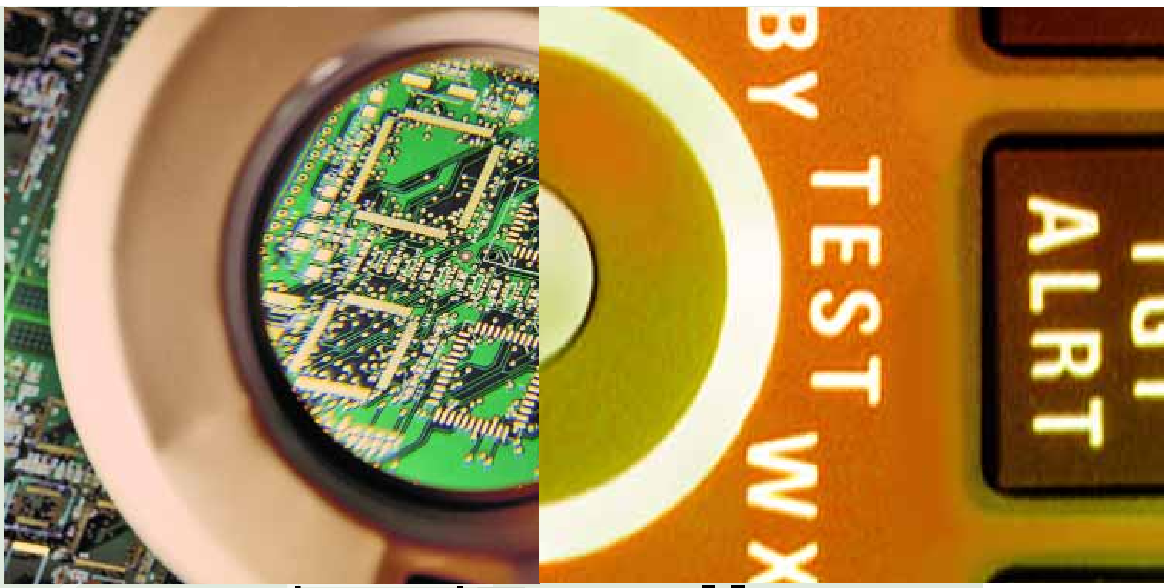
FTG

Partners in Performance



Operational**Excellence**

2005 ANNUAL REPORT

CORPORATE PROFILE

Firan Technology Group is a North American supplier of aerospace and defence electronic products and subsystems. It is a publicly traded Company on the Toronto Stock Exchange listed as "FTG".

With facilities in Canada, and the United States, FTG provides integrated design assistance, prototype development and manufacturing services complemented by quick-turn-around production runs.

FTG has two operating units:




FTG Aerospace

Manufactures illuminated cockpit panels, keyboards and bezels for original equipment manufacturers of avionics products, as well as airframe manufacturers.

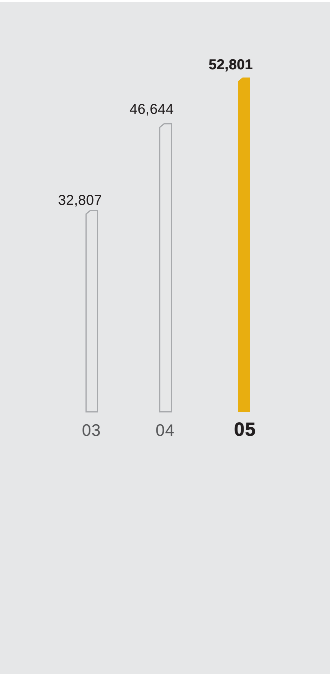
FTG Circuits

Is a leading manufacturer of high technology/high reliability printed circuit boards within the North American marketplace. Its customers are technological and market leaders in the aviation, defence and other high technology industries.

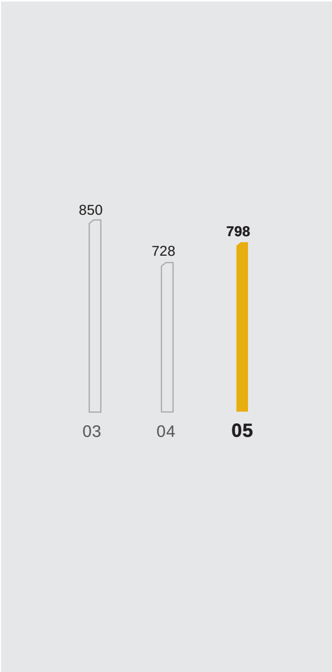
FINANCIAL HIGHLIGHTS

(thousands of dollars)	2005	2004	2003
Net Sales	**52,801**	46,644	32,807
Operating earnings (before restructuring, severance and interest)	**798**	728	850
Net loss	**(893)**	(191)	(2,027)
Common and preferred shares (in thousands)	**19,575**	17,433	17,433
At year end:			
Total Assets	**33,297**	30,819	30,831
Total Bank Debt	**5,833**	5,004	3,539
Shareholders Equity	**20,049**	18,093	18,239
Total Bank Debt/Total Capital	**23%**	22%	16%

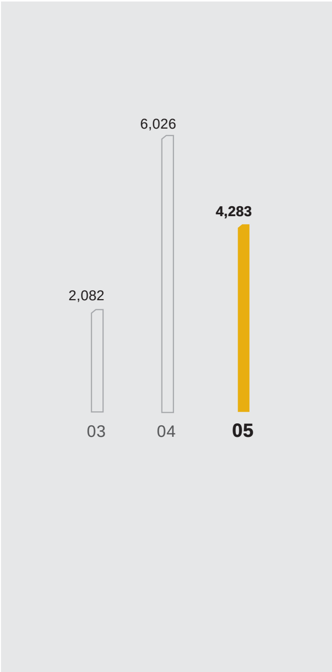
Net Sales
(thousands of dollars)



Operating Earnings
(before restructuring, severance, and interest)
(thousands of dollars)



Working Capital
(thousands of dollars)



TO OUR SHAREHOLDERS

Bradley C. Bourne
President and
Chief Executive Officer

Joseph R. Ricci
Vice-President and
Chief Financial Officer

Fiscal 2005 saw significant progress for FTG as we continued to refine our focus for the company and to execute on our vision.

FTG has become an aerospace and defence electronics firm. We are focused tightly on this end market and we will supply selected products and subsystems where we believe we can achieve market leadership positions. Our current offerings are advanced printed circuit boards and illuminated cockpit products.

With the acquisition of Young Electronics, now named FTG Circuits - Chatsworth, we believe we have moved into a leading position in North America as a supplier of aerospace and defence printed circuit boards. This is a huge step forward for the company and gives us the momentum to build on to achieve future growth.

Within FTG Circuits, we have clearly articulated our product focus. Our strength lies in our ability to produce high reliability, mission critical product and we invested heavily in 2005 to improve our capabilities in this area and again we believe we are now a leader in this field. Because it is critical to our customers, we are also focused on having leading skills in advanced materials for circuit board production and we offer one of the widest ranges of capabilities in the industry. Finally, to further advance our goal of being able to be a one-stop-shop for our key customers, we have developed the capability to produce flexible and combined flexible and rigid circuit boards.

At FTG Aerospace, we have also defined a clear and precise product focus. We are a supplier of illuminated cockpit products and subsystems. Our goal is to grow our share of cockpit equipment by growing our capabilities and offerings to meet our customers' needs.

During 2005, FTG continued to expand its market share by streamlining its operations, improving production and fostering new long-term business relationship with some of the top aerospace and defence companies in North America.

Across FTG we have unified and articulated our operational priorities. Using inputs from our customers we are focused on quality, delivery and customer service. We continuously measure our performance across these metrics and work everyday to improve them. Operational Excellence is a requirement to grow FTG that we embrace and reinforce every day of the year.

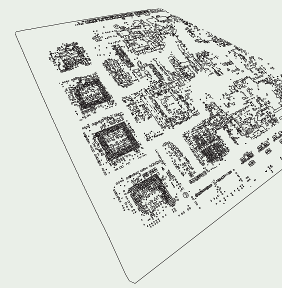
The success of FTG is also tied to building the best team at all levels of the organization. We have invested in this over the past few years and our progress has been satisfying. We remain committed to this for the future through ongoing recruiting and training initiatives.

We are optimistic for the future. We are committed to our focus for the business and each day we build momentum that reinforces the hard work of all of our employees and accelerates the speed in which we are moving towards our goals.

Finally, we appreciate the support of all our shareholders and remain committed to building long-term sustainable value for each of you.

