Partners in Performance

Operational**Excellence**

2006 ANNUAL REPORT

CORPORATE PROFILE

Firan Technology Group Corporation is a North American supplier of aerospace and defence electronic products and subsystems. It is a publicly traded Corporation 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.

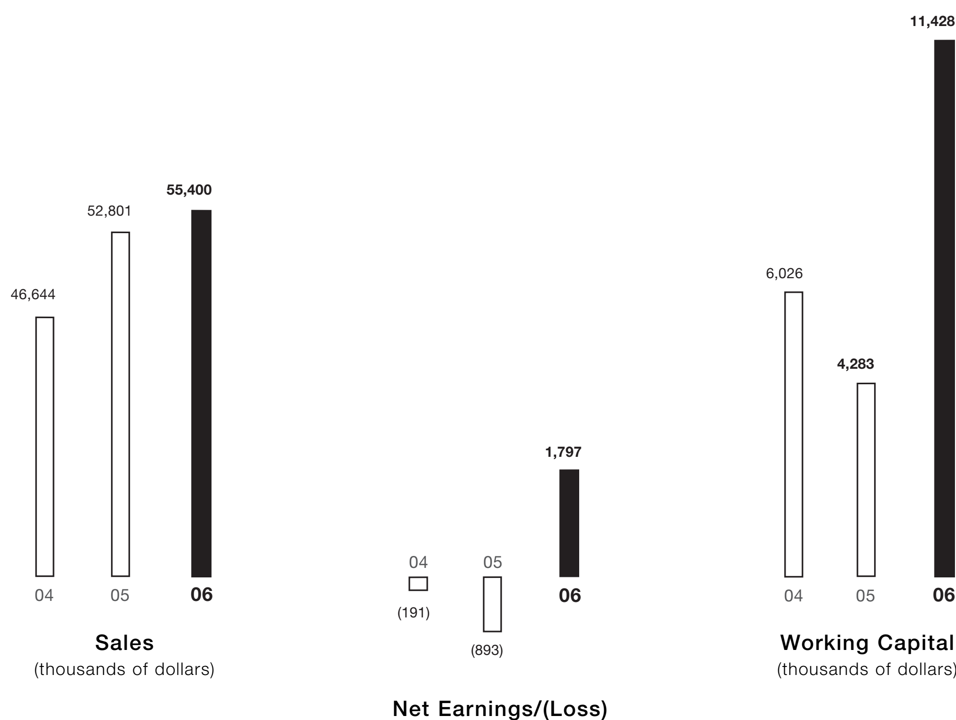
FTG has two operating units:

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

FTG Circuits
Manufactures high technology/high reliability printed circuit boards within the North American marketplace for technological and market leaders in the aviation, defence and other high technology industries.

FINANCIAL HIGHLIGHTS

(thousands of dollars)	**2006**	2005	2004
Sales	**55,400**	52,801	46,644
Net Earnings/(Loss)	**1,797**	(893)	(191)
Common and preferred shares (in thousands)	**19,575**	19,575	17,433
Earnings/(Loss) Per Share – Basic	**$ 0.10**	($0.05)	($0.01)
Earnings/(Loss) – Diluted	**$ 0.09**	($0.05)	($0.01)
At year end:			
Total Assets	**37,169**	33,297	30,819
Total Bank Debt	**6,551**	5,833	5,004



MANAGEMENT'S DISCUSSION AND ANALYSIS

January 23, 2007

This report is management's discussion and analysis ("MD&A") of Firan Technology Group Corporation's (the "Corporation" and "FTG") financial results for the years ended November 30, 2006 and 2005 and its outlook for the future. MD&A should be read in conjunction with the Audited Consolidated Financial Statements as at and for the years ended November 30, 2006 and 2005, 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

Certain statements in this MD&A, other than statements of historical fact, are forward-looking statements based on certain assumptions and reflect the Corporation's current expectations. These statements include without limitation, statements regarding the operations, business, financial condition, priorities, ongoing objectives, strategies and outlook of the Corporation for the current fiscal year and subsequent periods. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as "expects", "anticipates", "plans", "believes", "estimates", "intends", "targets", "projects", "forecasts" or negative versions thereof and other similar expressions, or future or conditional verbs such as "may", "will", "should", "would" and "could".

This information is based upon certain material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection as reflected in the forward-looking statements, including our perception of historical trends, current conditions and expected future developments as well as other factors we believe are appropriate in the circumstances.

Actual results could differ materially from those projected and should not be relied upon as a prediction of future events. By its nature, this information is subject to inherent risks and uncertainties that may be general or specific. A variety of material factors, many of which are beyond the Corporation's control, affect the operations, performance and results of the Corporation and its business, and could cause actual results to differ materially from current expectations of estimated or anticipated events or results. These factors include: the impact or unanticipated impact of general economic, political and market factors in North America and internationally, interest and foreign exchange rates, changes in accounting policies and methods used to report financial condition, including uncertainties associated with critical accounting assumptions and estimates, the effect of applying future accounting changes, business competition, technological change, changes in government regulation and legislation, changes in tax laws, unexpected judicial or regulatory proceedings, catastrophic events, the Corporation's or its subsidiaries' ability to complete strategic transactions and integrate acquisitions and the Corporation's or its subsidiaries' success in anticipating and managing the foregoing risks.

The reader is cautioned that the foregoing list of factors is not exhaustive of the factors that may affect any of the Corporation's forward-looking statements. The reader is also cautioned to consider these and other factors carefully and not to put undue reliance on forward-looking statements.

Other than as specifically required by law, the Corporation undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made, or to reflect the occurrence of unanticipated events, whether as a result of new information, future events or results otherwise.

The risks, uncertainties and other factors that could influence actual results are described in this MD&A based on information available as of January 23, 2007 and the Corporation's Annual Information Form (including documents incorporated by reference) dated February 27, 2007 which is available on SEDAR at www.sedar.com.

CORE BUSINESS AND STRATEGY

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

FTG has two operating units, FTG Aerospace and FTG Circuits.

FTG Aerospace manufactures illuminated cockpit panels, keyboards and bezels for original equipment manufacturers, 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 related industries.

