FIRAN TECHNOLOGY GROUP CORPORATION

2012 AUDITED ANNUAL REPORT

CEO Message

In 2012, FTG built on the momentum from the previous year to grow the company and complete strategic investments to position FTG for long term success. FTG's commitment to the fast growing Asia market saw important breakthroughs in the year. FTG also demonstrated the strength of its quality systems as validated by the many successful external audits and customer feedback. Finally, FTG continued to build a world class management team with numerous strong additions in the year.

In 2012, FTG added two new production facilities to the existing three. By year end, there were two printed circuit board facilities and three Aerospace facilities within the company. The new operations are both internally developed Aerospace facilities and are located in Tianjin China and Chatsworth California. The new facilities increased our Aerospace capacity in the important US and Asian markets. As a result of these new investments, FTG's Aerospace business grew by over 25% in the year. This brought FTG's Aerospace revenue to over 27% of our total, the highest ever achieved.

During 2012, FTG invested $3M in capital expenditures and $3M in research and development. The investments included the completion of our Tianjin facility, the build out of our Chatsworth facility, the implementation of an ERP system across all three Aerospace facilities bringing FTG onto one standard platform across the company, and key pieces of equipment for our Circuits business to improve our capabilities for high complexity designs necessary to be competitive on new technologies and new programs.

As the world economy evolves it is clear that Asia's importance will grow, including in Aerospace. The Asian aerospace market is strong and that region is now forecast to be the largest buyer of aircraft over the next two decades. To ensure the long term success of FTG, we have committed to building a presence in Asia to serve both Western and Asian customers. In 2012 we signed a letter of intent with Shanghai Avionics Corporation to supply cockpit control panel assemblies for the C919 aircraft being developed in China. This program should become a long term significant revenue stream when it enters into production.

Through 2012 all FTG sites were subjected to numerous external audits by certifying organizations and customers. FTG has a robust quality system throughout the company and the results of the various audits demonstrated this commitment. FTG has some of the broadest certifications of any similar organization. In 2012 FTG renewed various military or customer approvals at its existing plants and achieved registration of the facility in Tianjin to AS9100C. Also in 2012, the FTG Circuits Toronto facility was awarded Rockwell's best performing supplier, with a perfect quality rating, for the Circuit Board product group, again demonstrating our relentless commitment to quality.

A key element of FTG's strategy is our focus on Operational Excellence. There are many components necessary to achieve this but one of the most critical is building a strong team within the Company. During 2012, FTG continued to strengthen the team filling leadership positions within our Aerospace businesses in Toronto and Tianjin, as well as corporate roles in IT, Supply Chain and Operational Excellence. We also increased our technical skills across the company to support the demands from customers for more complex, challenging solutions on new programs and opportunities.

Sincerely,

Brad Bourne
President and CEO

January 31, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

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

This Management's Discussion and Analysis ("MD&A") for the year ended November 30, 2012 (fiscal 2012) is as of January 31, 2013 and provides information on the operating activities, performance and financial position of Firan Technology Group Corporation ("FTG" or the "Corporation") and should be read in conjunction with the audited consolidated financial statements of the Corporation for fiscal 2012 which have been prepared in accordance with International Financial Reporting Standards ("IFRS") and are reported in Canadian dollars. Additional information is contained in the Corporation's filings with Canadian securities regulators, including its Annual Information Form, found on SEDAR at www.sedar.com and on the Corporation's website at www.ftgcorp.com.

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 MD&A presents certain non-IFRS financial measures to assist readers in understanding the Corporation's performance. Non-IFRS financial measures are measures that either exclude or include amounts that are not excluded or included in the most directly comparable measures calculated and presented in accordance with Generally Accepted Accounting Principles ("GAAP"). Throughout this discussion, reference is made to gross margin which represents sales less cost of sales and expenses. Not included in the calculation of gross margin are administrative and general expenses, research and development costs and recoveries, foreign exchange, gains or losses on the sale of assets, interest and income taxes. Gross margin is not generally accepted earnings measures and should not be considered as an alternative to net earnings or cash flows as determined in accordance with IFRS. As there is no standardized method of calculating these measures, the Corporation's gross margin may not be directly comparable with similarly titled measures used by other companies.

The risks, uncertainties and other factors that could influence actual results are described in this MD&A based on information available as of January 31, 2013 and the Corporation's Annual Information Form (including documents incorporated by reference) dated January 31, 2013 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. FTG Aerospace has manufacturing operations in Toronto, Ontario, Canada, Chatsworth, California, U.S.A. and Tianjin, China. 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 Global marketplace. FTG Circuits has manufacturing operations in Toronto, Ontario and Chatsworth, California, U.S.A. and sourcing arrangements with two operating facilities in China. Its customers are technological and market leaders in the aviation, defence and other high technology industries.

Continuing into 2012, 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.

OVERVIEW OF HISTORICAL QUARTERLY RESULTS
(thousands of dollars except per share amounts and exchange rates)

	Q1-11	Q2-11	Q3-11	Q4-11	Q1-12	Q2-12	Q3-12	**Q4-12**
				International Financial Reporting Standards				
Circuit Segment Sales	$9,100	$10,887	$10,948	$10,709	$10,034	$10,480	$10,067	**$9,658**
Aerospace Segment Sales	3,113	2,987	2,714	3,272	3,440	3,916	3,990	**4,061**
Total Sales	12,213	13,874	13,662	13,981	13,474	14,396	14,057	**13,719**
Net (Loss) / Earnings	(191)	420	332	913	38	631	155	**104**
Net (Loss) per share - Basic	$(0.01)	$0.02	$0.02	$0.05	$0.00	$0.04	$0.01	**$0.01**
Diluted	$(0.01)	$0.02	$0.02	$0.05	$0.00	$0.03	$0.01	**$0.01**
Quarterly Average U.S.$ Exchange Rates	$0.9979	$0.9679	$0.9716	$1.0133	$1.0115	$0.9993	$1.0105	**$.9871**

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 Canadian operations.

The Corporation was profitable during each quarter of 2011 and 2012 with the exception of the first quarter of 2011 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 net earnings of $205 during the fourth quarter of 2011 before a certain accounting adjustment. The adjustments were an increase to the future income tax asset of $708, as management believes that its probable 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 and 2012, as well as the projected earnings for 2013.

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 2012, and it is expected that this market segment will continue its gradual growth through 2013.

The Commercial Air Transport business is seeing strong orders and production is ramping up on most significant aircraft including the Boeing 737 and 777 as well as the Airbus A320. New aircraft such as the Boeing 787, Airbus A350 and Bombardier C Series are coming on line from the existing key industry participants. New entrants are also looking to penetrate this market such as COMAC in China with the C919 aircraft now in development. All of these factors are positive for this market segment.

In the military market, defence spending is under pressure in Western economies. In the U.S., the emphasis is moving towards deficit reduction and defence spending is likely to drop. In Canada, defence spending remains stable 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 2012 FISCAL YEAR
(thousands of dollars except per share amounts)

	2012	2011	2010
Sales	**$55,646**	$53,730	$49,260
Net earnings (loss)	**928**	1,474	(2,909)
Common and preferred shares, in aggregate (in thousands)	**19,578**	19,578	19,578
Net earnings (loss) per share – basic and diluted	**$0.05**	$0.08	$(0.16)
Total assets	**28,597**	27,384	26,140
Total debt net of cash	**4,800**	2,990	5,496

Consolidated Sales

Sales for 2012 were $55,646, an increase of $1,916 or 3.6% from the last year. All of the growth came from the Aerospace Segment with sales increase of $3,321 offset by reduction in sales of $1,405 in the Circuits Segment over last year.

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

	Year-to-Date			
	2012	**%**	2011	%
Canada	**$ 10,060**	**18.1**	$ 8,968	16.7
United States	**37,990**	**68.3**	39,642	73.8
Asia	**5,940**	**10.7**	3,522	6.5
Europe	**1,629**	**2.9**	1,591	3.0
Other	**27**	**0.0**	7	0.0
Total	**$ 55,646**	**100.0**	$ 53,730	100.0

Sales in Canada are up by $1,092 or 12.2% for 2012 as compared to last year. Sales in the United States are down by $1,652 or 4.2% for 2012 as compared to last year. Sales to Asia increased by $2,418 or 68.7% over last year.

The Corporation's top five customers represent 43% of sales for 2012 verses 41.0% for 2011. The Corporation's two largest customers accounted for 14% (13.0% in 2011) and 9% (10.0% in 2011) 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 Corporation is in a strong position to continue to serve its customer base and focus on the key opportunities.

Bookings for 2012 were similar to the same period last year. The overall book-to-bill ratio was 1.0 for 2012 versus 1.04 for 2011 in a period where sales increased by 3.6%. Backlog was steady for most of 2012.

Segment Sales

FTG Circuits Segment

Sales for the FTG Circuits segment during 2012 were $40,239 which were lower by $1,405 or 3.4% over last year. Most of the decrease came from reduced demand from U.S. based customers partially offset with new activities in Asia.

Sales to the top five customers represented 46% of the FTG Circuits segment sales for 2012 verses 45.0% over last year.

FTG Aerospace Segment

Sales for the FTG Aerospace segment during 2012 were $15,407, an increase of $3,321 or 27.5% over last year. Most of the product categories increased with commercial and military assemblies being higher by $2,205 followed by higher commercial and military panel activity of $1,128. Key strategic investments in our two new sites contributed to a new sales stream of $729 for 2012.

Sales to the top five customers represented 62% of sales for 2012 verses 60.0% over the last year.

Consolidated Gross Margin

Gross margin on a consolidated basis increased $348 or 2.8% during 2012 to $12,628 or 22.7% of sales compared to $12,280 or 22.9% of sales for 2011. Most of the increase in gross margin arose from the Circuits Segment which contributed $355 offset by a decrease of $7 from the Aerospace Segment as compared to prior year. The net gross margin decrease of $7 in the Aerospace segment as compared to last year was due to increases of $405 at the Aerospace Toronto facility offset by negative gross margin of $412 relating to the set-up / first year of operations of the FTG Aerospace facilities in Tianjin, China and Chatsworth, California.

Our Circuits-Toronto facility continued to win 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 all of their markets and, late in the year, won a repeat contract to supply box level assemblies on a military simulator program.

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

Selling, General and Administrative Expenses

Selling, general and administrative expenses ("SG&A") for 2012 were $8,259 or 14.8% of sales as compared to $8,253 or 15.4% of sales for last year. This represents a slight increase of $6 over 2011.

Increased SG&A expenses reflected additional expenses of $180 for increased administration activities relating to the establishment of the Aerospace operations in Tianjin, China, increased professional fees of $95 for the conversion to IFRS, increased wages of 175K due to headcount

changes and increased travel expense of $45K. These increases were offset by a decrease in performance compensation of $550 due to actual operating results being lower than plan.

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 2012 were $2,823 or 5.1% of sales as compared to $2,915 or 5.4% for 2011. In addition, the Corporation capitalized $470 of product development costs related to the development of the C919 cockpit assemblies.

Recovery of Research and Development Costs

Recoveries of research and development costs for 2012 were $290 from the Ontario Innovation Tax Credit ("OITC") program as compared to $348 for 2011. Recoveries were higher in 2011 mainly as a result of prior year positive audit adjustments.

Amortization of Plant and Equipment

Amortization of plant and equipment for 2012 was $1,696 compared to $1,895 for 2011 as certain plant and equipment have become fully depreciated during the current year.

Interest Costs

Interest costs for 2012 were $348 as compared to $397 for 2011.

Non-cash interest costs charged to the Consolidated Statements of Earnings were $252 for 2012 versus $150 for prior year. This is a non-cash amount recognized as a government grant received as a result of receiving a below market interest rated loan.

Severance

Severance costs for 2012 were $54 compared to $43 for 2011 as the Corporation adjusted its levels of employment.

Foreign Exchange Loss

The foreign exchange loss for 2012 was $335 compared to a loss of $139 for prior year.

The loss for 2012 is mainly as a result of the re-valuation of the U.S. dollar assets and liabilities on the respective balance sheets of $508 offset by realized and unrealized gains of $173 on foreign exchange forward contracts. Foreign exchange loss for 2012 was higher than 2011 mainly due to year-end U.S. dollar versus Canadian dollar exchange rate decrease of approximately 3% from 1.0203 as at November 30, 2011 to 0.9936 as at November 30, 2012 as compared to a decrease of approximately 1% from 1.0266 as at November 30, 2010 to 1.0203 as at November 30, 2011.

Income Tax Expense

For 2012, the income tax expense relates to the minimum taxes payable of $13 for the U.S. subsidiary for 2012 ($2 for 2011) and the remaining $18 are withholding taxes related to source deductions on remittances from the Chinese entity to the Canadian entity.

Although the Canadian divisions were profitable in 2012, the required tax provision on earnings of $928 was offset by non-capital loss carry forwards. In 2011, the Corporation recognized a deferred tax asset of $1,375 as the Corporation has determined that it will be able to benefit from a portion of its previously unrecorded future tax assets. In 2012, no additional future income tax asset was recognized and the Corporation continued to believe that its probable that the recognized future tax assets are recoverable. Full year earnings for the U.S. subsidiary were also offset by non-capital loss carry forwards as well.

Net Earnings

The net earnings for 2012 were $928, translated into basic and diluted earnings per share of $0.05. This is compared to net earnings of $1,474 or basic and diluted earnings per share of $0.08 in 2011. The 2011 earnings included a deferred tax recovery of $708.

The full year 2012 earnings before taxes of $959 were $191 higher than the previous year despite incurring $1,062 of costs associated with the first year of operations of the two Aerospace facilities in Tianjin, China and Chatsworth, California.