Bradley C. Bourne
President and Chief Executive Officer

With its proven expertise, technical ability and strong reputation, FTG Circuits is emerging as premier supplier of high end, quality printed circuit boards to the aerospace and defence industry.



FTG Circuits

FTG is a transformed company. We have the momentum necessary for solid future growth. The December 2004 acquisition of U.S. based Young Electronics (now FTG Circuits – Chatsworth) – a U.S. printed circuit board manufacturer based in Los Angeles, California – was a big step forward in our pursuit of market leadership. Currently FTG is a leading North American supplier of aerospace and defence printed circuit boards.

FTG Circuits - Chatsworth’s facility in California is at the centre of one of the largest concentrations of aerospace and defence companies in North America.

The presence of a U.S. operation will also aid our growth by eliminating some barriers U.S. defence firms have in contracting outside the country. Furthermore, we have moved towards focused production facilities and reduced our exposure to the strengthening Canadian Dollar.

Challenge Creates Opportunity

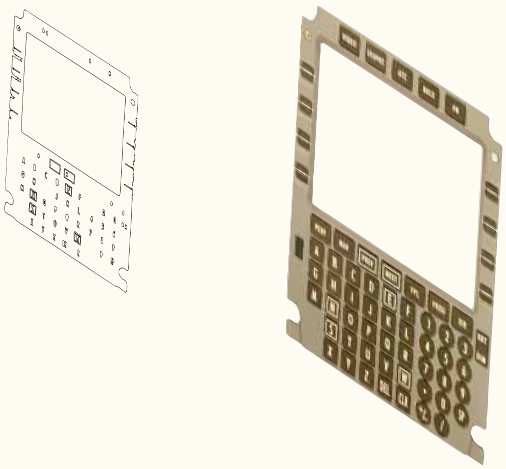
The printed circuit board industry is highly competitive where tight margins and deadlines dictate the scope of opportunities to gaining a larger market share.

To succeed, FTG must efficiently manage the impact of marketplace challenges: increased material costs, rapid technological innovation, offshore product sourcing, and industry consolidation.

FTG Circuits will continue to ensure our long-term competitive edge by providing the right products together with excellent customer service. In the past year, this approach resulted in renewed enterprise sourcing agreements with our most important customers, Honeywell and Rockwell Collins. The Rockwell Collins agreement incorporates over 300 part numbers and is estimated to be worth $11 million CND over three years.

In addition, we continued our focus on developing a leadership position in advanced materials for circuit board production. Today, FTG Circuits offers one of the widest ranges of capabilities in our industry and is certified to produce a flexible and rigid-flex circuit boards.

The Circuit Division's strengths — responsive customer service, innovation, efficiency and Operational Excellence — will play an important role in maintaining the advantages FTG needs to successfully manage future challenges and increase market share.



FTG Aerospace

Pursuing organic growth is a dependable and sustainable way to develop the Company. We have built deep military/aerospace customer insight, set priorities to source out new opportunities, aligned the organization behind these priorities, and worked diligently to implement our corporate strategies for the future.

Certification is a key component of our strategy. To meet the high expectations of our aerospace customers in 2005, FTG Aerospace applied for and was awarded the Aerospace Standard AS9100B certification. This is a landmark achievement for the division and complements the FTG Circuits designation obtained early in 2005. Being certified to AS9100B confirms that FTG Aerospace has a functionally recognized Business Management System formally reviewed and audited for the ability to provide high reliability, mission critical products and services for the Aerospace Industry.

FTG Aerospace was also awarded the Bombardier Aerospace Vendor Inspection Program (VIP) certification in 2005. We are the first manufacturer in Ontario to receive this designation since Bombardier Aerospace developed the VIP system.

FTG Aerospace is focused on delivering top quality, mission critical illuminated cockpit equipment to the military and aerospace markets by responding to our customers' need for tightly managed supply chain and increasing technological innovations.

Customer insight helped FTG introduce more efficient methods of production and manufacturing. We entered into an agreement with a premier OEM – Bell Helicopter Textron – on the development, design and manufacture of programmable power supplies. The Letter of Intent identifies the selection of FTG's Lighting Power Supply (LPS) for use on the new Bell 429 platform.

Revenue growth and increasing product complexity created some challenges for the Division, this past year. However, ultimately they were overcome to make 2005 an excellent year for FTG Aerospace, with a sales increase of 6% over 2004 and a strong order stream.

Looking Ahead

The aerospace and defence markets are anticipated to show continuing strength over the next year that represent a great opportunity for sustainable growth and an improved bottom line.

By weaving Operational Excellence into our day to day operations, FTG is creating a new corporate culture where quality products, on time delivery and service is the paramount force driving our company forward.

Operational Excellence

FTG's mission is to produce high reliability mission critical products that meet our customer's price, delivery terms and specifications, while also providing our shareholders with a strong return on their investment. We are confident that our commitment to Operational Excellence will help us meet these objectives.

Our Operational Excellence philosophy is about meeting internal and external challenges head-on while cost-effectively managing the current and future needs of our business. Since Operational Excellence is achieved in large part through best in class performance and disciplined cost control, it is a pillar in FTG's overall corporate strategy.

At FTG Operational Excellence is a company wide initiative tied to building the best team at all levels of our organization. During 2005 we undertook several key initiatives designed to make an already good company better. To strengthen the operations at FTG Circuits Toronto, we have appointed a new *Director, Operations* to improve our operational performance, a *Director, Quality* responsible for our quality and process engineering functions, and a *Director, Product Engineering*, who will focus on enhancing and streamlining our engineering process for all new FTG products. At FTG Aerospace, we appointed a new *Director, Operations* with a mandate to improve the division's systems and processes to support future growth.

We have integrated and strengthened our sales team to represent both operating units. The team is responsible for building strong relationships with our customers and ensuring FTG provides the best possible customer service.

FTG experienced a solid 2005, after our first quarter. Company wide sales increased 13% compared to 2004 for a total of 104% since 2002.

Looking Ahead

We understand that future success of the Company is reliant upon attracting and maintaining key employees. Being a clear leader in our market segment, and offering appropriate employment incentives, will help FTG attract the best people who will ensure that, in addition to delivering excellent product and services to our key customers, we also provide exceptional value to our stakeholders.

We are confident that our business approach of Operational Excellence combined with a dynamic management team, will help move FTG forward toward improved operational and financial results.

This report is management's discussion and analysis ("MD&A") of Firan Technology Group Corporation's (the "Company" and "FTG") financial results for the years ended November 30, 2005 and 2004 and its outlook for the future. MD&A should be read in conjunction with the Financial Statements and Accompanying Notes. The Financial Statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and are presented in Canadian dollars unless otherwise stated.

CAUTION REGARDING FORWARD LOOKING STATEMENTS

This MD&A contains forward-looking information about the Company including its business operations, strategy and expected financial performance and conditions based on management's best estimates and the current operating environment. These forward-looking statements are related to, but not limited to, FTG's operations, anticipated financial performance, business prospects and strategies. Forward-looking statements include statements that are predictive in nature, and depend upon or refer to future events or conditions or include words such as "expects", "anticipates", "intends", "plans", "believes", "estimates" or similar expressions.

Such statements inherently involve numerous risks and uncertainties, known and unknown, including economic factors and the state of the Company's industry, generally. The preceding list is not exhaustive of all possible factors. Such forward-looking statements are not guarantees of future performance and actual events and results could differ materially from those expressed or implied by forward-looking statements made by the Company. The reader is cautioned to consider these and other factors carefully when making decisions with respect to the Company and not to place undue reliance on forward-looking statements.

The risks, uncertainties and other factors that could influence actual results are described in this MD&A based on information available as of January 19, 2006 and the Company's Annual Information Form ("AIF") (including documents incorporated therein by reference) dated February 21, 2006. A copy of the Company's AIF is available on SEDAR at www.sedar.com.

CORE BUSINESS AND STRATEGY

FTG is an aerospace and defence electronics product and subsystem supplier within the North American marketplace. FTG has two operating units, FTG Circuits and FTG Aerospace.

FTG Circuits is a leading manufacturer of high technology/high reliability printed circuit boards within the North American marketplace. Our customers are technological and market leaders in the aviation, defence and related industries.

The printed circuit board industry is a highly competitive industry. Offshore product sourcing continues to place pressure on domestic North American suppliers. With few opportunities for industry participants to increase pricing to end customers, we expect more North American capacity to come off line in the coming year.

Given the industry dynamics, consolidation has continued and will continue within the industry. On December 10, 2004 the Company acquired Young Electronics ("FTG Circuits – Chatsworth"), a U.S. printed circuit board manufacturer based in Los Angeles, California and focused primarily on the aerospace, defence and oil field industries.

