FTG

Partners in Performance

Operational**Excellence**

2007 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.

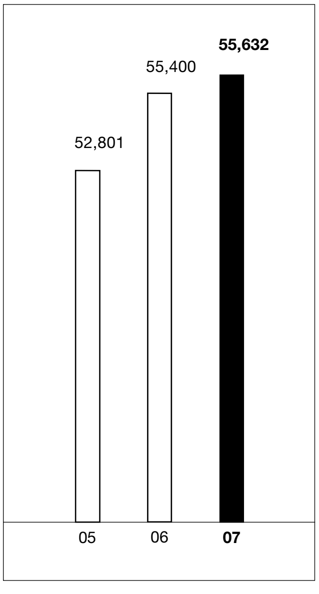
FTG has two operating units:

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

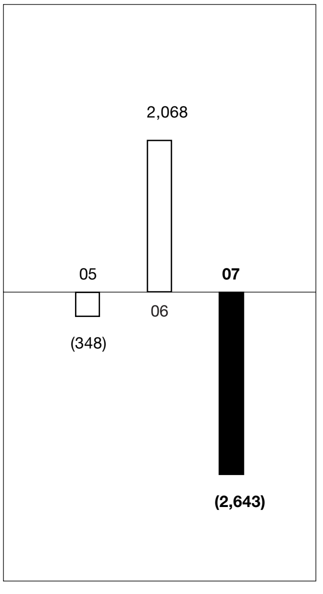
FTG Circuits
Manufactures high technology/high reliability printed circuit boards within the North American marketplace for technological and market leaders in the aviation, defence and other high technology industries.

FINANCIAL HIGHLIGHTS

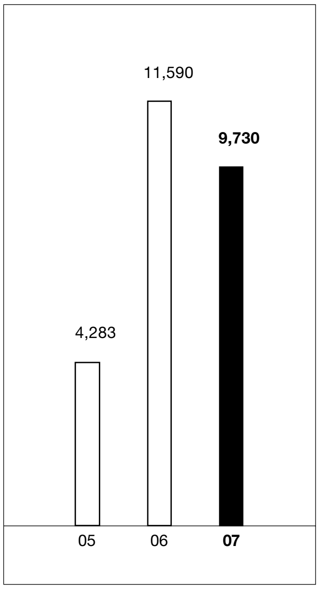
(thousands of dollars except per share data)	**2007**	2006	2005
Sales	**$ 55,632**	$ 55,400	$ 52,801
Net (Loss)/Earnings	**(5,831)**	1,797	(893)
Common and preferred shares (in thousands)	**19,575**	19,575	19,575
(Loss)/Earnings Per Share – Basic	**$ (0.33)**	$ 0.10	$ (0.05)
(Loss)/Earnings – Diluted	**$ (0.33)**	$ 0.09	$ (0.05)
At year end:			
Total Assets	**30,797**	37,169	33,297
Total Bank Debt	**7,668**	6,551	5,833



Sales
(thousands of dollars)



(Loss) Earnings Before Income Taxes
(thousands of dollars)



Working Capital
(thousands of dollars)

MANAGEMENT'S DISCUSSION AND ANALYSIS

(dollar amounts stated in Canadian dollars 000's unless otherwise specified)

January 23, 2008

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, 2007 and 2006 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, 2007 and 2006, 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, 2008 and the Corporation's Annual Information Form (including documents incorporated by reference) dated February 27, 2008 which is available on SEDAR at www.sedar.com.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, bezels and sub assemblies 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 2008, the Corporation remains committed to the progress and direction of the ***Operational Excellence*** strategic initiative, initiated during 2005. FTG continues 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 its stakeholders.

SELECTED ANNUAL INFORMATION

(thousands of dollars except per share data)	**2007**	2006	2005
Sales	**$ 55,632**	$ 55,400	$ 52,801
Net (Loss) / Earnings	**(5,831)**	1,797	(893)
Common and preferred shares (in thousands)	**19,575**	19,575	19,575
(Loss) / Earnings Per Share - Basic	**$ (0.33)**	$ 0.10	$ (0.05)
(Loss) / Earnings Per Share - Diluted	**$ (0.33)**	$ 0.09	$ (0.05)
Total Assets	**30,797**	37,169	33,297
Total Bank Debt	**7,668**	6,551	5,833

Overview of historical quarterly results

(in thousands of dollars)	Q1-06	Q2-06	Q3-06	Q4-06	**Q1-07**	**Q2-07**	**Q3-07**	**Q4-07**
Circuit Segment Sales	$ 11,135	$ 12,085	$ 11,017	$ 10,522	**$ 10,882**	**$ 11,946**	**$ 10,877**	**$ 9,708**
Aerospace Segment Sales	2,228	2,679	2,653	3,081	**3,029**	**3,317**	**3,018**	**2,855**
Total Sales	13,363	14,764	13,670	13,603	**13,911**	**15,263**	**13,895**	**12,563**
Net Earnings/(Loss)	178	408	300	911	**482**	**342**	**(182)**	**(6,473)**
Earnings/(Loss) per share – Basic	$0.01	$0.02	$ 0.02	$ 0.05	**$ 0.03**	**$ 0.02**	**$ (0.01)**	**$ (0.37)**
Earnings/(Loss) per share - Diluted	$0.01	$0.02	$ 0.02	$ 0.04	**$ 0.02**	**$ 0.02**	**$ (0.01)**	**$ (0.37)**

The Corporation's sales are derived from major technological and market leaders in the aviation, defence and other high technology industries. The principal markets served over the last eight quarters continue to be Canada and the United States. Sales from Canada have increased from 14% in 2006 to 16% in 2007. The United States sales have decreased from 86% to 84% but still have a major impact on the Corporation's results. Specifically, most of the Corporation's sales are denominated in U.S dollars which has had a significant adverse effect on the sales and overall profitability of the Corporation. The rise in the Canadian dollar from 86.81 cents in the first quarter of 2006 to 1.0377 in the fourth quarter of 2007 has reduced the sales, quarter-by-quarter and also reduced overall profitability, especially in the fourth quarter of 2007. In comparison to 2006, the 2007 sales were lower, quarter-by-quarter; totalling over $2,000 as a result of the strengthening Canadian dollar. Most of this $1,300 occurred in the fourth quarter of 2007 where the Canadian currency rose sharply from 94.44 cents at the start of the quarter to 1.0377 cents at the end of the quarter. As an offset, a portion of the Corporation's costs are denominated in U.S. dollars which has helped to offset the drop in sales due to the rise in the Canadian currency.

