FIRAN TECHNOLOGY GROUP CORPORATION

2016 AUDITED ANNUAL REPORT

CEO Message

For the past number of years, to align with the globalization of the aerospace industry, FTG had built out a global footprint with operations in Canada, the United States, and China. With this footprint in place, the objective for the company moved to increasing utilization in all facilities to drive up operating leverage and increase profitability. There is an ongoing organic growth plan focused on capturing content on new programs and this continues to progress.

In 2016, FTG accelerated its growth momentum with the completion of two acquisitions – Photo Etch in Fort Worth, Texas and Teledyne Printed Circuit Technology (PCT) in Hudson, New Hampshire. In both cases the intention with the new business was to move the work out of the acquired facility into existing FTG facilities, after any necessary certifications or customer approvals. Both of these acquisitions were nicely aligned with our overall direction for the company and benefitted FTG with:

- Expanded customer base with new customers or new sites of existing customers and many new part numbers
- Significantly increased revenues
- Increased product offerings/technologies including display products, simulation products, and high temperature rigid flex technology
- Increased utilization of existing FTG facilities leading to improved margins and profitability, after the transitions of the revenue is complete.

As 2016 ended, the transition of the Photo Etch work was mostly complete. The bulk of the revenue transitioned to our facilities in Chatsworth CA, and Toronto Canada with a smaller amount going to our Tianjin China plant. To retain the engineering skills acquired, FTG established a small engineering office in Fort Worth, which will also serve as an FTG repair facility in the future.

The transition of the work from the PCT acquisition is less complete at year end as this transaction closed later in the year. It is expected that the transition effort will continue into the second quarter of 2017. All of the PCT revenue is planned to transition to the two FTG facilities in Chatsworth CA.

As part of the PCT acquisition, FTG raised new equity in 2016 to maintain a strong balance sheet while funding the two acquisitions. This bought deal was well received and the overallotment was fully taken up.

In 2016, FTG invested $15.6M in acquisitions, $2.2M in capital expenditures, $1.3M in deferred development and $3.2M in net research and development, continuing our plans to reinvest in the company to position it for future growth and profitability. The capital investments included advanced manufacturing equipment, primarily for our Circuits business, advancing our capabilities in key processes. The deferred development relates to our development effort for Control Panel Assemblies for the Chinese C-919 program as well as work on a second program started in 2015. The R&D is for both the Circuits and Aerospace businesses enabling FTG to offer solutions expected by our customers for improved technical capabilities on new programs.

In 2016 all FTG sites were subjected to numerous external quality audits by certifying organizations and customers. FTG has a robust quality system across the company and the results of the various audits demonstrated this.

A key element of FTG's strategy is our focus on Operational Excellence. We performed well across the company in 2016, but we will continue to improve going forward.

As we look forward into 2017, we have some exciting plans to grow our business through our global offering, investments in new technologies, and further acquisitions if they are aligned with our business focus and objectives.

Sincerely,

Brad Bourne
President and CEO

February 8, 2017

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, 2016 (fiscal 2016) is as of February 8, 2017 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 2016 and 2015, 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 dated February 8, 2017, 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 net sales less cost of sales and expenses. Not included in the calculation of gross margin are selling, 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. Management believes the gross margin measure is important to many of the Corporation's shareholders, creditors and other stakeholders.

The risks, uncertainties and other factors that could influence actual results are described in this MD&A based on information available as of February 8, 2017 and the Corporation's Annual Information Form (including documents incorporated by reference) dated February 8, 2017 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 China. It is a publicly traded corporation on the Toronto Stock Exchange listed under the trading symbol "FTG".

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

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, Chatsworth, California and Hudson, New Hampshire, U.S.A. and a joint venture and sourcing arrangements with operating facilities in China. Its customers are technological and market leaders in the aviation, defence and other high technology industries.

FTG Aerospace designs and manufactures illuminated cockpit panels, keyboards, bezels, 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, Fort Worth, Texas and Hudson, New Hampshire, 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.