The purchase of FTG Circuits - Chatsworth has significant strategic benefit to the Company. The acquisition reinforces the Company's market focus in aerospace and defence applications. FTG Circuits - Chatsworth's California location places it in the center of one of the largest concentrations of aerospace and defence industries in the U.S. For the Company, a U.S. operation is expected to reduce some of the barriers U.S. defence firms have in contracting outside the country and will also help the Company to move towards more focused production facilities.

FTG Aerospace ("Aerospace") manufactures illuminated cockpit panels, keyboards and bezels for original equipment manufacturers of avionics products as well as airframe manufacturers. FTG Aerospace sells to avionics and airframe manufacturers, with the majority being large, multinational original equipment manufacturers. Customers include Bombardier, Rockwell Collins, Honeywell, and Telephonics.

Key factors for future success will be the division's ability to attract key personnel, increase manufacturing capacity and improve its manufacturing systems.

SELECTED ANNUAL INFORMATION

(in thousands of dollars except per share data)	**2005**	2004	2003
Sales	**$ 52,801**	$ 46,644	$ 32,807
Net Loss	**(893)**	(191)	(2,027)
Loss Per Share (Basic and Diluted)	**(0.05)**	(0.01)	(0.19)
Total Assets	**33,297**	30,819	30,831
Total Bank Debt	**5,833**	5,004	3,539

RESULTS OF OPERATIONS

(thousands of dollars except per share amounts)

Acquisition of FTG Circuits – Chatsworth (Formerly Young Electronics)

On December 10, 2004, the Company acquired from Ambitech International Inc. all of the shares of SnS Enterprises Inc. (operating as Young Electronics), a U.S. printed circuit board manufacturer based in Los Angeles, California. The Company financed the cash purchase price of US$5,000 by a combination of a private placement of units of the Company consisting of common shares and warrants, and secured bank debt.

To facilitate the financing of the transaction, the Company completed a private placement and obtained new secured bank debt. The private placement offering consisted of 2,142,600 units for gross proceeds of approximately $3,000 ($1.40 per unit). Each unit is comprised of one common share in the capital of the Company and one-half common share purchase warrant. Each whole warrant entitles the holder to purchase one common share at a price of $1.75 until December 10, 2006.

RESULTS OF OPERATIONS (continued)

The secured bank debt consists of a US$3,000 term facility and a US$1,000 revolving operating facility made available to FTG Circuits - Chatsworth on normal commercial terms and guaranteed by the Company (see Note 6). The allocation of the purchase price to the fair values of assets and liabilities acquired is as follows:

Accounts receivable	$ 2,116
Inventory	1,640
Plant and equipment	440
Prepaid expenses	89
Accounts payable and accrued liabilities	(1,571)
Capital lease obligation	(22)
Goodwill	3,510
Purchase price	$ 6,202

The consolidated financial statements include the results of FTG Circuits - Chatsworth from the date of acquisition (see Note 3).

Sales

Net sales for 2005 were $52,801, an increase of $6,157 or 13% compared with $46,644 for 2004. The increase in sales relates to the purchase of FTG Circuits - Chatsworth on December 10, 2004. The strength of the Canadian dollar versus the US dollar, reduced 2005 reported sales by approximately $3,600 versus 2004.

Circuits' sales were $43,294 for 2005, an increase of $5,635 or 15% over prior year's sales of $37,659. Sales for FTG Circuits - Chatsworth were $13,881 for the year, which accounted for the increase. Sales for FTG Circuits Toronto facility were $29,413, which was a decrease of $8,246 or 22% from the sales of $37,659 recorded in 2004. The strength in the Canadian dollar versus the prior year reduced Circuits' reported sales for the year by more than $3,000.

Aerospace sales for 2005 were $9,507, an increase of $522 or 6% over 2004 sales of $8,985. Aerospace continues to maintain a strong order backlog.

Sales to the United States represented 89% of 2005 sales as compared to 88% in 2004. All of FTG Circuits - Chatsworth's sales are to US customers.

Below is a table outlining historical quarterly performance.

(in thousands of dollars)	Q1-04	Q2-04	Q3-04	Q4-04	**Q1-05**	**Q2-05**	**Q3-05**	**Q4-05**
Net Sales	$ 9,478	$ 13,338	$ 13,361	$ 10,467	**$ 12,031**	**$ 14,162**	**$ 13,218**	**$ 13,390**
Net (Loss) Earnings	(2,060)	1,138	758	(27)	**(981)**	**(183)**	**119**	**152**
(Loss) Earnings per share – Basic	($0.13)	$ 0.07	$ 0.05	$ 0.00	**($0.06)**	**($0.01)**	**$ 0.01**	**$ 0.01**
(Loss) Earnings per share – Diluted	($0.13)	$ 0.06	$ 0.04	$ 0.00	**($0.06)**	**($0.01)**	**$ 0.01**	**$ 0.01**

Gross Margin

Gross margin decreased by $560 to $10,577 or 20% of sales for 2005 as compared with $11,137 or 24% of sales in 2004. The reduction in gross margins is partially due to lower throughput in the FTG Circuits Toronto facility. The division had material quality problems earlier in the year, which resulted in higher scrap costs and lower volumes. Margins for FTG Circuits averaged 14% for 2005 compared to 21.5% for 2004. FTG Circuits - Chatsworth recorded strong gross margins for the year at 31% of sales. FTG Aerospace margins have declined from 34% of sales in 2004 to 23% of sales in 2005, primarily due to an unfavourable change in product mix, the strength of the Canadian dollar and additional support costs in engineering and quality to support future growth. Also, included in the gross margin amounts for 2004 are Scientific Research and Experimental Development ("SR&ED") claims of $761, as a reduction of cost of sales. We have filed but not yet recognized the benefit of $606 of SR&ED claims in the current year - $27 related to the Aerospace business, and $579 for Circuits as they have not been reviewed by the income tax authorities. In addition, management has determined that currently, the ultimate utilization of these credits is uncertain.

Selling, General and Administrative

Selling, general and administrative expenses ("SG&A") for 2005 were $6,233 or 11.8% of sales as compared to $7,010 or 15% of sales in 2004. The decrease in costs results from the continued efficiencies gained after the combination of FTG and Circuit World Corporation. The addition of FTG Circuits - Chatsworth resulted in additional sales growth with minimal additional selling, general and administrative expenses.

Amortization of Plant and Equipment

Amortization of plant and equipment for 2005 was relatively unchanged, at $3,546 for 2005 compared to $3,399 for 2004. The addition of FTG Circuits - Chatsworth added approximately $320 to amortization expense. This was offset by a decrease in amortization for the other divisions due to lower expenditures on plant and equipment over the past few years.

Interest

Interest costs were $509 in 2005 as compared to $240 for 2004. The increase is a direct result of the increase in long-term debt that resulted from the purchase of FTG Circuits - Chatsworth. As well, $42 resulted from net interest on amounts owing to the controlling shareholder.

Severance and Restructuring Costs

The Company incurred severance costs of $661 resulting from the decision to terminate certain employees in 2005. There was $1,200 of severance costs in the first quarter of 2004.

As well, the Company recorded an additional $7 of restructuring charges to account for additional expenses incurred on the FTG restructuring from 2003.

Sale of Land and Buildings

The Company recorded a net gain of $31 related to two items. First, the Company recorded a loss of $123 on the sale of a building which houses most of the Aerospace business.

Second, as part of a prior agreement between FTG and its controlling shareholder, the controlling shareholder agreed to share 50 percent of the net proceeds greater than $1,850 on the sale of a property. The Company's share of these proceeds totalled $154.

RESULTS OF OPERATIONS (continued)

Income Tax Provision

Income tax expense for 2005 was $545. FTG Circuits - Chatsworth continues to be taxable for the year. The Canadian operations recorded a refund in the current year, primarily due to the carryback of a loss to prior years.

We have revisited the valuation of our net future tax asset. The turnaround in the Canadian operations during 2005, as well as potential tax planning opportunities support the valuation of the future tax asset. The amount of the future tax asset recognized is based on managements' best estimate, more likely than not, of future taxable income to be generated by the operations before the tax losses expire. This estimate can change every year, resulting in a charge or credit to income tax expense for the year.

Net Loss

Net loss for 2005 was $893 or a loss per share of $0.05 (loss of $0.05 per diluted share) as compared with a loss of $191 or $0.01 per share (loss of $0.01 per diluted share) in 2004.

Capital Expenditures

The Company invested $1,285 in plant and equipment during 2005, compared to $1,100 in 2004. These expenditures primarily related to upgrading plant and equipment in both FTG Circuits' facilities.

