Partners in Performance

Operational
Excellence

2008 ANNUAL REPORT

Interest

Interest costs for 2008 were $701 compared to $578 for the same period last year. The increase is the result of the higher operating line borrowings throughout the current year primarily as a result of financing the Filtran acquisition through the revolving facility.

Restructuring and Severance Costs

The Corporation recorded $591 in restructuring costs and severance costs for 2008. Costs associated with integrating and closing the Filtran facility were $325 and $266 for severance of four employees during the fourth quarter of 2008. There were no restructuring costs during the same periods last year.

Income Tax Provision

The income tax recovery for 2008 consists of a U.S. subsidiary current year tax loss carry forward against future taxable income of $173 at a 41.0% income tax rate. There is no current income tax provision recorded for the Canadian operation during the year as a result of utilization of carried forward tax deductions.

In 2007, the amount of $3,188 was the result of the write down of the Corporation's future tax asset for the Canadian operation.

Net Loss

The net loss for 2008 was $208 or basic and diluted loss per share of $0.01. This is compared with the 2007 loss of $5,831 or basic and diluted loss per share of $0.33. Most of the 2007 loss was the result of the non cash write down of the future tax asset and investment tax credits of $4,310.

Filtran R&D and restructuring costs of $991 and operating losses of $472 had a negative impact on 2008. The fourth quarter severance charge of $266 also contributed to the full year loss. The impact of the indirect inefficiencies related to the Filtran acquisition and closing of the facility coupled with the operational challenges and lower than expected yields on the higher technology and layer count product contributed negatively to the overall performance. The year-over-year improvement of $5,623 is the result of increased sales, investments in technology, and tight cost controls across FTG.

Liquidity and Capital Resources

As at November 30, 2008, the Corporation's primary source of liquidity included cash of $170, accounts receivable of $14,711 and inventory of $9,150. Working capital at November 30, 2008 was $10,363 as compared to $9,730 at November 30, 2007. Balance sheet exchange rates were $1.2370 for 2008 and $1.00 for 2007. Accounts receivable days outstanding were 71 versus 69 for 2007; inventory turns were 5.9 versus 5.9 in 2007 and accounts payable days outstanding were 71 versus 62 for 2007.

The U.S. subsidiary utilized U.S. $1,500 (Cdn $1,855) of the revolving facility, partially due to the Filtran acquisition at November 30, 2008 (U.S. $400 at November 30, 2007). The balance of Cdn. $1,122 (nil at November 30, 2007) was utilized by the Canadian parent mainly to finance the purchase of Filtran and general working capital purposes. The revolving credit facility is secured by a first charge on all of the property and assets of the Corporation. Interest rates are at U.S. prime less (50) basis points.

The Corporation was in compliance with all of its bank covenants as at November 30, 2008 and has sufficient liquidity and capital resources to meet its obligations for the foreseeable future. Specifically, management is confident that it has sufficient liquidity to fund current operations, meet its debt maturity and capital expenditure plans. The Corporation's revolving facility expires July 12, 2009 and the Corporation has commenced discussions with it's bank with the favourable expectation that the facility will be renewed at same or similar terms by the end of the first quarter of 2009.

19 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:

	2008			
	Circuits	**Aerospace**	**Corporate Office**	**Total**
Sales	**$ 49,932**	**$ 13,248**	**$ —**	**$ 63,180**
Costs and SG&A expenses	**41,774**	**11,073**	**2,206**	**55,053**
Amortization of capital assets	**2,381**	**271**	**—**	**2,652**
Amortization of intangibles	**48**	**—**	**—**	**48**
Research and development costs	**3,331**	**161**	**—**	**3,492**
Filtran operating losses	**472**	**—**	**—**	**472**
Filtran research and development cost	**666**	**—**	**—**	**666**
Restructuring costs and severance costs	**591**	**—**	**—**	**591**
Foreign exchange loss (gain) on conversion of balance sheet assets and liabilities	**239**	**(353)**	**—**	**(114)**
Earnings (loss) before interest and taxes	**430**	**2,096**	**(2,206)**	**320**
Interest expense on long-term and short-term debt	**701**	**—**	**—**	**701**
Recovery of income taxes	**(173)**	**—**	**—**	**(173)**
Net (loss) earnings	**$ (98)**	**$ 2,096**	**$ (2,206)**	**$ (208)**
Segment assets	**$ 27,930**	**$ 9,458**	**—**	**$ 37,388**
Goodwill	**4,583**	**—**	**—**	**4,583**
Intangibles	**431**	**—**	**—**	**431**
Additions to capital assets - other	**599**	**67**	**—**	**666**
Additions to capital assets - Filtran	**1,070**	**—**	**—**	**1,070**

	2007			
	Circuits	Aerospace	Corporate Office	Total
Sales	$ 43,413	$ 12,219	$ —	$ 55,632
Costs and SG&A expenses	38,116	10,610	1,901	50,627
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
Foreign exchange (gain) loss on conversion of balance sheet assets and liabilities	(135)	193	—	58
(Loss) earnings before interest and taxes	(1,357)	1,193	(1,901)	(2,065)
Interest expense on long-term and short-term debt	578	—	—	578
Income taxes (recovery)	2,782	406	—	3,188
Net (loss) earnings	$ (4,717)	$ 787	$ (1,901)	$ (5,831)
Segment assets	$ 22,813	$ 7,993	$ —	$ 30,806
Goodwill	3,904	—	—	3,904
Additions to capital assets - other	3,000	983	—	3,983