For the past number of years, FTG has had a strategic goal of expanding its operations for both operating segments. In FTG's printed circuit board business represented by the FTG Circuits operating segment, many of its customers now look at FTG as an important part of their global sourcing plans and this has led to huge growth in the business. In FTG's cockpit product business represented by the FTG Aerospace operating segment, FTG has seen similar positive reactions from customers and again this is leading to increased opportunities.

With these facilities in place in North America and China, FTG has completed some key strategic goals for FTG including expanding its presence in the large US aerospace and defense market, penetrating the rapidly growing Asian aerospace market, reducing its exposure to the ever changing value of the Canadian dollar, and becoming a more strategic supplier to many of its customers. FTG has become a truly global company with revenues coming from all geographic regions of the world and our current strategy is to fill up our facilities, organically as well as through acquisitions.

A key element of FTG's strategy is its continued focus on Operational Excellence. FTG has performed well across the company in recent years, with its biggest challenge being how to maintain its on time delivery performance in the face of rapidly growing demand. Finally, FTG continues to increase its technical skills in both businesses to support the demands from customers for more complex, challenging solutions on new programs and opportunities.

By weaving ***Operational Excellence*** into its day-to-day operations, FTG is creating a 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 on 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)

	Q1-15	Q2-15	Q3-15	Q4-15	Q1-16	Q2-16	Q3-16	**Q4-16**
	International Financial Reporting Standards							
Circuit Segment Sales	$12,759	$13,738	$13,919	$13,899	$12,560	$14,168	$14,729	**$15,381**
Aerospace Segment Sales	3,548	5,031	4,308	4,843	4,369	5,597	8,458	**11,852**
Total Net Sales	16,307	18,769	18,227	18,742	16,929	19,765	23,187	**27,233**
Earnings before income taxes	497	1,136	1,706	7,242	725	1,834	3,879	**1,136**
Net Earnings	422	1,057	1,636	6,422	450	1,350	3,485	**630**
Net Earnings per share-Basic	$0.02	$0.06	$0.09	$0.36	$0.02	$0.07	$0.17	**$0.03**
- Diluted	$0.02	$0.05	$0.08	$0.32	$0.02	$0.07	$0.15	**$0.03**
Quarterly Average U.S.$ Exchange Rates	$1.1988	$1.2398	$1.2749	$1.3198	$1.3914	$1.3013	$1.2969	**$1.3282**

The Corporation's net 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 its Canadian operations. The weakness in the Canadian dollar has positively impacted the operating results during the four quarters of fiscal 2015 and fiscal 2016 offset by the negative impact of the realized loss of the foreign exchange forward contracts.

The Corporation was profitable during the last eight quarters in fiscal 2015 and 2016.

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. FTG is now engaged with most of the top aerospace and defence prime contractors in North America and it is making significant progress penetrating markets beyond this continent. FTG's focus on this market is based on a belief that it can provide a unique solution to its customers and attain a sustainable competitive advantage.

RESULTS **OF OPERATIONS FOR THE 2016 FISCAL YEAR**
(thousands of dollars except per share amounts)

	2016	2015
Sales	**$ 87,114**	$ 72,045
Net earnings	**5,915**	9,537
Common and preferred shares, in aggregate (in thousands)	**24,091**	20,373
Net earnings per share – basic	**$0.29**	$0.53
Net earnings per share –diluted	**$0.27**	$0.47
Total assets	**71,986**	44,222
Total debt, net of cash	**$ 11,420**	$ 2,132

Consolidated Net Sales

The following table compares net sales by reportable segment for fiscal 2016 and 2015.

