FTG

Partners in Performance

Operational Excellence

2011 AUDITED ANNUAL REPORT

CORPORATE PROFILE

Firan Technology Group Corporation (FTG) is a leading global supplier of aerospace and defence electronic products and subsystems. With facilities in Canada, the United States and Tianjin, China, FTG provides prototype development and manufacturing services complemented by quick-turn-around production runs. It is a publicly traded corporation on the Toronto Stock Exchange listed under the trading symbol “FTG”.

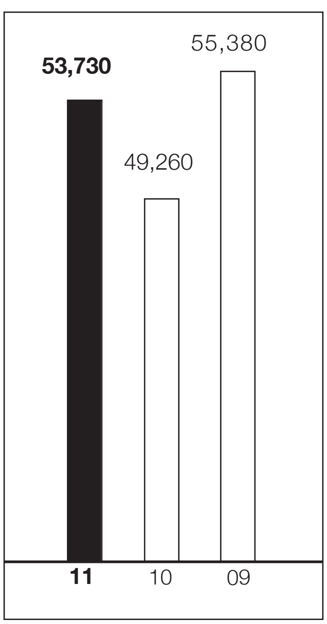
FTG has two operating segments:

FTG Aerospace
Manufactures illuminated cockpit panels, keyboards, bezels and sub-assemblies and assemblies for original equipment manufacturers (“OEMs”) of avionics products as well as for airframe manufacturers in North America.

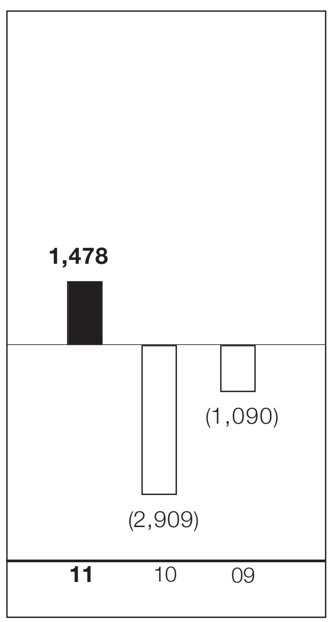
FTG Circuits
Manufactures high technology/high reliability printed circuit boards within the North American marketplace for technological and market leaders in the aviation, defence and other high technology industries.

FINANCIAL HIGHLIGHTS

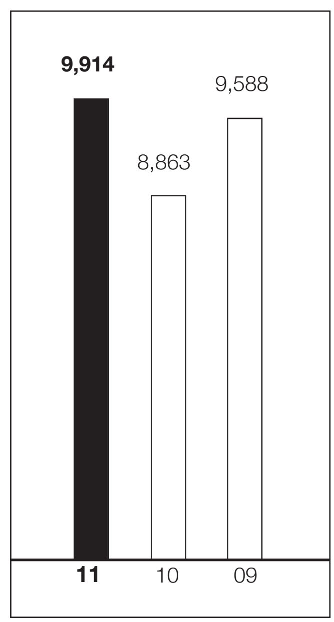
(thousands of dollars except per share data)	**2011**	2010	2009
Sales	**$ 53,730**	$ 49,260	$ 55,380
Net earnings (loss)	**1,478**	(2,909)	(1,090)
Common and preferred shares (in thousands)	**19,578**	19,578	19,578
Earnings (Loss) Per Share – Basic & Diluted	**0.08**	(0.16)	(0.06)
At year end:			
Total Assets	**27,417**	25,546	29,073
Total Debt, net of cash	**3,023**	5,523	7,431



Sales
(thousands of dollars)



Net Earnings/(Loss)
(thousands of dollars)



Working Capital
(thousands of dollars)

2011 was a good year. FTG addressed its ownership uncertainty, returned to growth, was profitable, and strengthened its balance sheet. We also held the grand opening for our Aerospace business in China, where we see great opportunities for future growth.

With the acquisition by Oakwest, of the block of shares previously owned by Glendale before their bankruptcy, the uncertainty of FTG's ownership is now behind us. We expect Oakwest to be a supportive, long term investor in FTG and allow us to implement our plans to grow the company profitably going forward.

FTG remains clearly positioned as an aerospace and defence electronics company. We are now engaged with most of the top aerospace and defence prime contractors in North America and we are making significant progress penetrating markets beyond this continent. Our focus on this market is based on a belief that we can provide a unique solution to our customers and attain a sustainable competitive advantage.

All three operating units improved their performance in 2011, both on the top line and the bottom line. The growth which ranged between 8 and 15% at each facility was due partly to increased demand from existing customers but also due to the capture of new programs and new customers. Our Circuits-Toronto facility won new work from a number of customers and/or programs in the defence market, security market and participated in the ramp up of production on the Boeing 787 program. Our Circuits-Chatsworth facility diversified its customer base and continued to grow its rigid flex revenue stream. Our Aerospace-Toronto business saw a resurgence in demand from legacy customers in the commercial aerospace market and late in the year won its largest ever single contract to supply box level assemblies on a military simulator program.

We continued to invest across FTG in the areas of R&D and capital equipment to enhance our capabilities. While doing this we maintained tight control on working capital and managed to generate over $4M in cash flow from operations, some of which was re-invested in new equipment and some of which was used to pay down debt. Our net debt was down $2.5M for the year and at the lowest level in almost a decade. The majority of our debt is interest free from the Ontario government in support of FTG's investment in manufacturing in that Province.

In October we held the Grand Opening of our FTG Aerospace – Tianjin facility in China. Over the next few months we are commissioning equipment, hiring and training staff and building test or qualification product. We have seen much interest in our China capabilities from both Western and Asian customers.

As always, FTG will continue to drive towards ***Operational Excellence*** in all operations. Most customers are actively measuring supplier performance and reward good results with increased opportunities. FTG is focused on competing on the basis of performance and technology and exceeding our customers' expectations.

Sincerely,

Brad Bourne

President and CEO

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

This report is management's discussion and analysis of results of operations and financial condition ("MD&A") of Firan Technology Group Corporation (the "Corporation" or "FTG") for the financial years ended November 30, 2011 and 2010. MD&A should be read in conjunction with the Audited Consolidated Financial Statements of the Corporation (the "Financial Statements") as at and for the years ended November 30, 2011 and 2010, 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 current expectations of FTG. These statements include without limitation, statements regarding the operations, business, financial condition, expected financial results, performance, prospects, opportunities, priorities, targets, goals, ongoing objectives, strategies and outlook of FTG, as well as the outlook for North American and international economies, 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", "seeks", "considers", "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". Forward-looking statements are provided for the purpose of conveying information about management's current expectations and plans relating to the future and readers are cautioned that such statements may not be appropriate for other purposes.

Forward-looking 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 FTG's perception of historical trends, current conditions and expected future developments as well as other factors FTG believes are appropriate in the circumstances.

By its nature, forward-looking information is subject to inherent risks and uncertainties that may be general or specific and which give rise to the possibility that expectations, forecasts, predictions, projections or conclusions will not prove to be accurate, that assumptions may not be correct and that objectives, strategic goals and priorities will not be achieved. A variety of material factors, many of which are beyond FTG's control, affect the operations, performance and results of FTG and its business, and could cause actual results to differ materially from current expectations of estimated or anticipated events or results. These factors include, but are not limited to: impact or unanticipated impact of general economic, political and market factors in North America and internationally; intense business competition and uncertain demand for products; technological change; customer concentration; foreign currency exchange rates; dependence on key personnel; ability to retain and develop sufficient labour and management resources; ability to complete strategic transactions, integrate acquisitions and implement other growth strategies; litigation and product liability proceedings; increased demand from competitors with lower production costs; reliance on suppliers; credit risk of customers; compliance with environmental laws; possibility of damage to manufacturing facilities as a result of unforeseeable events, such as natural disasters or fires; fluctuations in operating results; possibility of intellectual property infringement claims; demand for the products of FTG's customers; ability to obtain continued debt and equity financing on acceptable terms; ability of a significant shareholder to influence matters requiring shareholder approval; historic volatility in the market price of the Corporation's common shares and risk of price decreases; production warranty and casualty claim losses; conducting business in foreign jurisdictions; income and other taxes; and government regulation and legislation and FTG's ability to successfully anticipate and manage the foregoing risks.

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

Other than as specifically required by law, FTG 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 February 6, 2012 and the Corporation's Annual Information Form (including documents incorporated by reference) dated February 6, 2012 which is available on SEDAR at www.sedar.com.

CORE BUSINESS AND STRATEGY

FTG is a leading global supplier of aerospace and defence electronic products and subsystems. With facilities in Canada, the United States and Tianjin, China, FTG provides prototype development and manufacturing services complemented by quick-turn-around production runs. It is a publicly traded corporation on the Toronto Stock Exchange listed under the trading symbol "FTG".

FTG has two operating segments: FTG Aerospace and FTG Circuits.

FTG Aerospace manufactures illuminated cockpit panels, keyboards, bezels and sub-assemblies and assemblies for original equipment manufacturers ("OEMs") of avionics products as well as for airframe manufacturers in North America. FTG Aerospace has manufacturing operations in Toronto, Ontario, Canada and Tianjin, China ("FTG Aerospace Tianjin Inc."). These products are interactive devices that display information and contain buttons and switches that can be used to input signals into an avionics box or aircraft.

FTG Circuits is a leading manufacturer of high technology/high reliability printed circuit boards within the North American marketplace. FTG Circuits has manufacturing operations in Toronto, Ontario and Chatsworth, California ("FTG Circuits – Chatsworth"). Its customers are technological and market leaders in the aviation, defence and other high technology industries.

Continuing into 2011, the Corporation remained committed to the progress and direction of the ***Operational Excellence*** strategic initiative, initiated during 2005. FTG continues to strive to maintain its market share by streamlining its operations, improving production efficiencies and yields, and attracting and retaining key employees while fostering new long-term relationships with some of the top aerospace and defence companies in North America and around the world.

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

The FTG 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 amounts)	**2011**	2010	2009
Sales	**$ 53,730**	$ 49,260	$ 55,380
Net earnings (loss)	**1,478**	(2,909)	(1,090)
Common and preferred shares, in aggregate (in thousands)	**19,578**	19,578	19,578
Net earnings (loss) per share – basic and diluted	**$ 0.08**	$ (0.16)	$ (0.06)
Total assets	**27,417**	25,546	29,073
Total debt net of cash	**3,023**	5,523	7,431

OVERVIEW OF HISTORICAL QUARTERLY RESULTS

(thousands of dollars except per share amounts and exchange rates)

	Q1-10	Q2-10	Q3-10	Q4-10	**Q1-11**	**Q2-11**	**Q3-11**	**Q4-11**
Circuit Segment Sales	$ 8,303	$ 9,005	$10,566	$10,379	**$ 9,100**	**$10,887**	**$10,948**	**$10,709**
Aerospace Segment Sales	2,057	2,599	2,678	3,673	**3,113**	**2,987**	**2,714**	**3,272**
Total Sales	10,360	11,604	13,244	14,052	**12,213**	**13,874**	**13,662**	**13,981**
Net (Loss) / Earnings	(596)	(364)	138	(2,087)	**(193)**	**422**	**334**	**915**
Net (Loss) per share — Basic & Diluted	$ (0.03)	$ (0.02)	$ 0.00	$ (0.11)	**$ (0.01)**	**$ 0.02**	**$ 0.02**	**$ 0.05**
Quarterly Average U.S.$ Exchange Rates	$1.0511	$1.0213	$1.0410	$1.0239	**$0.9979**	**$0.9679**	**$0.9716**	**$1.0133**

The Corporation's sales over the last eight quarters continue to be derived from major technological and market leaders in the aviation, defence and other high technology industries, each following their own cycles. The principal markets served over the last eight quarters continue to be the commercial aerospace and military markets primarily in Canada and the United States but with increasing activity in Europe and Asia.