Liquidity and Capital Resources

As at November 30, 2005, the Company's primary source of liquidity included cash of $2,051, accounts receivable of $8,518 and inventory of $6,409. Net working capital at November 30, 2005 was $4,283 as compared to $6,026 at November 30, 2004. Working capital would have increased except the Company classified all of its $5,833 long term debt in current liabilities, as it has less than 12 months to maturity.

In addition to the above (subject to a maximum borrowing limit of the lesser of $2,000 and a portion of accounts receivable, minus amounts outstanding under the Canadian dollar term loan noted above), the Company has available an authorized line of credit of $2,000 bearing interest at a rate of prime plus 0.5%, which was not utilized at November 30, 2005. The line of credit is secured by a first charge on certain property, and expires in November 2006.

The Company entered into a U.S credit facility to help facilitate the acquisition and support the ongoing operations of FTG Circuits - Chatsworth. The US$4,000 facility is made up of both operating and term facilities. The US$1,000 operating line is for a term of one year, expiring December 10, 2005 and is at bank rate plus 0.5%. The operating line was not utilized at November 30, 2005. Subsequent to year end, the operating line was renewed until November 30, 2006, and the amount of the line was reduced to US$500. All current and future borrowings are secured by a first charge on all assets of the U.S wholly owned subsidiary of the Company, FTG Circuits - Chatsworth, as well as a guarantee by the Company.

All of the credit facilities of the Company are scheduled for renewal within approximately 12 months. Assuming these are renewed with substantially the same terms and conditions, it is estimated that the Company has the sufficient liquidity and capital resources to meet its future obligations for the foreseeable future.

The following is a table that outlines the contractual obligations of the Company.

(in thousands of dollars)	Payment's Due by Period				
	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Long-term Debt	5,833	5,833	—	—	—
Operating Leases	2,717	928	1,346	443	—

Cash Flow

In 2005, cash generated from operating activities amounted to $2,536 as compared to $2,330 during 2004. The primary reason for the generation of cash in the current year was the collection of the promissory note partially offset by changes in working capital.

For 2005, cash used in investing activities amounted to $6,839, compared to $787 in 2004. During the first quarter of 2005, the Company purchased FTG Circuits - Chatsworth for $6,202. The balance of the expenditures relate to additions to plant and equipment, net of the proceeds from the sale of the building.

Cash generated in financing amounted to $3,521 in 2005. The company issued share capital and obtained new bank loan financing to finance the acquisition of FTG Circuits -Chatsworth. This compares to 2004 when FTG generated cash of $1,288.

Related Party Transactions

(a) The promissory note is non-interest bearing, secured by a specific charge on a property, and is from the Company's controlling shareholder. The remaining balance at November 30, 2005 of $133 was repaid subsequent to year end.

(b) The Company rented one of its facilities during the year from its controlling shareholder. The property was sold to a third party before year end. Rent expense for the year and the amount owing at year end amounted to $74 (2004 - $94) and $nil (2004 - $176) respectively.

(c) The Company is owed $154 from its controlling shareholder related to the Company's portion of the gain on the building. This gain, plus interest at market rates, will be received from the controlling shareholder when the cash is received from the purchaser from a vendor take back mortgage on the property. This amount is expected to be received after November 30, 2006.

(d) The Company incurred net interest expense of $42 relating to past due intercompany balances with it's controlling shareholder, at a market rate of interest. This amount is owing as at November 30, 2005 and has been recorded in accounts payable and accrued liabilities at November 30, 2005 and paid subsequent to year end.

(e) Included in accounts payable and accrued liabilities is $447 owing to the controlling shareholder at November 30, 2004 under normal credit terms.

(f) The Company rented its Chatsworth facility from December 10, 2004 to November 30, 2005 from the Senior Officer of the U.S. subsidiary. Rent expense for the year was U.S. $175 and $NIL for 2004.

FINANCIAL INSTRUMENTS

The Company's earnings are affected by fluctuations in interest rates and foreign exchange rates, and the degree of volatility of these rates. The Company does not use derivative instruments to reduce its exposure to interest rate risk. The Company enters into foreign exchange contracts with respect to its anticipated future cash flows from time to time.

FINANCIAL INSTRUMENTS (continued)

Foreign currency risk

Foreign currency risk arises because of fluctuations in exchange rates. The Company conducts a significant portion of its business activities in foreign currencies, primarily United States dollars. The assets, liabilities, revenue and expenses that are denominated in foreign currencies will be affected by changes in the exchange rate between the Canadian dollar and these foreign currencies. The Company's long-term debt and most of the manufacturing materials are sourced in U.S. dollars, providing a natural economic hedge for a portion of our currency exposure. The Company recognized foreign exchange losses in 2005 of $92 as compared to $186 in 2004.

Interest rate risk

Interest rate risk arises because of the fluctuation in interest rates. Significant portions of the Company's debt obligations are subject to interest rates, which vary with the lending institution's prime rates.

Credit risk

Credit risk arises from the potential that a counterparty will fail to perform its obligations. The Company is exposed to credit risk from customers. However, the Company has a significant number of customers, which minimizes concentration of credit risk, and the majority of the Company's customers are large multinational stable organizations. The Company's two largest customers account for 27% (20% in 2004) and 16% (16% in 2004) of sales respectively.

Fair value

The Company has determined that the estimated fair value of financial instruments approximated their carrying value at November 30, 2005 and 2004, except for the non-interest bearing promissory note estimated at $130 ($1,415 at November 30, 2004). Fair value estimates are made at a specific point in time, using available information about the financial instrument. These estimates are subjective in nature and often cannot be determined with precision. This promissory note was repaid during 2005.

Change in Accounting Policy

Effective December 1, 2004, the Company adopted the amended recommendations in CICA Handbook Section 3870 ("Section 3870"), "Stock Based Compensation and Other Stock-Based Payments" which require fair value accounting for employee awards granted on or after February 1, 2002. Current year stock-based compensation has been included in selling, general and administrative costs.

The fair value of each option is accounted for in operations, straight line over the vesting period of the options. The related credit is included in contributed surplus. Based on the transitional provisions of Section 3870, the Company restated the opening deficit, without restatement of previous years figures, for employee awards that were previously included in the Canadian GAAP pro forma note disclosures for 2004, 2003 and 2002 amounting to $287.

Outstanding Shares

The authorized capital of the Corporation consists of an unlimited number of common shares and an unlimited number of preference shares, issuable in series. As at November 30, 2005, the Corporation had outstanding 17,800,227 common shares and 1,775,000 voting convertible preference shares, Series 1. The Preferred Shares are convertible into Common Shares on a one-for-one basis. Each Common Share and Preferred Share carries the right to one vote. As well, in connection with the private placement of December 10, 2004, the Company issued 1,071,300 warrants. Each warrant entitles the holder to purchase one common share at a price of $1.75 until December 10, 2006.

RISKS AND UNCERTAINTIES

The Company is subject to risks that may affect financial performance. During the yearly planning process, risks are identified and plans developed to manage and mitigate such risks.

Reliance on key customers is a risk facing the Company. The Company's two largest customers account for 27% and 16% of sales respectively. The Company has been doing business with these customers for over 20 years and has supply agreements with both.

It is exposed to foreign exchange fluctuations as the vast majority of the revenue is earned in U.S. dollars. Operating expenses are incurred mainly in Canadian dollars. However, the Company's long-term debt and a portion of the manufacturing materials are sourced in U.S. dollars, providing a natural economic hedge for a portion of our currency exposure. The Company regularly enters into forward exchange contract to sell excess U.S. dollars generated from operations.

The preparation of the Company's financial statements, in accordance with Canadian generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amount of assets and liabilities such as allowances for bad debts, inventory obsolescence and warranty provisions, and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Due to the inherent uncertainty involved in making such estimates, actual results reported in future periods could differ from those estimates. Significant estimates include provisions for accounts receivable, inventory obsolescence, warranty, future income tax assets and goodwil.

The current and future success of the Company is predicated on attracting and maintaining key employees. Being a clear leader in technology, and offering incentives such as the Share Option Plan and the profit sharing allows us to be competitive in attracting key personnel.

DISCLOSURE CONTROLS

The Company has evaluated the effectiveness of its disclosure controls and procedures as of November 30, 2005, and has concluded that the controls are adequate and functioning as designed. Also, during 2005 the Company implemented a Whistle Blowing policy through out the organization.

OUTLOOK

The rapid increase in the value of the Canadian dollar over the last two years has offset the synergies realized from the integration of the FTG and Circuit World organizations. The purchase of FTG Circuits - Chatsworth (formerly Young Electronics) will help to insulate the Company from future exchange rate movements in our largest market.