	2016	2015
Circuits	**$ 56,838**	$ 54,315
Aerospace	**30,276**	17,730
Net sales	**$ 87,114**	$ 72,045

Net sales for fiscal 2016 were $87,114, an increase of $15,069 or 20.9% from last year. Net sales in the Circuits Segment increased by $2,523 or 4.6% and Aerospace Segment sales increased by $12,546 or 70.8% during fiscal 2016 from last year. The increase in net sales are mainly due to the acquisition of selected assets and liabilities of Teledyne Technologies Incorporated ("Teledyne PCT") during the third quarter of 2016 and the acquisition of substantially all of the assets of Airco Industries LLC (DBA Photo Etch) ("Photo Etch") business during the second quarter of 2016. These acquisitions mainly contributed to the year over year increase in sales which was partially offset by net realized loss of $1,095 on foreign exchange forward contracts ("f/x forward contracts") designed as cash flow hedges during the year ended November 30, 2016 (2015 - $2,297), which reduced the sales and profitability in fiscal 2016 and 2015.

The Corporation has f/x forward contracts in place over the next twenty eight months, at comparable rates but will continue to see similar impacts as just mentioned throughout fiscal 2017, 2018 and 2019 if the exchange rate remains steady.

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

	2016	**%**	2015	%
Canada	**$ 9,244**	**10.6**	$ 7,082	9.8
United States	**62,951**	**72.3**	48,132	66.8
Asia	**8,191**	**9.4**	9,902	13.8
Europe	**5,677**	**6.5**	5,262	7.3
Other	**1,051**	**1.2**	1,667	2.3
Total	**$ 87,114**	**100.0**	$ 72,045	100.0

Net sales in Canada are higher by $2,162 or 30.5% for fiscal 2016 as compared to last year as a result of increased activity at some key customers. Net sales in the United States are up by $14,819 or 30.8% for fiscal 2016 as compared to last year mainly as a result of additional new customers due to acquisition of Teledyne PCT and Photo Etch business. Net sales to Asia decreased by $1,711 or 17.3% as a result of decreased activity at some key customers. Net sales to Europe increased by $415 or 7.9% as a result of increased activity at two key customers for fiscal 2016 as compared last year as a result of variation in production rates. Net sales to other locations (mainly Mexico) decreased by $616 or 37.0% for fiscal 2016 as compared last year as a result of decreased activity at one key customer as a result of variation in production rates.

The Corporation's top five customers represent 53.4% of net sales for fiscal 2016 as compared to 53.2% for last year. The Corporation's two largest customers accounted for 18.0% (17.8% in 2015) and 14.8% (11.1% in 2015) of net sales for 2016.

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. With its enhanced global footprint and the ability to offer a low cost Asian content, the Corporation is in a strong position to continue to serve its customer base and focus on the key worldwide opportunities.

Net Segment Sales

FTG Circuits Segment

Net sales for the FTG Circuits segment during fiscal 2016 were $56,838, which were higher by $2,523 or 4.6% after absorbing lower net realized losses of approximately $802 due to f/x forward contracts over last year. The increase in the circuits segment was mainly due to higher activity due to the acquisition of Teledyne PCT business during the third quarter of 2016 as compared to last year.

Net sales to the top five customers represented 58.0% of the FTG Circuits net segment sales for fiscal 2016 (57.1% in 2015).

FTG Aerospace Segment

Net sales for the FTG Aerospace segment for fiscal 2016 were $30,276, an increase of $12,546 or 70.8% after absorbing lower net realized losses of approximately $401 due to f/x forward contracts over last year. Sales activity was higher year over year mainly due to the acquisition of Teledyne PCT business during the third quarter and Photo Etch business during the second quarter which was not present in the last year.

Net sales to the top five customers represented 57.1% of the FTG Aerospace net segment sales for fiscal 2016 (63.0% in 2015).

Gross Margin

The table below includes the effect of the net realized loss on f/x forward contracts on net sales, thereby reducing gross margin and ultimately net income during fiscal 2016 and last year. The table also includes the effect of one-time costs related to a cancelled customer order and inventory adjustment in 2015, thereby reducing gross margin and ultimately net income.