The Corporation is exposed to foreign exchange fluctuations as the vast majority of sales are earned in U.S. dollars, while a significant amount of operating expenses are incurred in Canadian dollars. The Corporation regularly enters into forward exchange contracts to sell excess U.S. dollars generated from operations. Fiscal 2011 continued to illustrate how sales reported in Canadian dollars can be adversely affected by movement in the U.S. dollar. The average exchange rate for 2011 was $0.9877, as opposed to $1.0343 for 2010. This had the effect of lowering sales of the Corporation by an estimated $2.1 million as most of the Corporation's sales are denominated in U.S. dollars. During the last eight quarters the U.S. dollar relative to the Canadian dollar moved from an average exchange rate of $1.0511 to $1.0133 at the end of Q4 2011. The Canadian dollar was above par for most of 2011.

The global economic slowdown persisted throughout 2009 and into 2010 as customers lowered their inventory levels and reduced product demand levels. To compound the already reduced deliveries, the exchange rate of the U.S. dollar slid against the Canadian currency. This currency slide continued throughout 2010 and into 2011 re-enforcing the need of the Corporation to focus on reducing infrastructure, material and labour costs.

The Corporation had operating earnings of $416 during the fourth quarter of 2010 before certain accounting adjustments. These adjustments included the goodwill impairment charge of $2,941 partially offset by the net increase in the future tax asset of $438.

The Corporation was profitable during each quarter of 2011 with the exception of the first quarter due to fewer production days. Top and bottom line performance improved due to improved demand from existing customers and also to the capture of new programs with new customers.

The Corporation had operating earnings of $207 during the fourth quarter of 2011 before a certain accounting adjustment. The adjustment was an increase to the future income tax asset of $708, as management believes that it is more likely than not that the benefits of the losses will be realized in a future period. That belief was predicated on the positive earnings of the Canadian divisions in 2010 and 2011, as well as the projected earnings for 2012.

In commercial aerospace, the general aviation and business jet industry segments were hardest hit during the economic downturn in 2009 with dramatic drops in production rates. This downturn impacted FTG's Canadian facilities the most as they have a higher percentage of business in the civil aviation market, particularly in the business and regional jet segments. However, production rates began to recover in 2011, and it is expected that this market segment will continue its gradual growth.

In the military market, the change in defence spending in 2010 and 2011 was minimal as some key programs were winding down while others were beginning to ramp up. For instance, production of the F22 is stopping and this program represented about

$500 annually for FTG's Chatsworth plant. Spending on the F-35, or JSF, is accelerating and FTG has content on this program from at least three customers at this time and FTG continues to pursue additional opportunities. The emphasis is moving towards deficit reduction and defence spending in the west is likely to drop. In Canada, defence spending remains solid with a number of significant equipment acquisition programs announced or underway. Canadian spending creates opportunities both directly and via procurement offset agreements with the equipment suppliers.

FTG has strived and will continue to try to balance its sales between commercial aerospace and defence customers. This should help maintain a stable revenue stream as each market goes through its normal cycles.

FTG remains clearly positioned as an aerospace and defence electronics company. We are now engaged with most of the top aerospace and defence prime contractors in North America and we are making significant progress penetrating markets beyond this continent. Our focus on this market is based on a belief that we can provide a unique solution to our customers and attain a sustainable competitive advantage.

RESULTS OF OPERATIONS FOR THE 2011 FISCAL YEAR

(thousands of dollars except per share amounts)

Consolidated Sales

Sales for 2011 were $53,730, an increase of $4,470 or 9.1% from the same period last year. Activity levels were higher in all three operating units partly due to increased demand from existing customers but also the capture of new programs and new customers. At comparable exchange rates, the year-over-year increase was closer to $6,578 or 13.4%. The average exchange rate for of 2011 was $0.9877 compared to $1.0343 for the same period last year.

The Corporation's consolidated sales by location of its customers are as follows:

	Year-to-Date			
	2011	**%**	2010	%
Canada	**$ 8,968**	**16.7**	$ 6,675	13.6
United States	**39,642**	**73.8**	38,529	78.2
Asia	**3,522**	**6.5**	2,761	5.6
Europe	**1,591**	**3.0**	1,284	2.6
Other	**7**	**0.0**	11	0.0
Total	**$ 53,730**	**100.0**	$ 49,260	100.0

Sales in Canada are up $2,293 or 34.3% for 2011 compared to the same period last year as a result of increased production rates at key customers including Bell, CAE and Bombardier. Sales to the United States are up $1,113 or 2.9% as activity levels with our U.S. customers are starting to ramp up. Sales to Europe and Asia are mainly denominated in U.S. dollars and were up 26.4% in 2011.

The Corporation's top five customers represent 41.0% of sales for 2011 versus 47.0% for the same period last year. During 2011, the Corporation's two largest customers accounted for 13.0% (15.0% in 2010) and 10.0% (8.0% in 2010) of sales, respectively.

The Corporation continues to believe that the long-term fundamental market demand for its products remains strong and will continue to focus its efforts in these niche military and aerospace markets. The current business environment continues to improve and the Corporation is in a strong position to continue to serve its customer base and focus on the key opportunities.

Bookings for 2011 were higher by 11.4% over the same period last year. The overall book-to-bill ratio was 1.04 for 2011 versus 1.02 for 2010 in a period where sales increased by 9.1%. Backlog was steady for most of 2011 and surged in the fourth quarter ending up at $2 million higher than the closing for 2010.

MANAGEMENT'S DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS FOR THE 2011 FISCAL YEAR (continued)

Segment Sales

FTG Circuits Segment

Sales for the FTG Circuits segment during 2011 were $41,644, an increase of $3,391 or 8.9% over the same period last year. Sales levels were up in both Circuits facilities. At comparable exchange rates, the year-over-year increase was closer to $5,198 or 13.6%.

Sales to the top five customers represented 45.0% of the FTG Circuits segment sales for 2011 versus 44.7% in the same period last year.

FTG Aerospace Segment

Sales for the FTG Aerospace segment during 2011 were $12,086, an increase of $1,079 or 9.8% over the same period last year. At comparable exchange rates the year-over-year increase was closer to $1,381 or 12.5%. The shift to higher level assembly product mix continues. While new military assembly activity has been delayed, legacy commercial panels and keyboards dominated the quarter.

Commercial panel and keyboard activity increased by $1,197 and $613, respectively, while military panels increased by $302. Year-over-year, military keyboard activity was down by $950 due to delayed activity with 3 customers.

Sales to the top five customers represented 60.0% of the FTG Aerospace segment sales for 2011 versus 68.0% in the same period last year.

Gross Margin

Gross margin on a consolidated basis increased $573 during 2011 to $14,110 or 26.3% of sales compared to $13,537 or 27.5% of sales for 2010.

All three operating facilities improved their operational performance during 2011. Top line growth at each facility contributed positively to gross margin, despite the higher Canadian dollar, as each of the facilities are high fixed cost in nature. The growth at each facility was due partly to increased demand from existing customers but also due to the capture of new programs and new customers.

Our Circuits-Toronto facility won new work from a number of customers and/or programs in the defence and security market and participated in the ramp up of production on the Boeing 787 program. Our Circuits-Chatsworth facility diversified its customer base and continued to grow its rigid flex revenue stream. Manufacturing yields in both Circuits facilities have improved along with lower overtime and the continuation of a weekend shift in the Circuits – Toronto facility. Our Aerospace-Toronto business saw resurgence in demand from legacy customers in the commercial aerospace market and, late in the year, won its largest ever single contract to supply box level assemblies on a military simulator program.

The average exchange rate for 2011 was $0.9877 compared to $1.0343 for the same period last year which lowered gross margins in 2011 versus 2010 by approximately $1,100.

The Corporation's focus and initiatives continue to revolve around lowering the Corporation's infrastructure, material and labour costs.

Selling, General and Administrative Expenses

Selling, general and administrative expenses for 2011 were $8,224 or 15.3% of sales as compared to $7,467 or 15.2% of sales for 2010. This represents an increase of $757 or 10.2% over 2010.

Major contributors include increased sales and marketing activities of $149, increased administration activities of $355 which were partially due to the termination of the 10% salary reduction program which was in place during 2010 and variable performance compensation accruals of $592 offset by lower professional fees.

Research and Development Costs

Research and development ("R&D") 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.

R&D costs for 2011 were $2,915 or 5.4% of sales as compared to $3,359 or 6.8% for 2010.

Recovery of Research and Development Costs

Recoveries of research and development costs for 2011 were $348 from the Ontario Innovation Tax Credit ("OITC") program as compared to $409 for 2010.

Amortization of Plant and Equipment

Amortization of plant and equipment for 2011 was $1,895 compared to $2,182 for 2010 reflecting lower additions in prior years, along with more equipment becoming fully amortized.

Loss on Disposal of Plant and Equipment

Certain equipment was sold during 2011, which generated a $25 loss. In 2010, certain assets, which were in storage and not contributing to cash flows, in the amount of $148, were written off.

Goodwill Impairment

Goodwill represents the excess of the purchase price of an acquired business over the fair value of the identifiable assets acquired and liabilities assumed. The Corporation tests for impairment on an annual basis as of November 30 and at any other time if events occur or circumstances change that would indicate that it is more likely than not that the fair value of a reporting unit has been reduced below its carrying value.

The Corporation uses the discounted cash flow model approach to determine the fair value of its reporting units. As part of the November 30, 2011 goodwill impairment test, the Corporation updated the forecasted cash flows for the Circuits - Toronto facility. This update considered management's view of economic conditions and trends, historical data and experience, estimated future operating results, working capital requirements, future tax rates and discount rates.

The result of the test for the Circuits – Toronto facility indicated that the estimated fair value exceeded its carrying value and therefore the Circuits - Toronto facility goodwill of $1,039 was not impaired.

In 2010, the impairment test carried out for the Circuits - Chatsworth facility indicated an impairment. As a result, the Corporation recorded a goodwill impairment charge of $2,941 in that year. Factors impacting the operation of the Circuits - Chatsworth facility included technical and operational changes, historical profitability, and a slower recovery from the economic downturn.

Interest Costs

Interest costs for 2011 were $397 compared to $451 for 2010.

Non-cash interest costs charged to the Consolidated Statement of Earnings included $150 for 2011, a non-cash amount recognized as a government grant received as a result of receiving a below market interest rated loan.

Severance Expenses

Severance costs for 2011 were $43 as compared to $386 in 2010 when the Corporation had to reduce its levels of employment.

Foreign Exchange Loss

The foreign exchange loss for 2011 was $139 compared to a $309 loss for 2010.

The loss reflects a fairly constant balance sheet closing conversion exchange rate during 2011 versus 2010. The losses are the result of the re-valuation of the U.S. dollar assets and liabilities on the respective balance sheets.

RESULTS OF OPERATIONS FOR THE 2011 FISCAL YEAR (continued)

Income Tax Provision

For 2011, the current income tax provision relates to the minimum taxes payable of $2 and $2 for the U.S. subsidiary for 2011 and 2010.

Although the Canadian divisions were profitable in 2011, the required tax provision on earnings of $1,971 was offset by non-capital loss carry forwards. Given the positive earnings of the Canadian divisions in 2010 and 2011, as well as the projected income for 2012, a future income tax asset of $708 was recognized as management believes that it is more likely than not that the loss carry forwards will be realized.

Net Earnings

The net earnings for 2011 were $1,478, translated into basic and diluted earnings per share of $0.08. This is compared with a loss of $2,909 or basic and diluted loss per share of $0.16 in 2010 primarily the result of the goodwill impairment in our FTG Circuits - Chatsworth facility.

The year-over-year improvement reflects the higher production activity throughout the Corporation as the aerospace and defence industry starts to recover from the slowdown experienced during 2009 and 2010.