Continuing into 2006, the Corporation remains encouraged by the progress and direction of the ***Operational Excellence*** strategic initiative, initiated during 2005. During 2005 and into 2006, FTG continued to expand its market share by streamlining its operations, improving production, attracting and retaining key employees while fostering new long-term relationships with some of the top aerospace and defence companies in North America.

The Corporation's goal is simple, by weaving ***Operational Excellence*** into the day to day operations, FTG is creating a new corporate culture where ***quality products, on time delivery*** and ***customer service*** is the paramount force driving the Corporation forward.

The management team is focused and committed to running a healthy business, offering stability to its customers, suppliers and employees while delivering long term value to all of it's stakeholders.

SELECTED ANNUAL INFORMATION

(thousands of dollars except per share data)	**2006**	2005	2004
Sales	**$ 55,400**	$ 52,801	$ 46,644
Net Earnings / (Loss)	**1,797**	(893)	(191)
Common and preferred shares (in thousands)	**19,575**	19,575	17,433
Earnings / (Loss) Per Share - Basic	**0.10**	(0.05)	(0.01)
Earnings / (Loss) Per Share - Diluted	**0.09**	(0.05)	(0.01)
Total Assets	**37,169**	33,297	30,819
Total Bank Debt	**6,551**	5,833	5,004

Below is a table outlining historical quarterly performance.

(in thousands of dollars)	Q1-05	Q2-05	Q3-05	Q4-05	**Q1-06**	**Q2-06**	**Q3-06**	**Q4-06**
Circuit Segment Sales	$ 9,974	$ 11,722	$ 10,964	$ 10,634	**$ 11,135**	**$ 12,085**	**$ 11,017**	**$ 10,522**
Aerospace Segment Sales	2,057	2,440	2,254	2,756	**2,228**	**2,679**	**2,653**	**3,081**
Total Sales	12,031	14,162	13,218	13,390	**13,363**	**14,764**	**13,670**	**13,603**
Net Earnings/(Loss)	(981)	(183)	119	152	**178**	**408**	**300**	**911**
Earnings/(Loss) per share – Basic	($0.06)	($0.01)	$ 0.01	$ 0.01	**$ 0.01**	**$ 0.02**	**$ 0.02**	**$ 0.05**
Earnings/(Loss) per share - Diluted	($0.06)	($0.01)	$ 0.01	$ 0.01	**$ 0.01**	**$ 0.02**	**$ 0.02**	**$ 0.04**

MANAGEMENT'S DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS (thousands of dollars except per share amounts)

Sales

Sales for 2006 were $55,400, an increase of $2,599 or 5% compared with $52,801 for 2005. The sales growth was negatively impacted by the continuing strength of the Canadian dollar throughout 2006. At the 2005 exchange rates, the sales increase would have been $6,100 or 11.6% and is more representative of the 2006 throughput. Circuits segment grew by $1,465 or 3.3% while Aerospace segment grew by $1,134 or 11.9% over 2005.

Circuits' segment sales for 2006 were $44,759, an increase of $1,465 or 3.3% versus 2005. Although throughput was higher during most of the year for the Circuits Toronto facility, lower exchange rates put a damper on growth throughout the year. Average panel prices were up during most of the year and the sales price increase came from high layer count and more exotic materials which are important growth opportunities for this facility. In Chatsworth, the many investments and changes in the plant continued to negatively affect throughput and yield throughout most of the year. Although sales and profit were down significantly compared to 2005, Chatsworth is gradually starting to see the benefits from the efforts and investments. During the third quarter, Chatsworth shipped the first sales order into the rigid-flex market, showing some early penetration into this new market space. The strengthening of the Canadian dollar reduced sales for this segment by $3,000 as compared to 2005.

Aerospace segment sales for 2006 were $10,641, an increase of $1,134 or 11.9% versus 2005. Aerospace has been increasing capacity all year long in this segment, investing in new product development for the Lighting Power Supply ("LPS") which has culminated in strong demand for all such products and contributed to an excellent year. During the year, Aerospace completed a joint program with Rockwell Collins in applying lean manufacturing practices to the Aerospace business. As a result, the Aerospace segment continues to maintain a strong order backlog for its entire product line, is continuing to increase its capacity and is well positioned for the new year ahead. The strength in the Canadian dollar reduced the Aerospace segment reported sales for the year by $500 compared to 2005.

Sales to the United States represented 86% of the 2006 sales as compared to 89% in 2005.

Gross Margin

Gross margin increased by $2,753 or 26% versus 2005. The increase in gross margins is mainly attributable to the marked improvement in the FTG Circuits – Toronto facility. Early in 2006, the facility was divided into 4 production cells which worked in an internal supplier customer relationship. This change improved our quality and delivery ratings, improved the production yields and increased throughput and margins. The operational leverage is starting to materialize in higher volume or throughput in this facility. Also during 2006, the Corporation recognized $1,120 of Scientific Research and Experimental Development tax credits in cost of sales which improved gross margins by 2%. Partially offsetting the above were increases in the costs of commodities and utilities coupled with effects of new product introductions and operational challenges faced by the Chatsworth Circuit facility throughout the year. The Corporation is responding to the cost increases by implementing an aggressive program to eliminate $1,500 of cost out of the combined Circuits facilities. Such activities include corporate purchasing agreements for materials, water recycling, chemistry optimization and reduction of electrical power consumption to name a few of the initiatives the Corporation is undertaking. At FTG Aerospace, the gross margin has improved by $551 or 28% over 2005. This marked improvement is the result of the contribution margin associated with the higher level of sales despite the investments in product development, lean manufacturing initiatives, training and costs associated with increased capacity throughout in 2006. The negative impact of the strengthening Canadian dollar was in the range of $1,500 to $1,900 versus 2005.

Selling, General and Administrative

Selling, general and administrative expenses ("SG&A") for 2006 were $7,680 or 13.9% of sales as compared to $6,233 or 11.8% of sales for 2005. Major contributors to the year over year increases were in the areas of performance compensation of $442, foreign exchange conversion impact on monetary assets of $50, accelerated write-off of deferred financing costs of $80, public company costs of $163, increased selling and marketing costs of $400 and increased administration costs of $312.