	2016	2015
Sales before adjustment for net realized loss on f/x forward contracts designed as cash flow hedges	**$ 88,209**	$ 74,342
Less: adjustment for net realized loss on hedged f/x forward contracts designed as cash flow hedges	**(1,095)**	(2,297)
Net sales	**87,114**	72,045
Cost of sales before one-time costs	**65,446**	51,648
Add: one-time costs for order cancellation and inventory adjustment	**-**	400
Costs of sales	**65,446**	52,048
Depreciation of plant and equipment	**2,315**	1,963
Total cost of sales	**67,761**	54,011
Gross margin	**19,353**	18,034
Gross margin %	**22.2%**	25.0%
Gross margin before one-time costs	**19,353**	18,434
Gross margin % before one-time costs	**22.2%**	25.6%
Gross margin before one-time costs, f/x losses	**$ 20,448**	$ 20,731
Gross margin % before one-time costs, f/x losses	**23.5%**	28.8%

Gross margin on a consolidated basis increased by $1,319 or 7.3% for fiscal 2016 to $19,353 or 22.2% of net sales compared to $18,034 or 25.0% of net sales for last year. During fiscal 2016, the Circuits segment accounted for $215 of the gross margin increase and the Aerospace segment accounted for $1,104 of the gross margin increase.

The increase in gross margin of $1,319 for fiscal 2016 included $2,305 related to the acquisitions of Photo Etch business and Teledyne PCT business during the year offset by decrease of $986 for the existing businesses. Photo Etch business had sales of $4,920 and gross loss of $101 and Teledyne PCT business had sales of $11,528 and gross margin of $2,406. Excluding the effect of these acquisitions, the gross margin % before one-time costs, f/x losses would be approximately 20.8% for fiscal 2016 as compared to 28.8% for 2015.

The Corporation's focus and initiatives will 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 fiscal 2016 were $11,259 or 12.9% of net sales as compared to $10,018 or 13.9% of net sales last year. SG&A expenses increased by $1,241 or 12.4% for 2016 mainly due to SG&A expenses including transaction costs related to Photo Etch and Teledyne PCT business of $1,040 which were not present last year and remaining approximately $201 due to the negative impact of the weakness in the Canadian dollar on the US denominated SG&A expenses.

Research and Development Costs

Research and development ("R&D") costs include the cost of direct labour, materials and an allocation of overheads specifically incurred in activities regarding technical uncertainties in production processes, product development and upgrading. Generally, these costs represent specific activities regarding the technical uncertainty of production processes and exotic materials.

R&D costs for fiscal 2016 were $3,567 or 4.1% of net sales as compared to $5,558 or 7.7% of net sales for last year. Transition activities due to the two acquisitions during 2016 led to lower R&D costs for fiscal 2016 as compared to the last year. R&D costs in fiscal 2015 also included product development costs of $455 under Industrial Research Assistance Program ("IRAP") which were not present in fiscal 2016, which also contributed to the year-over-year decrease in R&D costs. The IRAP participation in fiscal 2015 supported the design and development of a new common controller for aircraft cockpit control panels.

In addition in fiscal 2016, the Corporation capitalized net product development costs of $352 (2015 - $1,569) which included $1,042 (2015 - $1,182) related to the development of the C919 cockpit assemblies and $264 (2015 - $387) related to the development of cursor control device offset by customer advance towards product development costs of $954.

Recovery of Research and Development Costs

Recoveries of research and development costs for fiscal 2016 were $329 (2015 – $492) which included $329 (2015 – $280) from the Ontario Innovation Tax Credit ("OITC") program and $nil (2015 – $212) as contributions from IRAP for product development. The IRAP participation which was present during last year was not present during fiscal 2016.

Recovery of Investment Tax Credits

The Corporation records the tax benefit of investment tax credits ("ITCs") when there is reasonable assurance that such credits will be realized. During fiscal 2016, the Corporation continues to demonstrate the future utilization of its investment tax credits in Canada which was based on additional positive evidence including a recent history of positive earnings and projections of future Canadian taxable income.