LIQUIDITY AND CAPITAL RESOURCES

As at November 30, 2012, the Corporation's primary sources of liquidity totalled $19,899 ($19,887 as at November 30, 2011), made up of cash, accounts receivable, unbilled accounts receivable, taxes receivable and inventory but excluding U.S. $5,000 of availability remaining on its revolving line of credit and U.S. $5,500 of availability remaining on its revolving term loan with its senior lender. Working capital at November 30, 2012 was $10,957 as compared to $9,456 at November 30, 2011.

The Corporation utilized US $1,000 or Cdn $994 of the operating facility as at November 30, 2012 (November 30, 2011 – $nil; December 1, 2010 – US $712, or Cdn. $731). The lending facility is secured by a first charge on all property and assets of the Corporation.

Accounts receivable days outstanding were 67 as at November 30, 2012 compared to 66 as of November 30, 2011; inventory turns were 5.4 compared to 4.6, and accounts payable days outstanding were 61 compared to 79 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, 2012.

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

The following table outlines the contractual obligations of the Corporation as at November 30, 2012.

CONTRACTUAL OBLIGATIONS	PAYMENTS DUE IN $000'S					
	Total	First Year	Second Year	Third Year	Fourth Year	Beyond Fourth Year
Long term loan	497	71	71	71	284	
Subordinated Loan and Government assistance	4,847	-	-	-	969	3,878
Bank indebtedness	994	994	-	-	-	-
Operating Leases	3,323	937	1,006	535	460	385
Foreign currencies contracts	5,891	5,891	-	-	-	-

The Corporation does not have any off-balance sheet arrangements that have or reasonably are likely to have a material effect on its financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources. As a result, the Corporation is not exposed materially to any financing, liquidity, market or credit risk that could arise if it had engaged in these arrangements.

CAPITAL EXPENDITURES

For 2012, the Corporation invested $2,889 in capital expenditures compared to $2,433 for the same period in 2011. Additions for 2012 related to numerous pieces of machinery and equipment, leasehold improvements and the build out of two Aerospace facilities, one in Chatsworth, California and another in Tianjin, China. Major additions for 2011 included new HVAC units for the Toronto Circuits facility and Laser Direct Imaging (“LDI”) systems for both Circuits facilities.

CASH FLOW

Operating Activities

Cash provided by operating activities in 2012 amounted to $995 as compared to cash provided of $4,618 in 2011. The changes in 2012 were primarily driven by the changes in non-cash operating working capital.

Investing Activities

Investing activities in 2012 resulted in the net use of cash of $2,974 mainly for capital expenditures compared to $2,382 in 2011.

Financing Activities

Cash provided by financing activities in 2012 resulted in the cash inflow of $1,558 which included increase in bank indebtedness of $994, proceeds of AMIS term loan of $1,490 and proceeds of long-term bank debt of $497 offset by long-term debt repayments of $1,423 as compared to cash outflow of $1,331 in 2011 which included long-term debt repayments of

$1,532, a decrease in the operating line of $759 offset by proceeds of the AMIS term loan of $960.

RELATED PARTY TRANSACTIONS

There were no related party transactions during 2012 and 2011.

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 19 to the Consolidated Financial Statements as at November 30, 2012 and are designed to meet the requirements of the set out by the IASB in IFRS 7 *Financial Instruments: Disclosures.*

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 and 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 January 31, 2013 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.

During the second quarter of 2012, a settlement was agreed to between the Corporation and the two plaintiffs (Emmanuel Tannenbaum and June Realty Ltd.) who had commenced a legal claim against the Corporation in 2006, seeking damages for an alleged migration of chemicals onto their land from the Corporation's former Toronto factory. The settlement also included the current owner of the subject lands and the bankrupt estate of Glendale International Corp., another former owner of the subject lands. The contribution of the Corporation to this settlement will not have a material effect on its financial situation. Certain conditions of the settlement agreement are in the process of being completed at which time the claim is expected to be dismissed and the Corporation should receive a final release.

FOURTH QUARTER

Sales

Sales for the fourth quarter of 2012 were $13,719, a decrease of $262 or 1.9% from the fourth quarter of 2011. Sales in Circuits Segment were lower by $1,051, offset by higher sales in the Aerospace Segment of $789.

Net Earnings

The Corporation earned $104 during the fourth quarter of 2012 compared to earnings of $205 in the fourth quarter of 2011 before certain accounting adjustment which included net changes in the deferred income tax asset of $708 in 2011.

Cash Flow

Operating Activities

Cash provided by operating activities during the fourth quarter of 2012 amounted to $1,110 compared to $2,614 for the same period last year. The change from 2011 was primarily driven by the decrease in earnings, recovery of deferred income taxes and working capital compared to the fourth quarter of 2011.

Investing Activities

Investing activities during the fourth quarter of 2012 resulted in the use of cash of $903 compared to $450 for the same period in 2011 mainly due to the higher additions of plant and equipment.

Financing Activities

Cash provided by financing activities during the fourth quarter of 2012 amounted to $649 which included increase in bank indebtedness of $152 and proceeds from long-term bank debt of $497. In the same period of 2011, cash used by financing activities was $1,059 which included long term debt repayments of $216 and a reduction of the operating line of $843.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with IFRS 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, amortization based on useful life of plant and equipment, warranty, stock based compensation and valuation of investment tax credits, deferred tax assets, goodwill and intangibles.

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 Plant and Equipment

The estimated useful life of plant and equipment 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.

Stock Based Compensation

The Corporation measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining and making assumptions about the most appropriate inputs to the valuation model including the expected life, volatility and dividend yield of the share option.

Investment Tax Credits / Deferred Tax Assets

Deferred income tax assets are reviewed each reporting period for recoverability and valuation allowances are provided, when necessary, to increase or decrease the deferred 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.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Company adopted IFRS as issued by the International Accounting Standards Board ("IASB") effective for its interim and annual financial statements beginning December 1, 2011 with a transition date of December 1, 2010. First quarter fiscal 2012 interim consolidated financial statements were the first financial statements of the Company to be presented on an IFRS basis. Comparative data for all periods subsequent to November 30, 2010 have been restated to be presented on an IFRS basis, including an opening balance sheet as at December 1, 2010.

The Company's annual consolidated financial statements for the year ended November 30, 2012 are the first annual financial statements that comply with IFRS and these annual consolidated financial statements were prepared as described in note 2 to the consolidated financial statements, including the application of IFRS 1. IFRS 1 requires an entity to adopt IFRS in its first annual financial statements prepared under IFRS by making an explicit and unreserved statement in those financial statements of compliance with IFRS.

A reconciliation of previously reported periods in accordance with Canadian GAAP to IFRS, as well as an explanation of how the transition from Canadian GAAP to IFRS has affected the Corporation's financial position, financial performance and cash flows are provided in Note 25 to the consolidated financial statements.

IFRS Transition Impact on Operating Results

The Company has assessed the effect of adoption of IFRS and the resulting changes in accounting policies based on IFRS standards expected to be in effect at November 30, 2012. For a full description of all IFRS differences, refer to note 25 of the consolidated financial statements.

Impact of IFRS on the Corporation

The conversion to IFRS impacts the way the Corporation presents its financial results. The impact of the conversion to IFRS on the accounting systems has been minimal due to limited changes in accounting policies. The internal and disclosure control processes, as currently designed, have not required significant modifications as a result of conversion to IFRS. The Corporation has assessed the impact of adopting IFRS on its contractual arrangements, and has not identified any material compliance issues. The Corporation has also considered the impact that the transition will have on its internal planning process and compensation arrangements and has not identified any significant issues.

Recent accounting pronouncements

There were certain accounting pronouncements issued by the IASB that were not effective as of date of the issuance of the Corporation's consolidated financial statements and therefore have not been applied in preparing these consolidated financial statements. Management is currently evaluating the potential impact that the adoption of these accounting pronouncements will have on the Corporation's consolidated financial statements. For a full description of these recent accounting pronouncements, refer to note 4 of the consolidated financial statements.

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. The control framework used in the design of disclosure controls and procedures and internal control over financial reporting is the internal control integrated framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO").

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, 2012 under the supervision of the CEO and CFO as required by CSA National Instrument 52-109 - Certification of Disclosure in Issuers' Annual and Interim Filings. The evaluation included documentation, review, enquiries and other procedures considered appropriate in the circumstances. Based on that evaluation, the CEO and the CFO have concluded that 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

CSA 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 IFRS.

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 by COSO, evaluated the design and operating effectiveness of the Corporation's internal controls over financial reporting and concluded that, as of November 30, 2012, 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.

During the quarter ended March 2, 2012, management remediated a disclosed year end 2011 material weakness by recruiting a senior technical resource with sufficient technical accounting expertise to effectively deal with unusual, complex and non-recurring transactions.

During the year ended November 30, 2012, there have been no other changes in the Corporation's internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, the Corporation's internal controls over financial reporting.

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 create 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 recovery.

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.

In the military market, defence spending is under pressure in Western economies. In the U.S., the emphasis is moving towards deficit reduction and defence spending is likely to drop. In Canada, defence spending remains stable 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 U.S. 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, the Canadair C-Series and the Chinese C919.

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 accompanying consolidated financial statements of Firan Technology Group Corporation are the responsibility of management and have been reviewed by the Board of Directors of Firan Technology Group Corporation. The consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards and, where appropriate, reflect management's best estimates and judgments. Management has also prepared financial and all other information in the Annual Report and has ensured that this information is consistent with the consolidated financial statements.

The Corporation maintains appropriate systems of internal control, policies and procedures, which provide management with reasonable assurance that assets are safeguarded and the financial records are reliable and form a proper basis for preparation of consolidated financial statements.

The Board of Directors of Firan Technology Group Corporation ensure that management fulfills its responsibilities for financial reporting and internal control through an Audit Committee. This committee reviews the consolidated financial statements and reports to the Board of Directors. The committee meets with the auditors to discuss the results of the audit, the adequacy of internal accounting controls and financial reporting matters.

The consolidated financial statements have been independently audited by Ernst & Young LLP in accordance with Canadian generally accepted auditing standards. Their report which follows expresses their opinion on the consolidated financial statements of the Corporation.

Bradley C. Bourne
President and Chief Executive Officer
January 31, 2013

Joseph R. Ricci
Vice President, Chief Financial Officer and Secretary
January 31, 2013

INDEPENDENT AUDITORS' REPORT

To the shareholders of Firan Technology Group Corporation

We have audited the accompanying consolidated financial statements of Firan Technology Group Corporation, which comprise the consolidated balance sheets as at November 30, 2012 and 2011, and December 1, 2010, and the consolidated statements of earnings, comprehensive income, changes in shareholder's equity and cash flows for the years ended November 30, 2012 and 2011, 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 International Financial Reporting Standards, 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.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits 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 auditors' 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 auditors consider 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 audits 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 consolidated balance sheets of Firan Technology Group Corporation as at November 30, 2012 and 2011, and December 1, 2010, and its consolidated statement of earnings and cash flows for the years ended November 30, 2012 and 2011 in accordance with International Financial Reporting Standards.

Ernst & Young LLP

Chartered Accountants
Licensed Public Accountants
Toronto, Canada
January 31, 2013

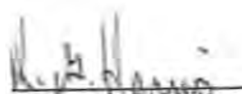
Consolidated Balance Sheets

(in thousands of dollars)	**November 30, 2012**	November 30, 2011	December 1, 2010
ASSETS			
Current assets			
Cash	**$ 1,446**	$ 1,944	$ 927
Accounts receivable	**10,276**	9,592	9,332
Taxes receivable	**250**	378	448
Inventories *(Note 6)*	**7,927**	7,973	8,726
Prepaid expenses	**432**	316	641
	20,331	20,203	20,074
Non-current assets			
Plant and equipment, net *(Note 7)*	**5,608**	4,474	4,024
Goodwill *(Note 8)*	**1,039**	1,039	1,039
Deferred income taxes *(Note 17.1)*	**1,375**	1,375	667
Intangible assets *(Note 9)*	**244**	293	336
Total assets	**$ 28,597**	$ 27,384	$ 26,140
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Bank indebtedness *(Note 14)*	**$ 994**	$ -	$ 731
Accounts payable and accrued liabilities	**7,184**	8,123	7,420
Provisions	**309**	485	544
Customer deposits, net of deferred development *(Note 10)*	**843**	714	-
Unearned revenue *(Note 11)*	**-**	-	152
Current portion of long-term bank debt *(Note 12)*	**44**	1,425	3,031
	9,374	10,747	11,878
Non-current liabilities			
Long-term bank debt *(Note 12)*	**361**	-	-
Subordinated loan *(Note 13.1)*	**3,613**	2,444	1,746
Government assistance *(Note 13.1)*	**1,234**	1,065	914
Total liabilities	**14,582**	14,256	14,538
Contingencies and commitments *(Note 21)*			
Shareholders' equity			
Deficit	**$ (9,104)**	$ (10,032)	$ (11,506)
Accumulated other comprehensive (loss) income *(Note 22)*	**(85)**	12	-
	(9,189)	(10,020)	(11,506)
Share capital			
Common shares *(Note 15.1)*	**12,681**	12,681	12,681
Preferred shares *(Note 15.2)*	**2,218**	2,218	2,218
Contributed surplus *(Note 15.4)*	**8,305**	8,249	8,209
Total shareholders' equity	**14,015**	13,128	11,602
Total liabilities and shareholders' equity	**$ 28,597**	$ 27,384	$ 26,140

See accompanying notes.