The Printed Circuit Board in North America continues to be fiercely competitive. Volume continues to move offshore, and smaller, weaker competitors continue to be pruned. The keys to success will be to focus on the markets that present the best opportunity for profitable growth. These segments include the aerospace/military markets and the high reliability/high technology commercial markets. The Company is well positioned for future growth in these markets and believes these markets represent the best opportunities for sustainable growth that yield superior margins.

Other factors influencing the outlook of the company are:

1. The aerospace and military markets continue to predict strength over the next year.
2. The strengthening operating performance of FTG Circuits Toronto,
3. The addition of Rigid Flex products to FTG Circuits - Chatsworth, and
4. Growth in subassembly production in FTG Aerospace.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The information in this annual report is the responsibility of management. The financial statements have been prepared by management in accordance with Canadian Generally Accepted Accounting Principles and in accordance with the accounting policies set out in note 1 to the financial statements. The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Management believes that reasonable care and judgment is applied in making such estimates and assumptions.

Management maintains a system of internal accounting controls to provide reasonable assurance that assets are safeguarded and that transactions are authorized, recorded and reported properly. Management reviews these accounting controls on an ongoing basis and reports its findings and recommendations to the Audit Committee of the Board of Directors.

The Board of Directors carries out its responsibility for the financial statements principally through its Audit Committee, consisting of 3 members, who are outside directors. This committee reviews the financial statements with management prior to submission to the Board for approval.

The Company's external auditors, Deloitte & Touche LLP, have audited the financial statements and their opinion on these statements is set out below.

Bradley C. Bourne
President and Chief Executive Officer
January 6, 2006

Joseph R. Ricci
Chief Financial Officer
January 6, 2006

Auditors' Report

To the Shareholders of Firan Technology Group Corporation

We have audited the consolidated balance sheets of Firan Technology Group Corporation as at November 30, 2005 and 2004 and the consolidated statements of operations, deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at November 30, 2005 and 2004 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Kitchener, Ontario
January 6, 2006

CONSOLIDATED BALANCE SHEETS

as at November 30, 2005 and 2004 (in thousands of dollars)	**2005**	2004
ASSETS		
CURRENT		
Cash	**$ 2,051**	$ 2,870
Accounts receivable	**8,518**	6,867
Inventories (Note 4)	**6,409**	4,363
Promissory note (Note 16)	**133**	1,500
Prepaid expenses	**420**	396
	17,531	15,996
DUE FROM RELATED PARTY (Note 16)	**154**	—
PLANT AND EQUIPMENT (Note 5)	**7,168**	9,923
FUTURE INCOME TAXES (Note 10)	**3,724**	3,684
GOODWILL	**4,549**	1,039
DEFERRED FINANCING FEES	**171**	177
	$ 33,297	$ 30,819
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities (Note 16)	**$ 6,768**	$ 7,059
Accrued restructuring and severance (Note 7)	**298**	663
Current portion of long-term debt and capital leases (Note 6)	**5,833**	2,248
Income taxes payable	**349**	—
	13,248	9,970
LONG-TERM DEBT AND CAPITAL LEASES (Note 6)	**—**	2,756
	13,248	12,726
SHAREHOLDERS' EQUITY		
Share capital		
Common shares (Note 9(b))	**12,681**	10,347
Preferred shares (Note 9(c))	**2,218**	2,218
Contributed surplus (Note 9(f))	**7,604**	6,798
Cumulative translation adjustment (Note 14)	**(4)**	—
Deficit	**(2,450)**	(1,270)
	20,049	18,093
	$ 33,297	$ 30,819

Approved by the Board

Director

Director

CONSOLIDATED STATEMENTS OF OPERATION

Years ended November 30, 2005 and 2004 (in thousands of dollars except per share amounts)	2005	2004
SALES	**$ 52,801**	$ 46,644
COST OF SALES	**42,224**	35,507
	10,577	11,137
EXPENSES		
Selling, general and administrative	**6,233**	7,010
Amortization of plant and equipment	**3,546**	3,399
Interest expense on long-term debt	**509**	240
	10,288	10,649
OPERATING EARNINGS BEFORE UNDERNOTED	**289**	488
RESTRUCTURING COSTS (Note 7)	**7**	(313)
SEVERANCE COSTS (Note 7)	**661**	1,200
GAIN ON SALE OF LAND AND BUILDINGS (Note 8)	**(31)**	—
LOSS FROM OPERATIONS	**(348)**	(399)
INCOME TAXES (RECOVERY) (Note 10)	**545**	(208)
NET LOSS	**$ (893)**	$ (191)
LOSS PER SHARE (Note 9(g))		
Basic and diluted	**$ (0.05)**	$ (0.01)

CONSOLIDATED STATEMENTS OF DEFICIT

Years ended November 30, 2005 and 2004 (in thousands of dollars)	2005	2004
Deficit, beginning of year	**$ (1,270)**	$ (1,079)
Change in accounting policy (Note 2)	**(287)**	—
Deficit, end of year, as restated	**(1,557)**	(1,079)
Net loss for the year	**(893)**	(191)
Deficit, end of year	**$ (2,450)**	$ (1,270)

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended November 30, 2005 and 2004 (in thousands of dollars)	2005	2004
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Net loss	**$ (893)**	$ (191)
Items not affecting cash		
Stock based compensation expense	**142**	—
Future income taxes (Note 10)	**(40)**	(169)
Gain on sale of plant and equipment (Note 8)	**(31)**	(293)
Amortization of deferred financing fees	**41**	115
Amortization of plant and equipment	**3,546**	3,399
	2,765	2,861
Changes in non-cash operating working capital items (Note 11)	**(229)**	(531)
	2,536	2,330
INVESTING		
Increase in due from related party (Note 16)	**(154)**	—
Acquisition of Young Electronics (Note 3)	**(6,202)**	—
Proceeds from sale of plant and equipment	**802**	313
Additions to plant and equipment	**(1,285)**	(1,100)
	(6,839)	(787)
FINANCING		
Issuance of shares and warrants	**2,711**	—
Proceeds from long term debt	**3,153**	8,793
Increase in deferred financing fees	**(35)**	—
Payment of long-term debt and capital leases	**(2,308)**	(7,505)
	3,521	1,288
Effects of foreign exchange rate changes on cash flow	**(37)**	—
NET CASH FLOW	**(819)**	2,831
CASH, BEGINNING OF YEAR	**2,870**	39
CASH, END OF YEAR	**$ 2,051**	$ 2,870
DISCLOSURE OF CASH PAYMENTS		
Interest	**$ 514**	$ 240
Income taxes	**$ 356**	$ —

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and are presented in Canadian dollars.

Basis of consolidation and statement presentation

The consolidated financial statements include the accounts of Firan Technology Group Corporation (the “Company”) and its 100% owned subsidiaries, FTG Circuits Inc. (“FTG Circuits – Chatsworth”) and Firan Technology Group (USA) Corporation.

The operating results of FTG Circuits – Chatsworth and Firan Technology Group (USA) Corporation are included since the date of acquisition of December 10, 2004. All significant inter-company accounts and transactions have been eliminated.

Inventories

Raw materials and spare parts are valued at the lower of cost and replacement cost. Work-in-process and finished goods are valued at the lower of cost and net realizable value. Cost is determined on the first-in, first-out basis.

Plant and equipment

Plant and equipment are recorded at cost, net of related government grants and investment tax credits. The assets are amortized using the straight-line method over their estimated useful lives as follows:

Building	20 years
Machinery and equipment	3 to 7 years
Furniture and fixtures	4 years
Leasehold improvements	Term of the lease plus term of first renewal option

Impairment of long-lived assets

Long-lived assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when their carrying value exceeds the total undiscounted cash flows expected from their use and eventual disposition. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its estimated fair value.

Deferred financing fees

Deferred financing fees consist of the costs relating to the new credit facilities and are being amortized over the estimated life of the related financial obligation.

Goodwill

The Company accounts for acquired goodwill in accordance with the provisions of Section 3062 of the Canadian Institute of Chartered Accountants Handbook, whereby the purchase price of an acquired business is allocated to assets and liabilities based on their fair values. Any purchase price amount in excess of those fair values is recorded as goodwill. Goodwill is not amortized, but must be tested annually for impairment on a fair value basis, and where the carrying value exceeds fair value, a goodwill impairment must be recorded in the statement of operations. Goodwill was tested at November 30, 2005 and no impairment existed.

Revenue recognition

Revenue from the sale of manufactured products is recognized when the product is shipped to the ultimate customer, title is transferred to the customer and collectibility is reasonably assured.