LIQUIDITY AND CAPITAL RESOURCES

As at November 30, 2011, the Corporation's primary sources of liquidity totalled $19,887 ($18,811 as at November 30, 2010), made up of cash, accounts receivable, taxes receivable and inventory but excluding $1,490 availability remaining on its non-revolving term loan with the Government of Ontario and U.S. $6,000 of availability remaining on its revolving line of credit with its senior lender. Working capital at November 30, 2011 was $9,914 as compared to $8,863 at November 30, 2010. The term loan amount with its senior lender of $1,458 has been reclassified to current debt and matures on March 31, 2012. The Corporation's current credit facility with its senior lender matures on March 31, 2012. The Corporation is in discussions with a number of lenders to obtain an international credit facility to meet our current needs. Management expects to have a new international credit facility in place by March 31, 2012.

Accounts receivable days outstanding were 66 as at November 30, 2011 compared to 68 as of November 30, 2010; inventory turns were 4.6 compared to 4.1, and accounts payable days outstanding were 79 compared to 81 respectively.

All of the Corporation's credit facilities with its primary lender are secured by a first charge on all of the Corporation's assets. The AMIS loan is secured and is subordinated to the security provided to the Corporation's primary lender.

The Corporation was in compliance with all of its financial loan covenants as at November 30, 2011.

Management believes the Corporation has sufficient liquidity and capital resources to meet its obligations for the foreseeable future.

The following is a table that outlines the contractual obligations of the Corporation as at November 30, 2011.

Contractual Obligations	Payments Due In $000's					
	Total	First Year	Second Year	Third Year	Fourth Year	Beyond Fourth Year
Long-term Debt	**$ 1,458**	$ 1,458	—	—	—	—
Subordinated Loan	**$ 3,660**	—	—	—	—	$ 3,660
Operating Leases	**$ 3,832**	$ 954	$ 986	$ 878	$ 387	$ 627
Foreign currencies contracts	**$ 3,063**	$ 3,063	—	—	—	—

CAPITAL EXPENDITURES

For 2011, the Corporation invested $2,433 in various machinery upgrades and leasehold improvements compared to $325 for the same period in 2010. Major additions included new HVAC units for the Circuits–Toronto facility, leaseholds for FTG Aerospace – Tianjin and Laser Direct Imaging ("LDI") systems for both Circuits facilities. The current year's additions were mainly technology driven in a conscious effort to improve its technological roadmap to support our customers' requirements.

CASH FLOW

Operating Activities

Cash provided by operating activities in 2011 amounted to $4,424 as compared to cash provided of $2,601 in 2010. The changes from 2010 were primarily driven by the changes in non-cash working capital and improved earnings.

Investing Activities

Investing activities in 2011 resulted in the use of cash of $2,188 for capital assets compared to $487 in 2010. Major capital items included LDI systems for both Circuits facilities.

Financing Activities

Cash used by financing activities in 2011 amounted to $709 which included long-term debt repayments of $1,532, a decrease of the operating line of $137 and offset by proceeds of the second AMIS term loan of $960. Cash used by financing activities in the same period of 2010 amounted to $1,504 which included repayments of long-term debt of $4,127, a decrease of the operating line of $37 and offset by proceeds of the first AMIS term loan of $2,660.

RELATED PARTY TRANSACTIONS

There were no related party transactions during 2011 and 2010.

FINANCIAL RISK MANAGEMENT

Disclosures regarding the nature and extent of the Corporation's exposure to risks arising from financial instruments, including credit risk, liquidity risk, foreign currency risk and interest rate risk and how the Corporation manages those risks can be found under the heading "Financial Instruments" in Note 16 to the Financial Statements as at and for the years ended November 30, 2011 and 2010 and are designed to meet the requirements of the CICA Handbook Section 3862 "Financial Instruments Disclosures", which apply to the annual financial statements related to fiscal years beginning on or after October 1, 2007.

OUTSTANDING SHARES

The authorized capital of the Corporation consists of an unlimited number of common shares ("Common Shares") and an unlimited number of preference shares issuable in series, of which are outstanding a series of convertible preference shares, Series 1 (the "Preferred Shares"). As at November 30, 2011, the Corporation had outstanding 17,803,201 Common Shares and 1,775,000 Preferred Shares. 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. Holders of Preferred Shares are entitled to a preference over holders of Common Shares in respect of any distribution of assets in connection with the liquidation, dissolution or winding up of the Corporation. Holders of Preferred Shares shall be entitled to receive an amount equal to $2.50 per Preferred Share before any amount is paid or any assets of the Corporation are distributed to the holders of Common Shares.

RISK FACTORS

FTG operates in a dynamic and rapidly changing environment and industry, which exposes the Corporation to numerous risk factors. Additional information about the Corporation, including risks and uncertainties about FTG's business, is provided in the Corporation's Annual Information Form dated February 6, 2012 which is available on SEDAR at www.sedar.com.

CONTINGENCIES

The Corporation is, from time to time, involved in litigation in the ordinary course of its business. The Corporation maintains liability insurance that it considers adequate to insure claims related to usual risks associated with its business.

The Corporation is a co-defendant to a legal claim filed at the Ontario Superior Court of Justice by Emmanuel Tannenbaum and June Realty Ltd. on June 16, 2006, seeking damages for an alleged migration of chemicals, bi-products and related constituents from the Corporation's former leased factory onto the plaintiff's land. The plaintiffs are seeking $5 million in total damages.

Pursuant to the merger agreement between Circuit World Corporation, Glendale and Firan Technology Group Incorporated, dated June 5, 2003, the Corporation is to be indemnified by Glendale for any claim, demand, legal proceeding, action, cause of action, damage, loss, costs and liability of expenses brought against the Corporation in connection with the land.

CONTINGENCIES (continued)

On January 19, 2010, Glendale announced it had filed a voluntary assignment in bankruptcy under the Bankruptcy and Insolvency Act (Canada). Accordingly, the Corporation's ability to recover from Glendale under its indemnification obligation may be limited. The Corporation may also be required to assume the defence of the action commenced by the plaintiffs from Glendale, who had been responsible for the defence to date. However, in October 2011, a tentative settlement was agreed to between the third party plaintiff, Glendale, the Corporation and another co-defendant, the details of which remain under discussion. If the settlement is finalized as originally agreed to, the Corporation will only be liable to contribute a relatively small portion of the overall settlement monies involved. An estimate of the Corporation's portion of the settlement as well as legal fees and expenses in this defence has been provided in the accounts and the Corporation has filed a proof of claim against the estate of Glendale for any liability.

FOURTH QUARTER

Sales

Sales for the fourth quarter of 2011 were $13,981, a decrease of $71 or 0.1% from the fourth quarter of 2010 and a sequential increase from the first, second and third quarters of 2011. Sales in FTG Circuits – Toronto were higher by $820, offset by lower sales in Aerospace of $401 and FTG Circuits – Chatsworth of $490.

Net Profit

The Corporation earned $207 during the fourth quarter of 2011 compared to earnings of $416 in the fourth quarter of 2010; before certain accounting adjustments. These adjustments included net changes in the future tax asset of $708 in 2011 and in 2010 included the goodwill impairment charge of $2,941 and the net changes in the future tax asset of $438.

CASH FLOW

Operating Activities

Cash provided by operating activities during the fourth quarter of 2011 amounted to $3,128 compared to $1,768 for the same period last year. The change from 2010 was primarily driven by the improvement in earnings and working capital compared to the fourth quarter of 2010.

Investing Activities

Investing activities during the fourth quarter of 2011 resulted in the use of cash of $256 compared to $270 for the same period in 2010 for the addition of capital assets.

Financing Activities

Cash used by financing activities during the fourth quarter of 2011 amounted to $1,059 which included long-term debt repayments of $216 and a reduction of the operating line of $843. In the same period of 2010, cash used by financing activities was $1,182 which included a decrease of $771 in the operating line and long-term debt repayments of $411.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with Canadian GAAP 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. Due to the inherent uncertainty involved in making such estimates and the current economic environment, actual results reported in the near term could differ from those estimates. Estimates and assumptions have been made in connection with the provisions for accounts receivable, inventory obsolescence, completion costs for engineering projects, percentage of completion revenue, warranty, stock based compensation and amortization based on useful life of capital assets and valuation of investment tax credits, future income tax assets, intangibles 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 collectability of accounts. Actual 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 or longer or shorter than expected usage periods which could affect the valuation of inventory. An inventory obsolescence allowance is made based on current and historical experience and information.

Estimated Useful Lives of Capital Assets

The estimated useful life of capital assets is based on the Corporation's historical experience and industry standards.

Warranty Accrual Estimate

The Corporation provides its customers with a limited right of return for defective 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 Assets

Future income tax assets are reviewed 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 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.

Goodwill

The Corporation uses an estimate of the future discounted net cash flows in measuring whether 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.

Intangible Assets

The Corporation uses an estimate of the future undiscounted net cash flows in measuring whether the Canadian and FTG Aerospace Tianjin Inc. intangible assets are recoverable. If the forecasts and assumptions used to support the realizability of the intangible assets change in the future, impairment charges could result in adverse affect on the earnings of the Corporation.

FUTURE ACCOUNTING CHANGES

International Financial Reporting Standards – ("IFRS")

On February 13, 2008, the Accounting Standards Board announced that Canadian publicly accountable enterprises will be required to prepare financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board effective for fiscal years beginning on or after January 1, 2011 and therefore will commence in the first quarter of the Corporation's 2012 fiscal year, including comparatives.

The Corporation commenced its IFRS conversion project. The project consists of four phases:

- diagnostic;
- design and planning;
- solution development; and
- implementation.

FUTURE ACCOUNTING CHANGES (continued)

The following is a summary of the status of the changeover plan:

Activity	Milestones	Status
Financial Reporting:		
• Assessment of accounting and reporting differences • Selection of IFRS accounting policies and IFRS 1 elections • Development of IFRS financial statement format, including disclosures • Quantification of estimated effects of conversion • Preparation of IFRS opening balance sheet	• Complete the identification of key differences between GAAP and IFRS during fiscal 2011 • Senior management and Audit Committee sign-off for policy recommendations and IFRS 1 elections during fiscal 2011 • Hire external consultant to assist with phases two through four in fiscal 2011 • Quantify impact of conversion during fiscal 2011 • Senior management and Audit Committee sign-off on financial statement format during Q1 2012	• Assessment of areas with potential impact has been completed • Management is in the process of approving accounting policies and IFRS 1 elections • Management has hired an external consultant to assist with quantification of adjustments and financial statement presentation and disclosure • Training for employees, including senior management and Audit Committee, on expected impacts is completed
Systems and processes:		
• Assessment of impact of changes on systems and processes • Implementation of any system and process design changes including training appropriate personnel. • Assessment of required changes to internal controls over financial reporting due to changes in accounting policies under IFRS and with respect to one-time changeover adjustments. • Revise internal controls to address the requirement for dual record keeping in 2011. • For any changes required to internal controls, assessment of the impact on disclosure controls and procedures design and effectiveness	• Systems, process and internal control changes implemented as required and training to be completed during fiscal 2012 • If any changes are required, testing of internal controls for fiscal 2011 comparatives completed by Q1 2012 • Complete an assessment of required changes to internal controls in fiscal 2012 • Design and implement control and process changes in fiscal 2012 • Consider impact of changes on certification of internal control processes by CEO and CFO by Q1 2012	• Management is in the process of assessing the impact, if any, on their systems and processes • Training for employees on expected impacts is completed • Consideration of changes to internal controls and disclosure controls and procedures commenced in 2011 and will continue in 2012.

Business:

- Assessment of impacts on all areas of the business, including bank covenants and compensation plans and implement changes as necessary.
- Communicate conversion plan and progress internally and externally.
- Identification of impact of conversion to IFRS on the 2012 budgeting process.

- Contracts updated/renegotiated if necessary during Q1 and Q2 2012
- Communication at all levels throughout the conversion process by Q1 2012
- Budget updated where necessary by Q2 2012

- Management is in the process of assessing the impact on the business and if there is any impact on contractual arrangements.
- Communication is ongoing to the bank and with the compensation committee.
- Budgeting process will be reviewed in Q1 2012
- Training for employees on expected impacts is completed.