Approved by the Board

Director



Director

Consolidated Statements of Earnings

(in thousands of dollars, except per share amounts)	Years ended November 30, 2012		November 30, 2011	
Sales	**$**	**55,646**	$	53,730
Cost of sales				
Cost of sales *(Note 6, Note 13.1 and Note 24)*		**41,413**		39,620
Depreciation of plant and equipment		**1,605**		1,830
Total cost of sales		**43,018**		41,450
Gross margin		**12,628**		12,280
Expenses				
Selling, general and administrative *(Note 24)*		**8,259**		8,253
Research and development costs *(Note 16)*		**2,823**		2,915
Recovery of research and development costs *(Note 16)*		**(290)**		(348)
Depreciation/amortization of office equipment and intangible assets		**140**		113
Interest expense on short-term debt		**75**		168
Interest expense on long-term debt		**273**		229
Severance		**54**		43
Foreign exchange loss *(Note 19.3)*		**335**		139
Total expenses		**11,669**		11,512
Earnings before income taxes		**959**		768
Income tax expense *(Note 17.2)*		**31**		2
Deferred tax recovery		**-**		(708)
Net earnings	**$**	**928**	$	1,474
Earnings per share				
Basic *(Note 15.5)*	**$**	**0.05**	$	0.08
Diluted *(Note 15.5)*	**$**	**0.05**	$	0.08

See accompanying notes.

Consolidated Statements of Comprehensive Income

(in thousands of dollars)	Years ended November 30, 2012	November 30, 2011
Net earnings	**$ 928**	$ 1,474
Other comprehensive (loss) income		
Foreign currency translation adjustments *(Note 22)*	**(97)**	12
	(97)	12
Total comprehensive income	**$ 831**	$ 1,486

See accompanying notes.

Consolidated Statements of Changes in Shareholders' Equity
Years ended November 30, 2012 and November 30, 2011

(in thousands of dollars)	Common Shares	Preferred Shares	Deficit	Contributed Surplus	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
Balance, December 1, 2010	$ 12,681	$ 2,218	$ (11,506)	$ 8,209	$ -	$ 11,602
Net earnings	-	-	1,474	-	-	1,474
Stock-based compensation *(Note 15.6)*	-	-	-	40	-	40
Foreign currency translation adjustments *(Note 22)*	-	-	-	-	12	12
Balance, November 30, 2011	12,681	2,218	(10,032)	8,249	12	13,128
Net earnings	-	-	928	-	-	928
Stock-based compensation *(Note 15.6)*	-	-	-	56	-	56
Foreign currency translation adjustments *(Note 22)*	-	-	-	-	(97)	(97)
Balance, November 30, 2012	**$ 12,681**	**$ 2,218**	**$ (9,104)**	**$ 8,305**	**$ (85)**	**$ 14,015**

See accompanying notes.

Consolidated Statements of Cash Flows

(in thousands of dollars)	Years ended **November 30, 2012**	November 30, 2011
Net inflow (outflow) of cash related to the following:		
Operating activities		
Net earnings	**$ 928**	$ 1,474
Items not affecting cash:		
Stock-based compensation *(Note 15.6)*	**56**	40
Loss from disposal of plant and equipment	**12**	25
Effect of exchange rates on U.S. dollar Canadian debt	**(15)**	(47)
Depreciation of plant and equipment	**1,696**	1,895
Amortization of intangible assets	**49**	48
Amortization of deferred financing costs	**50**	28
AMIS interest accretion *(Note 13.1)*	**251**	150
Amortization of government assistance *(Note 13.1)*	**(403)**	(261)
Recovery of deferred income taxes	**-**	(708)
Changes in non-cash operating working capital *(Note 18)*	**(1,629)**	1,974
	995	4,618
Investing activities		
Additions to plant and equipment	**(2,889)**	(2,433)
Proceeds from disposal of plant and equipment	**23**	56
Additions to deferred financing costs/intangible assets	**(108)**	(5)
	(2,974)	(2,382)
Financing activities		
Increase (decrease) in bank indebtedness	**994**	(759)
Proceeds from subordinated loan and government assistance	**1,490**	960
Proceeds from long-term bank debt	**497**	-
Repayments of long-term bank debt	**(1,423)**	(1,532)
	1,558	(1,331)
Effects of foreign exchange rate changes on cash flow	**(77)**	112
Net cash flow	**(498)**	1,017
Cash, beginning of year	**1,944**	927
Cash, end of year	**$ 1,446**	$ 1,944
Disclosure of cash payments		
Payment for interest	**$ 95**	$ 247
Payments for income taxes	**$ 31**	$ 2

See accompanying notes.

1. NATURE OF OPERATIONS

Firan Technology Group Corporation ("FTG") was formed as a result of the amalgamation between Circuit World Corporation and Firan Technology Group Inc. on August 30, 2003 pursuant to articles of amalgamation under the *Canada Business Corporations Act*. Prior to this, the Corporation was established as Helix Circuits Inc. on April 18, 1983 by articles of amalgamation pursuant to the provisions of the *Canada Business Corporations Act*. FTG and its subsidiaries (together referred to as the "Corporation" or the "Group") are primarily suppliers of aerospace and defence electronic products and sub-systems.

The address of the Corporation's registered office is 250 Finchdene Square, Toronto, Ontario, M1X 1A5.

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.

The subsidiaries were incorporated as follows:

- Firan Technology Group (USA) Corporation was incorporated in the State of California.
- FTG Circuits Inc. was incorporated in the State of California.
- Firan Technology Group (Barbados) 1 Corporation was incorporated in Barbados.
- Firan Technology Group (Barbados) 2 Corporation was incorporated in Barbados.
- FTG Aerospace Tianjin Inc. was incorporated in the Province of Tianjin.

The consolidated financial statements of the Corporation as at and for the year ended November 30, 2012 comprise FTG and its subsidiaries.

These consolidated financial statements were approved by the Board of Directors on January 31, 2013.

2. BASIS OF PRESENTATION

2.1 Statement of compliance

These consolidated financial statements represent the first annual financial statements of the Corporation prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). The Corporation adopted IFRS in accordance with IFRS 1, *First-time Adoption of International Financial Reporting Standards,* with a transition date of December 1, 2010 (the "Transition Date"), as discussed in Note 25. Consequently, the comparative figures have been restated from Canadian generally accepted accounting principles ("Canadian GAAP") to comply with IFRS.

The policies applied in these consolidated financial statements are based on IFRS issued and effective as of January 31, 2013, the date the Board of Directors approved the consolidated financial statements. The reconciliations to IFRS from the previous Canadian GAAP consolidated financial statements are summarized in Note 25. In addition, IFRS 1 allows certain exemptions from retrospective application of IFRS in the opening balance sheet. Where these have been used, they are explained in Note 25.

2.2 Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for derivative financial instruments which are measured at their fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

2.3 Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the Corporation's functional currency. Each of the Corporation's wholly owned subsidiaries determines its own functional currency and translates into the Corporation's presentation currency in accordance with the Corporation's foreign currency translation policy.

- Firan Technology Group (USA) Corporation's functional currency is the United States dollar.
- FTG Aerospace Tianjin Inc.'s functional currency is the Canadian dollar.

All financial information is presented in Canadian dollars, except per share and share amounts, and has been rounded to the nearest thousand.

2.4 Use of estimates and judgements

The preparation of consolidated financial statements in accordance with IFRS requires the use of certain critical accounting estimates, judgements and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities at the end of the reporting period. It also requires management to exercise judgement in applying the Corporation's accounting policies. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. Estimates and judgements are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

The Corporation based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Corporation. Such changes are reflected in the assumptions when they occur.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 5.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below are applied consistently to the years presented in these consolidated financial statements and have been applied consistently by the Group.

3.1 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Corporation and entities controlled by the Corporation. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency with those used by other members of the Group.

Any balances, unrealized gains and losses or income and expenses arising from intra-Corporation transactions have been eliminated upon consolidation.

3.2 Foreign currency translation

Transactions denominated in foreign currencies are translated into the appropriate functional currency at exchange rates prevailing at the transaction dates. Monetary assets and liabilities are retranslated at the exchange rates at the balance sheet date. Exchange gains and losses on translation or settlement are recognized in profit or loss for the current period.

The financial results of the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency. The presentation currency of the Corporation is Canadian dollars. Income and expenditure transactions of foreign operations are translated at the average rate of exchange for the period except for significant individual transactions which are translated at the rate of exchange in effect at the transaction dates. All assets and liabilities, including fair value adjustments and goodwill arising on acquisition, are translated at the rate of exchange prevalent at the reporting date. Differences arising on translation from the Transition Date are recognized as other comprehensive income and are included in the foreign currency translation adjustments (“FCTA”).

On disposal of part or all of the foreign operations, the proportionate share of the related cumulative gains and losses previously recognized in the FCTA through the consolidated statement of earnings are included in determining the profit or loss on disposal of those operations recognized in profit or loss.

3.3 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’ specification. The sales cycle can vary between a few days to a few months. Sales are recognized and revenues recorded when:

- the Corporation has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Corporation retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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. Unbilled receivables, if any, represent revenue that has been recognized in the consolidated financial statements in advance of contractual invoicing to the customer.

The Corporation enters into transactions that represent multiple-element arrangements. These multiple-element arrangements are assessed to determine whether they can be separated into more than one unit of accounting or element for the purpose of revenue recognition. When the appropriate criteria for separating revenue into more than one unit of accounting is met and there is vendor-specific objective evidence of fair value for all units of accounting or elements in an arrangement, the arrangement consideration is allocated to the separate units of accounting or elements based on each unit's relative fair value. When the fair value of a delivered element has not been established, the Corporation uses the residual method to recognize revenue if the fair value of delivered elements is determinable. This vendor-specific evidence of fair value is established through prices charged for each revenue element when that element is sold separately. The revenue recognition policies described above are then applied to each unit of accounting.

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 to two years from the date of shipment and the Corporation accrues warranty provisions at the time of sale based on historical information.

3.4 Government assistance/ grant

Government assistance is recorded as either a reduction of the cost of the applicable assets or credited in the consolidated statement of earnings as determined by the terms and conditions of the agreement under which the assistance is provided.

Government grants are recognized at their fair value in the period when there is reasonable assurance that conditions attached to the grant will be met and that the grant will be received. Grants are recognized as income over the period necessary to match them with the related costs that they are intended to compensate. Grants related to expenditure on plant and equipment and on intangible assets are deducted from the carrying amount of the asset. The grant is therefore recognized as income over the life of the depreciable asset. Repayable grants are treated as a source of financing and are recognized as borrowings on the consolidated balance sheet.

3.5 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.

3.6 Inventories

Inventories, including spare parts, are measured at the lower of cost and net realizable value (“NRV”). 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-progress and finished goods amounts. NRV is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs to make the sale. Inventories are written down to NRV at the time carrying value exceeds the NRV. Reversals of previous write-downs to NRV are recognized when there is a subsequent increase in the value of inventories.

3.7 Plant and equipment

Plant and equipment are stated at historical cost less accumulated depreciation and impairment losses, net of related government grants, where applicable. All assets having limited useful lives are depreciated using the straight-line method over their estimated useful lives. Assets are depreciated from the date that assets are available for use as intended by management.

The useful lives applicable to each class of asset during the current and comparative period are as follows:

Machinery and equipment	3 to 7 years
Furniture and fixtures	5 years
Leasehold improvements	term of the lease plus term of first renewal option

The residual value, useful life and depreciation method applied to each class of assets are reassessed at each reporting period date. The Corporation assesses, at each reporting period date, whether there is an indication that plant and equipment may be impaired. If any indication of impairment exists, the Corporation performs an impairment test to determine whether an impairment loss is required to be recognized. The impairment tests are performed in accordance with the steps discussed in the accounting policy note below entitled “Impairment of long-lived assets”.

3.8 Goodwill

Goodwill is initially measured as the excess of the price paid for the acquisition of a consolidated entity over the fair value of the net identifiable tangible and intangible assets acquired. Goodwill is allocated to the cash-generating units (“CGUs”) or groups of CGUs that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. A CGU 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. Each unit to which the goodwill has been allocated represents the lowest level within the Corporation at which the goodwill is monitored for internal management purposes and is not larger than an operating segment.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is evaluated for impairment annually or more often if events or circumstances indicate there may be impairment. Impairment is determined for goodwill by assessing whether the carrying amount of a CGU, including the allocated goodwill, exceeds its recoverable amount. The recoverable amount is determined as the greater of the estimated fair value less costs to sell or the value in use. Impairment losses recognized in respect of a CGU are first allocated to the carrying amount of goodwill and any excess is allocated pro rata to the carrying amount of other assets in the CGU, on the basis of the carrying amount of each asset in the unit. Any goodwill impairment is charged to income in the period in which the impairment is identified. Impairment losses on goodwill are not subsequently reversed.

3.9 Intangible assets

An intangible asset is recognized only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to the asset will flow to the Corporation. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

The Corporation's intangible assets comprise strategic customer relationships acquired in business combinations and the cost of registering trademarks. These relationships and trademarks are considered to have finite useful lives and are amortized on a straight-line basis over their useful life of 10 years. The amortization period and the amortization method are reviewed at least annually. Changes in the expected useful life are accounted for by changing the amortization period, as appropriate, and treated as changes in accounting estimates. Amortization expense is included in other operating expenses in the consolidated statement of earnings.

The Corporation assesses, at each reporting period date, whether there is an indication that an intangible asset may be impaired. If any indication of impairment exists, the Corporation performs an impairment test to determine whether an impairment loss is required to be recognized. The impairment tests are performed in accordance with the steps discussed in the accounting policy note below entitled "Impairment of long-lived assets".

3.10 Impairment of long-lived assets

The Corporation assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Corporation estimates the asset's recoverable amount. If it is not possible to determine the recoverable amount of the individual asset, the Corporation determines the recoverable amount of the CGU to which the asset belongs. The recoverable amount of an asset or a CGU is the higher of its fair value less costs to sell and its value in use, where value in use is the present value of the future cash flows expected to be derived from the asset or the CGU. Where the carrying amount of the asset or the CGU exceeds its recoverable amount, the asset is considered impaired and written down to its recoverable amount. The Corporation evaluates impairment losses for potential reversals when events or changes in circumstances warrant such consideration.