Amortization of Machinery and Equipment

Amortization of machinery and equipment for 2006 was $3,099 compared to $3,546 for 2005. The decrease reflects lower plant and equipment additions in the last few years along with more equipment becoming fully depreciated.

Interest

Interest costs for 2006 were $483 compared to $509 for 2005. The slight decrease is a combination of lower interest costs in Canada partially offset by higher interest costs at FTG Circuits – Chatsworth due to operating line borrowings throughout the year.

Severance and Restructuring Costs

There were no severance and restructuring costs in 2006 as compared to $668 in 2005 resulting from the decision to terminate certain employees. All but $10 of this obligation has been paid.

Sale of Land and Buildings

During 2005, the Corporation recorded a net gain of $31 related to two items. First, the Corporation recorded a loss of $123 on the sale of a building which housed most of the Aerospace business. Second, as part of a prior agreement between FTG and its' significant shareholder, Glendale International Corp. ("Glendale"), Glendale agreed to share 50 percent of the net proceeds greater than $1,850 on the sale of a property. The Corporation's share of these proceeds totalled $154. There were no similar transactions during 2006.

Income Tax Provision

The $271 income tax expense for 2006 is a combination of several partially offsetting events. Recorded in the accounts for the Canadian operations is a non-cash income tax expense of $589 at a tax rate of 34.1% along with a $31 cash tax expense relating to the prior year taxes for the U.S. subsidiary. Partially offsetting the above was an income tax recovery of $254 for the 2006 losses in the U.S. subsidiary and $95 income tax recovery of loss carry forwards from prior years recognized in the current year.

Income tax expense of $545 for 2005 was attributable to FTG Circuits – Chatsworth.

The Corporation has revisited the valuation of its future tax asset and re-valued it upwards by a net of $626. The positive evidence of adjusted historical earnings, management's expectation of future earnings coupled with the turnaround in the Canadian operations during 2006 supported increasing the future tax asset. The asset was increased by $1,215 less the current Canadian non cash tax expense of $589. 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 Canadian operations. This estimate can change every reporting period, resulting in a charge or credit to income tax expense for the period.

Net Earnings / (Loss)

Net earnings for 2006 were $1,797 or basic earnings per share of $0.10 and diluted earnings per share of $0.09. This is compared with the 2005 loss of $893 or a basic and diluted loss per share of $0.05.

The net earnings of $1,797 for 2006 were a combination of results from operations of $1,288 or basic earnings per share of $0.07 and diluted earnings per share of $0.07 and the net impact of increasing the future tax asset of $509 or basic earnings per share of $0.03 or diluted earnings per share of $0.02. The results from operations are a $2,181 improvement from the 2005 results.

Liquidity and Capital Resources

As at November 30, 2006, the Corporation's primary source of liquidity included cash of $2,348, trade accounts receivable of $10,432 and inventory of $7,622. Net working capital at November 30, 2006 was $11,428 as compared to $4,283 at November 30, 2005. The improvement in working capital was mainly driven by the new financing which took place during the month of July 2006.

On July 14, 2006, the Corporation entered into a new banking agreement with Comerica Bank. The U.S. $ 14,500 credit facility is made up of a committed term loan, as well as, revolving credit and capital expenditure facilities.

The term loan is a committed 5 year, U.S. $ 6,000 loan (of which U.S. $3,000 relates to the FTG Circuits - Chatsworth), amortized over 7 years, repayable in equal monthly payments of U.S. $72 plus interest at a fixed rate of 8.19%. The term loan is secured by a first charge over all of the property and assets of the Corporation and matures July 14, 2011.

RESULTS OF OPERATIONS (continued)

The proceeds of the term loan were used to pay down the existing term loan to the Corporation's lenders with the balance used for working capital purposes.

In addition to the bank term loans above, the Corporation has available a 3 year committed revolving credit facility of U.S. $6,000 subject to certain borrowing base requirements, maturing July 12, 2009. The revolving facilities are available by way of Prime Rate Loans, USBR Loans, BA Rate Loans and/or Libor Loans plus an applicable margin. Applicable margins are: Prime Rate loans at Prime plus fifty (50) basis points, USBR Loans at USBR plus zero (0) basis points, BA Rate Loans at the BA rate plus two hundred fifty (250) basis points and Libor Loans at LIBOR plus two hundred fifty (250) basis points. The revolving facility was not utilized at January 23, 2007. The revolving credit facility is secured by a first charge on all of the property and assets of the Corporation.

In addition to all of the above credit facilities, the Corporation has available a U.S. $2,500 facility for capital expenditures which is available until July 14, 2008 at the same rates as the revolving facility.

The Corporation has 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 Corporation.

Contractual Obligations	Payments Due by Period (in thousands of dollars)					
	Total	2007	2008	2009	2010	2011
Long-term Debt	**6,551**	990	991	979	979	2,612
Operating Leases	**2,080**	857	629	530	64	—

Capital Expenditures

The Corporation invested $2,870 in plant and equipment during 2006, compared to $1,285 during 2005. The additions for 2006 were spread across all 3 facilities and were focused on equipment to address our capacity opportunities.

Cash Flow

In 2006, cash generated from operating activities amounted to $2,543 as compared to $2,536 for 2005. Increased profitability helped to offset the growth in working capital requirements; specifically accounts receivable and inventory. Receivables and inventory levels have grown versus 2005 as a result of higher sales activity, higher days' sales outstanding and lower inventory turns as the Corporation invests in the future growth of it's customers.

For 2006, cash used in investing activities amounted to $2,870, (compared to $6,839 in 2005), specifically for additions to machinery and equipment across all 3 facilities.

Cash generated from financing amounted to $642 in 2006 as the Corporation negotiated a new credit facility and used most of the funds to pay out the existing credit facility with another financial institution. Cash generated from financing during 2005 was $3,521 as the Corporation issued share capital and obtained new bank loan financing to finance the acquisition of FTG Circuits – Chatsworth.

Related Party Transactions

Related party transactions are with Glendale and are in the normal course of business and are recorded at the exchange amount.

(a) A non-interest bearing promissory note, secured by a specific charge on a property, in favour of Glendale for $133 at November 30, 2005 was repaid in the first quarter of 2006.