The Circuits segment accounted for 78% of the Corporation's sales during fiscal 2007 and 80.8% during fiscal 2006 with 60.9% of total sales coming from its top five customers in 2007 and 68.2% in 2006. Adding new customers and spreading the concentration has been a strategic achievement during this period although we did see one of the segments largest customers transition circuit board production to the Far East in the fourth quarter of 2007.

The Aerospace segment accounted for the other 22% of the sales during fiscal 2007 and 19.2% during fiscal 2006. The portion of Aerospace sales coming from its top 5 customers has risen from 60.1% in 2006 to 64.5% in 2007, primarily in the Canadian marketplace. Sales in this segment and demand for its products have risen quarter-over-quarter as a result of increasing capacity and investments in product development during 2006 and 2007. During 2006, the Aerospace segment completed a joint program with Rockwell Collins in applying lean manufacturing practices and in the second quarter of 2007 was awarded the Rockwell Collins 2007 Lean Initiative Award for shortening lead times, reducing customer inventory levels and providing first rate customer service. During the fourth quarter of 2007, the Aerospace segment moved it's production operations from three adjacent buildings into a new facility which along with the currency impact of $200 caused the drop in sales for the fourth quarter.

Earnings over the last eight quarters appear modest but have actually improved in the light of the rising Canadian currency. The net impact of the rising Canadian dollar has reduced fiscal 2007 earnings before tax by $1,100 over fiscal 2006, of which $850 was in the fourth quarter of 2007. During 2007, the Circuits segment outsourced over $1,000 of costs to suppliers which did not occur during fiscal 2006. New equipment has been installed which should eliminate this cost on a going forward basis. Rising raw material, utility and other costs have also had an adverse effect on the overall earnings during the last eight quarters. During the fourth quarter of 2007, the Corporation wrote off $4,850 of the future tax asset and investment tax credits recoverable based on management's inability to forecast future trends in exchange rates, decreases in income tax rates, the dynamics associated with the transfer of manufacturing to the Far East and historical cumulative tax losses. In the fourth quarter of 2006, a benefit of $626 was included in the results based on management's best estimate at that time.

In spite of this write down, management believes they are taking steps to overcome these challenges and return to their expected levels of performance. Such steps include the recent acquisition of Filtran Microcircuits Inc., the major capital asset program initiated in the current year and the expansion of capacity at the FTG Circuits – Chatsworth facility.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Sales

Sales for 2007 were $55,632, an increase of $232 compared with $55,400 for 2006. The sales growth was negatively impacted by $2,000 as a result of the continuing strength of the Canadian dollar throughout 2007, especially during the fourth quarter. At the 2006 exchange rates, the sales increase would have been $2,232 or 4.0%. The Aerospace segment grew by $1,578 or 14.8% over 2006 while the Circuits segment was lower by $1,346 or 3.0% over fiscal 2006.

Aerospace segment sales for 2007 were $12,219, an increase of $1,578 or 14.8% versus fiscal 2006. Ignoring the impact on sales of the sharp rise in the Canadian dollar, Aerospace has achieved its fifth sequential quarter of revenue above the $3,000 mark. We continue to believe this is the direct result of the investments commenced in 2006 which included increasing our capacity, training of our employees, investments in applying lean manufacturing practices as well as investing in new product development opportunities like the Lighting Power Supply ("LPS") for Bell Helicopter. During the second quarter of 2007, the Aerospace segment was selected winner of the Rockwell Collins 2007 Lean Initiative Award for shortening lead times, reducing customer inventory levels and providing first-rate customer service. These efforts and investments have culminated in strong demand for all such products and contributed to another excellent year. As a result, the Aerospace segment continues to maintain a strong order backlog for its entire product line. This segment was consolidated into one facility during the early part of Q4 2007 adding much needed capacity and streamlining the operation for future growth. The facility move was flawlessly executed, although it did have a small drag on sales and earnings in the quarter.

The sharp increase of the Canadian dollar throughout the year had a negative impact on the Aerospace segment sales by approximately $300.

Circuits' segment sales for 2007 were $43,413, a decrease of $1,346 or 3.0% versus fiscal 2006. Ignoring the impact on sales of the sharp rise in the Canadian dollar, this segment was $364 or 1% higher than fiscal 2006. This was a major achievement considering FTG's largest customer transitioned some printed circuit board production to the Far East. The third and fourth quarters of 2007 were very challenging in terms of booking new business: average panel prices were flat and this combined with the operational challenges of producing the higher technology, higher layer count with more exotic materials resulted in unprofitable quarters. Although challenging, these product characteristics are important differentiators and growth opportunities for the niche market which we participate in and we are confident that we can overcome these challenges. In FTG Circuits - Chatsworth, the many investments and changes in the plant continued to improve sales throughout most of the year. Chatsworth is gradually starting to see the benefits from the efforts and investments made during fiscal 2006. During fiscal 2007, Chatsworth shipped over $800 into the growing rigid-flex market which was non-existent during fiscal 2006.

The sharp increase of the Canadian dollar throughout the year had a negative impact on the Circuit segment sales by approximately $1,700.

Sales to the United States represented 84% of the 2007 sales as compared to 86% in 2006. All of FTG Circuits – Chatsworth sales are to US customers. The top five customers represent 58% of total sales for 2007 versus 64% for 2006.

Gross Margin

Gross margin decreased by $2,798 to $11,987 or 21.5% of sales versus $14,785 or 26.7% of sales in fiscal 2006. The sharp increase of the Canadian dollar has had a negative impact on overall gross margin by approximately $1,100 during the year and $850 during the fourth quarter alone.

The Aerospace segment gross margin increased by $272 over fiscal 2006. At constant exchange rates, the gross margin for this segment grew by $472 over the same period last year. This improvement is the result of the contribution margin associated with the higher level of sales despite the continuing investments in product development, training, lean manufacturing and other costs to increase the capacity within the facility. The move to the new consolidated facility had a small drag on earnings during the fourth quarter.

The Circuits segment gross margin decreased by $3,070 over fiscal 2006. At constant exchange rates, the gross margin decreased by $2,170 primarily driven by the FTG Circuits – Toronto facility. This facility is a high fixed cost, volume driven business where the operational leverage materializes on higher volumes and throughput. The lower gross margin is the result of the lower volume coupled with the lower than expected yields on the higher technology and layer count product and delayed commissioning of new high technology equipment. The delayed commissioning of equipment and subsequent outsourcing of those services cost the facility $1,000 in outside service costs. Increase in the costs of commodities and utilities coupled with effects of new product introductions and operational challenges lowered the gross margin levels throughout the year. The Corporation is responding to the cost increases by continuing its efforts to eliminate cost out of the 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.

