2016
Costs and expenses					
Cost of sales	**79.8%**	75.2%	76.4%	75.4%	63.3%
Depreciation and amortization	**9.1%**	7.8%	7.7%	7.2%	5.8%
Selling and administration	**12.7%**	11.0%	11.2%	9.2%	9.1%
	101.6%	94.0%	95.3%	91.8%	78.2%
Gross profit	**11.1%**	17.0%	15.9%	17.4%	30.9%
Return on sales	**1.9%**	3.3%	4.8%	5.9%	15.0%
Effective tax rate	**37.3%**	23.4%	8.7%	25.2%	25.1%

DIRECTORS AND OFFICERS

Diane Reko
Chair of the Board of Directors, Chief Executive Officer, and a Director and an Officer

Caterina (Catia) Longo, CPA
Chief Financial Officer and an Officer

Dr. Andrew J. Szonyi, Ph.D., P.Eng., MBA, GPLLM
Lead Independent Director and Chair of the Audit and Compensation Committees
(President, Andrew J. Szonyi & Associates, Toronto, Ontario)

John Sartz
Director and a member of the Audit and Compensation Committees
(President, Viking Capital Corporation, Toronto, Ontario)

Maria Thompson
Director and a member of the Audit and Compensation Committees
(Venture Partner, Arsenal, Winter Park, Florida)

INVESTOR RELATIONS CONTACT

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Chief Executive Officer

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ANNUAL MEETING

December 3, 2020
3:00 p.m. (Toronto time)

Telephone Access: 1-647-497-9391
Meeting ID: 364-335-029
Passcode: 364-335-029

To Access the Virtual Meeting:
www.gotomeet.me/RekoInternationalGroup/agm2020

LISTING

The Common Shares of the Company are listed on the TSX Venture Exchange (symbol: REKO)

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