3.11 Income taxes

Taxation charge for the year comprises of current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that they relate to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred tax is not recognized on the initial recognition of goodwill or if it arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither tax nor accounting profit. Where an asset has no deductible or depreciable amount for income tax purposes, but has a deductible amount on sale or abandonment for capital gains purposes, the amount is included in the determination of temporary differences.

Deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantially enacted by the end of the reporting period. Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that they will be able to be utilized against future taxable income. Deferred tax assets are reviewed at each balance sheet date and adjusted to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Corporation has both the right and the intention to settle its assets and liabilities on a net or simultaneous basis.

Deferred tax on temporary differences related to investments in subsidiaries is not provided if reversal of these temporary differences can be controlled by the Corporation and it is probable that reversal will not occur in the foreseeable future.

3.12 Research and development

All research costs are recognized in profit and loss as they are incurred. Development costs are expensed as incurred unless they meet the criteria to be recognized as internally-generated intangible assets in accordance with the guidance in IAS 38, *Intangible Assets*. Development expenditures, on an individual project, are recognized as an intangible asset only when the following conditions are demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the Corporation’s intention to complete and its ability to use or sell the asset;
- how the asset will generate future economic benefits;
- the availability of resources to complete the asset; and
- the ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. Amortization is recorded in cost of sales. In the event that a product program for which costs have been deferred is modified or cancelled, the Corporation will assess the recoverability of the deferred costs and, if considered unrecoverable, will expense the costs in the period the assessment is made.

3.13 Financial instruments

The Corporation recognizes financial assets and financial liabilities (including derivatives) when the Corporation becomes a party to a contract. Financial assets and financial liabilities, with the exception of financial assets or liabilities classified or designated as fair value through profit or loss (“FVTPL”), are measured at fair value plus transaction costs on initial recognition. Financial assets or liabilities classified as FVTPL are measured at fair value on initial recognition and transaction costs are expensed when incurred. Measurement in subsequent periods depends on the classification of the financial instrument.

The Corporation assesses impairment of all its financial assets, except those classified as FVTPL. Management considers whether the issuer is having significant financial difficulty, whether there has been a breach in contract, such as a default or delinquency in interest or principal payments, and other applicable criteria in determining whether objective evidence of impairment exists. Impairment is measured as the difference between the asset’s carrying value and its fair value. Any impairment, which is not considered temporary, is included in current year profit (loss).

The Corporation reverses impairment losses on debt instruments classified as available-for-sale when an increase in fair value can be objectively related to an event occurring after the impairment loss was recognized. In addition, the Corporation reverses impairment losses on financial assets carried at amortized cost when the decrease in impairment can be objectively related to an event occurring after the impairment loss was recognized.

Financial assets

Financial assets are classified as FVTPL when acquired principally for the purpose of trading, if so designated by management (fair value option), or if they are derivative assets that are not part of an effective and designated hedging relationship. Financial assets classified as FVTPL are measured at fair value, with changes recognized in the consolidated statement of earnings.

Financial assets classified as FVTPL include cash and derivative instruments that are not part of an effective and designated hedging relationship.

Available-for-sale financial assets
Available-for-sale financial assets are non-derivative financial assets that are either designated as such by management or not classified in any of the other categories. Available-for-sale financial assets are measured at fair value with changes recognized in other comprehensive income. Upon sale or impairment, the accumulated fair value adjustments recognized in other comprehensive income are recorded in the consolidated statement of earnings.

The Corporation currently holds no available-for-sale financial assets.

Loans and receivables
Loans and receivables are non-derivative financial assets that have fixed or determinable payments and are not quoted in an active market. Subsequent to initial recognition, loans and receivables are carried at amortized cost using the effective interest method.

Accounts receivable are classified as loans and receivables.

Financial liabilities

Financial liabilities are classified as FVTPL if they are designated as such by management, or they are derivative liabilities that are not part of an effective and designated hedging relationship. Financial liabilities classified as FVTPL are measured at fair value, with changes recognized in the consolidated statement of earnings.

Financial liabilities classified as FVTPL include bank indebtedness and derivative instruments that are not part of an effective and designated hedging relationship.

Financial liabilities that are not classified as FVTPL include long-term bank debt, subordinated loan, government assistance, accounts payable and accrued liabilities, provisions and unearned revenue. Subsequent to initial recognition, these financial liabilities that are not subject to hedge accounting are measured at amortized cost using the effective interest rate method. Material transaction costs related to these financial liabilities are recorded as a reduction in the carrying value of the debt and included in the amortized cost measurement. After initial recognition, these financial liabilities are carried at amortized cost with any difference between the proceeds (net of transaction costs) and the redemption value recognized in the consolidated statement of earnings over the period of these financial liabilities using the effective interest method.

3.14 Derivative financial instruments

The Corporation utilizes forward foreign exchange contracts to manage its foreign currency exposure on anticipated sales. Fair values of these derivatives are recorded in prepaid expenses when they are in an asset position or in accounts payable and accrued liabilities when in a liability position. Changes in fair value are reported in current year earnings.

3.15 Leases

The economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards related to the ownership of the leased asset. The related asset is then recognized at the inception of the lease at the fair value of the leased asset or, if lower, the present value of the lease payments plus incidental payments, if any. A corresponding amount is recognized as a finance leasing liability, irrespective of whether some of these lease payments are payable up-front at the date of inception of the lease. Leases of land and building are classified separately and the minimum lease payments are allocated between the land and building elements in proportion to the relative fair values of the leasehold interests at the inception of the lease.

All existing leases are accounted for as operating leases, and payments are expensed on a basis consistent with the terms of the lease. Associated costs, such as maintenance and insurance, are expensed as incurred.

3.16 Provisions

A provision is recognized if, as a result of a past event, the Corporation has a legal or constructive obligation that can be estimated reliably and it is probable that a future outflow of economic benefits will be required to settle the obligation. The timing or amount of the outflow may still be uncertain.

Provisions are measured by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and specific risks of the obligation, where appropriate. Where there are a number of obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. All provisions are reviewed at each reporting date and adjusted accordingly to reflect the current best estimate.

3.17 Share-based payments

The Corporation accounts for share-based payments as equity-settled transactions where the fair value of options granted is charged to salary expense over the option vesting period, with the offsetting amount recognized in contributed surplus. For awards with graded vesting, each tranche of an award is considered a separate grant with a different vesting date and fair value. The fair value of each tranche is recognized over its respective vesting period. The fair value of each tranche is estimated at the date of grant using the Black-Scholes option pricing model incorporating assumptions regarding risk-free interest rates, dividend yield, expected volatility of the Corporation’s stock, and a weighted average expected life of options. For each reporting period, the Corporation reassesses its estimates of the number of awards that are expected to vest and recognizes the impact of any revision in the consolidated statement of earnings with a corresponding adjustment to equity.

3.18 Earnings per share (“EPS”)

The Corporation presents basic and diluted earnings per share data for its common shares. Basic EPS is calculated by dividing the profit or loss attributable to common shareholders of the Corporation by the weighted average number of common shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares.

4. RECENT ACCOUNTING PRONOUNCEMENTS

The following accounting pronouncements issued by the IASB were not effective as of November 30, 2012 and therefore have not been applied in preparing these consolidated financial statements. Management is currently evaluating the potential impact the adoption of these accounting pronouncements will have on the Corporation's consolidated financial statements.

4.1 IAS 1 Presentation of Financial Statements

The IASB amended IAS 1, *Presentation of Financial Statements*, which are effective for annual periods beginning on or after January 1, 2013, with earlier application permitted. The amendments will require entities to group items in other comprehensive income and their related income tax effects on the basis of whether they may subsequently be reclassified to net earnings or loss.

4.2 IFRS 9 Financial Instruments

In November 2009, the IASB issued, and subsequently revised in December 2011, IFRS 9, *Financial Instruments,* as a first phase in its ongoing project to replace IAS 39, *Financial Instruments: Recognition and Measurement*. IFRS 9, which is to be applied retrospectively, is effective for annual periods beginning on or after January 1, 2015, with earlier application permitted.

IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. The standard also adds guidance on the classification and measurement of financial liabilities.

4.3 IFRS 10 Consolidated Financial Statements

In May 2011, the IASB issued IFRS 10, *Consolidated Financial Statements,* which replaces portions of IAS 27, *Consolidated and Separate Financial Statements,* and interpretation of SIC-12, *Consolidation – Special Purpose Entities*, effective for annual periods beginning on or after January 1, 2013. IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent Corporation.

4.4 IFRS 11 Joint Arrangements

In May 2011, the IASB also issued IFRS 11, *Joint Arrangements,* to supersede existing IAS 31, *Joint Ventures*, effective for annual periods beginning on or after January 1, 2013, with earlier application permitted. IFRS 11 provides for the accounting of joint ventures by focusing on the rights and obligations of the arrangement, rather than its legal form (as is currently the case). The standard also eliminated the option to account for jointly controlled entities using the proportionate consolidation method.

4.5 IFRS 12 Disclosure of Interests in Other Entities

In May 2011, the IASB issued IFRS 12, *Disclosure of Interests in Other Entities,* which is effective for annual periods beginning on or after January 1, 2013, with earlier adoption permitted. IFRS 12 provides disclosure requirements about subsidiaries, joint ventures and associates, as well as unconsolidated structured entities and replaces existing disclosure requirements.

4.6 IFRS 13 Fair Value Measurement

In May 2011, the IASB issued IFRS 13, *Fair Value Measurement,* which is effective for annual periods beginning on or after January 1, 2013, with earlier adoption permitted. IFRS 13 establishes a single source of guidance for fair value measurements, when fair value is required or permitted by IFRS and provides for enhanced disclosures when fair value is applied.

4.7 IAS 12 Income Taxes

In December 2010, IAS 12, *Income Taxes,* was amended to introduce an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value, which is effective for annual periods beginning on or after January 1, 2012. As a result of the amendments, SIC 21, *Income taxes—recovery of revalued non-depreciable assets*, will no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC 21, which is withdrawn.

4.8 IAS 27 Consolidated and Separate Financial Statements

In May 2011, the IASB reissued IAS 27, *Consolidated and Separate Financial Statements,* which is effective for annual periods beginning on or after January 1, 2013, with earlier adoption permitted. As the consolidation guidance will now be included in IFRS 10, IAS 27 will only prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when the entity prepares separate financial statements. IAS 27 requires an entity preparing separate financial statements to account for those investments at cost or in accordance with IFRS 9, *Financial Instruments*.

4.9 IAS 28 Investments in Associates and Joint Ventures

In May 2011, the IASB amended IAS 28, *Investments in Associates and Joint Ventures,* which is effective for annual periods beginning on or after January 1, 2013, with earlier adoption permitted. IAS 28 prescribes the accounting for investments in associates and joint ventures and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

4.10 IAS 32 and IFRS 7, Offsetting Financial Assets and Financial Liabilities

In December 2011, the IASB published *Offsetting Financial Assets and Financial Liabilities* and issued new disclosure requirements in IFRS 7, *Financial Instruments: Disclosures*. The effective date for the amendments to IAS 32 is for annual periods beginning on or after January 1, 2014. The effective date for the amendments to IFRS 7 is for annual periods beginning on or after January 1, 2013. These amendments are to be applied retrospectively.

5. USE OF ESTIMATES AND JUDGEMENTS

Allowance for doubtful accounts

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. In particular, management estimates the amount and timing of the cash flows the Corporation expects to receive.

Valuation of financial instruments

The Corporation determines the fair value of financial instruments for which there is no observable market price using a variety of valuation techniques. The inputs to these models are derived from observable market data where possible, but where observable market data is not available, estimates are required to establish fair values. The estimates include consideration of liquidity and other risks affecting the specific instrument. Details of the basis on which fair value is estimated, are provided in Note 19.

Taxes and deferred taxes

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Corporation reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxation authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

Income taxes are determined based on estimates of the Corporation's current income taxes and estimates of deferred income taxes resulting from temporary differences. Deferred tax assets are assessed to determine the likelihood that they will be realized from future taxable income before they expire.

Useful lives of plant and equipment

The Corporation estimates the useful lives of plant and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of plant and equipment are reviewed at each reporting date and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the relevant assets. In addition, the estimation of the useful lives of plant and equipment are based on internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of the plant and equipment would increase the recorded expenses and decrease the non-current assets. An increase in the estimated useful lives of the plant and equipment would decrease the recorded expenses and increase the non-current assets.

Share-based payment transactions

The Corporation measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining and making assumptions about the most appropriate inputs to the valuation model including the expected life, volatility and dividend yield of the share option.

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm’s length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. If there is no binding sale agreement or active market for an asset, fair value less costs to sell is based on the best information available to reflect the amount that an entity could obtain, at the end of the reporting period, from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Corporation is not yet committed to or significant future investments that will enhance the asset’s performance of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

6. INVENTORIES

	November 30, 2012	November 30, 2011	December 1, 2010
	$	$	$
Raw materials and spare parts	**2,724**	2,602	2,438
Work-in-progress	**2,627**	2,796	3,469
Finished goods	**2,576**	2,575	2,819
	7,927	7,973	8,726

The cost of inventories recognized as an expense during the year ended November 30, 2012 was $41,816 (2011 - $39,881). This amount included $931 during the year ended November 30, 2012 (2011 – $1,217) as cost of inventories written down due to obsolescence.

As at November 30, 2012, total inventory value of $7,927 (November 30, 2011 – $7,973; December 1, 2010 – $8,726) was pledged as security for the bank facility.