Selling, General and Administrative

Selling, general and administrative expenses ("SG&A") for 2007 were $7,040 or 12.7% of sales as compared to $7,680 or 13.8% of sales for 2006. Major contributors to the year-over-year decrease were lower sales and marketing activities, bonus accruals, one-time legal fees, and foreign exchange conversion impact on monetary assets.

Research and Development Costs

Research and development ("R&D") costs for 2007 were $3,150 or 5.7% of sales as compared to $2,575 or 4.6% for 2006.

Research and development costs include the cost of direct labour, materials and an allocation of overhead. Generally, these costs represent specific activities regarding the technical uncertainty of production processes and exotic materials.

Research and development costs were higher in 2007 as a direct result of the new products qualifications, exotic material and processes which were introduced into the FTG Circuits – Toronto facility.

Recovery of Research and Development Costs

Canadian Federal government assistance programs represent tax credit opportunities under the Scientific Research and Experimental Development ("SR&ED") program. In 2006, $1,120 of SR&ED tax credits were recorded as a reduction of research and development costs. This amount represented claims for non-refundable SR&ED's credits which could be used to reduce future taxable income. A valuation allowance of $1,120 has been recorded in research and development costs in the current year for the 2006 amount as a result of management's inability to forecast future trends in exchange rates, decreases in income tax rates, the dynamics associated with the transfer of manufacturing to the Far East and historical cumulative tax losses.

Offsetting the $1,120 valuation allowance for the SR&ED tax credits recoverable and included in the recovery of research and development costs for November 30, 2007 are amounts recoverable from the Ontario Innovation Tax Credit ("OITC") and the amount received from the Industrial Research Assistance Program ("IRAP") of $219 and $16 respectively.

RESULTS OF OPERATIONS (continued)

Amortization of Capital Assets

Amortization of capital assets for 2007 was $2,977 compared to $3,099 for 2006. The decrease reflects lower additions prior to the 2007 year, along with more equipment becoming fully amortized.

Interest

Interest costs for 2007 were $578 compared to $483 for 2006. The slight increase is the result of the higher fixed rate debt which was negotiated in mid 2006, operating line borrowings throughout the year coupled with the additional capital expenditure debt.

Income Tax Provision

The $3,188 income tax expense for 2007 is an increase over the $271 expense for 2006.

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. An increase in the valuation allowance in 2007 occurred as a result of management's inability to forecast future trends in exchange rates, decreases in income tax rates, the dynamics associated with the transfer of manufacturing to the Far East and historical cumulative tax losses.

Net (Loss) / Earnings

The net loss for 2007 was $5,831 or basic and diluted loss per share of ($0.33). This is compared with the 2006 profit of $1,797 or basic earnings per share of $0.10 and diluted earnings per share of $0.09.

The net loss of $5,831 for 2007 was a combination of the loss from operations of $1,523 or basic loss per share of ($0.09) and the loss of $4,310 or basic loss per share of ($0.24) associated with the impact of writing down the future tax asset in Canada.

Liquidity and Capital Resources

As at November 30, 2007, the Corporation's primary source of liquidity included cash of $234, trade accounts receivable of $10,761 and inventory of $7,621. Working capital at November 30, 2007 was $9,730 as compared to $11,590 at November 30, 2006. Account receivable days outstanding were 70 versus 69 for 2006; inventory turns were 6 versus 5.7 in 2006 and accounts payable days outstanding were 59 versus 72 for 2006. Customers are lengthening payment terms and suppliers are demanding shorter payment terms.

In addition to the term debt as noted in Note 5 of the consolidated financial statements, 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; Canadian Prime Rate loans plus nil (0) basis points, US prime Rate loans less (50) basis points, USBR Loans plus nil (0) basis points, BA Rate Loans plus two hundred (200) basis points and Libor Loans plus two hundred (200) basis points.

The US subsidiary utilized $400 of the revolving facility at November 30, 2007 (nil at November 30, 2006). The revolving credit facility is secured by a first charge on all of the property and assets of the Corporation.

The Corporation is in compliance with all of its bank covenants as at November 30, 2007.

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	2008	2009	2010	2011	2012 and beyond
Long-term Debt	**7,268**	1,368	1,357	1,357	2,786	400
Operating Leases	**4,443**	997	847	381	317	1,901

Capital Expenditures

The Corporation invested $3,983 in capital assets during 2007 as compared to $2,870 in 2006. The additions were mainly technology and system implementation driven in a conscious effort to improve its technology roadmap to support our customer's requirements. Over $1,000 was directed to the FTG Circuits – Toronto facility eliminating future outside service costs which were incurred during 2007.

Cash Flow

In 2007, cash used in operating activities amounted to $257 as compared to cash generated of $2,289 for 2006.

For 2007, cash used in investing activities amounted to $3,983, compared to $2,870 in 2006 specifically for additions to capital assets across all 3 facilities.

Cash generated from financing amounted to $2,157 in 2007 (compared to $780 for 2006), primarily the result of the Corporation drawing U.S. $2,500 on its capital expenditure facility to assist in financing its capital expenditure program.

Related Party Transactions

Related party transactions are with Glendale International Corp. in the normal course of business and are recorded at the exchange amount. During the year, the Corporation was repaid the $154 due from Glendale International Corp. (significant shareholder).

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 2007 of $59 as compared to $142 in 2006. 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 and capital expenditure facility is subject to rates varying with the lending institution's prime rates.

FINANCIAL INSTRUMENTS (Continued)

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. In 2007, the Corporation's two largest customers accounted for 23% (29% in 2006) and 14% (16% in 2006) of sales respectively.

Fair Value

The Corporation has determined that the estimated fair value of financial instruments approximated their carrying value at November 30, 2007 and 2006. 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, 2008, 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, 2008 which is available on SEDAR at www.sedar.com.

Contingencies

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. Ambitech International Inc. has tax filings which are due for the 15-month period preceding the acquisition by the Corporation. In accordance with the purchase and sale agreement, the Corporation was indemnified for any tax liabilities preceding the agreement. The status of Ambitech International Inc. is unknown which may cause the tax authorities to pursue the matter with the Corporation. Any potential liability to the Corporation at this time is undeterminable.