(b) The Corporation is owed $154 from Glendale related to the Corporation's portion of the gain on the building described in note 8 of the annual financial statements. This gain, plus interest at market rates, will be received from Glendale when the cash is received from a vendor take back mortgage on the property.

(c) At November 30, 2005, the Corporation owed Glendale net interest expenses of $42 relating to past due intercompany balances at a market rate of interest. The amount was paid in the first quarter of 2006.

FINANCIAL INSTRUMENTS

The Corporation's earnings are affected by fluctuations in interest rates and foreign exchange rates, and the degree of volatility of these rates. The Corporation does not use derivative instruments to reduce its exposure to interest rate risk. The Corporation 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 Corporation 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 Corporation'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 the Corporation's currency exposure. The Corporation recognized foreign exchange losses in 2006 of $142 as compared to $92 in 2005. These amounts are included in selling, general and administrative costs.

Interest rate risk

Interest rate risk arises because of the fluctuation in interest rates. The Corporation's entire term debt obligation is subject to fixed interest rates. The Corporation's revolving credit facility is subject to rates varying with the lending institution's prime rates.

Credit risk

Credit risk arises from the potential that counterparty will fail to perform its obligations. The Corporation is exposed to credit risk from customers. However, the Corporation has a significant number of customers, which minimizes concentration of credit risk, and the majority of the Corporation's customers are large multinational stable organizations. In 2006, the Corporation's two largest customers accounted for 29% (27% in 2005) and 15% (16% in 2005) of sales respectively.

Fair value

The Corporation has determined that the estimated fair value of financial instruments approximated their carrying value at November 30, 2006 and 2005. 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.

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 January 23, 2007, 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.

Risk Factors

FTG operates in a dynamic and rapidly changing environment and industry, which exposes the Corporation to numerous risk factors. Additional information about risks and uncertainties about FTG's business is provided in the Corporation's Annual Information Form dated February 27, 2007 which is available on SEDAR at www.sedar.com.

Fourth Quarter

Sales of the Corporation increased 1.6% to $13,603,000 from $13,390,000 compared to the same fiscal period in 2005. Excluding the impact of the strengthening Canadian dollar, sales increased by 5.9% compared to the same fiscal period in 2005. Net earnings increased to $911,000 from $152,000 for the same period in 2005. The performance in the quarter resulted from improved sales and margins in FTG Circuits Toronto and the net impact of $509 from the recognition of SR&ED tax credits.

RESULTS OF OPERATIONS (continued)

Critical Accounting Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ materially from those estimates. Significant estimates and assumptions have been made in connection with the provisions for accounts receivable, inventory obsolescence, warranty, investment tax credits, future income tax assets and goodwill.

Future Accounting and Reporting Changes

The CICA has issued three new accounting standards - Financial Instruments - Recognition and Measurements, Hedges and Comprehensive Income, which we are adopting effective December 1, 2006. The principal impacts of the standards are:

(i) Other comprehensive income will be a new component of shareholders' equity and a new statement entitled Statement of Comprehensive Income will be added to our consolidated financial statements.

(ii) Financial assets and liabilities will be required to be classified as available for sale, held to maturity, trading, other liabilities or loans and receivables.

(iii) Items classified as held-for-trading will be measured at fair value with gains and losses recognized in net income. Assets classified as available-for sale will be measured at fair value with gains and losses recognized in other comprehensive income until the item is sold. Other assets and liabilities will be measured at amortized cost using the effective interest method.

(iv) Derivative instruments including hedges will be recorded on the balance sheet at fair value.

We do not believe these new standards will have a material impact on our consolidated net income.

Disclosure Controls

The Corporation has evaluated the effectiveness of its disclosure controls and procedures as of November 30, 2006, and has concluded that the controls are adequate and functioning as designed. Also, the Corporation has implemented a Whistle Blowing policy and a Code of Conduct policy which has been distributed throughout the organization.

Managements Report on Internal Control over Financial Reporting

Management has designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the Corporation's GAAP. There is no change in the Corporation's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Corporation's internal control over financial reporting.

Management, including the Chief Executive Officer and the Chief Financial Officer, do not expect that our disclosure controls or our internal controls over financial reporting will prevent or detect all error or fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs.

Outlook

The aerospace and defence market remains robust. This bodes well for both of FTG's businesses. To grow with the market, FTG is focussed on achieving ***Operational Excellence***. FTG's customers demand high quality products, on time delivery and outstanding customer service. The Corporation is focused on improving it's performance in all of these areas every day.

To continue to improve its financial results FTG will look to grow its revenue and to control its costs. With a new, integrated sales force the Corporation sees increasing opportunities from existing and new customers. To support the increased revenues FTG is beginning to develop expansions plans, particularly in Chatsworth, CA. To control costs, the Corporation's primary focus is on improving production yields and implementing lean manufacturing techniques across FTG.

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 on the following page.

Bradley C. Bourne
President and Chief Executive Officer
January 9, 2007

Joseph R. Ricci
Vice President and Chief Financial Officer
January 9.2007

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, 2006 and 2005 and the consolidated statements of earnings, deficit and cash flows for the years then ended. These financial statements are the responsibility of the Corporation'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 Corporation as at November 30, 2006 and 2005 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants
Burlington, Ontario
January 9, 2007

CONSOLIDATED BALANCE SHEETS

As at November 30, 2006 and 2005 (in thousands of dollars)	2006	2005
ASSETS		
CURRENT		
Cash	**$ 2,348**	$ 2,051
Accounts receivable	**10,432**	8,518
Income taxes recoverable	**254**	—
Inventories (Note 4)	**7,622**	6,409
Promissory note (Note 16(a))	**—**	133
Prepaid expenses	**329**	420
	20,985	17,531
DUE FROM RELATED PARTY (Note 8 and 16(b))	**154**	154
MACHINERY AND EQUIPMENT (Note 5)	**6,969**	7,168
FUTURE INCOME TAXES (Note 10)	**4,350**	3,724
GOODWILL	**4,549**	4,549
OTHER ASSETS	**162**	171
	$ 37,169	$ 33,297
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities (Note 7 and 16(c))	**$ 8,567**	$ 7,066
Current portion of long-term debt and capital leases (Note 6)	**990**	5,833
Income taxes payable	**—**	349
	9,557	13,248
LONG-TERM DEBT AND CAPITAL LEASES (Note 6)	**5,561**	—
	15,118	13,248
COMMITMENTS (Note 13)		
SHAREHOLDERS' EQUITY		
Share capital		
Common shares (Note 9(b))	**12,681**	12,681
Preferred shares (Note 9(c)	**2,218**	2,218
Contributed surplus (Note 9(f))	**7,804**	7,604
Cumulative translation adjustment (Note 14)	**1**	(4)
Deficit	**(653)**	(2,450)
	22,051	20,049
	$ 37,169	$ 33,297