7. PLANT AND EQUIPMENT

	Machinery and equipment $	Furniture and fixtures $	Leasehold improvements $	Total $
Cost				
December 1, 2010	35,670	1,156	4,973	41,799
Additions	2,212	-	221	2,433
Disposals	(82)	-	(5)	(87)
Foreign exchange impact	(23)	(1)	(5)	(29)
November 30, 2011	37,777	1,155	5,184	44,116
Additions	2,201	59	629	2,889
Disposals	(556)	-	(6)	(562)
Foreign exchange impact	(180)	(3)	4	(179)
November 30, 2012	**39,242**	**1,211**	**5,811**	**46,264**
Accumulated depreciation				
December 1, 2010	32,098	1,147	4,530	37,775
Depreciation during the year	1,777	6	112	1,895
Disposals during the year	(12)	-	(5)	(17)
Foreign exchange impact	(6)	(1)	(4)	(11)
November 30, 2011	33,857	1,152	4,633	39,642
Depreciation during the year	1,484	10	202	1,696
Disposals during the year	(522)	-	(6)	(528)
Foreign exchange impact	(129)	(4)	(21)	(154)
November 30, 2012	**34,690**	**1,158**	**4,808**	**40,656**
Net book value				
December 1, 2010	3,572	9	443	4,024
November 30, 2011	3,920	3	551	4,474
November 30, 2012	**4,552**	**53**	**1,003**	**5,608**

Included in leasehold improvements as at November 30, 2012 are $299 (net of government grant of $nil) (November 30, 2011 – $146; December 1, 2010 – $nil) and included in machinery and equipment as at November 30, 2012 are $176 (November 30, 2011 – $13; December 1, 2010 – $nil) of assets under construction which are not yet available for use. Accordingly, these assets are not being depreciated.

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.

8. GOODWILL

The Corporation has elected not to restate business combinations that occurred before the date of transition to IFRS, as allowed under IFRS 1 (see Note 25). The amount of goodwill recognized upon transition to IFRS is therefore the carrying amount under Canadian GAAP at December 1, 2010.

There have been no additions, disposals or impairment losses of goodwill during the year ended November 30, 2012.

Goodwill is allocated to the Toronto Circuits CGU for the purpose of impairment testing, being the lowest business level at which goodwill is monitored for internal management purposes.

	November 30, 2012	November 30, 2011	December 1, 2010
	$	$	$
Goodwill	**1,039**	1,039	1,039

Management has determined that the recoverable amount of the unit exceeds its carrying amount and that no impairment exists. The following information relates to the impairment test of the Toronto Circuits CGU that was conducted during the year ended November 30, 2012, November 30, 2011 and at December 1, 2010.

The recoverable amount of the CGU was determined on the basis of its value in use. The value of the unit was determined using a discounted cash flow methodology where estimated cash flows were projected to five years and assuming a terminal growth rate of 4% thereafter as at November 30, 2012 (November 30, 2011 – 3%; December 1, 2010 – 4%). A revenue growth rate of 4% as at November 30, 2012 (November 30, 2011 – 3%; December 1, 2010 – 4%) was assumed over the period of projections with a stable gross margin percentage. Operating expenses considered necessary to support the expected growth were included and increased over the period of projections at an expected inflationary rate. Planned capital expenditures, also necessary to support expected growth, were incorporated.

A discount rate in the range of 12.8% to 14.8% as at November 30, 2012 (November 30, 2011 – 14.6% to 17.4%; December 1, 2010 – 14.5% to 17.3%) was used, which comprised a risk-free rate, equity risk premium, size premium and Corporation-specific risk premium. The risk-free rate, equity risk premium and size premium were based on data from external sources whereas the Corporation-specific risk premium was based on factors considered by management to be specific to the unit.

9. INTANGIBLE ASSETS

Intangible assets relate to the strategic customer relationships acquired and the cost of registering trademarks.

	Customer relationships $	Trademarks $	Total $
Cost			
December 1, 2010	479	-	479
Additions	-	5	5
November 30, 2011	479	5	484
Additions	-	-	-
November 30, 2012	479	5	484
Accumulated amortization			
December 1, 2010	143	-	143
Charge during the year	48	-	48
November 30, 2011	191	-	191
Charge during the year	48	1	49
November 30, 2012	239	1	240
Net book value			
December 1, 2010	336	-	336
November 30, 2011	288	5	293
November 30, 2012	240	4	244

Customer relationships intangible assets have an unamortized remaining period of approximately five years as at November 30, 2012 (approximately six years as at November 30, 2011).

10. CUSTOMER DEPOSITS, NET OF DEFERRED DEVELOPMENT

The balance at November 30, 2012 and November 30, 2011 includes deposits received by the Corporation from a customer for orders not delivered as at the year-end date amounting to $807 and $714, respectively.

In addition, the Corporation received an advance of US $500 (Cdn. $505) from the customer in May 2012, which represented a portion of the initial funding from the customer towards the design and development of the control panel assemblies, of which the Corporation utilized US $464 (Cdn. $469) towards deferred development during the period and US $36 (Cdn. $36) is remaining to be utilized towards future deferred development.

11. UNEARNED REVENUE

The balance at December 1, 2010 represented the excess of advances received that exceeded recognized revenue on contracts accounted for using the percentage-of-completion method of revenue recognition.

12. LONG-TERM BANK DEBT

Long-term bank debt consists of:	**November 30, 2012 $**	November 30, 2011 $	December 1, 2010 $
5 year US $6,000 term loan (of which US $3,000 relates to the U.S. subsidiary), amortized over 7 years, repayable in equal monthly payments of US $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 was fully repaid in April 2012. Principal as at November 30, 2012 was $nil (November 30, 2011 – US $1,429; December 1, 2010 – US $2,286).	**-**	1,458	2,347
3.5 year US $3,617 capital expenditure facility, repayable in equal monthly payments of US $62 plus interest at 30-day LIBOR plus a margin and was fully repaid in 2011. Principal as at November 30, 2012 was $nil (November 30, 2011 – $nil; December 1, 2010 – US $694).	**-**	-	712
3.5 year US $500 Term Loan, amortized over 7 years, repayable in equal monthly payments of US $6 plus interest at banker's acceptances ("BA") rate plus 250 basis points and the balance fully repayable in April 2016. The Term Loan is secured by a first charge over all of the property and assets of the Corporation. Principal as at November 30, 2012 was $497 (November 30, 2011 – $nil; December 1, 2010 – $nil) (Note 14).	**497**	-	-
	497	1,458	3,059
Less: deferred financing charges	**92**	33	28
	405	1,425	3,031
Less: current portion amounts due within one year	**44**	1,425	3,031
	361	-	-

The Corporation is subject to covenants as disclosed in Note 15.7. The Corporation was in compliance with these covenants.

13. SUBORDINATED LOAN AND GOVERNMENT ASSISTANCE

13.1 AMIS loan

The Corporation has entered into a non-revolving term loan agreement with the Government of Ontario, Ministry of Economic Development and Trade 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 the 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 funds received during the year have been discounted to their estimated fair value upon receipt of proceeds using a discount rate of 8% (November 30, 2011 – 9.22%; December 1, 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 rate method, with the amount credited to cost of sales.

Subordinated loan:	**November 30, 2012 $**	November 30, 2011 $	December 1, 2010 $
Subordinated loan, opening balance	**2,444**	1,746	-
Government assistance loans received	**1,490**	960	2,660
Less: interest-free discount accrued on proceeds received	**(572)**	(412)	(962)
Accretion of interest	**251**	150	48
Subordinated loan, ending balance	**3,613**	2,444	1,746

Government assistance:

	November 30, 2012 $	November 30, 2011 $	December 1, 2010 $
Government assistance, opening balance	**1,065**	914	-
Interest-free discount accrued on proceeds received	**572**	412	962
Deemed government assistance netted against cost of sales	**(403)**	(261)	(48)
Government assistance, ending balance	**1,234**	1,065	914

The Corporation has received the full amount under the loan agreement. The loan repayment shall commence in September 2016 in five equal annual instalments plus accrued interest; each instalment 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 interest 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 certain levels of accounts receivable, inventories and 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, 2012, the Corporation was in compliance with this covenant.

13.2 Lease assistance from Tianjin Airport Economic Area ("TAEA")

A subsidiary of the Corporation located in Tianjin, China has received assistance from TAEA in the form of an operating lease rebate for a period of two years, expiring on February 10, 2013. Total lease rebates received for the year ended November 30, 2012 were estimated to be $88 (year ended November 30, 2011 – $nil) and were offset against selling, general and administrative expenses. TAEA had also provided a grant of RMB 600,000 ($97) against leasehold improvement expenditures and this had been set off against the cost of the related plant and equipment as at November 30, 2011 and November 30, 2012.

14. BANK INDEBTEDNESS

The Corporation had a three-year revolving credit facility of US $6,000, maturing on March 31, 2012, which was extended to April 30, 2012. This facility was fully discharged in April 2012.

The Corporation entered into a new commercial lending facility with another financial institution in April 2012 which included the following terms:

- US $6,000 four-year committed operating facility ("Operating Facility") by way of a combination of current account overdraft, operating loan or BA subject to an overall maximum of US $6,000 or the Canadian dollar equivalent.
- US $6,000 four-year revolving loan ("Term Loan") to refinance existing plant and equipment up to US $6,000 and to finance capital expenditures on future equipment purchases up to 90% of the invoice cost (Note 12).
- US $12,000 foreign exchange forward contracts for the purchase of contracts with a maximum aggregate face value of US $12,000 or the equivalent in major currencies with a maximum contract term of 12 months, available to hedge foreign currency exposure.
- US $1,000 precious metal forward contracts for the purchase of contracts with a maximum aggregate face value of US $1,000 or the equivalent in major currencies with a maximum contract term of 12 months, available to hedge risk on raw materials.
- $200 MasterCard limit to issue corporate business cards for employees.
- US $6,000 swap line for the utilization of interest rate swaps with a maximum aggregate face value of US $6,000, with a maximum term equal to the remaining term on the Term Loan.

The Operating Facility and the Term Loan are made available by way of prime rate / US Base Rate ("USBR") loans, BA rate loans or LIBOR loans plus an applicable margin. Applicable margins under the terms of the facility for prime rate / USBR loans are plus 125 to 150 basis points, BA rate loans are plus 250 to 275 basis points and LIBOR loans are plus 250 to 275 basis points.

The advances under the Operating Facility and the Term Loan shall be repayable in four years. BAs, foreign exchange forward contracts, precious metal forward contracts, and interest rate swaps shall be repayable at their respective maturity dates. In any event, all the advances under the lending facility shall be repayable in full four years from the closing date of April 2012.

The financing charges for the new lending facility were $108, which consisted of commitment fees of $45 and legal fees of $63, and are being amortized over the term of the new facility of four years. The unamortized deferred financing charges of $92 as at November 30, 2012 have been offset against long-term bank debt in the consolidated balance sheet.

The Corporation utilized US $1,000 or Cdn. $994 of the Operating Facility as at November 30, 2012 (November 30, 2011 – $nil; December 1, 2010 – US $712, or Cdn. $731). The lending facility is secured by a first charge on all property and assets of the Corporation.

Management believes the Corporation has sufficient liquidity and capital resources to meet its obligations for the foreseeable future. The Corporation was in compliance with all of its loan covenants (Note 15.7) as at November 30, 2012.

15. SHARE CAPITAL

15.1 Authorized

Authorized share capital consists of an unlimited number of Common Shares with no par value 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 and Preferred Share carries the right to one vote.

The Corporation has authorized and issued 17,803,201 Common Shares as at November 30, 2012 (November 30, 2011 – 17,803,201; December 1, 2010 – 17,803,201).

15.2 Preferred shares issued and outstanding

The Corporation has 1,775,000 voting convertible Series 1 Preferred Shares outstanding as at November 30, 2012 (November 30, 2011 – 1,775,000; December 1, 2010 – 1,775,000). 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 and 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.

15.3 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 and non-employees of the Corporation. Stock options granted by the Corporation during the year ended November 30, 2012 were 395,000 (2011 - 583,000). The number of shares reserved for issuance shall not exceed 1,780,320. Options are granted at the current market price and have a contractual term of six years.