Subsequent Event

On December 28, 2007, the Corporation acquired substantially all of the assets of Filtran Microcircuits Inc. ("Filtran"), a Canadian printed circuit board manufacturer based in Ottawa, Ontario and focused primarily on the manufacture of microwave printed circuit boards for high frequency applications. Filtran had annual revenues of approximately $4,000 in 2007.

The transaction was effected pursuant to an asset purchase agreement entered into between FTG, Filtran and Filtran's parent company, Merrimac Industries Inc. ("Merrimac") (AMEX:MRM). The total consideration payable by FTG was $1.45 million in cash plus the assumption of liabilities valued at approximately $360. FTG paid $800 of the purchase price at closing with the balance payable near the conclusion of an eight-week transitional period. FTG financed the acquisition from existing cash and its bank operating line.

Fourth Quarter

Sales of the Corporation decreased by $1,040 or 7.6% to $12,563 versus $13,603 for the same fiscal period in 2006. Excluding the impact of the strengthening Canadian dollar, sales increased by 1.0% compared to the same fiscal period in 2006.

Net loss for the quarter was $6,473 as compared to earnings of $911 for the same period in 2006. Excluding the write-down of the future tax asset, the loss was $1,623 of which $850 was due to the impact on margins on the sharp increase in the Canadian dollar during the fourth quarter of 2007. This compares to earnings of $1,288 on the same basis for the fourth quarter of 2006.

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. Estimates and assumptions have been made in connection with the provisions for accounts receivable, inventory obsolescence, estimated useful lives of machinery and equipment, warranty, investment tax credits, future income tax assets and goodwill.

Accounts Receivable

The Corporation provides customary credit terms to its customers and does not require collateral. Management performs ongoing credit evaluations of the financial condition of its customers and maintains an allowance for doubtful accounts based on historical collection experience and expected collectibilty of accounts. Bad debts may differ from management's estimates.

Inventory Obsolescence

Provisions are made to reduce excess and obsolete inventories to their estimated net realizable value. Inventory requirements may change based on the product characteristics of projected customer demand, changes due to market conditions, technological and product life cycle changes, longer or shorter than expected usage periods which could affect the valuation inventory. The Corporation maintains certain finished goods on its customer sites in accordance with agreements supported by a valid purchase order. An inventory obsolescence reserve is made based on current and historical experience and information.

Estimated Useful Lives of Capital Assets

The Corporation uses an estimate in determining the estimated useful life of capital assets. The estimated useful life is based on historical experience and industry standards.

Warranty

The Corporation provides its customers with a limited right of return for defective product printed circuit boards, illuminated panels, keyboards and assemblies. A warranty accrual estimate is made at the time of sale based on historical experience and information.

Investment Tax Credits / Future Tax Asset

Future income tax assets are reviewed for each reporting period for recoverability and valuation allowances are provided, when necessary, to increase or decrease the future tax assets to the amounts expected to be realized. Should management's expectations of taxable income change in future periods, it may be necessary to adjust the valuation allowance, which could affect the results in the period such a determination was made. At November 30, 2007, the Corporation wrote off $4,310 of the future tax asset and investment tax credits recoverable based on management's inability to forecast future trends in exchange rates, income tax rates, the dynamics associated with the transfer of manufacturing to the Far East and historical cumulative tax losses.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Goodwill

The Corporation uses an estimate of the future discounted net cash flows in measuring whether the Canadian and U.S. subsidiary goodwill assets are recoverable. If the forecasts and assumptions used to support the realizability of the goodwill assets change in the future, impairment charges could result in adverse affect on the earnings of the Corporation. FTG Circuits – Chatsworth and Firan Technology Group (USA) Corporation are considered self-sustaining subsidiaries. Accordingly their goodwill is translated at exchange rates in effect at the balance sheet date. The resulting translation gain or loss is included in the accumulated other comprehensive loss section of shareholders' equity until there is a realized reduction in the net investment.

Disclosure Controls

The Corporation has evaluated the effectiveness of its disclosure controls and procedures as of November 30, 2007, 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 its performance in all of these areas every day.

To continue to improve its financial results, FTG will look to grow its sales, advance its technology levels and control its costs. With a new, integrated sales force, the Corporation sees increasing opportunities from existing and new customers. To support the increased sales, FTG is beginning to develop expansions plans, particularly in Chatsworth, CA and recently completed the acquisition of Filtran Microcircuits Inc. to add sales volume to its existing facilities. To control costs, the Corporation's primary focus is on improving production yields and implementing lean manufacturing techniques across FTG. To address emerging competition from the Far East, FTG is exploring options for offering global manufacturing solutions.

The Corporation's external focus will continue to be in the aerospace and defence markets and on strengthening our leadership positions in the market segments in which we participate. Our customer base is forecasting continued growth. With a solid business foundation and a great management team, we continue to proactively take steps to further improve the Company. We look to advance our technology levels in both businesses, continue our never-ending focus on operational excellence and proactively investigate acquisitions. We will continue to drive towards creating shareholder value everyday.

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 28, 2008

Joseph R. Ricci
Vice President and Chief Financial Officer
January 28, 2008

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, 2007 and 2006 and the consolidated statements of (loss) earnings, shareholders' equity 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, 2007 and 2006 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
Licensed Public Accountants
Burlington, Ontario
January 28, 2008

CONSOLIDATED BALANCE SHEETS

As at November 30, 2007 and 2006 (in thousands of dollars)	2007	2006
ASSETS		
CURRENT		
Cash	**$ 234**	$ 2,348
Accounts receivable	**10,761**	10,432
Income taxes recoverable	**74**	254
Inventories (Note 3)	**7,621**	7,622
Prepaid expenses	**412**	491
	19,102	21,147
DUE FROM RELATED PARTY (Note 16)	**—**	154
CAPITAL ASSETS (Note 4)	**7,757**	6,969
INVESTMENT TAX CREDITS RECOVERABLE (Note 5)	**—**	1,120
FUTURE INCOME TAXES (Note 10)	**34**	3,230
GOODWILL (Note 6)	**3,904**	4,549
	$ 30,797	$ 37,169
LIABILITIES		
CURRENT		
Bank indebtedness (Note 7)	**$ 400**	$ —
Accounts payable and accrued liabilities (Note 13(b))	**7,604**	8,567
Current portion of long-term debt (Note 7)	**1,368**	990
	9,372	9,557
LONG-TERM DEBT (Note 7)	**5,900**	5,561
	15,272	15,118
CONTINGENCIES AND COMMITMENTS (Note 13)		
SHAREHOLDERS' EQUITY		
Share capital		
Common shares (Note 8(b))	**12,681**	12,681
Preferred shares (Note 8(c))	**2,218**	2,218
Contributed surplus (Note 8(f))	**7,939**	7,804
Deficit	**(6,484)**	(653)
Accumulated other comprehensive (loss) income	**(829)**	1
	15,525	22,051
	$ 30,797	$ 37,169

See accompanying notes.