The Corporation has identified the areas that likely may be affected by IFRS implementation but has not yet determined the full accounting quantification effects, in these areas, when adopting IFRS.

A summary of IFRS standards expected to result in differences to the Corporation's financial reporting are discussed below. This summary is intended to primarily highlight those areas management currently believes to be most significant. This summary is not intended to be an exhaustive list of all actual or potential differences between IFRS and Canadian GAAP that will result from transition to IFRS.

First-time Adoption of IFRS

IFRS 1, First-time adoption of IFRS ("IFRS 1") generally requires that all IFRS are applied retrospectively and that adjustments arising from the application of IFRS are to be recognized in retained earnings as of the transition date being the first day of the comparative balance sheet. However, there are a number of mandatory and optional exemptions from the retrospective application requirement. The following are some of the significant optional IFRS 1 exemptions the Corporation expects to apply in its first IFRS financial statements.

Business Combinations

A first time adopter may elect not to retrospectively restate any business combinations prior to the date of transition (ie. prospective application of IFRS 3). The Corporation has taken advantage of this election and will apply IFRS 3, Business combinations ("IFRS 3") to business combinations that occurred on or after December 1, 2010.

Cumulative Translation Differences

A first time adopter is permitted to reset the cumulative translation differences to zero by recognizing the full amount in the retained earnings of the opening balance sheet. This exemption allows entities to avoid the adjustments to the balance which would be required as a result of the IFRS transition adjustments of foreign operations. The Corporation has chosen to apply this election. If, subsequent to adoption, a foreign operation is disposed of, the translation differences that arose before the date of transition will not affect the gain or loss on disposal.

Share-based Payments

A first-time adopter is encouraged, but not required to retrospectively apply IFRS 2, Share-based payment ("IFRS 2") to equity instruments (equity settled transactions) granted on or before November 7, 2002. Similarly, a first time adopter is encouraged, but not required to apply IFRS 2 to equity instruments that were granted after November 7, 2002 and that vested before the date of transition to IFRS. The Corporation has chosen to apply this election enabling it not to retrospectively apply IFRS 2 to share-based payment transactions prior to the transition date.

EXPECTED AREAS OF SIGNIFICANCE

The key areas where we expect accounting policies may differ, either due to policy choice or differences between Canadian GAAP and IFRS, which may impact the Corporation's consolidated financial statements, are discussed below.

Income Taxes

Recognition and measurement criteria for deferred tax assets and liabilities may differ under IFRS. The Corporation will assess if these changes have an impact on their financial statements. Additionally, all deferred tax balances are now classified outside of current assets and liabilities.

Provisions

IFRS uses a different threshold to recognize contingent liabilities which could impact the timing for recognition of provisions. The Corporation will assess if these changes have an impact on their financial statements.

Share-based Payments

IFRS requires that each tranche of an award with different vesting dates be considered a separate grant for the calculation of fair value, and the resulting fair value is amortized over the vesting period of the respective tranches; forfeiture estimates are recognized in the period that they are estimated and are revised for actual forfeitures in subsequent periods. The Corporation will apply a graded vesting and include a forfeiture estimate when calculating share-based payment expense.

Plant and Equipment

IFRS requires componentization, where an item of plant and equipment has a significant component with a different expected useful life from the main item, IFRS requires that component to be depreciated separately based on the components own useful life. Canadian GAAP is similar in this respect; however it has often not been applied to the same extent due to practicality and/or materiality. The Corporation will identify if there are components of plant and equipment where the useful life of the component differs from the rest of the plant and equipment.

Impairment of Long-Lived Assets and Goodwill

Canadian GAAP uses a two-step approach to impairment testing first comparing asset carrying values with undiscounted future cash flows to determine whether impairment exists and then measuring any impairment by comparing asset carrying values with fair values. IFRS uses a one-step approach for both testing and measurement of impairment, with asset carrying values compared directly with the higher of fair value less costs to sell and value in use which uses discounted future cash flows. Impairment testing is to occur at the level of the cash generating unit ("CGU") which is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The Corporation will determine what their CGU's are and test the impairment of goodwill at the level of the CGU at the transition date and on an annual basis thereafter provided there are no events or circumstances identified which would cause an impairment test to be performed earlier.

Foreign Exchange

Under Canadian GAAP, the method of translation of the foreign operation was dependent on the classification of the foreign operation as an integrated or self-sustaining foreign operation. IFRS does not classify the foreign operation into integrated or self-sustaining operations. The Corporation is identifying whether there will be a change to the functional currency of the Corporation and its foreign subsidiaries.

Borrowing Costs

Under Canadian GAAP, interest was expensed as incurred. IFRS requires the capitalization of borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The Corporation is evaluating the use of the loan proceeds to determine if capitalization will be required.

ETHICAL BUSINESS CONDUCT

The Board has adopted a written code of conduct for Directors, Officers and employees (the "Policy of Business Conduct") and a "Whistle Blowing Policy", which are each available on www.sedar.com. The Board monitors compliance with the Policy of Business Conduct through an annual review and sign off procedure from all of its Directors, Officers and employees.

CONTROLS AND PROCEDURES

The Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") are responsible for establishing and maintaining disclosure controls and procedures and internal controls over financial reporting for the Corporation.

Disclosure Controls and Procedures

An evaluation of the design of and operating effectiveness of the Corporation's disclosure controls and procedures was conducted as of November 30, 2011 under the supervision of the CEO and CFO as required by National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings ("National Instrument 52-109"). The evaluation included review of documentation, enquiries and other procedures considered appropriate in the circumstances. Based on that evaluation, the CEO and the CFO have concluded that, other than as discussed below under "Internal Control Over Financial Reporting", the Corporation's disclosure controls and procedures are effective to provide reasonable assurance that information relating to the Corporation and its consolidated subsidiaries that is required to be disclosed in reports filed under provincial and territorial securities legislation is recorded, processed, summarized and reported to senior management, including the CEO and the CFO, so that appropriate decisions can be made by them regarding required disclosure within the time periods specified in the provincial and territorial securities legislation.

Internal Control Over Financial Reporting

National Instrument 52-109 requires the CEO and CFO to certify that they are responsible for establishing and maintaining internal control over financial reporting for the Corporation, that those internal controls have been designed and are effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with Canadian GAAP. The CEO and CFO are also responsible for disclosing any changes to the Corporation's internal controls during the most recent period that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

Management, including the CEO and CFO, does not expect that the Corporation's disclosure controls or internal controls over financial reporting will prevent or detect all errors and all fraud or will be effective under all potential future conditions. A control system is subject to inherent limitations and, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control systems objectives will be met.

The CEO and CFO have, using the framework and criteria established in "Internal Control – Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission, evaluated the design and operating effectiveness of the Corporation's internal controls over financial reporting as of November 30, 2011. Except as disclosed below and subject to the inherent limitations described above, internal controls over financial reporting were effective to provide reasonable assurance that information related to consolidated results and decisions to be made based on those results were appropriate.

Material Weakness Relating to Operation of Internal Control over Financial Reporting

During the assessment of the operational effectiveness of the Corporation's internal control over financial reporting as of November 30, 2010, it was noted that the Corporation's financial reporting resources do not have sufficient technical accounting expertise to deal with unusual, complex and non-routine transactions. As such, when such matters arise, the timing and quality of information reported in the Corporation's annual and quarterly financial statements may not be appropriate. This weakness has the potential to result in material misstatements in the Corporation's financial statements. During 2011, management attempted to remediate this weakness by recruiting a senior technical resource with sufficient technical accounting expertise to effectively deal with unusual, complex and non-recurring transactions, however, they were unable to secure a suitable candidate. As a result, the weakness relating to the operation of internal control over financial reporting continued to exist throughout 2011, however, management will continue their recruiting process in 2012 and is confident they will alleviate this weakness.

OUTLOOK

The aerospace and defence market has a number of important segments, each of which can follow their own cycles.

New order demand at the large air transport suppliers, Boeing and Airbus, has increased steadily since 2010. This, combined with the new aircraft coming on line such as the Boeing 787 and the Airbus A350, as well as the updates and re-engineering of the Boeing 737 and Airbus A320 bodes well for this market in the coming years. There are also new entrants into this market for single aisle aircraft which could impact Boeing and Airbus but at the same time creating new supply opportunities for lower tier suppliers. These new entrants include Bombardier's C-Series and China's C-919 aircraft.

The general aviation and business jet industry segment was hardest hit during the last downturn with dramatic drops in production rates. This downturn impacted FTG's Canadian facilities the most as they have a higher percentage of business in the civil aviation market, particularly in the business and regional jet segments. Production rates began to recover in 2011. Looking forward, it is expected that this market segment will continue its gradual growth.

The market for aircraft also varies around the world with the Far East being the region with the best prospects for aircraft sales. This is driving a demand for higher content from the Far East for aircraft sold there and this push is being seen through the whole supply chain. This has implications for FTG as the push for Far East content intensifies. This will come from airframe manufacturers in the west as well as new entrants from China and other Asian countries for programs such as the C919 single aisle aircraft.

The defence market has remained relatively stable in the U.S. over the past few years. The high level of military activities around the globe has been offset by the increasing focus on reducing government deficits. Looking forward, the emphasis is moving towards deficit reduction and defence spending in the west is likely to drop. In Canada, defence spending remains solid with a number of significant equipment acquisition programs announced or underway. Canadian spending creates opportunities both directly and via procurement offset agreements with the equipment suppliers.

For each market segment, there are positive and negative factors that could drive FTG's results going forward. These include overall demand, outsourcing to Asia, FTG's capabilities, FTG's performance and increased competition to name a few. Overall, our strategy is to leverage the positive factors while minimizing the negative ones.

There are other economic factors, outside the aerospace and defence market, that can also impact the outlook for FTG. The ongoing debt crisis in Europe could, if it impacts worldwide lending, negatively impact the commercial aerospace business. The relative strength of the Canadian dollar could also be a factor as almost 75% of FTG's operations are located in Canada but we compete primarily in US dollars. Further strengthening of the Canadian dollar would hurt FTG's competitiveness.

The Corporation continues to focus on technologies necessary for the new programs and platforms. The Corporation does have content on most key new civil aviation programs such as the Boeing 787, the Airbus A350 and the Canadair C-Series.

The Corporation has a very wide product and technology offering in printed circuit boards. This enables the pursuit of more opportunities which is aligned with customer's goals of reducing their supply base and focusing spending on fewer suppliers. In display products, FTG Aerospace has expanded into higher level assemblies, and this is opening up new opportunities as well.

To address the demand for higher Far East content, FTG has established a wholly owned operation in China for cockpit products. The Corporation is also developing relationships with possible partners for printed circuit board products in China.

Finally, FTG will continue to drive towards ***Operational Excellence*** in all operations. Most customers are actively measuring supplier performance and reward good results with increased opportunities. FTG is focused on exceeding customer expectations and competing on performance and technology rather than price.

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 three members, who are outside directors. This committee reviews the financial statements with management prior to submission to the Board for approval.

The Corporation's external auditors, Ernst & Young 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
February 6, 2012

Joseph R. Ricci
Vice President, Chief Financial Officer and Secretary
February 6, 2012

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF FIRAN TECHNOLOGY GROUP CORPORATION

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Firan Technology Group Corporation which comprise the consolidated balance sheet as at November 30, 2011 and the consolidated statement of earnings, statement of deficit and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Firan Technology Group Corporation as at November 30, 2011 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Other

The consolidated financial statements of Firan Technology Group Corporation for the year ended November 30, 2010 were audited by another auditor who expressed an unmodified opinion on those statements on February 23, 2011.