The Corporation has, as at November 30, 2016, $7,330 (November 30, 2015 - $6,736) of Canadian investment tax credits available to be applied against future income taxes payable in Canada. The tax benefit of $594 (2015 - $6,736) of these investment tax credits have been recognized as a recovery during the year ended November 30, 2016. In 2015, previously unrecognized ITCs were recorded in earnings due to an assessment of the probability of future utilization of these credits.

Depreciation of Plant and Equipment

Depreciation of plant and equipment for fiscal 2016 was $2,433 compared to $2,070 for last year. The increase in depreciation of $363 during fiscal 2016 as compared to last year included an increase of $275 related to Photo Etch business and Teledyne PCT business which were not present in the last year and the remaining amount of $88 of the increase was due to timing of capital expenditures in the prior periods and negative impact of the weakness in the Canadian dollar on the US denominated depreciation of plant and equipment.

Amortization of Intangible Assets

Amortization of intangible assets for fiscal 2016 was $479 as compared to $49 for last year. The increase in amortization by $430 for fiscal 2016 was mainly due to the increase in intangibles related to the acquisition of Photo Etch business and Teledyne PCT business, which were not present in the last year.

***Interest* Costs**

Interest costs for fiscal 2016 were $307 as compared to $1,003 for last year.

Non-cash interest costs for fiscal 2016 charged to consolidated statements of earnings were $nil (2015 - $891). Non-cash interest costs of $891 in fiscal 2015 related to the interest accretion for Advanced Manufacturing Investment Strategy (“AMIS”) program loan of $335 and interest accretion due to early repayment of AMIS loan of $556, which was repaid in November 2015, as such, was not present in fiscal 2016.

Foreign Exchange Loss (Gain)

The foreign exchange loss for fiscal 2016 was $110 compared to a foreign exchange gain of $2,054 for last year. The foreign exchange loss for fiscal 2016 was mainly as a result of net loss of $143 (2015 – gain of $1,795) on the re-valuation of the U.S. dollar assets and liabilities on the respective balance sheets, offset by net realized gain of $33 (2015 – $259) on foreign exchange contracts. There was a foreign exchange loss for fiscal 2016 as compared to a net gain for the same period last year mainly due to the variance in average and year-end Canadian dollar verses U.S. dollar exchange rates. The year -end Canadian dollar verses U.S. dollar exchange rate increased by approximately 0.01 or 0.6% from 1.3353 as at November 30, 2015 to 1.3429 as at November 30, 2016 as compared to an increase of approximately 0.19 or 16.7% from 1.1440 as at November 30, 2014 to 1.3353 as at November 30, 2015.

In addition during the fiscal 2016, net realized loss of $1,095 (2015 - $2,297) on foreign exchange forward contracts designed as cash flow hedges was offset against sales.

Income Tax Expense (Recovery)

In fiscal 2016, the current income tax expense of $56 (2015 - $9) which included withholding taxes of $52 (2015 - $6) related to source deductions on remittances from the China subsidiary to the Corporation and $4 (2015 - $3) related to taxes for the U.S. subsidiaries.

In fiscal 2016, the Corporation recorded a net deferred income tax expense of $1,586, which included net deferred income tax of $1,473 related to the movement in deferred income tax assets and the remaining $113 of deferred income tax expense related to the tax effect of recovery of investment tax credits.

In fiscal 2015, the Corporation recorded a net deferred income tax expense of $1,024, which included deferred income tax expense of $1,460 related to the tax effect of recovery of investment tax credits which were offset by net deferred income tax (recovery) of ($436) related to the movement in deferred income tax assets. The recognition of additional deferred income tax asset in Canada was based on additional positive evidence as envisioned by the accounting standard for deferred income taxes, including a recent history of positive earnings, long term carry-forward periods for the tax assets, and projections of future Canadian taxable income.