Approved by the Board

Director

Director

CONSOLIDATED STATEMENTS OF (LOSS) / EARNINGS

Years ended November 30, 2007 and 2006 (in thousands of dollars except per share amount)	**2007**	2006
SALES	**$ 55,632**	$ 55,400
COST OF SALES	**43,645**	40,615
	11,987	14,785
EXPENSES		
Selling, general and administrative	**7,040**	7,680
Research and development costs (Note 9)	**3,150**	2,575
Recovery of research and development costs (Note 9)	**885**	(1,120)
Amortization of capital assets	**2,977**	3,099
Interest expense on long-term debt	**578**	483
	14,630	12,717
(LOSS) EARNINGS BEFORE INCOME TAXES	**(2,643)**	2,068
INCOME TAXES (Note 10)	**3,188**	271
NET (LOSS) EARNINGS	**$ (5,831)**	$ 1,797
NET (LOSS) EARNINGS PER SHARE (Note 8(g))		
Basic	**$ (0.33)**	$ 0.10
Diluted	**$ (0.33)**	$ 0.09

See accompanying notes.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Years ended November 30, 2007 and 2006 (in thousands of dollars)

	Common Shares	Preferred Shares	Total Capital	Contributed Surplus	Deficit	Accumulated Other Comprehensive Loss ("AOCL")	Total Deficit and AOCL	Total Shareholders' Equity
Balance, November 30, 2006	$ 12,681	$ 2,218	$ 14,899	$ 7,804	$ (653)	$ 1	$ (652)	$ 22,051
Net loss					(5,831)	—	(5,831)	(5,831)
Other comprehensive income (loss):								
Foreign currency								
translation adjustments (Note 14)					—	(830)	(830)	(830)
Comprehensive loss					(5,831)	(830)	(6,661)	(6,661)
Stock based compensation				135	—	—	—	135
Balance, November 30, 2007	$ 12,681	$ 2,218	$ 14,899	$ 7,939	$ (6,484)	$ (829)	$ (7,313)	$ 15,525

	Common Shares	Preferred Shares	Total Capital	Contributed Surplus	Deficit	Accumulated Other Comprehensive Income ("AOCI")	Total Deficit and AOCI	Total Shareholders' Equity
Balance, November 30, 2005	$ 12,681	$ 2,218	$ 14,899	$ 7,604	$ (2,450)	$ (4)	$ (2,454)	$ 20,049
Net earnings					1,797	—	1,797	1,797
Other comprehensive income:								
Foreign currency								
translation adjustments (Note 14)					—	5	5	5
Comprehensive income					1,797	5	1,802	1,802
Stock based compensation				200	—	—	—	200
Balance, November 30, 2006	$ 12,681	$ 2,218	$ 14,899	$ 7,804	$ (653)	$ 1	$ (652)	$ 22,051

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended November 30, 2007 and 2006 (in thousands of dollars)	2007	2006
NET (OUTFLOW) INFLOW OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Net (loss) earnings	**$ (5,831)**	$ 1,797
Items not affecting cash		
Stock based compensation expense	**135**	200
Future income taxes	**3,190**	494
Scientific research and experimental development tax credits	**1,120**	(1,120)
Effect of exchange rates on U.S. dollar Canadian debt	**(430)**	(116)
Amortization of capital assets	**2,977**	3,099
	1,161	4,354
Changes in non-cash operating working capital (Note 11)	**(1,418)**	(2,065)
	(257)	2,289
INVESTING		
Additions to capital assets	**(3,983)**	(2,870)
	(3,983)	(2,870)
FINANCING		
Increase in bank indebtedness	**400**	—
Decrease in due from related party	**154**	—
Proceeds from long-term debt	**2,634**	6,819
Re-payments of long-term debt	**(1,031)**	(6,039)
	2,157	780
Effects of foreign exchange rate changes on cash flow	**(31)**	98
NET CASH FLOW	**(2,114)**	297
CASH, BEGINNING OF YEAR	**2,348**	2,051
CASH, END OF YEAR	**$ 234**	$ 2,348

See accompanying notes.

	2007	2006
DISCLOSURE OF CASH PAYMENTS		
Payments for interest	**$ 577**	$ 450
Payments for income taxes	**$ —**	$ 373
Refunds of income taxes	**$ 167**	$ —

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. All significant inter-company accounts and transactions have been eliminated.

Cash

Cash consists of balances with chartered banks.

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. Direct labour and an allocation of overheads are included in the determination of work-in-process and finished goods amounts.

Capital assets

Capital assets 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
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.

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 (loss) earnings. Goodwill was tested at November 30, 2007 and 2006 and no impairment adjustment was required. The reduction in goodwill resulted from the foreign exchange translation adjustment made for the U.S. self sustaining operation.

Revenue recognition

The Corporation has one revenue stream which is derived from the sale of printed circuit boards, illuminated cockpit display panels and keyboards. The Corporation uses customer supplied engineering, specifications and design plans. The Corporation's sales cycle can vary between a few days to a few months. The Corporation recognizes revenue when the following conditions have been met;

- persuasive evidence of a sales arrangement exists, typically a customer purchase order,
- when the sales terms are fixed and determinable,
- title and risk of loss have transferred upon shipment
- and collectibility is reasonably assured

The Corporation provides its customers with limited right of return for defective products and the returns must be authorized by the Corporation prior to their acceptance in its facilities. Normal warranty period is one year from the date of shipment and the Corporation accrues an estimate for bad debts and warranty at the time of sale based on historical information.

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 in the accumulated other comprehensive loss section 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. Estimates include provisions for accounts receivable, inventory obsolescence, estimated useful lives of capital assets, 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 for loss carry forwards and for 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.

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.

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 capitalized in 2007 or 2006.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. The impact of forfeitures are recorded as incurred.

2 CHANGE IN ACCOUNTING POLICY

Effective December 1, 2006, the Corporation adopted CICA Handbook Section 1530, Comprehensive Income, CICA Handbook Section 3855, Financial Instruments – Recognition and Measurement, CICA Handbook Section 3865, Hedges, CICA Handbook Section 3861, Financial Instruments – Disclosure and Presentation and CICA Handbook Section 3251, Equity. These new Handbook Sections provide comprehensive requirements for the recognition and measurement of financial instruments, as well as standards on when and how hedge accounting may be applied. Under the new standard, financial assets and liabilities are initially recorded at fair value. Subsequently, financial instruments classified as financial assets or liabilities held for trading, financial assets available-for-sale and derivative financial instruments, part of a hedging relationship or not, have to be measured at fair value on the balance sheet at each reporting date, whereas other financial instruments are measured at amortized cost using the effective interest method.