Ernst & Young LLP

Chartered Accountants
Licensed Public Accountants
Toronto, Ontario
February 3, 2012

CONSOLIDATED BALANCE SHEETS

As at November 30, 2011 and 2010 (in thousands of dollars)	**2011**	2010
ASSETS		
CURRENT		
Cash	**$ 1,944**	$ 305
Accounts receivable	**9,592**	9,332
Taxes receivable	**378**	448
Inventories *(Note 3)*	**7,973**	8,726
Prepaid expenses	**349**	669
Future income taxes *(Note 14)*	**458**	667
	20,694	20,147
PLANT AND EQUIPMENT *(Note 4)*	**4,474**	4,024
GOODWILL *(Note 5)*	**1,039**	1,039
FUTURE INCOME TAXES *(Note 14)*	**917**	—
INTANGIBLE ASSETS *(Note 6)*	**293**	336
	$ 27,417	$ 25,546
LIABILITIES		
CURRENT		
Bank indebtedness *(Note 10)*	**$ —**	$ 109
Accounts payable and accrued liabilities	**8,608**	7,964
Unearned revenue *(Note 7)*	**714**	152
Current portion of long-term bank debt *(Note 8)*	**1,458**	3,059
	10,780	11,284
LONG-TERM LIABILITIES		
Subordinated loan *(Note 9)*	**2,444**	1,746
Government assistance *(Note 9)*	**1,065**	914
	14,289	13,944
SHAREHOLDERS' EQUITY		
Accumulated deficit	**$ (9,213)**	$ (10,691)
Accumulated other comprehensive loss	**(789)**	(801)
	(10,002)	(11,492)
Share capital		
Common shares *(Note 11(b))*	**12,681**	12,681
Preferred shares *(Note 11(c))*	**2,218**	2,218
Contributed surplus *(Note 11(f))*	**8,231**	8,195
	13,128	11,602
	$ 27,417	$ 25,546

See accompanying notes.

Approved by the Board

Director

Director

CONSOLIDATED STATEMENTS OF EARNINGS

Years ended November 30, 2011 and 2010 (in thousands of dollars except per share amounts)	**2011**	2010
SALES	**$ 53,730**	$ 49,260
COST OF SALES	**39,620**	35,723
	14,110	13,537
EXPENSES		
Selling, general and administrative	**8,224**	7,467
Research and development costs *(Note 12)*	**2,915**	3,359
Recovery of research and development costs *(Note 12)*	**(348)**	(409)
Amortization of plant and equipment	**1,895**	2,182
Amortization of intangible assets	**48**	48
Goodwill impairment *(Note 5)*	**—**	2,941
Loss on disposal of plant and equipment	**25**	148
Interest expense on short-term debt	**168**	106
Interest expense on long-term debt	**229**	345
Severance *(Note 13)*	**43**	386
Foreign exchange loss *(Note 16(b)(ii))*	**139**	309
	13,338	16,882
EARNINGS (LOSS) BEFORE INCOME TAXES	**772**	(3,345)
CURRENT INCOME TAX EXPENSE *(Note 14)*	**2**	2
FUTURE INCOME TAX (RECOVERY) *(Note 14)*	**(708)**	(438)
NET EARNINGS (LOSS)	**$ 1,478**	$ (2,909)
NET EARNINGS (LOSS) PER SHARE		
Basic *(Note 11(g))*	**$ 0.08**	$ (0.16)
Diluted *(Note 11(g))*	**$ 0.08**	$ (0.16)

See accompanying notes.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY AND ACCUMULATED OTHER COMPREHENSIVE LOSS

Years Ended November 30, 2011 and 2010 (in thousands of dollars)

	Common Shares	**Preferred Shares**	**Contributed Surplus**	**Deficit**	**Accumulated Other Comprehensive Loss**	**Total Shareholders' Equity**
Balance, November 30, 2010	**$ 12,681**	**$ 2,218**	**$ 8,195**	**$(10,691)**	**$ (801)**	**$ 11,602**
Net profit				**1,478**		**1,478**
Other comprehensive loss:						
Foreign currency translation						
adjustments *(Note 19)*					**12**	**12**
Comprehensive income	**—**	**—**	**—**	**1,478**	**12**	**1,490**
Stock based compensation *(Note 11(h))*			**36**			**36**
Balance, November 30, 2011	**$ 12,681**	**$ 2,218**	**$ 8,231**	**$ (9,213)**	**$ (789)**	**$ 13,128**

	Common Shares	Preferred Shares	Contributed Surplus	Deficit	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
Balance, November 30, 2009	$ 12,681	$ 2,218	$ 8,149	$ (7,782)	$ (351)	$ 14,915
Net loss				(2,909)		(2,909)
Other comprehensive loss:						
Foreign currency translation						
adjustments *(Note 19)*					(450)	(450)
Comprehensive loss	—	—	—	(2,909)	(450)	(3,359)
Stock based compensation *(Note 11(h))*			46			46
Balance, November 30, 2010	$ 12,681	$ 2,218	$ 8,195	$(10,691)	$ (801)	$ 11,602

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended November 30, 2011 and 2010 (in thousands of dollars)	**2011**	2010
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Net earnings (loss)	**$ 1,478**	$ (2,909)
Items not affecting cash:		
Stock based compensation expense *(Note 11(h))*	**36**	46
Loss from disposal of plant and equipment	**25**	148
Effect of exchange rates on U.S.- dollar Canadian debt	**(47)**	68
Amortization of plant and equipment	**1,895**	2,182
Amortization of intangible assets	**48**	48
Recovery of future income taxes	**(708)**	(438)
Goodwill impairment *(Note 5)*	**—**	2,941
AMIS interest accretion *(Note 9(a))*	**150**	48
Amortization of government assistance *(Note 9(a))*	**(261)**	(48)
Changes in non-cash operating working capital *(Note 15)*	**1,808**	513
	4,424	2,599
INVESTING		
Proceeds from sales of plant and equipment	**56**	32
Changes in deposit placed for plant and equipment	**194**	(194)
Additions to plant and equipment	**(2,433)**	(325)
Additions to intangible assets	**(5)**	—
	(2,188)	(487)
FINANCING		
Decrease in bank indebtedness, net	**(137)**	(37)
Proceeds from subordinated loan	**960**	2,660
Repayments of long-term debt	**(1,532)**	(4,127)
	(709)	(1,504)
Effects of foreign exchange rate changes on cash flow	**112**	(303)
NET CASH FLOW	**1,639**	305
CASH, BEGINNING OF PERIOD	**305**	—
CASH, END OF PERIOD	**$ 1,944**	$ 305
DISCLOSURE OF CASH PAYMENTS (RECEIPTS)		
Payments for interest	**$ 247**	$ 403
Payments for income taxes	**$ 2**	$ 6
Refund of income taxes	**$ —**	$ (182)

See accompanying notes.

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 thousands of 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. The Corporation has two wholly owned subsidiaries: Firan Technology Group (USA) Corporation, which in turn owns 100% of the voting securities of FTG Circuits Inc., and Firan Technology Group (Barbados) 1 Corporation, which in turn owns 100% of the voting securities of Firan Technology Group (Barbados) 2 Corporation and FTG Aerospace Tianjin Inc.

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

Inventories

Inventories, including spare parts, 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 fixed and variable overheads are included in the determination of work-in-process and finished goods amounts. Net realizable value represents the estimated selling price for inventories less estimated costs of completion and the costs necessary to make the sale.

Plant and Equipment

Plant and equipment are recorded at cost, net of related government grants and investment tax credits, where applicable. 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	6 months to 10 years - term of the lease plus term of first renewal option

Impairment of Long-Lived Assets

Long-lived assets, which comprise of plant and equipment and intangible assets with finite lives, 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

Acquired goodwill is accounted for in accordance with Canadian Institute of Chartered Accountants' ("CICA") Handbook Section 3064 - Goodwill and Intangible Assets, 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 tested annually for impairment based on a comparison of the reporting unit's carrying value to its fair value. When the carrying amount of the reporting unit exceeds its fair value, the fair value of the reporting unit's goodwill is compared with its carrying amount to measure the amount of impairment loss, if any. Any impairment is recorded in the Consolidated Statement of Earnings.

Intangible Assets

Intangible assets include strategic customer relationships acquired in business combinations. The amount is amortized on a straight-line basis over 10 years. These assets are tested for recoverability in accordance with impairment of long-lived assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition

The Corporation derives its revenue from the sale of manufactured printed circuit boards, illuminated cockpit display panels and keyboards; and research and development related engineering services to customers.

For manufacturing, the Corporation uses customer supplied engineering, specifications and design plans; whereas for engineering services, the Corporation develops engineering and design plans to customers' specifications. The 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 when a customer purchase order is received
- the sales terms are fixed and determinable
- title and risk of loss have transferred upon shipment
- collection is reasonably assured

In the Aerospace segment, revenue for engineering services associated with the design and development of electronic equipment which is deliverable over a longer period of time is recognized on the percentage-of-completion accounting method. Under this method, revenue is recognized based on the extent of progress towards completion of the contract which is generally less than one year. The Corporation uses the cost-to-cost measure of progress based on the ratio of costs incurred-to-date to the estimated costs at completion of the contract. Revenues, including estimated earned profit, are recorded as costs are incurred. When estimates of total costs to be incurred on a contract exceed total estimates of revenue to be earned, a provision for the entire loss on the contract is recorded in the period the loss is determined. Advances received from customers in excess of estimated costs are recognized as unearned revenue.

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 at its facilities. The normal warranty period is one year from the date of shipment and the Corporation accrues warranty provisions 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 exchange 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 the consolidated statement of earnings.

Foreign subsidiaries are considered as 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 monthly exchange rates. 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 financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Due to the inherent uncertainty involved in making such estimates, actual results reported in future periods could differ from those estimates. Estimates include, but are not limited to, provisions for accounts receivable, inventory obsolescence, completion costs for engineering projects, percentage of completion revenue, warranty accruals, stock based compensation, useful lives of plant and equipment in determining amortization and valuation of investment tax credits, future income tax assets, intangibles 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 losses carried forward and differences between the financial 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 the 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, and this 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 3064 and are then deferred to future periods. No development costs were capitalized in 2011 or 2010.

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.

Government Assistance

Government assistance is recorded as either a reduction of the cost of the applicable assets or credited in the statement of operations as determined by the terms and conditions of the agreement under which the assistance is provided to the Corporation. Claims for tax credits are accrued upon the Corporation attaining reasonable assurance of collection from the Canadian tax authorities.

Derivative Financial Instruments

The Corporation shall elect to apply, as deemed appropriate, hedge accounting for certain forward foreign exchange contracts, used to manage foreign currency exposure on anticipated sales, and shall designate these as cash flow hedges. Changes in the fair value of these derivatives are recorded as prepaid assets when they are in an asset position or in accounts payable and accrued liabilities when in a liability position. Gains or losses arising from hedging items are reported in the same caption on the Consolidated Statements of Earnings as those of the hedged items.

The effective portions of the change in fair value of the derivative are initially recorded in other comprehensive income and are reclassified to the Consolidated Statements of Earnings when the hedged items are realized. Hedge accounting is discontinued prospectively when it is determined that the derivative is not effective as a hedge or the derivative is terminated or sold, or upon sale or early termination of the hedged item.

Other foreign exchange contracts not included in the hedge accounting are 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 the Consolidated Statements of Earnings as part of the foreign exchange gain or loss.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

contributed surplus and the proceeds received by the Corporation are credited to share capital. The Corporation does not incorporate an estimated forfeiture rate for stock options that will not vest, but accounts for forfeitures as they occur.

Financial Instruments

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
Accounts payable and accrued liabilities	Other liabilities	Amortized cost
Bank indebtedness and long-term debt	Other liabilities	Amortized cost
Subordinated loan and government assistance	Other liabilities	Amortized cost

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 Corporation does not currently have any embedded derivatives in these contracts other than foreign exchange contracts detailed under derivative financial instruments above 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.

Material 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.

2. FUTURE ACCOUNTING CHANGES

International Financial Reporting Standards – IFRS

On February 13, 2008, the Accounting Standards Board announced that publicly accountable entities will be required to prepare financial statements in accordance with International Financial Reporting Standards ("IFRS") for interim and annual financial statements for fiscal years beginning on or after January 1, 2011. The Corporation's adoption date shall be December 1, 2011.