Approved by the Board

Director

Director

CONSOLIDATED STATEMENTS OF EARNINGS

Years ended November 30, 2006 and 2005 (in thousands of dollars except per share amount)	**2006**	2005
SALES	**$ 55,400**	$ 52,801
COST OF SALES	**42,070**	42,224
	13,330	10,577
EXPENSES		
Selling, general and administrative	**7,680**	6,233
Amortization of machinery and equipment	**3,099**	3,546
Interest expense on long-term debt	**483**	509
	11,262	10,288
OPERATING EARNINGS BEFORE UNDERNOTED	**2,068**	289
RESTRUCTURING COSTS	**—**	7
SEVERANCE COSTS	**—**	661
GAIN ON SALE OF LAND AND BUILDINGS (Note 8)	**—**	(31)
OPERATING EARNINGS (LOSS) BEFORE INCOME TAXES	**2,068**	(348)
INCOME TAXES (Note 10)	**271**	545
NET EARNINGS (LOSS)	**$ 1,797**	$ (893)
NET EARNINGS (LOSS) PER SHARE (Note 9(g))		
Basic	**$ 0.10**	$ (0.05)
Diluted	**$ 0.09**	$ (0.05)

CONSOLIDATED STATEMENTS OF DEFICIT

Years ended November 30, 2006 and 2005 (in thousands of dollars)	**2006**	2005
Deficit, beginning of year	**$ (2,450)**	$ (1,270)
Change in accounting policy (Note 2)	**—**	(287)
Deficit, beginning of year, as restated	**(2,450)**	(1,557)
Net earnings (loss) for the year	**1,797**	(893)
Deficit, end of year	**$ (653)**	$ (2,450)

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended November 30, 2006 and 2005 (in thousands of dollars)	**2006**	2005
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Net earnings (loss)	**$ 1,797**	$ (893)
Items not affecting cash		
Stock based compensation expense	**200**	142
Future income taxes (Note 10)	**494**	(40)
Scientific research and experimental development tax credits (Note 10)	**(1,120)**	—
Gain on sale of land and buildings (Note 8)	**—**	(31)
Amortization of other assets	**152**	41
Amortization of machinery and equipment	**3,099**	3,546
	4,622	2,765
Changes in non-cash operating working capital items (Note 11)	**(2,079)**	(229)
	2,543	2,536
INVESTING		
Increase in due from related party (Note 16(b))	**—**	(154)
Acquisition of Young Electronics (Note 3)	**—**	(6,202)
Proceeds from sale of land and building	**—**	802
Additions to machinery and equipment	**(2,870)**	(1,285)
	(2,870)	(6,839)
FINANCING		
Issuance of shares and warrants	**—**	2,711
Proceeds from long-term debt	**6,819**	3,153
Increase in other assets	**(138)**	(35)
Payment of long-term debt and capital leases	**(6,039)**	(2,308)
	642	3,521
Effects of foreign exchange rate changes on cash flow	**(18)**	(37)
NET CASH FLOW	**297**	(819)
CASH, BEGINNING OF YEAR	**2,051**	2,870
CASH, END OF YEAR	**$ 2,348**	$ 2,051
DISCLOSURE OF CASH PAYMENTS		
Interest	**$ 450**	$ 514
Income taxes	**$ 373**	$ 356

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of dollars except per share amounts)

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated 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 "Corporation") 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.

Machinery and equipment

Machinery 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:

Machinery and equipment	3 to 7 years
Computer hardware	4 years
Computer software	3 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 fair value.

Other assets

Other assets consist primarily of deferred financing fees relating to the new credit facilities and are being amortized over the estimated life of the related financial obligation (5 years).

Goodwill

The Corporation accounts for acquired goodwill in accordance with the provisions of Section 3062 of the Canadian Institute of Chartered Accountants Handbook ("CICA"), 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, goodwill impairment must be recorded in the statement of operations. Goodwill was tested at November 30, 2006 and 2005 and no adjustment was required.

Revenue recognition

Revenue from the sale of manufactured products is recognized when persuasive evidence of an arrangement exists, the product is shipped to the ultimate customer, the price is fixed or determinable, 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 the date of the transaction. Revenues and expenses are translated at the average monthly exchange rates. Exchange gains and losses are included in operations.

FTG Circuits – Chatsworth and Firan Technology Group (USA) Corporation are considered self-sustaining subsidiaries. Accordingly, their 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 adjustments are accumulated as a separate component of shareholders' equity until there is a realized reduction in the net investment.

Measurement uncertainty

The preparation of the Corporation's financial statements, in accordance with Canadian generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, 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, investment tax credits, future income tax assets and goodwill.

Income taxes

The Corporation follows the liability method of accounting for income taxes. Under the liability method, future income tax assets and liabilities are recognized based on the differences between the financial reporting and tax bases of assets and liabilities, and are measured using the enacted and 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 costs are expensed as incurred. Development costs are expensed as incurred unless they meet the capitalization criteria in the CICA Handbook Section 3450 and are then deferred to future periods. No development costs were incurred in 2006 or 2005.

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 Corporation based on current legislation and management's best estimates. The amount that will ultimately be received may differ from the amount recorded.

Derivative financial instruments

The Corporation's foreign exchange contracts 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 the foreign exchange contracts at fair value is included in earnings.