	November 30, 2012		November 30, 2011	
	Number of options	**Weighted-average exercise price $**	Number of options	Weighted-average exercise price $
Outstanding, beginning of the year	**1,524,000**	**0.70**	1,003,000	0.98
Options granted	**395,000**	**0.49**	583,000	0.34
Options expired	**(255,000)**	**1.33**	(57,000)	1.94
Options forfeited	**(40,000)**	**0.81**	(5,000)	1.33
Outstanding, end of the year	**1,624,000**	**0.55**	1,524,000	0.70
Exercisable, end of the year	**850,334**		824,335	

November 30, 2012

Number of shares	**Exercise price $**	**Vesting**	**Expiry date**	**Weighted-average remaining contractual life**	**Weighted-average exercise price $**	**Number exercisable**
105,000	1.35	Vested	2012-2013	0.2 years	1.35	105,000
236,000	1.00	Vested	2014	1.3 years	1.00	236,000
305,000	0.42	2/3 vested, 1/3 2012	2015	2.7 years	0.42	305,000
20,000	0.32	1/3 vested, 2/3 2012 to 2013	2016	3.9 years	0.32	13,334
573,000	0.34	1/3 vested, 2/3 2013 to 2014	2017	4.3 years	0.34	191,000
325,000	0.47	2013 to 2015	2018	5.3 years	0.47	-
10,000	0.59	2013 to 2015	2018	5.3 years	0.57	-
10,000	0.55	2013 to 2015	2018	5.3 years	0.57	-
40,000	0.62	2013 to 2015	2018	5.8 years	0.62	-
1,624,000						**850,334**

November 30, 2011

Number of shares	Exercise price $	Vesting	Expiry date	Weighted-average remaining contractual life	Weighted-average exercise price $	Number exercisable
10,000	1.73	Vested	2013	1.7 years	1.73	10,000
360,000	1.30-1.35	Vested	2012-2013	0.5 years	1.34	360,000
241,000	1.00	Vested	2014	2.3 years	1.00	241,000
310,000	0.42	2/3 vested, 1/3 2012	2015	3.7 years	0.42	206,668
20,000	0.32	1/3 vested, 2/3 2012 to 2013	2016	4.9 years	0.32	6,667
583,000	0.34	2012 to 2014	2017	5.3 years	0.34	-
1,524,000						824,335

December 1, 2010						
Number of shares	Exercise price $	Vesting	Expiry date	Weighted-average remaining contractual life	Weighted-average exercise price $	Number exercisable
27,000	2.41-2.80	Vested	2010	0.1 years	2.60	27,000
10,000	1.73	Vested	2013	2.7 years	1.73	10,000
395,000	1.30-1.69	Vested	2011-2013	1.4 years	1.34	395,000
241,000	1.00	2/3 vested, 1/3 2011	2014	3.3 years	1.00	160,664
310,000	0.42	1/3 vested, 2/3 2011 to 2012	2015	4.7 years	0.42	103,339
20,000	0.32	2011 to 2013	2016	5.9 years	0.32	-
1,003,000						696,003

15.4 Contributed surplus

	Years ended	
	November 30, 2012	November 30, 2011
	$	$
Balance, beginning of the year	**8,249**	8,209
Stock-based compensation	**56**	40
Balance, end of the year	**8,305**	8,249

15.5 Earnings per share

	Years ended	
	November 30, 2012	November 30, 2011
Numerator		
Net earnings	**$ 928**	$ 1,474
Numerator for basic earnings per share - net earnings applicable to Common Shares	**928**	1,474
Effect of dilutive securities	**-**	-
Numerator for diluted earnings per share - net earnings applicable to Common Shares	**$ 928**	$ 1,474
Denominator		
Denominator for basic earnings per share - weighted average number of Common Shares	**17,803,201**	17,803,201
Effect of dilutive securities		
Preferred Shares	**1,775,000**	1,775,000
Stock options	**242,378**	-
Denominator for diluted earnings per share - weighted average number of Common Shares and assumed conversions	**19,820,579**	19,578,201
Basic earnings per share	**$ 0.05**	$ 0.08
Diluted earnings per share	**$ 0.05**	$ 0.08

The Corporation has 1,775,000 voting convertible Series 1 Preferred Shares outstanding. These convertible Series 1 Preferred Shares were included in calculating diluted earnings per share for the year ended November 30, 2012 and November 30, 2011 as the Corporation had net earnings.

The Corporation has options outstanding in 2012 and 2011. These options were included in the diluted earnings per share calculations as they were dilutive for the year ended November 30, 2012. These options were not included in the diluted earnings per share calculations as they were anti-dilutive for the year ended November 30, 2011.

15.6 Stock-based compensation to employees

The Corporation recognized stock-based compensation expense in the consolidated statement of earnings of $56 during the year ended November 30, 2012 (2011 – $40). Of this amount, $35 relates to options granted during the current year.

The Corporation determines the fair value of stock options on their grant date and records this amount as compensation expense over the period that the stock options vest, with a corresponding increase to contributed surplus. When these stock options are exercised, the Corporation records the amount of proceeds, together with the amount recorded in contributed surplus, in share capital.

The fair value of options granted is calculated using the Black-Scholes option pricing model. The weighted-average fair value per stock option granted during the year ended November 30, 2012 was $0.22 (2011 – $0.10).

The Black-Scholes option pricing model was developed for use in estimating the fair value of traded options which were fully transferable with no vesting restrictions. This option valuation model requires the input of highly subjective assumptions including the expected stock price volatility, expected lives of the options, expected dividends to be paid by the Corporation and risk-free interest rates. Because changes in the input assumptions can materially affect the fair value estimate, such value is subject to measurement uncertainty. The effect on the consolidated financial statements from changes in such estimates in future periods could be material.

The Corporation determines the fair value of options granted using the Black-Scholes option pricing model. The weighted average fair value of the options granted during the year ended November 30, 2012 was $0.22 (2011 – $0.10, 2010 – $0.11). The following assumptions were used to determine the fair value of each of the following option grants on the date of grant:

	November 30, 2012	November 30, 2011	December 1, 2010
Fair value of options granted	$ 0.22	$ 0.10	$ 0.11
Share price	$ 0.54	$ 0.29	$ 0.30
Exercise price	$ 0.49	$ 0.34	$ 0.32
Expected share price volatility	55%	55%	55%
Option life	6	6	6
Expected period until exercise in years	3	3	3
Forfeiture rate	14%	14%	14%
Expected dividend yield	0%	0%	0%
Risk-free rate of return	1.29%	2.31%	2.50%

The above assumption for expected volatility was determined purely on the basis of historical volatility.

15.7 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 long-term 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, bank indebtedness and non-current liabilities. The Corporation's objectives when managing capital are to ensure that the Corporation will continue to have enough liquidity so it can provide the services to the customers and returns to the 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, 2012, November 30, 2011 and December 1, 2010, are as follows:

	November 30, 2012	November 30, 2011	December 1, 2010
	$	$	$
Long-term bank debt	**405**	1,425	3,031
Non-current liabilities	**4,847**	3,509	2,660
Bank indebtedness	**994**	-	731
Less: cash	**(1,446)**	(1,944)	(927)
Net debt	**4,800**	2,990	5,495
Net debt	**4,800**	2,990	5,495
Shareholders' equity	**14,015**	13,128	11,602
Total capital employed	**18,815**	16,118	17,097
Net debt to total capital employed	**0.26:1**	0.19:1	0.32:1

The Corporation does not currently pay a dividend.

The Corporation's credit facilities as described in Note 12 and Note 14 are subject to the following bank covenants with which it was in full compliance as at November 30, 2012, November 30, 2011 and December 1, 2010:

- Fixed charge coverage ratio;
- Total debt to tangible net worth ratio; and
- Current assets to current liabilities ratio.

The Corporation's AMIS loan is subject to the financial covenants as described in Note 13.1 with which it was in full compliance as at November 30, 2012, November 30, 2011 and December 1, 2010.

16. 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 $2,823 of research and development costs for the year ended November 30, 2012 (2011 – $2,915).

Recoveries of research and development costs for the year ended November 30, 2012 of $290 (2011 – $348) were from the Ontario Innovation Tax Credit.

17. INCOME TAXES

17.1 Deferred Income Taxes

The consolidated rate reconciliation is as follows:	**November 30, 2012 $**	November 30, 2011 $
Accounting income before tax	**959**	768
Statutory tax rate	**26.50%**	31.1%
	254	239
Change in benefits not recognized	**154**	(1,045)
Use of losses previously unrecognized	**(421)**	-
Permanent Differences and Differences between Canadian and foreign tax rates	**13**	63
Withholding tax	**18**	-
State income taxes	**13**	2
Other	**-**	35
Tax provision	**31**	(706)

The gross movement on the deferred income tax account is as follows:	$
Balance as at November 30, 2011	1,375
(Charged) credited to earnings during the year	-
Balance as at November 30, 2012	**1,375**

The movement in deferred income tax assets during the year is as follows:

	Balance as at November 30, 2011 $	(Charged) credited to Earnings $	**Balance as at November 30, 2012 $**
Deferred tax assets:			
Tax losses carried forward	1,336	241	**1,577**
SR&ED deductible expenditures	3,633	657	**4,290**
Tax attributes - R&D Credits	489	(9)	**480**
Other temporary differences	447	(283)	**164**
Ontario Harmonization Credit	36	3	**39**
Excess of unamortized intangibles for tax purposes over net book value	111	195	**306**
Excess of undepreciated capital cost for tax purposes over net book value of plant and equipment	1,492	(461)	**1,031**
Deferred tax assets not recognized	(6,169)	(343)	**(6,512)**
	1,375	0	**1,375**

	Balance as at December 1, 2010 $	(Charged) credited to Earnings $	Balance as at November 30, 2011 $
Deferred tax assets:			
Tax losses carried forward	2,438	(1,102)	1,336
SR&ED deductible expenditures	2,872	761	3,633
Tax attributes - R&D Credits	141	348	489
Other temporary differences	474	(27)	447
Ontario Harmonization Credit	379	(343)	36
Excess of unamortized intangibles for tax purposes over net book value	131	(20)	111
Excess of undepreciated capital cost for tax purposes over net book value of plant and equipment	1,454	38	1,492
Deferred tax assets not recognized	(7,222)	1,053	(6,169)
	667	708	1,375

Deferred income tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable based on future estimated profits.

The deferred tax asset recognized in the accounts of $1,375 at November 30, 2012 consists of non-capital losses of $1,336 and $39 related to the excess of undepreciated capital cost for tax purposes over net book value of plant and equipment. (The deferred tax asset recognized in the accounts of $1,375 at November 30, 2011 comprised of non-capital losses of $1,336 and $39 related to the excess of undepreciated capital cost for tax purposes over net book value of plant and equipment.)

The Corporation has, as of November 30, 2012, Canadian gross non-capital loss carry-forwards of $2,840 (November 30, 2011 - $2,607, December 1, 2010 - $7,292), which are due to expire between 2027 and 2029. A deferred tax asset has been recognized for a portion of these losses.

The Corporation has, as of November 30, 2012, U.S. gross tax loss carry-forwards of approximately $1,939 (November 30, 2011 - $1,910, December 1, 2010 - $1,013), which are due to expire between 2029 and 2032. No deferred tax asset has been recorded in respect of these losses.

In addition, the Corporation has, as of November 30, 2012, SR&ED deductible expenditures of $16,190 (November 30, 2011 - $14,534, December 1, 2010 - $12,405), which do not expire. No deferred tax asset has been recorded in respect of this pool.

The Corporation has, as of November 30, 2012, $4,465 (November 30, 2011 - $4,217, December 1, 2010 - $2,969) of Canadian investment tax credits which are due to expire between 2022 and 2032. The tax benefit of these investment tax credits has not been recognized.

The Corporation has, as of November 30, 2012, capital loss carry-forwards of approximately $14,145 (November 30, 2011 and December 1, 2010 - $14,145), which do not expire. The capital losses can only be used to shelter income from capital gains. No deferred tax asset has been recorded in respect of these losses.

17.2 Income tax expense

	Years ended	
	November 30, 2012	November 30, 2011
	$	$
Income tax expense:		
Current	**31**	2
	31	2

Income tax expense represents taxes paid by a U.S. subsidiary of $13 and the remaining $18 are withholding taxes related to source deductions on remittances from FTG Aerospace Tianjin Inc. to the Corporation.

18. CHANGES IN NON-CASH OPERATING WORKING CAPITAL

Changes in non-cash operating working capital are comprised of the following:

	Years ended	
	November 30, 2012	November 30, 2011
	$	$
Accounts receivable	**(684)**	(291)
Taxes receivable	**128**	70
Inventories	**46**	711
Prepaid expenses	**(133)**	289
Customer deposits/unearned revenue	**129**	562
Accounts payable and accrued liabilities, provisions	**(1,115)**	633
	(1,629)	1,974

19. FINANCIAL INSTRUMENTS

19.1 Fair value

The Corporation follows the requirements set out by the IASB in IFRS 7, *Financial Instruments: Disclosures*. The amounts set out in the following table represent the fair value of the Corporation's financial instruments. The valuation methods and assumptions are described below.

The estimated fair value amounts approximate the amounts at which financial instruments could be exchanged in a current transaction between willing parties who are under no compulsion to act. For financial instruments that lack an available trading market, the Corporation applies present value and valuation techniques that use observable or unobservable market inputs. Because of the estimation process and the need to use judgement, the aggregate fair value amounts should not be interpreted as being necessarily realizable in an immediate settlement of the instruments.

The following tables include the Corporation's outstanding commitments to buy and sell currency under foreign exchange forward contracts, all of which have a maturity date of less than one year:

	As at November 30, 2012		
	Carrying value $	**Fair value $**	**Fair value over (under) carrying value $**
Financial assets:			
Fair value through profit and loss assets:			
Foreign exchange forward contracts for US $5,900	**5,891**	**5,872**	**(19)**

	As at November 30, 2011		
	Carrying value $	Fair value $	Fair value over (under) carrying value $
Financial liabilities:			
Fair value through profit and loss financial liabilities:			
Foreign exchange forward contracts for US $3,000	3,048	3,063	15

	As at December 1, 2010		
	Carrying value $	Fair value $	Fair value over (under) carrying value $
Financial assets:			
Fair value through profit and loss assets:			
Foreign exchange forward contracts for US $2,000	2,074	2,054	(20)

The Corporation uses the following hierarchy for determining and disclosing the fair value of financial instruments carried at fair value:

Level 1: Quoted (Unadjusted) Prices in Active Markets for Identical Assets or Liabilities: This level of hierarchy includes equity securities traded on the Toronto Stock Exchange and quoted corporate and government-backed debt instruments. The Corporation did not have any Level 1 financial instruments carried at fair value at November 30, 2012, November 30, 2011, and December 1, 2010.

Level 2: Valuation Techniques with Observable Parameters: This level of hierarchy includes loans, commitments, interest rate swaps and bond forwards and certain corporate debt instruments. The financial instruments held by the Corporation in this level included foreign exchange forward contracts.