As a result of the adoption of IFRS, future accounting changes relating to GAAP are not applicable in these consolidated financial statements as they will never be applied by the Corporation.

3. INVENTORIES

	2011	2010
Raw materials and spare parts	**$ 2,602**	$ 2,438
Work-in-process and finished goods	**5,371**	6,288
	$ 7,973	$ 8,726

The cost of inventories recognized as an expense during the year was $39,620 (2010 - $35,723). This amount included $895 (2010 - $1,024) as cost of inventories written down due to obsolescence. At year end, total inventory value of $7,973 (2010 - $8,726) was pledged as security for the bank facilities.

4. PLANT AND EQUIPMENT

	2011		
	Cost	Accumulated Amortization	Net Book Value
Machinery and equipment	**$ 37,777**	**$ 33,938**	**$ 3,839**
Furniture and fixtures	**1,155**	**1,152**	**3**
Leasehold improvements	**5,184**	**4,552**	**632**
	$ 44,116	**$ 39,642**	**$ 4,474**

	2010		
	Cost	Accumulated Amortization	Net Book Value
Machinery and equipment	$ 35,385	$ 32,460	$ 2,925
Furniture and fixtures	1,157	1,130	27
Leasehold improvements	5,148	4,076	1,072
	$ 41,690	$ 37,666	$ 4,024

Included in leasehold improvements and machinery and equipment are $146 (net of government grant of approximately $97) (2010 - $nil) and $13 (2010 - $nil), respectively, of assets under construction which are not yet available for use in our FTG Aerospace Tianjin Inc. facility. Accordingly, these assets are not being amortized.

5. GOODWILL

Goodwill represents the excess of the purchase price of an acquired business over the fair value of the identifiable assets acquired and liabilities assumed. The Corporation tests for impairment on an annual basis as of November 30 and at any other time if events occur or circumstances change that would indicate that it is more likely than not that the fair value of a reporting unit has been reduced below its carrying value.

The Corporation uses the discounted cash flow model approach to determine the fair value of its reporting units. As part of the November 30, 2011 goodwill impairment test, the Corporation updated the forecasted cash flows for the Circuits - Toronto facility. This update considered management's view of economic conditions and trends, historical data and experience, estimated future operating results, working capital requirements, future tax rates and discount rates.

The result of the test for the Circuits - Toronto facility indicated that the estimated fair value exceeded its carrying value and therefore the Circuits - Toronto facility goodwill of $1,039 was not impaired.

In 2010, the impairment test carried out for the Circuits - Chatsworth facility indicated an impairment. As a result, the Corporation recorded a goodwill impairment charge of $2,941 in that year. Factors impacting the operation of the Circuits - Chatsworth facility included technical and operational changes, historical profitability, and a slower recovery from the economic downturn.

6. INTANGIBLE ASSETS

Intangible assets relate to the strategic customer relationships acquired and the cost of registering trade mark. These are being amortized over their estimated useful lives of 10 years using the straight-line method.

	2011	2010
Intangible assets at cost	**$ 484**	$ 479
Less: cumulative amortization	**191**	143
	$ 293	$ 336

7. UNEARNED REVENUE

This represents deposits received by the Corporation from a customer for orders not delivered as at year-end date. In the preceding year, the balance represented the excess of advances received that exceeded total costs incurred to date on contracts accounted for using the percentage of completion method of revenue recognition.

8. LONG-TERM BANK DEBT

Long-term debt consists of:

	2011	2010
5 year U.S. $6,000 term loan (of which U.S. $3,000 relates to the U.S. 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 is secured by a first charge over all of the property and assets of the Corporation and matures on March 31, 2012. Principal on November 30, 2011 U.S. $1,429 (2010 - U.S. $2,286).	**$ 1,458**	$ 2,347
3.5 year U.S. $3,617 capital expenditure facility, repayable in equal monthly payments of U.S. $62 plus interest at 30-day LIBOR rate plus a margin and was fully repaid in February 2011. Principal on November 30, 2011 U.S. $nil (2010 - U.S. $694).	**–**	712
	1,458	3,059
Less amounts due within one year	**1,458**	3,059
	$ –	$ –

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

2012	**$ 1,458**

The Company is subject to covenants as disclosed in Note 17.

9. SUBORDINATED "AMIS" LOAN AND GOVERNMENT ASSISTANCE

(a) "AMIS" Loan

Corporation has entered into a non-revolving term loan agreement with the Government of Ontario, Ministry of Economic Development and Trade ("Ontario") under the Advanced Manufacturing Investment Strategy ("AMIS") program. This agreement offers a term loan of up to $5,110 to assist the Corporation to undertake a range of projects that focus on upgrading its products, processes, waste reduction, energy conservation and job creation at its Toronto facility. These projects call for an agreed expenditure of up to $17,029 by the Corporation by November 2013.

In the event that the actual expenditure is less than the agreed commitment as at the project completion date, the Corporation shall repay that part of loan advanced based on the percentage of actual shortfall over the agreed commitment.

Interest on the outstanding loan principal amount shall accrue at the rate of 4.22% per annum starting on the first day following the five year interest-free period which ends August 31, 2015. To reflect the benefit of the interest free period, the loan has been discounted to its estimated fair value upon initial receipt of proceeds, using a discount rate of 9.22% (2010 – 7.5%), with the discount shown as government assistance. The discount is being amortized over the interest-free portion of the term of the loan using the effective interest method, with the amount credited to the cost of sales.

Subordinated loan	2011	2010
Opening balance	**$ 1,746**	$ —
Government assistance loans received	**960**	2,660
Less: interest-free discount accrued on proceeds received	**(412)**	(962)
Accretion of interest	**150**	48
Subordinated loan, ending balance	**$ 2,444**	$ 1,746

Government assistance	2011	2010
Opening balance	**$ 914**	$ —
Interest-free discount accrued on proceeds received	**412**	962
Deemed government assistance netted against cost of sales	**(261)**	(48)
Government assistance, ending balance	**$ 1,065**	$ 914

The loan repayment shall commence on August 20, 2016 in five equal annual installments plus accrued interest; each installment shall be based on the total loan extended during the incentive period which ends on August 31, 2015.

Provided there is no event of default under this agreement, accrued interests due and payable within the incentive period could be fully or partially forgiven depending on the Corporation achieving the cumulative job creation target.

The loan is secured and is subordinated to the security provided to the Corporation's commercial bank.

The Corporation has a financial covenant to maintain the sum of 75% of accounts receivable, 50% of inventory and 50% of plant and equipment, at any time before the full repayment of the loan, to be no less than the outstanding portion of the loan. As at November 30, 2011, the Corporation was in compliance with this covenant.

(b) Lease assistance from the Government of China

A subsidiary of the Corporation in China has received assistance from the Government of China in the form of an operating lease rebate for a period of 2 years, expiring on February 10, 2013. Total lease rebates received for the year was estimated to be $108 (2010 - $nil); and was credited to selling, general and administrative expenses. The Government has also provided a grant of RMB600,000 ($97) against leasehold improvement expenditures and this has been set off against the cost of the related plant and equipment.

10. BANK INDEBTEDNESS

The Corporation has a 3-year revolving credit facility of U.S. $6,000, maturing on March 31, 2012. The facility is made available by way of Prime Rate Loans, USBR Loans, BA Rate Loans or LIBOR Loans plus an applicable margin. Applicable margins for all loans are plus 300 basis points except USBR Loans and LIBOR Loans which are plus 200 and 450 basis points, respectively.

The Corporation did not utilize the facility as at year-end 2011 (2010 – US $712 or Cdn. $731). The revolving credit facility is secured by a first charge on all of the property and assets of the Corporation.

The Corporation was in compliance with all of its loan covenants (Note 17) as at November 30, 2011. Management believes the Corporation has sufficient liquidity and capital resources to meet its obligations for the foreseeable future.

11. 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. Each common share and preferred share carries the right to one vote.

11. SHARE CAPITAL (continued)

(b) Common Shares

	2011		2010	
	Number of Shares	**Stated Capital**	Number of Shares	Stated Capital
Balance, beginning and end of year	**17,803,201**	**$12,681**	17,803,201	$12,681

(c) Preferred Shares

The Corporation has 1,775,000 voting convertible Series 1 Preferred Shares outstanding. These Series 1 Preferred Shares are convertible into Common Shares on a one-for-one basis at the option of the preferred shareholder. Holders of Series 1 Preferred Shares are entitled to a preference over holders of Common Shares in respect of any distribution of assets in connection with the liquidation, dissolution or winding up of the Corporation.

Holders of Series 1 Preferred Shares shall be entitled to receive an amount equal to $2.50 per Series 1 Preferred Share before any amount is paid or any assets of the Corporation are distributed to the holders of Common Shares.

The Corporation has the option of converting the Series 1 Preferred Shares into Common Shares on a one-for-one basis on the condition that certain sales and EBITDA (earnings before interest, taxes, depreciation and amortization) thresholds have been met. As of November 30, 2011, the Corporation had not satisfied the thresholds.

(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 1,780,320. Options are granted at the current market price and have a term of six years

	2011	**Weighted-Average Exercise Price**	2010	Weighted-Average Exercise Price
Outstanding, beginning of year	**1,003,000**	**$ 0.98**	1,580,500	$ 1.18
Grant of options	**583,000**	**0.34**	20,000	0.32
Expiration of options	**(57,000)**	**1.94**	(367,500)	1.82
Forefeiture of options	**(5,000)**	**1.33**	(230,000)	0.92
Outstanding, end of year	**1,524,000**	**$ 0.70**	1,003,000	$ 0.98

(e) Outstanding Share Options

November 30, 2011				
Description	**Number of Shares**	**Exercise Price**	**Vesting**	**Expiry Date**
Stock option plan	10,000	$1.73	Vested	2013
Stock option plan	360,000	$1.30 - $1.35	Vested	2012 - 2013
Stock option plan	241,000	$1.00	Vested	2014
Stock option plan	310,000	$0.42	2/3 vested, 1/3 2012	2015
Stock option plan	20,000	$0.32	1/3 vested, 2/3 2012 to 2013	2016
Stock option plan	583,000	$0.34	2012 - 2014	2017
Balance, end of year	1,524,000			

November 30, 2010				
Description	Number of Shares	Exercise Price	Vesting	Expiry Date
Stock option plan	27,000	$2.41 - $2.80	Vested	2010
Stock option plan	10,000	$1.73	Vested	2013
Stock option plan	395,000	$1.30 - $1.69	Vested	2011 - 2013
Stock option plan	241,000	$1.00	2/3 vested, 1/3 2011	2014
Stock option plan	310,000	$0.42	1/3 vested, 2/3 2011 to 2012	2015
Stock option plan	20,000	$0.32	2011 - 2013	2016
Balance, end of year	1,003,000			

November 30, 2011				
Exercise Prices	**Number Outstanding at November 30, 2011**	**Weighted-Average Remaining Contractual Life**	**Weighted-Average Exercise Price**	**Number Exercisable at November 30, 2011**
$1.73	10,000	1.7 Years	$1.73	10,000
$1.30 - $1.35	360,000	0.5 Years	$1.34	360,000
$1.00	241,000	2.3 Years	$1.00	241,000
$0.42	310,000	3.7 Years	$0.42	206,668
$0.32	20,000	4.9 Years	$0.32	6,667
$0.34	583,000	5.3 Years	$0.34	—
Number, end of year	1,524,000			824,335

November 30, 2010				
Exercise Prices	Number Outstanding at November 30, 2010	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number Exercisable at November 30, 2010
$2.41 - $2.80	27,000	0.1 Years	$2.60	27,000
$1.70 - $1.89	10,000	2.7 Years	$1.73	10,000
$1.30 - $1.69	395,000	1.4 Years	$1.34	395,000
$1.00	241,000	3.3 Years	$1.00	160,664
$0.42	310,000	4.7 Years	$0.42	103,339
$0.32	20,000	5.9 Years	$0.32	—
Number, end of year	1,003,000			696,003

(f) Contributed Surplus

	2011	2010
Balance, beginning of year	**$ 8,195**	$ 8,149
Stock-based compensation expense	**36**	46
Balance, end of year	**$ 8,231**	$ 8,195

11. SHARE CAPITAL (continued)

(g) Earnings (Loss) Per Share

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

	2011	2010
Numerator		
Net earnings (loss)	**$ 1,478**	$ (2,909)
Numerator for basic earnings (loss) per share – net earnings (loss) applicable to common shares	**$ 1,478**	(2,909)
Effect of dilutive securities	**—**	—
Numerator for diluted earnings (loss) per share - net earnings (loss) applicable to common shares	**$ 1,478**	$ (2,909)
Denominator		
Denominator for basic earnings (loss) per share - weighted average shares	**17,803,201**	17,803,201
Effect of dilutive securities		
Preferred shares	**1,775,000**	—
Denominator for diluted earnings (loss) per share - weighted average shares and assumed conversions	**19,578,201**	17,803,201
Basic earnings (loss) per share	**$ 0.08**	$ (0.16)
Diluted earnings (loss) loss per share	**$ 0.08**	$ (0.16)

The Corporation has 1,775,000 voting convertible Preferred Shares outstanding. These convertible Preferred Shares were not included in calculating diluted earnings per share in 2010 as the Corporation incurred a net loss.