Stock based compensation

The Corporation uses the fair value method to measure compensation expense at the date of grant of stock options to employees. The fair value of options is determined using the Black-Scholes option pricing model and is amortized to earnings over the vesting period with an offset to contributed surplus. When options are exercised, the corresponding contributed surplus and the proceeds received by the Corporation are credited to capital stock.

2 CHANGE IN ACCOUNTING POLICY

Effective December 1, 2004, the Corporation 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 Corporation restated the opening deficit in 2005, without restatement of previous year's figures, for employee awards that were granted in 2004, 2003 and 2002 amounting to $287.

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

On December 10, 2004, the Corporation 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 Corporation financed the cash purchase price of US$5,000 by a combination of a private placement of units of the Corporation consisting of common shares and warrants, and secured bank debt.

To facilitate the financing of the transaction, the Corporation 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 C$3,000 (C$1.40 per unit). Each unit is comprised of one common share in the capital of the Corporation and one-half common share purchase warrant. Each whole warrant entitles the holder to purchase one common share at a price of C$1.75 until December 10, 2006. The warrants expired on December 10, 2006 and were not exercised.

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

	2006	2005
Raw materials and spare parts	**$ 2,367**	$ 2,098
Work-in-process and finished goods	**5,255**	4,311
	$ 7,622	$ 6,409

5 MACHINERY AND EQUIPMENT

	2006		
	Cost	Accumulated Amortization	Net Book Value
Machinery and equipment	**$ 29,298**	**$ 23,197**	**$ 6,101**
Furniture and fixtures	**979**	**967**	**12**
Leasehold improvements	**4,378**	**3,522**	**856**
	$ 34,655	**$ 27,686**	**$ 6,969**

	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. There were no assets under capital lease at November 30, 2006.

6 LONG-TERM DEBT AND CAPITAL LEASES

	2006	2005
Promissory notes, unsecured and interest free, $100 repayable annually on January 26. Final payment made January 26, 2006.	**$ —**	$ 100
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 U.S. $50, due November 30, 2006, repaid in July 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, repaid in July 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, repaid in July 2006.	**—**	2,604
5 year U.S. $6,000 term loan (of which U.S. $3,000 relates to the US subsidiary), amortized over 7 years, repayable in equal monthly payments of U.S. $72 plus interest at a fixed rate of 8.19%. Term loan secured by a first charge over all of the property and assets of the Company and matures July 14, 2011.	**6,551**	—
	6,551	5,833
Less amounts due within one year	**990**	5,833
	$ 5,561	$ —

6 LONG-TERM DEBT AND CAPITAL LEASES (continued)

In addition to the bank term loans above, the Corporation has available a 3 year committed revolving credit facility of U.S. $6,000 subject to certain borrowing base requirements, maturing July 12, 2009. The revolving facilities are available by way of Prime Rate Loans, USBR Loans, BA Rate Loans and/or Libor Loans plus an applicable margin. Applicable margins are; Prime Rate loans plus fifty (50) basis points, USBR Loans plus zero (0) basis points, BA Rate Loans plus two hundred fifty (250) basis points and Libor Loans plus two hundred fifty (250) basis points. The revolving facility was not utilized at November 30, 2006. The revolving credit facility is secured by a first charge on all of the property and assets of the Corporation.

In addition to all of the above credit facilities, the Corporation has available a U.S. $2,500 facility for capital expenditures which is available until July 14, 2008 at the same rates as the revolving facility.

Estimated principle repayments of long-term debt are as follows:

2007	$ 990
2008	991
2009	979
2010	979
2011	2,612
	$ 6,551

7 RESTRUCTURING CHARGES AND SEVERANCE COSTS

Restructuring Charges

The total restructuring charge obligations at November 30, 2006 is $NIL, ($34 at November 30, 2005 included in accounts payable and accrued liabilities). The restructuring charge was taken in the third quarter of 2003 relating to the integration of Firan Technology Group Inc. with Circuit World Corporation. The final restructuring costs were paid during 2006.

Severance Costs

The total severance obligation outstanding at November 30, 2006 is $10, ($264 at November 30, 2005). The severance costs relate to severed employees during the first and third quarters of 2005. The amounts have been recorded in accounts payable and accrued liabilities.

8 GAIN ON SALE OF LAND AND BUILDINGS

During 2005, the Corporation 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 Corporation signed a fair market value lease for 18 months with a six-month renewal option to allow the Corporation time to relocate the Aerospace operation. The Corporation recognized a loss of $123 on the sale of this property.

In addition, the Corporation recognized a gain of $154 during 2005 in connection with the sale of a building owned by the Corporation's controlling shareholder. The amount was outstanding at year-end. Pursuant to a prior agreement with the Corporation's controlling shareholder, the Corporation will receive 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

	2006		2005	
	Number of Shares	Stated Capital	Number of Shares	Stated Capital
Balance, beginning of year	**17,800,227**	**$12,681**	15,657,627	$ 10,347
Issue of new shares	**—**	**—**	2,142,600	2,334
Balance, end of year	**17,800,227**	**$12,681**	17,800,227	$ 12,681

In connection with the purchase of FTG Circuits - Chatsworth (see Note 3), the Corporation 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 Corporation 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. The warrants expired on December 10, 2006 and were not exercised.

(c) Preferred shares

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

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

(d) Common share options

The Corporation operates a stock option plan to encourage the ownership of common shares of the Corporation by certain directors, senior officers and employees of the Corporation. 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.

	2006	2005
Outstanding, beginning of year	**755,150**	1,214,500
Issuance of options	**370,000**	30,000
Cancellation of options	**(6,500)**	(489,350)
Outstanding, end of year	**1,118,650**	755,150

The weighted average exercise price for options issued in 2006 was $1.33 per share ($1.34 per share in 2005).