Level 3: Valuation Techniques with Significant Unobservable Parameters: Instruments classified in this category have a parameter input or inputs that are unobservable and have more than insignificant impact on either the fair value of the instrument or the profit or loss of the instrument. The Corporation did not have any Level 3 financial instruments carried at fair value at November 30, 2012, November 30, 2011, and December 1, 2010.

The methods and assumptions used to estimate the fair value of financial instruments are described as follows:

Cash, accounts receivable, accounts payable and accrued liabilities, provisions, unearned revenue and customer deposits: The Corporation determined that the fair value of its short-term financial assets and liabilities approximates their respective carrying value as at the consolidated balance sheet dates because of the short-term maturity of those instruments.

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

Subordinated loan and Government assistance: The fair value of the Corporation’s subordinated loan and Government assistance, calculated by discounting the expected future cash flows based on the current rates for debt with similar terms and maturities, are $3,682 and $1,236, respectively at November 30, 2012.

Foreign exchange contracts: The fair value of the Corporation’s foreign exchange contacts are based on the current market values of similar contracts with similar remaining durations as if the contract had been entered into on November 30, 2012. The mark-to-market value on these financial instruments as at November 30, 2012 was an unrealized gain of $19.

19.2 Financial risks

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 facilities are subject to rates varying with the lending institution’s prime rates and are subject to cash flow risks.

The Corporation's interest rate and cash flow risks are primarily related to the Corporation's revolving credit facilities, for which amounts drawn are subject to varying rates at the time of borrowing. The interest rates on amounts currently drawn on the revolving facility and on any future borrowings will vary and are unpredictable. The Corporation monitors its exposure to interest rates and has not entered into any derivative contracts to mitigate this risk.

Based on the value of interest-bearing financial instruments for the years ended November 30, 2012 and 2011, an assumed 50 basis points increase in interest rates during such period would have decreased earnings before income taxes by $26 and $63, respectively, with an equal but opposite effect for an assumed 50 basis points decrease in interest rates.

Currency risk

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 debt and most of the manufacturing materials are sourced in U.S. dollars, providing a natural economic hedge for a portion of the Corporation's currency exposure. The foreign exchange loss (gain) for the reporting periods is set out in the table below:

	Years ended	
	November 30, 2012	November 30, 2011
	$	$
Realized loss relating to financial assets and liabilities, excluding foreign exchange forward contracts	**508**	98
Realized (gain) loss relating to foreign exchange forward contracts	**(154)**	26
Unrealized (gain) loss relating to foreign exchange forward contracts, including changes in fair value of open positions	**(19)**	15
Foreign exchange loss	**335**	139

The foreign exchange exposure for the reporting periods, covering the period-end balances of financial and monetary assets during the period presented that were denominated in U.S. dollars, is set out in the table below:

			November 30, 2012	November 30, 2011	December 1, 2010
	Canadian and other operations	**U.S. operations**	**Consolidated financial statements**	Consolidated financial statements	Consolidated financial statements
(In thousands of US dollars)	**$**	**$**	**$**	$	$
Cash	**834**	**91**	**925**	662	214
Accounts receivable	**7,326**	**2,094**	**9,420**	8,395	8,077
Accounts payable and accrued liabilities	**(2,241)**	**(1,104)**	**(3,345)**	(2,914)	(2,964)
Total bank borrowings	**(1,500)**	**-**	**(1,500)**	(1,429)	(3,692)
Balance sheet exposure, excluding financial derivatives	**4,419**	**1,081**	**5,500**	4,714	1,635
Reporting date US:Cdn rate			**0.9936**	1.0203	1.0266

	Years ended			
	November 30, 2012			November 30, 2011
	Total	**U.S. operations**	**Canadian and other operations**	Total
	$	**$**	**$**	$
Sales	**48,236**	**13,437**	**34,799**	45,594
Operating expenses	**(23,108)**	**(13,475)**	**(9,633)**	(23,867)
Net exposure	**25,128**	**(38)**	**25,166**	21,727

With all variables remaining constant, assuming a 5% strengthening of the Canadian dollar versus the U.S. dollar, net earnings before tax for the year ended November 30, 2012 would (decrease)/increase as follows in the tables below. An assumed 5% weakening of the Canadian dollar versus the U.S. dollar would have had an equal but opposite effect on the amounts shown below.

	Years ended			
	November 30, 2012			November 30, 2011
Source of net earnings variability from changes in foreign exchange rates	**Total**	**US operations**	**Canadian and other operations**	Total
	$	**$**	**$**	$
Balance sheet exposure, excluding financial derivatives	**(282)**	**(63)**	**(219)**	(236)
Sales and operating expenses (net exposure)	**(1,256)**	**2**	**(1,258)**	(1,086)
Decrease in net earnings before tax	**(1,538)**	**(61)**	**(1,477)**	(1,322)

The Corporation had some exposure to the Chinese RMB arising from the setting up of a manufacturing facility in the People's Republic of China. Total exposure as at November 30, 2012 was RMB 402,676 (Cdn. $64) (November 30, 2011 – RMB 974,833 (Cdn. $156); December 1, 2010 – $nil).

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

Currency sold	Currency bought	Foreign currency amount sold	Contract carrying value	Contract fair value
November 30, 2012				
U.S. dollars	**Canadian dollars**	**$5,900**	**$5,891**	**$5,872**
November 30, 2011				
U.S. dollars	Canadian dollars	$3,000	$3,048	$3,063

As at November 30, 2012, the fair values of these contracts were $5,872 (November 30, 2011 - $3,063) as compared to the carrying value of $5,891 (November 30, 2011 - $3,048). The unrealized gain of $19 as at November 30, 2012 was recorded in prepaid expenses (November 30, 2011 – unrealized loss of $15 was recorded in accounts payable and accrued liabilities). During the years ended November 30, 2012 and 2011, the Corporation did not apply hedge accounting to any of its foreign exchange forward contracts.

Credit risk

For the year ended November 30, 2012, the Corporation recorded bad debt expenses of $8 (2011 – $59) in selling, general and administrative expenses in the consolidated statement 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 its 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 multi-national stable organizations. During the year ended November 30, 2012, the Corporation's largest and second largest customer accounted for 14% (2011 – 13%) and 9% (2011 – 10%) of sales, respectively. The Corporation may also have credit risk relating to cash and foreign exchange forward contracts, which it manages by dealing with its current bank, a major financial institution that the Corporation anticipates will satisfy its obligations under the contracts.

Historically, 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 the losses have been historically minimal.

Although the Corporation's credit control processes have been effective in mitigating credit risk, these controls cannot eliminate credit risk 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 these accounts down to their expected realizable values by making an allowance for doubtful accounts, 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 accounts are determined by a customer-by-customer evaluation of collectability at each consolidated 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, 2012, November 30, 2011 and December 1, 2010 was as follows:

	November 30, 2012 $	November 30, 2011 $	December 1, 2010 $
By geographical area:			
Canada	**1,703**	1,586	1,936
United States	**7,363**	7,107	6,767
Asia	**1,073**	720	730
Europe	**133**	261	152
Trade receivables	**10,272**	9,674	9,585
Allowance for doubtful accounts ("AFDA")	**(195)**	(407)	(371)
Trade receivables, net of AFDA	**10,077**	9,267	9,214
Aging by due dates:			
Not past due	**7,710**	8,381	7,981
Past due 1 to 30 days	**1,434**	707	923
Past due 31 to 120 days	**734**	308	390
Past due 121 to 180 days	**245**	40	113
Past due over 180 days	**149**	238	178
Trade receivables	**10,272**	9,674	9,585
AFDA	**(195)**	(407)	(371)
Trade receivables, net of AFDA	**10,077**	9,267	9,214

The movements in the AFDA were as follows:

	November 30, 2012 $	November 30, 2011 $	December 1, 2010 $
Opening balance	**407**	371	363
Provision expensed during the year	**8**	59	164
Doubtful accounts written off	**(220)**	(23)	(156)
Closing balance	**195**	407	371

Liquidity risk
Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they come due. The Corporation manages liquidity risk through the management of its capital structure and financial leverage, as outlined in Note 15.7. 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 cash flows 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, 2012:

	November 30, 2012					November 30, 2011	December 1, 2010
	Less than 1 year $	**1 to 2 years $**	**3 to 5 years $**	**More than 5 years $**	**Carrying amount $**	Carrying amount $	Carrying amount $
Long-term bank debt	**71**	**71**	**355**	**-**	**497**	1,458	3,059
Subordinated loan and Government assistance	**-**	**-**	**1,939**	**2,908**	**4,847**	3,509	2,660
Bank indebtedness	**994**	**-**	**-**	**-**	**994**	-	731
Accounts payable and accrued liabilities, and provisions	**7,493**	**-**	**-**	**-**	**7,493**	8,608	7,964
Unearned revenue	**807**	**-**	**-**	**-**	**807**	714	152
Customer deposit	**36**	**-**	**-**	**-**	**36**	-	-
Foreign exchange forward contracts cash settlement	**5,891**	**-**	**-**	**-**	**5,891**	3,048	2,074
Operating leases	**937**	**1,006**	**1,380**	**-**	**3,323**	3,832	4,059
Total commitments	**16,229**	**1,077**	**3,674**	**2,908**	**23,888**	21,169	20,699

Financial liabilities and obligations relating to future interest payments for less than 1 year, 1 to 2 years, 3 to 5 years and more than 5 years related to long-term bank debt are $12, $11, $11 and $nil, respectively and related to subordinated loan and Government assistance are $nil, $nil, $392 and $266, respectively.

20. RELATED PARTY TRANSACTIONS

20.1 Advances due to/from related parties

There were no related party transactions during the years ended November 30, 2012 and 2011.

20.2 Compensation of directors and key management personnel

The remuneration of directors and other members of key management personnel (which include the Chief Executive Officer, Chief Financial Officer and the Corporation's other three most highly compensated Executive Officers) were as follows:

	Years ended	
	November 30, 2012	November 30, 2011
	$	$
Short-term remuneration benefits	**1,295**	1,265
Stock-based payment benefits	**32**	25
	1,327	1,290

20.3 Key management personnel and director transactions

Key management and directors of the Corporation control 6.3% of the voting shares of the Corporation.

21. COMMITMENTS AND CONTINGENCIES

21.1 Lease commitments

The Corporation has entered into commercial leases for plant, office premises, leased automobiles and office and maintenance equipment. Future minimum lease payments under non-cancellable operating leases are as follows:

	Amount $
2013	937
2014	1,006
2015	535
2016	460
2017	385
Thereafter	-
	3,323

Lease payments recognized as an expense in the consolidated statements of earnings for the years ended November 30, 2012 and November 30, 2011 amounted to $1,056 and $892, respectively.

21.2 Contingencies

During the second quarter of 2012, a settlement was agreed to between the Corporation and the two plaintiffs (Emmanuel Tannenbaum and June Realty Ltd.) who had commenced a legal claim against the Corporation in 2006, seeking damages for an alleged migration of chemicals onto their land from the Corporation's former Toronto factory. The settlement also included the current owner of the subject lands and the bankrupt estate of Glendale International Corp., another former owner of the subject lands. The contribution of the Corporation to this settlement will not have a material effect on its financial situation. Certain conditions of the settlement agreement are in the process of being completed at which time the claim is expected to be dismissed and the Corporation should receive a final release.

22. TRANSLATION OF FOREIGN CURRENCIES

	Exchange (loss) gain 2012 $	Exchange (loss) gain 2011 $
Exchange (loss) gain on translation of investments in foreign subsidiaries:		
First quarter	**(118)**	(154)
Second quarter	**195**	(160)
Third quarter	**(213)**	195
Fourth quarter	**39**	131
Years ended November 30, 2012 and November 30, 2011	**(97)**	12

The FCTA represents accumulated exchange differences arising on the translation of the investments in various subsidiaries which have a U.S. dollar/Canadian dollar functional currency and has been recognized in the accumulated other comprehensive income (loss) section of shareholders' equity.

23. SEGMENTED INFORMATION

Management has determined the operating segments based on the information regularly reviewed for the purposes of decision making, allocating resources and assessing performance by the Corporation's chief operating decision makers. The Corporation evaluates the financial performance of its operating segments primarily based on earnings before interest and income taxes.

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

	Year ended November 30, 2012			
	Circuits	**Aerospace**	**Corporate Office**	**Total**
	$	**$**	**$**	**$**
Sales	**40,239**	**15,407**	**-**	**55,646**
Cost of sales and selling, general and administrative expenses	**32,863**	**14,357**	**2,452**	**49,672**
Research and development costs	**2,356**	**467**	**-**	**2,823**
Recovery of research and development costs	**(271)**	**(19)**	**-**	**(290)**
Depreciation of plant and equipment	**1,473**	**224**	**-**	**1,697**
Amortization of intangible assets	**48**	**-**	**-**	**48**
Severance expenses	**20**	**34**	**-**	**54**
Foreign exchange loss (gain) on conversion of balance sheet assets and liabilities	**361**	**(26)**	**-**	**335**
Earnings (loss) before interest and income taxes	**3,389**	**370**	**(2,452)**	**1,307**
Interest expense on long-term and short-term debt	**-**	**-**	**348**	**348**
Income tax expense	**13**	**-**	**18**	**31**
Net earnings (loss)	**3,376**	**370**	**(2,818)**	**928**

During 2012, the Aerospace segment incurred start-up operating losses of $1,062 with the establishment of operating facilities in Chatsworth, California and Tianjin, China.