In addition, deferred income tax expense of $76 was recognised in other comprehensive income during the year ended November 30, 2016 and offset against the deferred income tax assets, which related to the change in the tax impact of the net unrealized (loss) of $876 on derivative financial instruments designated as cash flow hedges as at November 30, 2016 as compared to the net unrealized (loss) of $1,178 on derivative financial instruments designated as cash flow hedges as at November 30, 2015.

Deferred income tax (recovery) of $295 was recognised in other comprehensive income during the year ended November 30, 2015 and included in the deferred income tax assets, which related to the tax impact of the net unrealized (loss) of $1,178 on derivative financial instruments designated as cash flow hedges.

The Corporation's tax expense is calculated by using the rates applicable in each of the tax jurisdictions that the Corporation operates in. The effective tax rate on Canadian earnings for the year ended November 30, 2016 was 25% (2015: 25%) which was based on projected annualized Manufacturing and Processing ("M &P") rates.

Net Earnings

The net earnings for fiscal 2016 were $5,932 which included net earnings of $5,915 attributable to equity holders of FTG and net earnings of $17 relating to non-controlling interests. The net earnings for fiscal 2016 attributable to equity holders of FTG translated into basic earnings per share of $0.29 and diluted earnings per share of $0.27.

The net earnings for fiscal 2015 were $9,548 which included net earnings of $9,537 attributable to equity holders of FTG and net earnings of $11 relating to non-controlling interests. The net earnings for fiscal 2015 attributable to equity holders of FTG translated into basic earnings per share of $0.53 and diluted earnings per share of $0.47.

LIQUIDITY AND CAPITAL RESOURCES

As at November 30, 2016, the Corporation's primary sources of liquidity totalled $46,897 ($27,500 as at November 30, 2015), made up of cash, accounts receivable, taxes receivable and inventory but excluding U.S. $3,800 of availability remaining on its revolving line of credit and approximately U.S. $4,300 of availability remaining on its revolving term loan with its primary lender as at November 30, 2016. Working capital at November 30, 2016 was $22,418 as compared to $15,041 at November 30, 2015.

Accounts receivable days outstanding were 69 as at November 30, 2016 compared to 62 as of November 30, 2015; inventory turns were 3.7 compared to 4.8 as of November 30, 2015, and accounts payable days outstanding were 76 compared to 78 as of November 30, 2015. Increase in accounts receivable days and decrease in inventory turns and accounts payable days outstanding as at November 30, 2016 as compared to November 30, 2015 was mainly due to the impact of the acquisition of Photo Etch business and Teledyne PCT business during fiscal 2016.

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 Corporation was in compliance with all of its financial loan covenants as at November 30, 2016.

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, 2016.

CONTRACTUAL OBLIGATIONS	PAYMENTS DUE IN $000'S					
	Total	First Year	Second Year	Third Year	Fourth Year	Beyond Fourth Year
Bank indebtedness	6,983	6,983	-	-	-	-
Long term bank debt	7,638	1,523	1,538	1,554	3,023	-
Accounts payable and accrued liabilities, and provisions	17,454	17,454	-	-	-	-
Customer deposits, net of deferred development	308	308	-	-	-	-
Operating Leases	4,354	1,993	1,160	764	244	193

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.

DERIVATIVE FINANCIAL INSTRUMENTS

The Corporation follows hedge accounting on its derivative financial instruments and as a result, has designated certain derivative financial instruments as cash flow hedges. The fair value of the derivative financial instruments as at November 30, 2016 had an unrealized loss of $876, which included unrealized loss of $844 related to foreign exchange forward contracts and unrealized loss of $52 related to gold forward contracts, offset by unrealized gain of $20 on the interest rate swaps, which is included in other comprehensive income. The unrealized loss related to foreign exchange forward contracts in other comprehensive income is expected to be reclassified to the consolidated statements of earnings over the next twenty eight months when the sales are recorded. The fair value of the derivative financial instruments as at November 30, 2015 had an unrealized loss of $1,178, which included unrealized loss of $1,181 related to foreign exchange forward contracts offset by unrealized gain of $3 related to gold forward contracts, which was included in other comprehensive income. Refer to Note 17.2 of the consolidated financial statements as at November 30, 2016 for further details.