The Corporation has options outstanding in 2011 and 2010. These options were not included in the diluted earnings per share calculations, as they were anti-dilutive in both 2011 and 2010.

(h) Stock Based Compensation to Employees

The Corporation recognized stock based compensation expense in the consolidated statement of earnings of $36 for the year ended November 30, 2011 (2010 - $46). Of this amount, $16 relates to options granted during the current year. The weighted average fair value per stock options granted during 2011 was $0.10 (2010 - $0.11).

The total stock based compensation was recorded in selling and general administrative expenses and credited to contributed surplus. The fair values of options granted during the year were estimated at the date of the grant using the Black-Scholes valuation model with the following assumptions: risk-free rate of 2.31%; vested over 3 years; volatility of 55% and a dividend yield of nil.

12. RESEARCH AND DEVELOPMENT COSTS AND RECOVERIES

Research and development costs include the cost of direct labour, materials and an allocation of overheads specifically incurred in activities regarding technical uncertainties in production processes, product upgrading and waste and energy reduction programs. The Corporation recorded $2,915 of research and development costs in 2011 (2010 - $3,359).

Recoveries of research and development costs for the year of $348 (2010 - $409) were from the Ontario Innovation Tax Credit.

13. SEVERANCE EXPENSES

Severance expense recorded in 2011 were $43 (2010 - $386) when the Corporation had to reduce levels of employment.

14. INCOME TAXES

	2011	2010
Future tax asset consists of:		
Tax losses carried forward	$ 1,336	$ 2,438
Scientific Research & Experimental Development (“SR&ED”) deductible expenditures	3,633	2,872
Tax attributes - R&D Tax Credits	489	141
Other temporary differences	447	474
Ontario Harmonization Credit	36	379
Excess of unamortized intangibles for tax purposes over net book value	111	131
Excess of undepreciated capital cost for tax purposes over net book value of capital assets	1,492	1,454
	7,544	7,889
Valuation allowance	(6,169)	(7,222)
Less: Current portion	458	667
Long term future tax asset	$ 917	$ —

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

	2011	2010
Combined Canadian and US tax rates	31.1%	29.3%
Income taxes expense (recovery) at statutory rates	$ 240	$ (1,193)
State Taxes (recovery)	2	(77)
Permanent differences	63	986
Impact of change in tax rates	38	30
SR&ED tax credits	(349)	(99)
Valuation allowance	(1,046)	(83)
Other	346	—
Income tax provision	$ (706)	$ (436)
Consisting of:		
Current	$ 2	$ 2
Future	(708)	(438)
	$ (706)	$ (436)

As at November 30, 2011, there are $2,607 (2010 - $7,292) of non-capital loss carry forwards in Canada, which may be applied against taxable income of future years, not later than as follows:

2011	
2027	1,955
2029	652
Total	$ 2,607

2010	
2015	$ 782
2026	561
2027	5,456
2029	493
Total	$ 7,292

14. INCOME TAXES (continued)

There are federal and state non-capital losses that have been generated in a US subsidiary of $1,454 and $2,694, respectively, which are expiring between the years 2016 and 2031.

The Corporation has available SR&ED tax credits of $4,217 at November 30, 2011 (2010 - $2,969) which can be used to reduce future tax payable and will expire as follows:

2011		
2022	**$**	**357**
2023		**164**
2024		**319**
2025		**235**
2026		**285**
2027 to 2030		**2,857**
Total	**$**	**4,217**

2010		
2021	$	65
2022		375
2023		164
2024		319
2025		235
2026 to 2030		1,811
Total	$	2,969

There are R&D tax credits that have been generated by a US subsidiary of $480, which expire between the years 2029 and 2031.

As at November 30, 2011, the Corporation has available $14,534 (2010 - $12,405) of SR&ED deductible expenditures which can be applied to reduce Canadian taxable income. This deduction does not expire under current Canadian tax rules.

In addition, the Corporation has $14,145 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.

15. CHANGES IN NON-CASH OPERATING WORKING CAPITAL

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

	2011	2010
Accounts receivable	**$ (291)**	$ 92
Taxes receivable	**70**	—
Inventories	**711**	(1,184)
Prepaid expenses	**123**	258
Unearned revenue	**562**	152
Accounts payable and accrued liabilities	**633**	1,195
	$ 1,808	$ 513

16. FINANCIAL INSTRUMENTS

The Corporation follows the requirements of the CICA Handbook Section 3862 - Financial Instruments Disclosures, and CICA Handbook Section 3863 - Financial Instruments Presentation, which require disclosures to enable users to evaluate the significance of financial instruments on the entity's financial position and performance, and the nature and extent of an entity's exposure to risks arising from financial instruments, including how the entity manages those risks.

(a) Financial Instruments fair value

The fair value of financial assets and liabilities included in the consolidated balance sheet is as follows:

	2011	2010
Financial Assets		
Held for trading financial assets:		
Forward foreign exchange contracts	**$ –**	$ 20
Financial Liabilities		
Held for trading financial liabilities:		
Forward foreign exchange contracts	**$ 15**	$ –

The Corporation uses the following hierarchy to determine and disclose fair value of financial instruments:

Level 1: quoted prices in active markets for the same instruments (i.e. without modification or repackaging);

Level 2: quotes prices in active markets for the similar assets or liabilities or other valuation techniques for which all significant inputs are based on observable market data; and

Level 3: valuation techniques for which no significant input is based on observable market data.

November 30, 2011	Level 1	Level 2	Level 3	Total
Financial Liabilities				
Held for trading:				
Forward foreign exchange contracts	—	$ 15	—	$ 15

The Corporation has determined that the fair value of its short-term financial assets and liabilities approximate their respective carrying amounts as at the balance sheet dates because of the short-term maturity of those instruments.

The fair value of the long-term debt bearing interest at variable rates approximates its carrying value as interest charges fluctuate with changes in the prime rates.

(b) Market and Credit Risks

(i) Interest Rate Risk

Interest rate risk arises because of the fluctuation in interest rates. The Corporation's term loan obligations are subject to fixed interest rates and are subject to fair value risks. The Corporation's revolving credit and capital expenditure facility is subject to rates varying with the lending institution's prime rates and is subject to cash flow risks.

The Corporation's interest rate and cash flow risks are primarily related to the Corporation's revolving credit and capital expenditure facility, for which amounts drawn are subject to varying rates at the time of borrowing, plus a margin. The interest rates on amounts currently drawn on the revolving facility and on any future borrowings will vary and are unpredictable.

The current low-interest regime is expected to continue and based on the value of interest-bearing financial instruments for the years ended on November 30, 2011 and 2010, an assumed 0.5 percentage point increase in interest rates during such period would have decreased the net earnings before tax by $3 and $14 respectively, with an equal but opposite effect for an assumed 0.5 percentage point decrease in interest rates.

(ii) Foreign Exchange Loss

	2011	2010
Realized loss relating to financial assets and liabilities, excluding forward foreign exchange contracts	**$ 98**	$ 260
Realized loss relating to forward foreign exchange contracts	**26**	69
Unrealized loss (gain) relating to forward foreign exchange contracts, including changes in fair value of open positions	**15**	(20)
Foreign exchange loss	**$ 139**	$ 309

Foreign currency risk arises because of fluctuations in exchange rates. The Corporation conducts a significant portion of its business activities in foreign currencies, primarily in U.S. 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. A portion of the Corporation's long-term debts 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16. FINANCIAL INSTRUMENTS (continued)

(iii) Derivative Financial Instruments

Foreign exchange contracts are transacted with a financial institution to hedge part of foreign currency denominated anticipated sales of products. The following table summarizes the Corporation's outstanding commitments to buy and sell foreign currency under foreign currency forward contracts, all of which have a maturity date of less than one year as at November 30, 2011.

Currency sold	Currency bought	Foreign currency amount sold	Contract carrying value	Contract fair value
November 30, 2011				
U.S. dollars	**Canadian dollars**	**$ 3,000**	**$ 3,048**	**$ 3,063**
November 30, 2010				
U.S. dollars	Canadian dollars	$ 2,000	$ 2,074	$ 2,054

At November 30, 2011, the fair values of these contracts were $3,063 (2010 - $2,054) as compared to the carrying value of $3,048 (2010 - $2,074). The unrealized loss of $15 was recorded in accrued liabilities (2010 – unrealized gain of $20 was recorded in prepaid expenses).

During the years ended November 30, 2011 and November 30, 2010, the Corporation did not apply hedge accounting to any of its forward contracts.

(iv) Foreign Exchange Exposure

The following tables provide an indication of the Corporation's significant foreign currency exposure during the year ended November 30, 2011, covering the period end balances of financial and monetary assets and sales and operating expenses during the year that were denominated in U.S. dollars.

Year ended November 30, 2011 (in thousands of U.S. dollars)	Consolidated Statements	U.S. Operations	Canadian and Other Operations
Cash	**$ 662**	**$ 216**	**$ 446**
Accounts receivable	**8,395**	**2,097**	**6,298**
Accounts payable and accrued liabilities	**(2,914)**	**(809)**	**(2,105)**
Total bank borrowings	**(1,428)**	**(714)**	**(714)**
Balance sheet exposure excluding financial derivatives	**$ 4,715**	**$ 790**	**$ 3,925**
Sales	**$ 45,594**	**$ 13,257**	**$ 32,337**
Operating expenses	**23,867**	**14,239**	**9,628**
Net exposure	**$ 21,727**	**$ (982)**	**$ 22,709**

The following USD to CAD exchange rates applied during the reporting period.

	USD to CAD
YTD average rate	0.9877
Reporting date rate	1.0203

With all variables remaining constant, assuming a 5% strengthening of the Canadian dollar the net loss and other comprehensive loss for the reporting year would (increase) or decrease as follows, based on the above exposure to the U.S. dollars:

Source of net earnings variability from changes in foreign exchange rates	Canadian and Other Operations	U.S. Operations
Financial instruments	(196)	(40)
Sales and operating expenses	(1,135)	49
Increase (decrease) in net earnings before tax	(1,331)	9

The Corporation had some exposure to RMB, arising from the setting up of a manufacturing facility in the People's Republic of China. Total exposure as at November 30, 2011 was estimated to be RMB974,833 ($ 156) (2010 - $ nil).

An assumed 5% weakening of the Canadian dollar during the twelve months ended November 30, 2011 would have had an equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

(v) Impairment Losses Recognized on Trade Receivables

In 2011, the Corporation recorded bad debt expenses of $23 (2010 – $156) in selling, general and administration expenses in the consolidated statements of earnings.

Credit risk arises from the potential that the 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 2011, the Corporation's largest and second largest customer accounted for 13% (15% in 2010) and 10% (8% in 2010) of sales respectively. The Corporation may also have credit risk relating to cash and forward foreign exchange contracts, which it manages by dealing with its current bank.