	Year ended November 30, 2011			
	Circuits	Aerospace	Corporate Office	Total
	$	$	$	$
Sales	41,644	12,086	-	53,730
Cost of sales and selling, general and administrative expenses	35,092	10,519	2,237	47,848
Research and development costs	2,669	246	-	2,915
Recovery of research and development costs	(307)	(41)	-	(348)
Depreciation of plant and equipment	1,600	295	-	1,895
Amortization of intangible assets	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 income taxes	2,307	1,095	(2,237)	1,165
Interest expense on long-term and short-term debt	-	-	397	397
Income tax recovery	-	-	(706)	(706)
Net earnings (loss)	2,307	1,095	(1,928)	1,474

	November 30, 2012			November 30, 2011		
	Circuits	**Aerospace**	**Total**	Circuits	Aerospace	Total
	$	**$**	**$**	$	$	$
Segment assets	**21,145**	**7,452**	**28,597**	21,975	5,409	27,384
Goodwill	**1,039**	**-**	**1,039**	1,039	-	1,039
Intangible and other assets	**240**	**4**	**244**	288	5	293
Additions to plant and equipment	**1,686**	**1,203**	**2,889**	2,134	299	2,433
Total liabilities	**12,114**	**2,468**	**14,582**	11,759	2,497	14,256

The following tables detail the financial information of the Corporation by geographic location:

	Year ended November 30, 2012					
	Canada	**United States**	**Asia**	**Europe**	**Other**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
Sales (by location of customer)	**10,060**	**37,990**	**5,940**	**1,629**	**27**	**55,646**
Goodwill (by location of division)	**1,039**	**-**	**-**	**-**	**-**	**1,039**
Intangible and other assets (by location of division)	**240**	**-**	**4**	**-**	**-**	**244**
Plant and equipment (by location of division)	**3,872**	**1,304**	**432**	**-**	**-**	**5,608**

	Year ended November 30, 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
Intangible and other assets (by location of division)	288	-	5	-	-	293
Plant and equipment (by location of division)	3,188	1,124	162	-	-	4,474

There was one customer in the United States that accounted for $7,530 of sales (of which 53% was in Circuits and the remaining 47% in the Aerospace segment) or approximately 14% of the total sales during the year ended November 30, 2012 (there was one customer in the United States that accounted for $6,572 of sales (of which 47% was in Circuits and the remaining 53% in the Aerospace segment) or approximately 12% of the total sales during the year ended November 30, 2011).

24. Employee compensation

Employee compensation expenses are included in cost of sales and selling, general and administrative expenses in the consolidated statements of earnings:

	Years ended	
	November 30, 2012	November 30, 2011
	$	$
Wages, salaries and related benefits	**23,157**	21,843
	23,157	21,843

25. TRANSITION TO IFRS

The Corporation's consolidated financial statements were previously prepared in accordance with Canadian GAAP. Canadian GAAP differs in some areas from IFRS. The comparative figures were restated to reflect these adjustments. Certain information which is considered material to the understanding of the Corporation's transition to IFRS along with reconciliations and descriptions of the effect of the transition from Canadian GAAP to IFRS on equity, earnings and comprehensive income are included in this note.

The Corporation's consolidated financial statements for the year ended November 30, 2012 are the first annual financial statements that comply with IFRS and these annual financial statements were prepared as described in Note 2 to the consolidated financial statements, including the application of IFRS 1. IFRS 1 requires an entity to adopt IFRS in its first annual financial statements prepared under IFRS by making an explicit and unreserved statement of compliance with IFRS in those financial statements.

IFRS 1 also requires that comparative financial information be provided. As a result, the first date at which the Corporation has applied IFRS was December 1, 2010 (the Transition Date). IFRS 1 requires first-time adopters to retrospectively apply all effective IFRS standards as of the reporting date, which for the Corporation will be November 30, 2011. However, it also provides for certain optional exemptions and certain mandatory exceptions for first time IFRS adopters.

Set forth below are the IFRS 1 applicable exemptions and exceptions applied in the conversion from Canadian GAAP to IFRS.

25.1 Mandatory exemptions from full retrospective application

Derecognition of financial assets and financial liabilities
Although recent amendments to IFRS 1 permit the Corporation to apply the derecognition requirements of IAS 39 prospectively from December 1, 2010, this mandatory exemption will not be applicable to the Corporation as derecognition requirements under Canadian GAAP were similar to IFRS.

Estimates
Hindsight cannot be used to create or revise estimates and, accordingly, the estimates previously made by the Corporation under Canadian GAAP were not revised for application of IFRS.

25.2 Optional exemptions from full retrospective application

Share-based payment transactions
The Corporation elected to apply IFRS 2, *Share-based Payment,* to equity instruments granted after November 7, 2002 that had not vested by the Transition Date. Accordingly, the Corporation has only applied IFRS 2 to grants of employee stock options that were granted after November 7, 2002 that remain unvested as at December 1, 2010.

Business combinations
The Corporation elected to apply the business combinations exemption in IFRS 1 and did not apply IFRS 3, *Business Combinations,* retrospectively to past business combinations. Accordingly, the Corporation has not restated business combinations that were effected prior to December 1, 2010 and the carrying amount of goodwill under IFRS at the Transition Date is equal to the carrying amount under Canadian GAAP at that date.

Borrowing costs
The Corporation elected to apply IAS 23, *Borrowing Costs,* to borrowing costs relating to qualifying assets for which the commencement date for capitalization is on or after the Transition Date to IFRS.

Leases
The Corporation elected to apply the transition provisions in IFRIC 4, *Determining whether an Arrangement Contains a Lease,* to determine whether an arrangement existing at the date of transition contains a lease on the basis of facts and circumstances at the Transition Date.

Cumulative translation differences
IFRS 1 permits cumulative translation gains and losses to be reset to zero at the Transition Date. The Corporation elected to reset all cumulative translation losses to zero in opening retained earnings at the Transition Date.

Deemed cost
IFRS 1 provides the option to measure plant and equipment and intangible assets at deemed cost being fair value at the Transition Date. The Corporation has elected to measure items of plant and equipment and intangible assets at the undepreciated historical cost at the Transition Date.

25.3 Reconciliations of equity, earnings and total comprehensive income

The following tables reconcile the consolidated financial statements previously reported under Canadian GAAP to the consolidated financial statements prepared in accordance with IFRS. Explanations of the effects of the transition to IFRS follow the reconciliations.

Reconciliation of equity as at December 1, 2010: The following is a reconciliation of the Corporation's equity reported in accordance with Canadian GAAP to its equity in accordance with IFRS as at December 1, 2010:

(in thousands of dollars)	Note 25.4	Canadian GAAP	IFRS adjustments	IFRS reclassification	IFRS
ASSETS					
Current assets					
Cash		$ 927	$ -	$ -	$ 927
Accounts receivable		9,332	-	-	9,332
Taxes receivable		448	-	-	448
Inventories		8,726	-	-	8,726
Prepaid expenses		641	-	-	641
Deferred income taxes	(a)	667	-	(667)	-
		20,741	-	(667)	20,074
Non-current assets					
Plant and equipment		4,024	-	-	4,024
Goodwill		1,039	-	-	1,039
Deferred income taxes	(a)	-	-	667	667
Intangible assets		336	-	-	336
Total assets		$ 26,140	$ -	$ -	$ 26,140
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Bank indebtedness		$ 731	$ -	$ -	$ 731
Accounts payable and accrued liabilities	(b)	7,964	-	(544)	7,420
Provisions	(b)	-	-	544	544
Unearned revenue		152	-	-	152
Current portion of long-term bank debt		3,031	-	-	3,031
		11,878	-	-	11,878
Non-current liabilities					
Subordinated loan		1,746	-	-	1,746
Government assistance		914	-	-	914
		14,538	-	-	14,538
Shareholders' equity					
Deficit		$ (10,691)	$ (815)	$ -	$ (11,506)
Accumulated other comprehensive loss	(c)	(801)	801	-	-
		(11,492)	(14)	-	(11,506)
Share capital					
Common shares		12,681	-	-	12,681
Preferred shares		2,218	-	-	2,218
Contributed surplus	(d)	8,195	14	-	8,209
Total shareholders' equity		11,602	-	-	11,602
Total liabilities and shareholders' equity		$ 26,140	$ -	$ -	$ 26,140

Reconciliation of equity as at November 30, 2011: The following is a reconciliation of the Corporation's equity reported in accordance with Canadian GAAP to its equity in accordance with IFRS as at November 30, 2011:

(in thousands of dollars)	Note 25.4	Canadian GAAP	IFRS adjustments	IFRS reclassification	IFRS
ASSETS					
Current assets					
Cash		$ 1,944	$ -	$ -	$ 1,944
Accounts receivable		9,592	-	-	9,592
Taxes receivable		378	-	-	378
Inventories		7,973	-	-	7,973
Prepaid expenses		316	-	-	316
Deferred income taxes	(a)	458	-	(458)	-
		20,661	-	(458)	20,203
Non-current assets					
Plant and equipment		4,474	-	-	4,474
Goodwill		1,039	-	-	1,039
Deferred income taxes	(a)	917	-	458	1,375
Intangible assets		293	-	-	293
Total assets		$ 27,384	$ -	$ -	$ 27,384
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Accounts payable and accrued liabilities	(b)	$ 8,608	$ -	$ (485)	$ 8,123
Provisions	(b)	-	-	485	485
Unearned revenue		714	-	-	714
Current portion of long-term bank debt		1,425	-	-	1,425
		10,747	-	-	10,747
Non-current liabilities					
Subordinated loan		2,444	-	-	2,444
Government assistance		1,065	-	-	1,065
		14,256	-	-	14,256
Shareholders' equity					
Deficit		$ (9,213)	$ (819)	$ -	$ (10,032)
Accumulated other comprehensive (loss) income	(c)	(789)	801	-	12
		(10,002)	(18)	-	(10,020)
Share capital					
Common shares		12,681	-	-	12,681
Preferred shares		2,218	-	-	2,218
Contributed surplus	(d)	8,231	18	-	8,249
Total shareholders' equity		13,128	-	-	13,128
Total liabilities and shareholders' equity		$ 27,384	$ -	$ -	$ 27,384

Reconciliation of net earnings and total comprehensive income for the year ended November 30, 2011:

(in thousands of dollars)	Note 25.4	Canadian GAAP	IFRS adjustments	IFRS reclassification	IFRS
Sales		$ 53,730	$ -	$ -	$ 53,730
Cost of sales					
Cost of sales		39,620	-	-	39,620
Depreciation of plant and equipment		1,830	-	-	1,830
Total cost of sales		41,450	-	-	41,450
Gross margin		12,280	-	-	12,280
Expenses					
Selling, general and administrative	(d)	8,249	4	-	8,253
Research and development costs		2,915	-	-	2,915
Recovery of research and development costs		(348)	-	-	(348)
Depreciation/amortization of office equipment and intangible assets		113	-	-	113
Interest expense on short-term debt		168	-	-	168
Interest expense on long-term debt		229	-	-	229
Severance		43	-	-	43
Foreign exchange loss		139	-	-	139
Total expenses		11,508	4	-	11,512
Earnings before income taxes		772	(4)	-	768
Income tax expense		2	-	-	2
Deferred tax recovery		(708)	-	-	(708)
Net earnings		$ 1,478	$ (4)	$ -	$ 1,474
Other comprehensive income					
Foreign currency translation adjustments		12	-	-	12
Total comprehensive income		$ 1,490	$ (4)	$ -	$ 1,486

25.4 Explanations of the effects of the transition to IFRS

The following explanations accompany the preceding reconciliations and describe the effects of the transition to IFRS:

(a) Deferred tax reclassification

Under IFRS, all deferred income taxes are classified as non-current, irrespective of the classification of the underlying assets or liabilities to which they relate, or the expected timing of the reversal of the temporary differences. The Corporation reclassified $667 and $458 as at November 30, 2011 and December 1, 2010, respectively, from deferred tax assets (current) to deferred tax assets (non-current).

(b) Provisions reclassification

Under IFRS, current provisions are accounted for and disclosed separately from accounts payable and accrued liabilities. The Corporation reclassified $544 and $485 as at November 30, 2011 and December 1, 2010, respectively, from accounts payable and accrued liabilities to provisions. A portion of the provision amount relates to an estimate towards the settlement, legal fees and expenses of a legal claim to which the Corporation is a co-defendant and the remaining portion relates to other contingent obligations.

(c) Foreign currency translation exemption

In accordance with IFRS 1, the Corporation has elected to reset all deferred cumulative translation gains and losses to zero through an adjustment to opening retained earnings at the Transition Date. As a result, $801 of accumulated other comprehensive loss was adjusted through deficit at the Transition Date.

(d) Share-based payments

IFRS 2 requires that if the equity instruments granted do not vest until the counterparty completes a specified period of service, the entity should account for them as they are rendered during the vesting period. If the options vest in instalments, each tranche is to be considered a separate award with the separately determined fair value for each tranche amortized as compensation cost with a corresponding charge to contributed surplus during the applicable vesting period.
As permitted under Canadian GAAP for option awards with graded vesting, since the Corporation determines the estimated life for each award as a whole, it amortized the total fair value of the different vesting tranches of each award that are ultimately expected to vest, based on performance-related conditions and on future service, as compensation cost on a straight-line basis.
The effect of implementing IFRS 2 at the Transition Date increased the employee share-based payment expense by $14, recognized as an adjustment to opening deficit as at December 1, 2010, and increased by $4 for the year ended November 30, 2011.

25.5 Material adjustments to the consolidated statement of cash flows for 2011

Other than the change in equity-settled stock-based payment transactions, there are no other material differences between the consolidated statement of cash flows presented under IFRS and the consolidated statement of cash flows presented under Canadian GAAP.

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Oakwest Corporation Limited

Bradley C. Bourne
President and Chief Executive Officer
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
PI Financial Corp.

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Joseph R. Ricci
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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 23, 2013, 10:30am (Toronto Time)
at the Toronto Board of Trade
77 Adelaide St. W., First Canadian Place, 3rd Floor
Ketchum / Osgoode Room
Toronto, Ontario

Partners in Performance

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