Translation of foreign currencies

Monetary assets and liabilities are translated into Canadian dollars at the year-end rate. Non-monetary assets and liabilities are translated at rates prevailing at date of acquisition. Revenues and expenses are translated at the average monthly exchange rates. Exchange gains and losses are included in operations.

FTG Circuits – Chatsworth is considered a self sustaining subsidiary. Accordingly, the assets and liabilities are translated at exchange rates in effect at the balance sheet date. Revenues and expenses are translated at average exchange rates prevailing during each month. The resulting translation adjustment is accumulated as a separate component of shareholders' equity.

Measurement uncertainty

The preparation of the Company's financial statements, in accordance with Canadian generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amount of assets and liabilities such as allowances for bad debts, inventory obsolescence and warranty provisions, and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Due to the inherent uncertainty involved in making such estimates, actual results reported in future periods could differ from those estimates. Significant estimates include provisions for accounts receivable, inventory obsolescence, warranty, future income tax assets and goodwill.

Income taxes

The Company uses the liability method of accounting for income taxes. Under the liability method, future income tax assets and liabilities are determined based on the differences between the financial reporting and tax bases of assets and liabilities, and are measured using the substantively enacted tax rates and laws that are expected to be in effect in the periods in which the future income tax assets or liabilities are expected to be settled or realized.

Research and development

Research and development costs are expensed as incurred.

Investment tax credits

Investment tax credits are accounted for using the cost reduction method whereby the credits are applied to reduce the related qualifying expenditure. Investment tax credits have been recognized in the accounts on the basis of reasonable assurance of realization. The amounts recorded have been determined by the Company based on current legislation and management's best esimates. The amount that will ultimately be received may differ from the amount recorded.

Derivative financial instruments

The Company adopted CICA Accounting Guideline 13 "Hedging Relationships" effective December 1, 2003. The guideline provides guidance related to the accounting for hedging activities and contains specific criteria for the application of hedge accounting.

The Corporation's derivative financial instruments do not qualify for hedge accounting; accordingly they have been recognized on the balance sheet at their fair value. Any resulting gain or loss on the recording of derivative financial instruments at fair value is included in income.

2. CHANGE IN ACCOUNTING POLICY

Effective December 1, 2004, the Company adopted the amended recommendations in CICA Handbook Section 3870 (“Section 3870”), “Stock Based Compensation and Other Stock-Based Payments” which require fair value accounting for employee awards granted on or after February 1, 2002. Stock-based compensation has been included in selling, general and administrative costs.

The fair value of each option is accounted for in operations on a straight line basis over the vesting period of the options. The related credit is included in contributed surplus. Based on the transitional provisions of Section 3870, the Company restated the opening deficit, without restatement of previous years figures, for employee awards that were previously included in the Canadian GAAP pro forma note disclosures for 2004, 2003 and 2002 amounting to $287.

3. ACQUISITION OF FTG CIRCUITS – CHATSWORTH (FORMERLY YOUNG ELECTRONICS)

On December 10, 2004, the Company acquired from Ambitech International Inc. all of the shares of SnS Enterprises Inc. (operating as Young Electronics), a U.S. printed circuit board manufacturer based in Los Angeles, California. The Company financed the cash purchase price of US$5,000 by a combination of a private placement of units of the Company consisting of common shares and warrants, and secured bank debt.

To facilitate the financing of the transaction, the Company completed a private placement and obtained new secured bank debt. The private placement offering consisted of 2,142,600 units for gross proceeds of approximately $3,000 ($1.40 per unit). Each unit is comprised of one common share in the capital of the Company and one-half common share purchase warrant. Each whole warrant entitles the holder to purchase one common share at a price of $1.75 until December 10, 2006.

The secured bank debt consists of a US$3,000 term facility and a US$1,000 revolving operating facility made available to FTG Circuits - Chatsworth on normal commercial terms and guaranteed by the Company (See Note 6).

The allocation of the purchase price to the fair values of assets and liabilities acquired is as follows:

Accounts receivable	$ 2,116
Inventory	1,640
Plant and equipment	440
Prepaid expenses	89
Accounts payable and accrued liabilities	(1,571)
Capital lease obligation	(22)
Goodwill	3,510
Purchase price	$ 6,202

4. INVENTORIES

	2005	2004
Raw materials and spare parts	**$ 2,098**	$ 2,125
Work-in-process and finished goods	**4,311**	2,238
	$ 6,409	$ 4,363

5. PLANT AND EQUIPMENT

	2005		
	Cost	Accumulated Amortization	Net Book Value
Machinery and equipment	**$ 26,589**	**$ 20,388**	**$ 6,201**
Furniture and fixtures	**979**	**958**	**21**
Leasehold improvements	**4,217**	**3,271**	**946**
	$ 31,785	**$ 24,617**	**$ 7,168**

Machinery and equipment includes assets under capital lease with a cost of $8,292 and accumulated amortization of $6,081 at November 30, 2005.

	2004		
	Cost	Accumulated Amortization	Net Book Value
Land	$ 88	$ —	$ 88
Building	1,722	817	905
Machinery and equipment	25,269	17,379	7,890
Furniture and fixtures	972	952	20
Leasehold improvements	3,906	2,886	1,020
	$ 31,957	$ 22,034	$ 9,923

Machinery and equipment includes assets under capital lease with a cost of $8,292 and accumulated amortization of $4,973 at November 30, 2004.

6. LONG-TERM DEBT AND CAPITAL LEASES

	2005	2004
Promissory notes, unsecured and interest free, $100 repayable annually on January 26	**$ 100**	$ 200
Term loan secured by a first charge on certain property, with interest at bank prime plus 2.00%, payable in monthly payments of interest only at $7 to September 30, 2005, repaid in September 2005.	**—**	1,500
Term loan in U.S. dollars secured by a first charge on certain property, with interest due monthly at the bank prime plus 2.35%, monthly principal payments of $50 U.S., due November 30, 2006	**2,879**	—
Term loan in Canadian dollars for purchase of certain manufacturing equipment, with interest at bank prime plus 2.35% per annum, secured by a first charge on certain property, due July 19, 2006	**250**	—
Capital lease in U.S. dollars for certain manufacturing equipment, with interest at 6.0%, payable in monthly interest and principal payments of U.S. $59 to July 19, 2006	**2,604**	3,304
	5,833	5,004
Less amounts due within one year	**5,833**	2,248
	$ —	$ 2,756

6. LONG-TERM DEBT AND CAPITAL LEASES (continued)

In addition to the bank term loans above (subject to a maximum borrowing limit of the lesser of $2,000 and a portion of accounts receivable, minus amounts outstanding under the Canadian dollar term loan noted above), the Company has available an authorized line of credit of $2,000 bearing interest at a rate of prime plus 0.5%, which was not utilized at November 30, 2005. The line of credit is secured by a first charge on certain property, and expires in November 2006.

The Company entered into a U.S credit facility to help facilitate the acquisition and support the ongoing operations of FTG Circuits - Chatsworth. The US$4,000 facility is made up of both operating and term facilities. The US$1,000 operating line is for a term of one year, expiring December 10, 2005 and is at bank rate plus 0.5%. The operating line was not utilized at November 30, 2005. Subsequent to year end, the operating line was renewed until November 30, 2006, and the amount of the line was reduced to US$500. All current and future borrowings are secured by a first charge on all assets of the U.S wholly owned subsidiary of the Company, FTG Circuits - Chatsworth, as well as a guarantee by the Company.

7. RESTRUCTURING CHARGES AND SEVERANCE COSTS

Restructuring charge

The Company recorded a $2,567 restructuring charge in the third quarter of 2003 related to the integration of Firan Technology Group Corporation Inc. with Circuit World Corporation. The restructuring costs are comprised of workforce reduction costs of $1,205 related to employee severances and benefits; charges of $884 related to redundant assets; $250 for relocation costs and $228 for data migration.

A continuity of the restructuring accrual is as follows:

	Severance and Benefits	Redundant Assets	Relocation Costs	Data Migration	Total
Initial charge August 2003	$ 1,205	$ 884	$ 250	$ 228	$ 2,567
Payments or draw down during the year	(85)	(884)	(53)	(77)	(1,099)
November 30, 2003 balances	1,120	—	197	151	1,468
Payments or draw down during the year	(817)	313	(132)	(196)	(832)
Revision to previous estimates	—	(313)	(45)	45	(313)
November 30, 2004 balances	303	—	20	—	323
Payments or draw down during the year	(291)	—	(5)	—	(296)
Revision to previous estimates	22	—	(15)	—	7
November 30, 2005 balances	$ 34	$ —	$ —	$ —	$ 34

Severance costs

During the first quarter of 2004 the Company terminated the employment of several individuals. The cost of these terminations was $1,200 with $898 paid out in 2004 and the remaining $302 settled in 2005. These costs relate to the merger occurring in 2003. In addition, $38 of severance liabilities unrelated to the merger was outstanding at the end of 2004, and settled in 2005.