Handbook Section 3861 establishes standards for presentation of financial instruments and non-financial derivatives, and identifies the information that should be disclosed about them. Handbook Section 3251 establishes standards for the presentation of equity and changes in equity during the reporting period. Handbook Section 1530 also introduces a new component of equity referred to as other comprehensive income.

In accordance with the provisions of these new standards, the Corporation reflected the following adjustments as of December 1, 2006:

- A presentational reclassification of amounts previously recorded in "Cumulative translation adjustment" to "Accumulated other comprehensive income."

The adoption of these standards had no impact on the Corporation's consolidated statement of earnings. The unrealized gains and losses included in "Accumulated other comprehensive income" were recorded net of taxes, which were nil.

The Company's financial assets and liabilities are recorded and measured as follows:

Asset / Liability	Category	Measurement
Cash	Held-for-trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Due from related party	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other liabilities	Amortized cost
Bank indebtedness and long-term debt	Other liabilities	Amortized cost

Other balance sheet accounts, such as inventories, prepaid expenses, current and future income taxes, goodwill, machinery and equipment are not within the scope of the new accounting standards as they are not financial instruments.

Embedded derivatives are required to be separated and measured at fair values if certain criteria are met. Embedded derivatives include elements of contracts whose cash flows move independently from the host contract. Management reviewed contracts and determined that the Company does not currently have any embedded derivatives in these contracts that require separate accounting and disclosure. The Corporation selected December 1, 2002 as the transition date for embedded derivatives, as such only contracts or financial instruments entered into or modified after that date were examined for embedded derivatives.

Transaction costs related to financial liabilities, classified as other than held-for-trading, are recorded as a reduction in the carrying value of the debt and included in the amortized cost measurement.

3 INVENTORIES

	2007	2006
Raw materials and spare parts	**$ 2,361**	$ 2,367
Work-in-process and finished goods	**5,260**	5,255
	$ 7,621	$ 7,622

4 CAPITAL ASSETS

		2007	
	Cost	Accumulated Amortization	Net Book Value
Machinery and equipment	**$ 32,867**	**$ 26,118**	**$ 6,749**
Furniture and fixtures	**998**	**973**	**25**
Leasehold improvements	**4,771**	**3,788**	**983**
	$ 38,636	**$ 30,879**	**$ 7,757**

		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

5 INVESTMENT TAX CREDITS RECOVERABLE

The investment tax credits recoverable of nil at November 30, 2007 ($1,120 at November 30, 2006) represents claims for non-refundable Scientific Research and Experimental Development ("SR&ED") credits which can be used to reduce future taxable income. A valuation allowance of $1,120 has been recorded in recovery of research and development costs in the current year for the 2006 amount as a result of management's inability to forecast future trends in exchange rates, decreases in income tax rates, the dynamics associated with the transfer of manufacturing to the Far East and historical cumulative tax losses.

5 INVESTMENT TAX CREDITS RECOVERABLE (continued)

The Corporation has available SR&ED tax credits of $1,642 at November 30, 2007 which can be used to reduce future taxable income and will expire as follows:

2013	**164**
2014	**319**
2015	**484**
2016	**535**
	1,642

6 GOODWILL

Goodwill results from the Circuit World Corporation and FTG Inc. combination in fiscal 2003 of $1,039 and $2,865 from the acquisition of FTG Circuits – Chatsworth in fiscal 2005. FTG Circuits – Chatsworth is a considered self-sustaining subsidiary, accordingly its goodwill is translated at exchange rates in effect at the balance sheet date. The resulting translation loss of $645 is included in the accumulated other comprehensive loss section of shareholders' equity.

7 BANK INDEBTEDNESS AND LONG-TERM DEBT

Long term-debt consists of:

	2007	2006
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. Principal at Novemeber 30, 2007 U.S. $4,868 (2006 - U.S.$ 5,732).	**4,868**	6,551
5 year U.S. $2,500 capital expenditure facility (of which $1,000 U.S. relates to the US subsidiary), amortized over 5 years, repayable in equal monthly payments of U.S. $42 plus interest at US prime less (50) basis points, matures July 14, 2012. Principal at November 30, 2007 U.S. $ 2,400 (2006 - nil).	**2,400**	—
	7,268	6,551
Less amounts due within one year	**1,368**	990
	$ 5,900	$ 5,561

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

2008	**$ 1,368**
2009	**1,357**
2010	**1,357**
2011	**2,786**
2012	**400**
	$ 7,268

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; Canadian Prime Rate loans plus nil (0) basis points, US prime Rate loans less (50) basis points, USBR Loans plus nil (0) basis points, BA Rate Loans plus two hundred (200) basis points and Libor Loans plus two hundred (200) basis points.

The US subsidiary utilized $400 of the revolving facility at November 30, 2007 (nil at November 30, 2006). The revolving credit facility is secured by a first charge on all of the property and assets of the Corporation.

The Corporation is in compliance with all of its bank covenants as at November 30, 2007 and 2006.

8 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*

	2007		2006	
	Number of Shares	Stated Capital	Number of Shares	Stated Capital
Balance, beginning and end of year	**17,800,227**	**$ 12,681**	17,800,227	$ 12,681

(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 were issued by Circuit World Corporation prior to the reverse takeover by FTG Inc. Pursuant to the terms of the preferred shares, the Company has the option of converting the preferred shares into common shares when the Company has exceeded $55,000 in sales and become earnings before interest, taxes, depreciation and amortization positive, excluding any revenues and expenses derived from or attributable to any business acquired after November 2, 2001. As FTG Inc. and Young Electronics were acquired after that time, the revenues and expenses attributed to such businesses are not included and, as a result, the relevant revenue threshold has not yet been met. 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.