In December 2015, the Corporation entered into an interest rate swap to hedge the US dollar interest payments of the term loan (5.0 year US $4,000 term loan, amortized over 5 years, repayable in equal monthly principal payments of approximately US $67 plus interest at LIBOR rate plus 200 basis points) over the five year term at a fixed rate of 1.44% plus applicable margin of 200 basis points for an aggregate fixed interest rate of 3.44%. The interest rate swap has been designated as a cash flow hedge and the forward current value (fair value) of the interest rate swap as at November 30, 2016 had an unrealized loss of $18 (2015 - $nil) which is included in other comprehensive income and accounts payable and accrued liabilities.

In July 2016, the Corporation entered into an interest rate swap to hedge the US dollar interest payments of the term loan (7.0 year US $2,600 term loan, amortized over 7 years, repayable in

equal monthly principal payments of approximately US $31 plus interest at LIBOR rate plus 215 basis points) over the seven year term at a fixed rate of 1.20% plus applicable margin of 215 basis points for an aggregate fixed interest rate of 3.35%. The interest rate swap has been designated as a cash flow hedge and the forward current value (fair value) of the interest rate swap as at November 30, 2016 had an unrealized gain of $38 (2015 - $nil) which is included in other comprehensive income and prepaid expenses.

CAPITAL EXPENDITURES (PLANT AND EQUIPMENT)

For fiscal 2016, the Corporation invested $5,550 in capital expenditures compared to $1,750 for fiscal 2015. Additions to plant and equipment in fiscal 2016 included $2,922 of machinery and equipment acquired as a result of the Teledyne PCT business acquisition, $418 of machinery and equipment acquired as a result of the Photo Etch business acquisition and the remaining $2,210 towards various upgrades to machinery and equipment which mainly included compressors, HAVC units, waste treatment ventilation system, automated plating line, developer, and various leasehold improvements in its existing facilities.

Major additions for 2015 included automated plating line, di-ionization water system, imaging color meter, servers and back-up systems, various upgrades of plant and equipment and leasehold improvements at its various facilities.

CASH FLOW

Operating Activities

Operating activities in fiscal 2016 resulted in the net use of cash of $4,356 as compared to cash provided of $5,766 in fiscal 2015. The changes in 2016 were primarily driven by changes in operating working capital mainly due to the acquisition of Teledyne PCT business and Photo Etch business. The changes in 2015 were primarily driven by increase in net earnings offset by changes in operating working capital.

Investing Activities

Investing activities in fiscal 2016 resulted in the net use of cash of $11,209 which included $5,550 for additions to plant and equipment (which included $2,922 of machinery and equipment acquired as a result of the Teledyne PCT business acquisition, $418 of machinery and equipment acquired as a result of the Photo Etch business acquisition and the remaining $2,210 of additions to plant and equipment for existing facilities), additions to net intangible assets of $5,296 (which included $4,784 related to the Teledyne PCT acquisition and intangible assets of $512 related to Photo Etch acquisition), additions to net deferred development costs of $352 and additions to deferred financing costs of $11. Investing activities in fiscal 2015 resulted in the net use of cash of $2,137 which included $1,750 for capital expenditures and $387 for deferred development costs related to a new program.

Financing Activities

Financing activities in fiscal 2016 resulted in a cash inflow of $15,471 which included increase in bank indebtedness of $6,983, increase in long-term bank debt of $3,390, proceeds from issue of Common shares $5,937 (which included net proceeds from equity raise of $5,819 and proceeds from issue of Common shares on exercise of share options of $118), and funding from non-controlling interests of $390, offset by repayments of long-term bank debt of $1,229. Funds from increase in bank indebtedness, long term bank debt and proceeds from issue of Common shares

were mainly used for the acquisition of Teledyne PCT business and Photo Etch during fiscal 2016. Cash used by financing activities in fiscal 2015 resulted in a cash outflow of $1,151 which included repayments of subordinated loan of $5,110 and repayments of long-term bank debt of $1,687 offset by proceeds from long term bank debt of $5,341 and proceeds from issue of common shares on exercise of share options of $305.