The Company incurred additional severance costs of $276 during the first quarter of 2005, and $385 in the third quarter of 2005, which are expected to be settled in 2006. The total severance obligation outstanding at November 30, 2005 is $264 ($340 at November 30, 2004).

8. GAIN ON SALE OF LAND AND BUILDINGS

During 2005, the Company sold the land and building which houses the manufacturing operations of the FTG Aerospace division. The land and building were sold to a third party and the Company signed a fair market value lease for 18 months with a six month renewal option to allow the Company time to relocate the Aerospace operation. The Company recognized a loss of $123 on the sale of this property.

In addition, the Company recognized a gain of $154 during 2005 in connection with the sale of a building owned by the Company's controlling shareholder. The amount was outstanding at year-end. Pursuant to a prior agreement with the Company's controlling shareholder, the Company received 50% of the net proceeds of the sale of a property adjacent to the property noted above in excess of $1,850.

9. SHARE CAPITAL

(a) Authorized shares

The authorized share capital consists of an unlimited number of common shares and an unlimited number of preferred shares, issuable in series, with the attributes of each series to be fixed by the Board of Directors.

(b) Common shares

	2005		2004	
	Number of Shares	Stated Capital	Number of Shares	Stated Capital
Balance, beginning of year	**15,657,627**	**$ 10,347**	15,657,627	$ 10,347
Issue of new shares	**2,142,600**	**2,334**	—	—
Balance, end of year	**17,800,227**	**$ 12,681**	15,657,627	$ 10,347

In connection with the purchase of FTG Circuits - Chatsworth (see Note 3), the Company completed a private placement offering consisting of 2,142,600 units for gross and net proceeds of $3,000 ($1.40 per unit) and $2,711 respectively. Each unit is comprised of one common share in the capital of the Company and one-half common share purchase warrant. Each whole warrant entitles the holder to purchase one common share at a price of $1.75 until December 10, 2006. The fair value of the warrants issued was estimated at the date of the grant using the Black-Scholes valuation model with the following assumptions: risk-free rate of 5%; expected life of two years; volatility of 55% and a dividend yield of nil. The fair value of the warrants was determined to be $0.35 per warrant resulting in a fair value of $377. This amount was recorded to contributed surplus and a reduction of share capital.

(c) Preferred shares

The Company has 1,775,000 voting convertible preferred shares outstanding. The voting convertible preferred shares have the same voting rights as common shares, will pay no dividends and are convertible into common shares of the Company on a one for one basis for no additional proceeds.

The convertible preferred shares convert into common shares when the Company's yearly sales, excluding acquisitions, exceed $55,000 and the Company has positive yearly earnings before interest, taxes and depreciation and amortization. Otherwise, the convertible preferred shares are convertible into common shares at the discretion of the convertible preferred shareholder.

9. SHARE CAPITAL (continued)

(d) Common share options

The Company operates a stock option plan to encourage the ownership of common shares of the Company by certain directors, senior officers and employees of the Company. The number of shares reserved for issuance shall not exceed 1,780,023. Options are granted at the current market price and have a term of six years.

	2005	2004
Outstanding, beginning of year	**1,214,500**	1,133,750
Issuance of options	**30,000**	615,500
Cancellation of options	**(489,350)**	(534,750)
Outstanding, end of year	**755,150**	1,214,500

The weighted average exercise price for options issued in 2005 was $1.34 per share ($1.82 per share in 2004).

(e) Outstanding share options

November 30, 2005

Description	Number of Shares	Exercise Price	Vesting	Expiry Date
Employee options	**146,250**	**$ 2.41 - $ 2.80**	**Vested**	**2007 - 2010**
Employee options	**57,400**	**$ 1.90 - $ 2.40**	**Vested**	**2008 - 2010**
Employee options	**521,500**	**$ 1.70 - $ 1.89**	**Vested, 2006-2007**	**2008 - 2010**
Employee options	**30,000**	**$ 1.30 - $ 1.69**	**2006 - 2008**	**2011**
Balance, end of year	**755,150**			

November 30, 2004

Description	Number of Shares	Exercise Price	Vesting	Expiry Date
Employee options	8,225	$ 6.00	Vested	2005
Employee options	168,375	$ 2.41 - $ 2.80	Vested	2007 - 2010
Employee options	97,400	$ 1.90 - $ 2.40	Vested	2008 - 2010
Employee options	940,500	$ 1.70 - $ 1.89	2005 - 2006	2008 - 2010
Balance, end of year	1,214,500			

November 30, 2005

Range of Exercise Prices	Number Outstanding at November 30, 2005	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number of Exercisable at November 30, 2005
$ 2.41 - $ 2.80	**146,250**	**3.0 years**	**$ 2.69**	**146,250**
$ 1.90 - $ 2.40	**57,400**	**3.4 years**	**$ 1.95**	**57,400**
$ 1.70 - $ 1.89	**521,500**	**4.7 years**	**$ 1.70**	**129,000**
$ 1.30 - $ 1.69	**30,000**	**5.1 years**	**$ 1.34**	**—**
Number, end of year	**755,150**			**332,650**

November 30, 2004

Range of Exercise Prices	Number Outstanding at November 30, 2004	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Exercisable at November 30, 2004
$ 6.00	8,225	0.2 years	$ 6.00	8,225
$ 2.41 - $ 2.80	168,375	4.0 years	$ 2.68	168,375
$ 1.90 - $ 2.40	97,400	4.1 years	$ 2.06	97,400
$ 1.70 - $ 1.89	940,500	5.6 years	$ 1.71	353,000
Number, end of year	1,214,500			627,000

(f) Contributed Surplus

	2005	2004
Balance, beginning of year	**$ 6,798**	$ 6,753
Change in accounting policy (Note 2)	**287**	—
Stock option expense	**142**	—
Issuance of warrants	**377**	45
Balance, end of year	**$ 7,604**	$ 6,798

(g) Earnings per share

The following table sets forth the computation of basic and diluted loss per share:

	2005	2004
Numerator		
Net loss	**$ (893)**	$ (191)
Numerator for basic loss per share - net loss applicable to common shares	**(893)**	(191)
Effect of dilutive securities	**—**	—
Numerator for diluted loss per share - net loss applicable to common shares	**$ (893)**	$ (191)
Denominator		
Denominator for basic loss per share - weighted average shares	**17,741,523**	15,657,627
Effect of dilutive securities - options	**—**	—
Denominator for diluted loss per share - adjusted weighted average shares and assumed conversions	**17,741,523**	15,657,672
Basic and diluted loss per share	**$ (0.05)**	$ (0.01)

The Company has 1,775,000 voting convertible preferred shares outstanding. While the convertible preferred shares have the same voting rights as common shares they are not considered in calculating basic earnings per share.

9. SHARE CAPITAL (continued)

(h) Pro forma stock based compensation to employees

The Company recognized compensation expense in the consolidated statement of operations of $142 for the year ended November 30, 2005. Of these amounts, approximately $8 relates to 30,000 options granted during 2005. The remainder of the amount relates to amortization of compensation expense for options granted in 2004 and 2003. This amount was expensed in the current period and credited to contributed surplus. The fair value of options granted were estimated at the date of the grant using the Black-Scholes valuation model with the following assumptions: risk-free rate of 5%; expected life of three years; volatility of 55% and a dividend yield of nil.

As permitted under Canadian generally accepted accounting principles, stock based compensation is not recorded in the accounts of the Company under the fair value method of accounting for all employee stock based compensation for the 2004 year. The Company has however disclosed the pro forma effect on net loss and loss per share the options would have had on the Company if accounted for under the fair value method.

The fair value of stock options used to compute pro forma net loss and net loss per share was the estimated fair value at grant date using the Black-Scholes option-pricing model with the weighted average assumptions described above.

Had the Company recorded in the accounts stock based compensation under the fair value method for 2004, the reported net loss and net loss per common share has changed to the pro forma amounts as illustrated below,

	2004
Net loss - as reported	$ (191)
Pro forma stock option expense	193
Net loss - pro forma	$ (384)
Basic and diluted loss per share - as reported	$ (0.01)
Pro forma stock option expense impact	(0.01)
Basic and diluted loss per share - pro forma	$ (0.02)

10. INCOME TAXES

The Company accounts for income taxes under the liability method. Under the liability method, a future tax asset would be recorded only to the extent that, based on available evidence, it is more likely than not that a future tax asset would be realized. The valuation allowance is reviewed and adjusted, as appropriate for each reporting period.