Losses under trade receivables have been insignificant. To minimize the risk of loss from trade receivables, extension of credit terms to customers requires review and approval by senior management even though the customers have generally been dealing with the Corporation for several years, and that losses have been insignificant during that period.

Although the Corporation's credit control processes have been effective in mitigating credit risks, these controls cannot eliminate credit risks and there can be no assurance that these controls will continue to be effective, or that the Corporation's low credit loss experience will continue. Most sales are invoiced with payment terms in the range of 30 to 90 days in accordance with industry practice. Customers do not provide collateral in exchange for credit.

The Corporation reviews its trade receivable accounts regularly and writes down to their expected realizable values, by making an allowance for doubtful debt, as soon as the account is determined not to be fully collectible. The allowance is charged against earnings. Shortfalls in collections are applied against this provision. Estimates for allowance for doubtful debts are determined by a customer-by-customer evaluation of collectability at each balance sheet reporting date, taking into account the amounts which are past due and any available relevant information on the customers' liquidity and going concern problems.

The Corporation's exposure to credit risk for trade receivables as at November 30, 2011 and 2010 were as follows:

	2011	2010
By geographical areas:		
Canada	**$ 1,586**	$ 1,936
United States	**7,107**	6,767
Asia	**720**	730
Europe	**261**	152
Trade receivables	**9,674**	9,585
Allowance for doubtful accounts ("AFDA")	**(407)**	(371)
Trade receivables net of AFDA	**$ 9,267**	$ 9,214

16. FINANCIAL INSTRUMENTS (continued)

(v) *Impairment Losses Recognized on Trade Receivables* (continued)

Ageing by due dates:

Not past due	**$ 8,381**	$ 7,981
Past due 1 to 30 days	**707**	923
Past due 31 to 120 days	**308**	390
Past due 121 to 180 days	**40**	113
Past due over 180 days	**238**	178
Trade receivables by due dates	**9,674**	9,585
Less: allowance for doubtful accounts	**$ (407)**	$ (371)
Trade receivables net of AFDA	**$ 9,267**	$ 9,214

The movements in the allowance for doubtful accounts were as follows:

	2011	2010
Opening balance	**$ 371**	$ 363
Provision	**59**	164
Bad debts written off	**(23)**	(156)
Closing balance	**407**	371

(c) *Liquidity Risk*

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation manages liquidity risk through the management of its capital structure and financial leverage, as outlined in Note 17. It also manages liquidity risk by continuously monitoring actual and projected cash flows, taking into account sales, receipts, expenditures and matching the maturity profile of financial assets and liabilities. The Board of Directors reviews and approves the Corporation's operating and capital budgets, as well as any material transactions out of the ordinary course of business, including proposals on mergers, acquisitions or other major investments or divestitures. The Corporation currently finances its operations through internally-generated funds and the use of its credit facility.

The following is the summary of contractual maturities of financial liabilities and obligations, excluding future interest payments but including interest, accrued to November 30, 2011:

		Contractual Cash Flow			
	Carrying amount	**0 to 12 months**	**1 to 2 years**	**3 to 5 years**	**More than 5 years**
Long-term debt	**$ 1,458**	**$ 1,458**	**–**	**–**	**–**
Subordinated loan and government assistance	**3,509**	**–**	**–**	**–**	**3,620**
Accounts payable and accrued liabilities	**8,608**	**8,608**	**–**	**–**	**–**
Foreign currency contracts cash settlement	**3,063**	**3,063**	**–**	**–**	**–**
Operating leases	**3,832**	**954**	**986**	**1,588**	**304**
Total commitments	**$ 20,470**	**$ 14,083**	**$ 986**	**$ 1,588**	**$ 3,924**

17. MANAGEMENT OF CAPITAL

The Corporation's objective in managing capital is to ensure sufficient liquidity to pursue its organic growth strategy and undertake selective acquisitions, while at the same time taking a conservative approach towards financial leverage and management of financial risk.

The Corporation's capital is composed of interest bearing debt and shareholders' equity. The Corporation's primary uses of capital are to finance increases in non-cash working capital, capital expenditures and acquisitions. The Corporation currently funds these requirements from internally generated cash flows, cash and interest bearing debt. The Corporation's objectives when managing capital are to ensure that the Corporation will continue to have enough liquidity so it can provide its services to its customers and returns to its shareholders.

The primary measure used by the Corporation to monitor its financial leverage is its ratio of net debt to total capital employed which it aims to maintain at a maximum of 0.3:1. Net debt and total capital employed, computed as at November 30, 2011 and 2010 are:

	November 30, 2011	November 30, 2010
Current portion of long-term debt	**$ 1,458**	$ 3,059
Long-term debt	**3,509**	2,660
Less: cash	**(1,944)**	(305)
Net debt	**$ 3,023**	$ 5,414
Net debt	**$ 3,023**	$ 5,414
Shareholders' equity	**13,128**	11,602
Total capital employed	**$ 16,151**	$ 17,016
Net debt to total capital employed	**0.19:1**	0.32:1

The Corporation does not currently pay a dividend.

The Corporation's credit facility as described in Note 8 and Note 10, is subject to the following bank covenants to which it was in full compliance at November 30, 2011 and November 30, 2010.

- Tangible Net Worth Ratio
- Debt Service Ratio
- Total Debt to Tangible Net Worth Ratio

The Corporation's AMIS loan is subject to the financial covenant as described in Note 9 to which it was in full compliance at November 30, 2011 and November 30, 2010.

18. CONTINGENCIES AND COMMITMENTS

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

2012	$ 954
2013	986
2014	879
2015	386
2016 and beyond	627
	$ 3,832

b) The Corporation is a co-defendant to a legal claim filed at the Ontario Superior Court of Justice by Emmanuel Tannenbaum and June Realty Ltd. on June 16, 2006, seeking damages for an alleged migration of chemicals, bi-products and related constituents from the Corporation's former leased factory onto the plaintiff's land. The plaintiff's are seeking $5 million in total damages.

18. CONTINGENCIES AND COMMITMENTS (continued)

Pursuant to the merger agreement between Circuit World Corporation, Glendale and Firan Technology Group Incorporated, dated June 5, 2003, the Corporation is to be held indemnified by Glendale for any claim, demand, legal proceeding, action, cause of action, damage, loss, costs and liability of expenses brought against the Corporation in connection with the land.

On January 19, 2010, Glendale announced it had filed a voluntary assignment in bankruptcy under the Bankruptcy and Insolvency Act (Canada). Accordingly, the Corporation's ability to recover under its indemnification obligation may be limited. The Corporation may also be required to assume the defence of the action commenced by the plaintiffs from Glendale, who had been responsible for the defence to date. However, in October 2011, a tentative settlement was agreed to between the third party plaintiff, Glendale, the Corporation and another co-defendant, the details of which remain under discussion. If the settlement is finalized as originally agreed to, the Corporation will only be liable to contribute a relatively small portion of the overall settlement monies involved. An estimate of the Corporation's portion of the settlement as well as legal fees and expenses in this defence has been provided in the accounts and the Corporation has filed a proof of claim against the estate of Glendale for any liability.

19. TRANSLATION OF FOREIGN CURRENCIES

The current year translation gain of $12 (2010 – ($450)) arising from foreign subsidiaries, is included in the accumulated other comprehensive loss section of shareholders' equity.

20. SEGMENTED INFORMATION

The Corporation operates in two operating segments, which operate within the North American marketplace, FTG Circuits and FTG Aerospace. FTG Circuits is a leading manufacturer of high technology/high reliability printed circuit boards. 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:

	2011			
	Circuits	**Aerospace**	**Corporate Office**	**Total**
Sales	**$ 41,644**	**$ 12,086**	**$ —**	**$ 53,730**
Costs and SG&A expenses	**35,092**	**10,519**	**2,233**	**47,844**
Research and development costs	**2,669**	**246**	**—**	**2,915**
Recovery of research and development costs	**(307)**	**(41)**	**—**	**(348)**
Amortization of plant and equipment	**1,600**	**295**	**—**	**1,895**
Amortization of intangibles	**48**	**—**	**—**	**48**
Loss on disposal of plant and equipment	**25**	**—**	**—**	**25**
Severance costs	**34**	**9**	**—**	**43**
Foreign exchange loss (gain) on conversion of balance sheet assets and liabilities	**176**	**(37)**	**—**	**139**
Earnings (loss) before interest and taxes	**2,307**	**1,095**	**(2,233)**	**1,169**
Interest expense on long-term and short-term debt	**—**	**—**	**397**	**397**
Income tax recovery	**—**	**—**	**(706)**	**(706)**
Net earnings (loss)	**$ 2,307**	**$ 1,095**	**$ (1,924)**	**$ 1,478**
Segment assets	**$ 15,148**	**$ 12,269**	**$ —**	**$ 27,417**
Goodwill	**1,039**	**—**	**—**	1,039
Intangibles	**288**	**5**	**—**	**293**
Additions to plant and equipment	**2,134**	**299**	**—**	**2,433**

	2010			
	Circuits	Aerospace	Corporate Office	Total
Sales	$ 38,253	$ 11,007	$ —	$ 49,260
Costs and SG&A expenses	31,797	9,011	2,382	43,190
Research and development costs	2,959	400	—	3,359
Recovery of research and development costs	(356)	(53)	—	(409)
Amortization of plant and equipment	1,885	297	—	2,182
Amortization of intangibles	48	—	—	48
Goodwill impairment	2,941	—	—	2,941
Loss on disposal of plant and equipment	87	61	—	148
Severance costs	62	324	—	386
Foreign exchange loss (gain) on conversion of balance sheet assets and liabilities	317	(8)	—	309
(Loss) earnings before interest and taxes	(1,487)	975	(2,382)	(2,894)
Interest expense on long-term and short term debt	—	—	451	451
Income tax recovery	—	—	(436)	(436)
Net (loss) earnings	$ (1,487)	$ 975	$ (2,397)	$ (2,909)
Segment assets	$ 15,012	$ 10,534	$ —	$ 25,546
Goodwill	1,039	—	—	1,039
Intangibles	336	—	—	336
Additions to plant and equipment	277	48	—	325

Geographic Location

(in thousands of dollars)	**2011**					
	Canada	**United States**	**Asia**	**Europe**	**Other**	**Total**
Sales (by location of customer)	**$ 8,968**	**$ 39,642**	**$ 3,522**	**$1,591**	**$ 7**	**$ 53,730**
Goodwill (by location of division)	**1,039**	**—**	**—**	**—**	**—**	**1,039**
Intangibles (by location of division)	**288**	**—**	**5**	**—**	**—**	**293**
Plant and equipment (by location of division)	**3,188**	**1,124**	**162**	**—**	**—**	**4,474**

	2010					
	Canada	United States	Asia	Europe	Other	Total
Sales (by location of customer)	$ 6,675	$ 38,529	$ 2,761	$1,284	$ 11	$ 49,260
Goodwill (by location of division)	1,039	—	—	—	—	**1,039**
Intangibles (by location of division)	336	—	—	—	—	336
Plant and equipment (by location of division)	2,584	1,440	—	—	—	4,024

There was one customer in the United States that accounted for more than 10% of the total sales in 2011 and 2010.

21. COMPARATIVE FIGURES

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

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Bradley C. Bourne
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Firan Technology Group Corporation

Edward C. Hanna
Corporate Director

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

David F. Masotti
Corporate Director and Business Consultant

David J. McLeish
Investment Advisor
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President and Chief Executive Officer
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Joseph R. Ricci
Vice-President, Chief Financial Officer and Secretary
Firan Technology Group Corporation

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STOCK LISTING

The Corporation'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 18, 2012, 10:30am (Toronto Time)
at the Toronto Board of Trade
77 Adelaide St. W., First Canadian Place, 3rd Floor
Ketchum / Osgoode Room
Toronto, Ontario

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Printed in Canada

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