8 SHARE CAPITAL (continued)

	2007	**Weighted-Average Exercise Price**	2006	Weighted-Average Exercise Price
Outstanding, beginning of year	**1,118,650**	**$ 1.75**	755,150	$ 1.90
Grant of options	**190,000**	**1.43**	370,000	1.33
Expiration of options	**(22,500)**	**2.80**	—	—
Forefeiture of options	**(48,250)**	**1.52**	(6,500)	1.44
Outstanding, end of year	**1,237,900**	**$ 1.70**	1,118,650	$ 1.75

(e) Outstanding share options

November 30, 2007

Description	Number of Shares	Exercise Price	Vesting	Expiry Date
Stock option plan	**123,000**	**$ 2.41 - $ 2.80**	**Vested**	**2008-2010**
Stock option plan	**57,400**	**$ 1.90 - $ 2.40**	**Vested**	**2008-2010**
Stock option plan	**542,500**	**$ 1.70 - $ 1.89**	**Vested, 2006-2010**	**2008-2013**
Stock option plan	**515,000**	**$ 1.30 - $ 1.69**	**Vested, 2006-2010**	**2011-2013**
Balance, end of year	**1,237,900**			

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, 2007

Range of Exercise Prices	Number Outstanding at November 30, 2007	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number Exercisable at November 30, 2007
$ 2.41 - $ 2.80	**123,000**	**2.0 years**	**$ 2.67**	**123,000**
$ 1.90 - $ 2.40	**57,400**	**1.8 years**	**$ 1.95**	**57,400**
$ 1.70 - $ 1.89	**542,500**	**2.4 years**	**$ 1.79**	**512,500**
$ 1.30 - $ 1.69	**515,000**	**4.4 years**	**$ 1.34**	**143,334**
Number, end of year	**1,237,900**			**836,234**

November 30, 2006

Range of Exercise Prices	Number Outstanding at November 30, 2006	Weighted-Average Remaining Contractual Life	Weighted-Average 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

(f) Contributed surplus

	2007	2006
Balance, beginning of year	**$ 7,804**	$ 7,604
Stock based compensation expense	**135**	200
Balance, end of year	**$ 7,939**	$ 7,804

(g) Earnings per share

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

	2007	2006
Numerator		
Net (loss) earnings	**$ (5,831)**	$ 1,797
Numerator for basic (loss) earnings per share - net (loss) earnings applicable to common shares	**(5,831)**	1,797
Effect of dilutive securities	**—**	—
Numerator for diluted (loss) earnings per share - net (loss) earnings applicable to common shares	**$ (5,831)**	$ 1,797
Denominator		
Denominator for basic (loss) earnings per share - weighted average shares	**17,800,227**	17,800,227
Effect of dilutive securities		
Preferred shares - 1,775,000	**—**	1,775,000
Stock options - 1,237,900	**—**	—
Denominator for diluted (loss) earnings per share - adjusted weighted average shares and assumed conversions	**17,800,227**	19,575,227
Basic (loss) earnings per share	**$ (0.33)**	$ 0.10
Diluted (loss) earnings per share	**$ (0.33)**	$ 0.09

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) Stock based compensation to employees

The Corporation recognized stock based compensation expense in the consolidated statement of (loss) earnings of $135 for the year ended November 30, 2007 ($200 for 2006). Of this amount, approximately $24 relates to options granted during the current year. The weighted average fair value per stock options granted during the year was $0.60 (2006 - $ 0.55).

The total stock based compensation was recorded in selling and general administrative expenses 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 6%; expected life of 3 years; volatility of 55% and a dividend yield of nil.

9 RESEARCH AND DEVELOPMENT COSTS AND RECOVERIES

Research and development costs include the cost of direct labour, materials and an allocation of overhead. Generally, these costs represent specific activities regarding the technical uncertainty of production processes and exotic materials.

9 RESEARCH AND DEVELOPMENT COSTS AND RECOVERIES (continued)

In 2006, recovery of research and development costs represented $1,120 of non-refundable SR&ED tax credit claims which could be used to reduce future taxable income. A valuation allowance of $1,120 has been recorded in research and development costs in the current year for the 2006 amount as a result of management's inability to forecast future trends in exchange rates, decreases in income tax rates, the dynamics associated with the transfer of manufacturing to the Far East and historical cumulative tax losses.

In addition to the $1,120 valuation allowance for the SR&ED tax credits recoverable, included in the recovery of research and development costs for November 30, 2007 are amounts from the Ontario Innovation Tax Credit ("OITC") and the Industrial Research Assistance Program ("IRAP") of $219 and $16 respectively.

10 INCOME TAXES

	2007	2006
Future tax asset consists of:		
Tax losses carried forward	**$ —**	$ 156
SR&ED deductible expenditures	**1,784**	868
Non-deductible allowances	**—**	43
Excess of undepreciated capital cost for tax purposes over net book value of capital assets	**5,638**	6,176
	7,422	7,243
Valuation allowance	**7,388**	4,013
Future income tax asset	**$ 34**	$ 3,230

An increase in the valuation allowance in 2007 occurred as a result of management's inability to forecast future trends in exchange rates, decreases in income tax rates, the dynamics associated with the transfer of manufacturing to the Far East and historical cumulative tax losses. The SR&ED deductible expenditures have no expiry date for income tax purposes.

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

	2007	2006
Combined Canadian Federal and Provincial statutory rates	**34.1%**	34.1%
Provision for income taxes		
Income taxes at statutory rate	**(901)**	705
Rate adjustment for foreign jurisdiction	**(1)**	(41)
Permanent differences	**66**	73
Impact of investment tax credits not previously recognized	**—**	(382)
Impact of change in tax rates	**—**	213
Valuation allowance	**4,024**	(297)
Income tax provision	**$ 3,188**	$ 271
Consisting of:		
Current	**$ (2)**	$ (223)
Future	**3,190**	494
	$ 3,188	$ 271

In addition, the Corporation has $14,400 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:

	2007	2006
Accounts receivable	**$ (596)**	$ (1,956)
Income taxes receivable	**183**	(254)
Inventories	**(305)**	(1,272)
Prepaid expenses	**70**	103
Promissory note	**—**	133
Income taxes payable	**—**	(331)
Accounts payable and accrued liabilities	**(770)**	1,512
	$ (1,418)	$ (2,065)

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 2007 of $59 as compared to $142 in 2006.

Interest rate risk

Interest rate risk arises because of the fluctuation in interest rates. A portion of the Corporation's bank debt obligation is subject to a fixed interest rate. The Corporation does not use derivative instruments to mitigate interest rate risk.

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 23% (29% in 2006) and 14% (15% in 2006) of sales respectively.