9 SHARE CAPITAL (continued)

(e) Outstanding share options

November 30, 2006

Description	Number of Shares	Exercise Price	Vesting	Expiry Date
Stock option plan	**146,250**	**$2.41 - $2.80**	**Vested**	**2007 - 2010**
Stock option plan	**57,400**	**$1.90 - $2.40**	**Vested**	**2008 - 2010**
Stock option plan	**520,000**	**$1.70 - $1.89**	**Vested, 2007-2008**	**2008 - 2010**
Stock option plan	**395,000**	**$1.30 - $1.69**	**Vested, 2006-2009**	**2011 - 2012**
Balance, end of year	**1,118,650**			

November 30, 2005

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

November 30, 2006

Range of Exercise Prices	Number Outstanding at November 30, 2006	Weighted-Average Remaining Contractual	Weighted-Average Life Exercise Price	Number Exercisable at November 30, 2006
$2.41 - $2.80	**146,250**	**2.6 years**	**$2.69**	**146,250**
$1.90 - $2.40	**57,400**	**2.8 years**	**$1.95**	**57,400**
$1.70 - $1.89	**520,000**	**3.2 years**	**$1.79**	**389,667**
$1.30 - $1.69	**395,000**	**5.1 years**	**$1.33**	**10,000**
Number, end of year	**1,118,650**			**603,317**

November 30, 2005

Range of Exercise Prices	Number Outstanding at November 30, 2005	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number Exercisable at November 30, 2005
$ 2.41 - $ 2.80	146,250	3.6 years	$ 2.69	146,250
$ 1.90 - $ 2.40	57,400	3.8 years	$ 1.95	57,400
$ 1.70 - $ 1.89	521,500	4.2 years	$ 1.70	129,000
$ 1.30 - $ 1.69	30,000	5.1 years	$ 1.34	—
Number, end of year	755,150			332,650

(f) Contributed Surplus

	2006	2005
Balance, beginning of year	**$ 7,604**	$ 6,798
Change in accounting policy (Note 2)	**—**	287
Stock based compensation expense	**200**	142
Issuance of warrants	**—**	377
Balance, end of year	**$ 7,804**	$ 7,604

(g) Earnings per share

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

	2006	2005
Numerator		
Net earnings (loss)	**$ 1,797**	$ (893)
Numerator for basic earnings (loss) per share - net earnings (loss) applicable to common shares	**1,797**	(893)
Effect of dilutive securities	**—**	—
Numerator for diluted earnings (loss) per share - net earnings (loss) applicable to common shares	**$ 1,797**	$ (893)
Denominator		
Denominator for basic earnings (loss) per share - weighted average shares	**17,800,227**	17,741,523
Effect of dilutive securities	**1,775,000**	—
Denominator for diluted earnings (loss) per share - adjusted weighted average shares and assumed conversions	**19,575,227**	17,741,523
Basic earnings (loss) per share	**$ 0.10**	$ (0.05)
Diluted earnings (loss) per share	**$ 0.09**	$ (0.05)

The Corporation 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 but are included in calculating diluted earnings per share and will receive no dividends.

(h) Pro forma stock based compensation to employees

The Corporation recognized compensation expense in the consolidated statement of earnings of $200 for the year ended November 30, 2006. Of this amount, approximately $67 relates to 370,000 options granted during 2006. The remainder of the amount relates to amortization of compensation expense for options granted in 2005, 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.

10 INCOME TAXES

The Corporation 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 for each reporting period. Should management estimates of taxable income change in future periods, it may be necessary to adjust the valuation allowance, which could affect the results of operations in the period such a determination was made. A reduction in the valuation allowance in 2006 occurred in the fourth quarter given positive evidence of adjusted historical earnings and managements expectation of future earnings.

	2006	2005
Future tax asset for:		
Tax losses carried forward	**$ 156**	$ 956
Future tax deductions	**868**	852
Non-deductible allowances	**43**	801
Investment tax credits	**1,160**	775
Excess of undepreciated capital cost for tax purposes over net book value of plant and equipment	**6,176**	6,456
	8,403	9,840
Valuation allowance	**4,053**	6,116
Future income tax asset	**$ 4,350**	$ 3,724

10 INCOME TAXES (continued)

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

	2006	2005
Combined Canadian Federal and Provincial statutory rates	**34.1%**	34.0%
Provision for income taxes		
Income taxes at statutory rate	**$ 705**	$ (119)
Rate adjustment for foreign jurisdiction	**(41)**	100
Permanent differences	**73**	61
Impact of investment tax credits not previously recognized	**(382)**	—
Tax losses utilized	**—**	(157)
Impact of change in tax rates	**213**	—
Valuation allowance	**(297)**	660
Income tax provision	**$ 271**	$ 545
Consisting of:		
Current	**$ (223)**	$ 585
Future	**494**	(40)
	$ 271	$ 545

Recorded in cost of sales is $1,120 of non cash Scientific Research & Experimental Development (SR&ED) tax credits as a result of increased certainty that these tax credits will be utilized.

If not utilized, the Corporation's non-capital loss carry forwards of $457 at November 30, 2006 will expire as follows:

2010	$ 328
2015	129
	$ 457

In addition, the Corporation has $14,144 of capital losses which can be used to reduce income tax on future capital gains. The benefit of these capital losses has not been recorded in the accounts.

11 CHANGES IN NON-CASH OPERATING WORKING CAPITAL

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

	2006	2005
Accounts receivable	**$ (1,956)**	$ 623
Income taxes receivable	**(254)**	—
Inventories	**(1,272)**	(408)
Prepaid expenses	**89**	66
Promissory note	**133**	1,367
Income taxes payable	**(331)**	349
Accounts payable and accrued liabilities	**1,512**	(2,226)
	$ (2,079)	$ (229)

12 FINANCIAL INSTRUMENTS

The Corporation's earnings are affected by fluctuations in interest rates and foreign exchange rates, and the degree of volatility of these rates. The Corporation does not use derivative instruments to reduce its exposure to interest rate risk. The Corporation 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 Corporation 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 Corporation'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 the currency exposure. The Corporation recognized foreign exchange losses in 2006 of $142 as compared to $92 in 2005.

Interest rate risk

Interest rate risk arises because of the fluctuation in interest rates. The Corporation's entire term debt obligation is subject to a fixed interest rate.

Credit risk

Credit risk arises from the potential that a counterparty will fail to perform its obligations. The Corporation is exposed to credit risk from customers. However, the Corporation has a significant number of customers, which minimizes concentration of credit risk, and the majority of the Corporation's customers are large multinational stable organizations. The Corporation's two largest customers account for 29% (27% in 2005) and 15% (16% in 2005) of sales respectively.