	2005	2004
Future tax asset for:		
Tax losses carried forward	**$ 1,929**	$ 890
Future tax deductions	**79**	120
Non-deductible allowances	**801**	665
Investment tax credits	**775**	117
Excess of undepreciated capital cost for tax purposes over net book value of plant and equipment	**7,409**	7,759
	10,993	9,551
Valuation allowance	**7,269**	5,867
Future income tax asset	**$ 3,724**	$ 3,684

A reconciliation of income taxes at the statutory tax rates to income taxes at the effective tax rate is as follows:

	2005	2004
Provision for income taxes		
Income taxes at statutory rate	**$ (119)**	$ (84)
Rate adjustment for foreign jurisdiction	**100**	—
Permanent differences	**61**	32
Tax losses utilized	**(157)**	(216)
Future tax deductions	**—**	62
Non-deductible reserves	**—**	65
Valuation allowance	**660**	(104)
Excess of amortization over capital cost allowance	**—**	37
Income tax provision (recovery)	**$ 545**	$ (208)
Consisting of:		
Current	**$ 585**	$ (39)
Future	**(40)**	(169)
	$ 545	$ (208)

If not utilized, the Company's non-capital loss carry forwards of $5,929 at November 30, 2005 will expire as follows:

2009	$ 192
2010	3,377
2011	2,360
	$ 5,929

11. CHANGES IN NON-CASH OPERATING WORKING CAPITAL

The changes in non-cash operating items are comprised of the following:

	2005	2004
Accounts receivable	**$ 623**	$ 603
Inventories	**(408)**	461
Prepaid expenses	**66**	(121)
Promissory note	**1,367**	—
Income taxes payable	**349**	(208)
Accounts payable and accrued liabilities	**(1,861)**	(76)
Accrued restructuring and severance	**(365)**	(1,190)
	$ (229)	$ (531)

12. FINANCIAL INSTRUMENTS

The Company's earnings are affected by fluctuations in interest rates and foreign exchange rates, and the degree of volatility of these rates. The Company does not use derivative instruments to reduce its exposure to interest rate risk. The Company enters into foreign exchange contracts with respect to its anticipated future cash flows from time to time.

Foreign currency risk

Foreign currency risk arises because of fluctuations in exchange rates. The Company conducts a significant portion of its business activities in foreign currencies, primarily United States dollars. The assets, liabilities, revenue and expenses that are denominated in foreign currencies will be affected by changes in the exchange rate between the Canadian dollar and these foreign currencies. The Company's long-term debt and a significant amount of the manufacturing materials are sourced in U.S. dollars, providing a natural economic hedge for a portion of our currency exposure. The Company recognized foreign exchange losses in 2005 of $92 as compared to $186 in 2004.

Interest rate risk

Interest rate risk arises because of the fluctuation in interest rates. Significant portions of the Company's debt obligations are subject to interest rates which vary with the lending institution's prime rates.

Credit risk

Credit risk arises from the potential that a counterparty will fail to perform its obligations. The Company is exposed to credit risk from customers. However, the Company has a significant number of customers, which minimizes concentration of credit risk, and the majority of the Company's customers are large multinational stable organizations. The Company's two largest customers account for 27% (20% in 2004) and 16% (16% in 2004) of sales respectively.

Fair value

The Company has determined that the estimated fair value of financial instruments approximated their carrying value at November 30, 2005 and 2004, except for the non-interest bearing promissory note estimated at $130 ($1,415 at November 30, 2004). Fair value estimates are made at a specific point in time, using available information about the financial instrument. These estimates are subjective in nature and often cannot be determined with precision. This promissory note was repaid subsequent to year end 2005.

13. COMMITMENTS

a) Minimum net annual rentals under operating leases for plant, office premises, company leased automobiles, office and maintenance equipment are as follows:

2006	$ 928
2007	736
2008	610
2009	427
2010	16
Thereafter	—
	$ 2,717

b) The Company operated an Employee Stock Ownership Plan (ESOP) in 2004 whereby all employees were eligible to participate. Employees who participated were eligible to contribute 3% of their base earnings towards the open market purchase of the Company's common shares. The Company contributed $28 towards the ESOP in 2004. All Company contributions were used for the purchase of Company shares on behalf of the employees. The Company ceased operating this plan in December 2004 and moved to a profit sharing program.

c) As at year-end the Company had entered into U.S. dollar forward sales contracts maturing in 2006 of U.S.$2,000 at rates between 1.1699 and 1.1917. At November 30, 2005, the fair value exceeded the face value by approximately $26, and was recorded in the financial statements as a reduction in selling, general and administration costs.

14. CUMULATIVE TRANSLATION ADJUSTMENT

Unrealized translation adjustments, which arise on the translation to Canadian dollars of assets and liabilities of the Company's self-sustaining operation, resulted in an unrealized currency translation loss of $4 for the year ended November 30, 2005. The unrealized loss resulted primarily from the strengthening of the Canadian dollar against the U.S. dollar during the year.

15. SEGMENTED INFORMATION

The Company operates in two operating segments. Circuits and Aerospace financial information is shown below:

	2005			2004		
	Circuits	Aerospace	Total	Circuits	Aerospace	Total
Sales	**$43,294**	**$ 9,507**	**$ 52,801**	$ 37,659	$ 8,985	$ 46,644
Amortization of plant and equipment	**3,278**	**268**	**3,546**	3,054	345	3,399
Interest expense on long-term debt	**509**	**—**	**509**	240	—	240
Income taxes (recovery)	**595**	**(50)**	**545**	(177)	(31)	(208)
Net (loss) earnings	**(1,427)**	**534**	**(893)**	(1,448)	1,257	(191)
Segment assets	**27,003**	**6,294**	**33,297**	24,567	6,252	30,819
Goodwill	**4,549**	**—**	**4,549**	1,039	—	1,039
Additions to plant and equipment	**1,074**	**211**	**1,285**	1,052	48	1,100
Additions to goodwill	**3,510**	**—**	**3,510**	—	—	—

Geographic location (in thousands of dollars)

	2005			2004		
	Canada	United States	Total	Canada	United States	Total
Sales (by location of customer)	**$ 5,910**	**$ 46,891**	**$ 52,801**	$ 5,773	$ 40,871	$ 46,644
Goodwill (by location of division)	**1,039**	**3,510**	**4,549**	1,039	—	1,039
Capital assets (by location of division)	**6,827**	**341**	**7,168**	9,923	—	9,923

16. RELATED PARTY TRANSACTIONS

Related party transactions are with the Company's controlling shareholder, are in the normal course of business and are recorded at the exchange amount.

(a) The promissory note is non-interest bearing, secured by a specific charge on a property, and is from the Company's controlling shareholder. The remaining balance at November 30, 2005 of $133 was repaid subsequent to year end.

(b) The Company rented one of its facilities during the year from its controlling shareholder. The property was sold to a third party before year end. Rent expense for the year and the amount owing at year end amounted to $74 (2004 – $94) and $nil (2004 – $176) respectively.

(c) The Company is owed $154 from its controlling shareholder related to the Company's portion of the gain on the building described in note 8. This gain, plus interest at market rates, will be received from the controlling shareholder when the cash is received from the purchaser from a vendor take back mortgage on the property. This amount is expected to be received after November 30, 2006.

(d) The Company incurred net interest expense of $42 relating to past due intercompany balances with its controlling shareholder, at a market rate of interest. This amount is owing as at November 30, 2005 and has been recorded in accounts payable and accrued liabilities at November 30, 2005 and paid subsequent to year end.

(e) Included in accounts payable and accrued liabilities is $447 owing to the controlling shareholder at November 30, 2004 under normal credit terms.

(f) The Company rented its Chatsworth facility from December 10, 2004 to November 30, 2005 from the Senior Officer of the U.S. subsidiary. Rent expense for the year was U.S. $175 and $NIL for 2004.

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Firan Technology Group Corporation

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STOCK LISTING

The Company's shares are traded on the
Toronto Stock Exchange under the symbol FTG

ANNUAL GENERAL MEETING

All shareholders and other interested parties are cordially invited to attend the Annual General Meeting of Shareholders on:

May 9, 2006, 4:30 p.m. at the
TSX Broadcast & Conference Centre
The Exchange Tower
130 King Street West
Toronto, Ontario

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Printed in Canada

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