Fair value

The estimated fair value of financial instruments approximate their carrying value at November 30, 2007 and 2006. 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 CONTINGENCIES AND COMMITMENTS

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

2008	**$ 997**
2009	**847**
2010	**381**
2011	**317**
2012	**317**
2013 and beyond	**1,584**
	$ 4,443

b) As at year-end, the Corporation had entered into U.S. dollar forward sales contracts maturing in 2008 of U.S. $2,500 at rates between $0.9620 and $0.9802. At November 30, 2007, the face value was lower than the fair value by approximately $64, (face value was higher than fair value by $34 in 2006) and was recorded in the 2007 consolidated financial statements as a decrease in accounts payable and accrued liabilities and selling, general and administration costs.

c) 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. Ambitech International Inc. has tax filings which are due for the 15 month period preceding the acquisition by the Corporation. In accordance with the purchase and sale agreement, the Corporation was indemnified for any tax liabilities preceding the agreement. The status of Ambitech International Inc. is unknown which may cause the tax authorities to pursue the matter with the Corporation. Any potential liability to the Corporation at this time is undeterminable.

d) The Corporation is a co-defendant to a claim originally filed at the Ontario Superior Court of Justice by Emmanuel Tannenbaum and June Realty Ltd. on June 16, 2006, and amended on September 15, 2006. The other co-defendants are Glendale International Corp. and Living World Missionary Church Incorporated. The plaintiff seeks damages for the alleged migration of chemicals, bi-products and related constituents from a property at one time owned by a predecessor to the Corporation, onto the plaintiff's land.

Pursuant to a Merger Agreement among Circuit World Corporation, Glendale International Corp. and Firan Technology Group Incorporated, dated June 5, 2003, Glendale International Corp. is responsible for any claim, demand, legal proceeding, action, cause of action, damage, loss, costs and liability of expenses brought against Circuit World Corporation. Pursuant to the subsequent merger of Firan Technology Group Incorporated and Circuit World Corporation to form the Corporation, the Corporation succeeded to the rights of Circuit World Corporation under the Merger Agreement. Glendale International Corp. has assumed responsibility for the Corporation's defence and has acknowledged its responsibility to fully indemnify the Corporation pursuant to the Merger Agreement.

14 TRANSLATION OF FOREIGN CURRENCIES

FTG Circuits – Chatsworth and Firan Technology Group (USA) Corporation are considered self-sustaining subsidiaries. Accordingly, their assets (including goodwill) 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 loss of $830 (2006 gain of $5) is included in the accumulated other comprehensive loss section of shareholders' equity until there is a realized reduction in the net investment.

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:

	2007			
	Circuits	Aerospace	Corporate Office	Total
Sales	**$ 43,413**	**$ 12,219**	**$ —**	$ 55,632
Costs and SG&A expenses	**37,981**	**10,803**	**1,901**	50,685
Amortization of capital assets	**2,831**	**146**	**—**	2,977
Research and development costs	**3,057**	**93**	**—**	3,150
Recovery of research and development costs	**901**	**(16)**	**—**	885
(Loss) earnings before interest and taxes	**(1,357)**	**1,193**	**(1,901)**	**(2,065)**
Interest expense on long-term debt	**578**	**—**	**—**	578
Income taxes (recovery)	**2,782**	**406**	**—**	3,188
Net (loss) earnings	**(4,717)**	**787**	**(1,901)**	**(5,831)**
Segment assets	**22,804**	**7,993**	**—**	30,797
Goodwill	**3,904**	**—**	**—**	3,904
Additions to capital assets	**3,000**	**983**	**—**	3,983

	2006			
	Circuits	Aerospace	Corporate Office	Total
Sales	$ 44,759	$ 10,641	$ —	$ 55,400
Costs and SG&A expenses	37,109	9,249	1,937	48,295
Amortization of capital assets	2,923	176	—	3,099
Research and development costs	2,575	—	—	2,575
Recovery of research and development costs	(1,120)	—	—	(1,120)
Earnings before interest and taxes	3,272	1,216	(1,937)	2,551
Interest expense on long-term debt	483	—	—	483
Income taxes (recovery)	(142)	413	—	271
Net earnings (loss)	2,931	803	(1,937)	1,797
Segment assets	29,693	7,476	—	37,169
Goodwill	4,549	—	—	4,549
Additions to capital assets	2,593	277	—	2,870

Geographic location (in thousands of dollars)

	2007			2006		
	Canada	United States	Total	Canada	United States	Total
Sales (by location of customer)	**$ 8,807**	**$ 46,825**	**$ 55,632**	$ 7,514	$ 47,886	$ 55,400
Goodwill (by location of division)	**1,039**	**2,865**	**3,904**	1,039	3,510	4,549
Capital assets (by location of division)	**6,146**	**1,611**	**7,757**	5,692	1,277	6,969

16 RELATED PARTY TRANSACTIONS

During the year, the Corporation was repaid the $154 due from Glendale International Corp. (significant shareholder).

17 COMPARATIVE FIGURES

Certain comparative figures in the consolidated financial statements have been reclassified to conform with the current year's presentation.

18 SUBSEQUENT EVENT

On December 28, 2007, the Corporation acquired substantially all of the assets of Filtran Microcircuits Inc. ("Filtran"), a Canadian printed circuit board manufacturer based in Ottawa, Ontario and focused primarily on the manufacture of microwave printed circuit boards for high frequency applications. Filtran had annual revenues of approximately $4,000 in 2007.

The transaction was effected pursuant to an asset purchase agreement entered into between FTG, Filtran and Filtran's parent company, Merrimac Industries Inc. ("Merrimac") (AMEX:MRM). The total consideration payable by FTG is $1,450 in cash plus the assumption of liabilities. FTG paid $800 of the purchase price at closing with the balance payable near the conclusion of an eight-week transitional period. FTG is financing the acquisition from existing cash and its bank operating line.

The preliminary allocation of the purchase price to the fair values of assets and liabilities acquired was made using the purchase method of accounting and are as follows:

Accounts receivable	**$ 375**
Inventories	**386**
Prepaid expenses	**22**
Capital assets	**1,160**
Accounts payable and accrued liabilities	**(1,034)**
Goodwill and intangible assets	**524**
Purchase price including acquisition cost of $30 (net of cash acquired of $47)	**$ 1,433**

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Firan Technology Group Corporation

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Glendale International Corp.

Murray L. Hannan
Consultant and Corporate Director

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Chairman, Firan Technology Group Corporation
and Corporate Consultant

Brian E. Jennings
Chief Financial Officer and Secretary
Glendale International Corp.

David Masotti
Corporate Director and Business Consultant

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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:

April 17, 2008, 4:30pm (Toronto Time) in the Gallery
at the TSX Broadcast & Conference Centre
The Exchange Tower
130 King Street West
Toronto, Ontario

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