Fair value

The estimated fair value of financial instruments approximate their carrying value at November 30, 2006 and 2005. 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.

13 COMMITMENTS

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

2007	$ 857
2008	629
2009	530
2010	64
	$ 2,080

b) As at year-end the Corporation had entered into U.S. dollar forward sales contracts maturing in 2007 of U.S. $2,000 at rates between $1.1202 and $1.1304. At November 30, 2006, the face value exceeded the fair value by approximately $34, ($26 gain in 2005) and was recorded in the 2006 consolidated financial statements as an increase in accounts payable and accrued liabilities and 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 Corporation's self-sustaining operation, resulted in an unrealized currency translation gain of $5 for the year ended November 30, 2006. The unrealized gain resulted primarily from the strengthening of the Canadian dollar against the U.S. dollar during the year.

15 SEGMENTED INFORMATION

The Corporation operates in two operating segments, FTG Circuits and FTG Aerospace. FTG Circuits is a leading manufacturer of high technology/high reliability printed circuit boards within the North American marketplace. FTG Aerospace is a manufacturer of illuminated cockpit panels, keyboards, bezels and sub assemblies for original equipment manufacturers of avionic products and airframe manufacturers. FTG Circuits and FTG Aerospace financial information is shown below:

	2006			2005		
	Circuits	Aerospace	Total	Circuits	Aerospace	Total
Sales	**$ 44,759**	**$ 10,641**	**$ 55,400**	$ 43,294	$ 9,507	$ 52,801
Amortization of machinery and equipment	**2,923**	**176**	**3,099**	3,278	268	3,546
Operating income before interest, taxes, severance costs and other costs	**1,710**	**841**	**2,551**	192	606	798
Interest expense on long-term debt	**483**	**—**	**483**	509	—	509
Severance and other costs	**—**	**—**	**—**	515	122	637
Income taxes (recovery)	**(33)**	**304**	**271**	595	(50)	545
Net earnings (loss)	**1,260**	**537**	**1,797**	(1,427)	534	(893)
Segment assets	**29,693**	**7,476**	**37,169**	27,003	6,294	33,297
Goodwill	**4,549**	**—**	**4,549**	4,549	—	4,549
Additions to machinery and equipment	**2,593**	**277**	**2,870**	1,074	211	1,285
Additions to goodwill	**—**	**—**	**—**	3,510	—	3,510

Geographic location (in thousands of dollars)

	2006			2005		
	Canada	United States	Total	Canada	United States	Total
Sales (by location of customer)	**$ 7,514**	**$ 47,886**	**$ 55,400**	$ 5,910	$ 46,891	$ 52,801
Goodwill (by location of division)	**1,039**	**3,510**	**4,549**	1,039	3,510	4,549
Capital assets (by location of division)	**5,692**	**1,277**	**6,969**	6,827	341	7,168

16 RELATED PARTY TRANSACTIONS

Related party transactions are with Glendale International Corp. (significant shareholder) and are in the normal course of business and are recorded at the exchange amount.

(a) A non-interest bearing promissory note, secured by a specific charge on a property, for $133 at November 30, 2005 was repaid in the first quarter of 2006.

(b) The Corporation is owed $154 related to the Corporation's portion of the gain on the building described in Note 8. This gain, plus interest at market rates, will be received when the cash is received from a vendor take back mortgage on the property.

(c) At November 30, 2005, the Corporation owed net interest expense of $42 relating to past due inter-company balances at a market rate of interest. The amount was paid in the first quarter of 2006.

CORPORATE DIRECTORY

DIRECTORS

Bradley C. Bourne
President and Chief Executive Officer
Firan Technology Group Corporation

Edward C. Hanna
Chairman, Chief Executive Officer and President
Glendale International Corp.

Murray L. Hannan
Consultant and Corporate Director

Ray G. Harris
Chairman, Firan Technology Group Corporation
and Corporate Consultant

David Masotti
President and Chief Operating Officer
Chemtrade Logistics Income Fund

David McLeish
Chairman
Octagon Capital Corporation

Philip L. Szabo
Chief Financial Officer
Glendale International Corp.

OFFICERS

Bradley C. Bourne
President and Chief Executive Officer
Firan Technology Group Corporation

Joseph R. Ricci
Vice-President and Chief Financial Officer
Firan Technology Group Corporation

CORPORATE HEAD OFFICE

Firan Technology Group Coporation
250 Finchdene Square
Toronto, Ontario
Canada M1X 1A5
Tel: 416-299-4000
Fax: 416-299-1140
Toll free: 1-800-258-5396
Web site: www.ftgcorp.com

GENERAL COUNSEL

Blake Cassels & Graydon LLP
P.O. Box 25
Commerce Court West
Toronto, Ontario M5L 1A9

TRANSFER AGENT

CIBC Mellon Trust Company
320 Bay Street
P.O. Box 1
Toronto, Ontario M5H 4A6
Canada

AUDITORS

Deloitte & Touche LLP
1005 Skyview Drive, Suite 202
Burlington, Ontario L7P 5B1
Canada

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:

April 19, 2007, 4:30pm (Toronto time) in the Gallery
at the TSX Broadcast & Conference Centre
The Exchange Tower
130 King Street West
Toronto, Ontario

Partners in Performance

HEAD OFFICE:

Firan Technology Group Corporation
250 Finchdene Square
Toronto, Ontario
Canada M1X 1A5
Tel: 416-299-4000
Fax: 416-299-1140
Toll free: 1-800-258-5396
Website: www.ftgcorp.com

Facilities:

FTG Circuits - Toronto
250 Finchdene Square
Toronto, Ontario
Canada M1X 1A5
Tel: 416-299-4000
Fax: 416-299-1140
Toll Free: 1-800-258-5396

FTG Circuits - Chatsworth
20750 Marilla St.
Chatsworth, California
USA 91311
Tel: 818-407-4024
Fax: 818-407-4034

FTG Aerospace
1080 & 1090 Bellamy Road North
Toronto, Ontario
Canada M1H 1H2
Tel: 416-438-6076
Fax: 416-438-8065