RELATED PARTY TRANSACTIONS

There were no related party transactions during fiscal 2016 and 2015.

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 17 of the consolidated financial statements as at November 30, 2016 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, 2016, the Corporation had outstanding 22,316,201 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.

During the year ended November 30, 2016, 268,000 (2015 – 795,000) share options were exercised and 3,450,000 common shares of the Corporation were issued per details below, which increased the outstanding Common shares to 22,316,201 as at November 30, 2016 from 18,598,201 as at November 30, 2015.

In connection with the acquisition of Teledyne PCT as outlined in Note 6 of the consolidated financial statements as at November 30, 2016, the Corporation had issued 3,450,000 Special Warrants by private placement at $2.00 per Special Warrant. The private placement was completed in May 2016, resulting in gross proceeds of approximately $6,900. The net proceeds were $5,819, after transaction costs of approximately $1,081. The proceeds were used to partially finance the acquisition of Teledyne PCT.

After qualifying the Special Warrants through a short-form prospectus completed in June 2016, each Special Warrant was exercised, for no additional consideration, into one Subscription Warrant of the Corporation. As a result of the acquisition of Teledyne PCT which closed on July 8, 2016, each Subscription Warrant was automatically exercised into one common share of the Corporation for no additional consideration. As a result, an aggregate of 3,450,000 common shares of the Corporation were issued to holders of subscription warrants (which were previously issued on the deemed exercise of the special warrants).

ACQUISITIONS OF PHOTO ETCH AND TELEDYNE PCT BUSINESS

In March 2016, the Corporation's US subsidiary FTG Aerospace Inc., which is based in Chatsworth California, acquired substantially all of the assets of Airco Industries LLC (DBA Photo Etch) ("Photo Etch"), a Fort Worth, Texas based designer and manufacturer of a full portfolio of cockpit products, electronic assemblies and simulator solutions whose fiscal 2015 revenues were approximately US $6,100 or Cdn. $7,600, for a net cash purchase price consideration of US $2,700 or approximately Cdn. $3,520, which was financed with bank debt. Under the terms of the acquisition, the Corporation has acquired equipment, working capital, product designs, process know-how and customer contracts of Photo Etch.

The purchase of Photo Etch's assets has significant strategic benefit to the Corporation as the acquisition is accelerating its penetration of a significant number of commercial aerospace, defense and simulator customers, primarily in the United States. The acquisition of Photo Etch is also accelerating the process of increasing the utilization rates of FTG's Aerospace facilities.

In May 2016, the Corporation entered into a sale and purchase agreement to purchase substantially all of the assets of the Printed Circuit Technology business of Teledyne Technologies Incorporated ("Teledyne PCT") for approximately US $9,300 or approximately Cdn. $12,127, subject to customary working capital and other adjustments, which netted to $nil and are now settled. The acquisition closed on July 8, 2016. Under the terms of the acquisition, the Corporation has acquired equipment, working capital, product designs, process know-how and customer contracts of Teledyne PCT.

The purchase of Teledyne PCT's assets has significant strategic benefit to the Corporation as the acquisition is accelerating its penetration of a significant number of defense customers, primarily in the United States. The acquisition of Teledyne PCT is also accelerating the process of increasing the utilization rates of FTG's Circuits and Aerospace facilities.

The Photo Etch and Teledyne PCT's business acquisition was accounted for by the Corporation as a Business Combination. Under this method, the identifiable assets acquired and liabilities assumed are measured at their acquisition date fair values. Any excess of the acquisition date fair value of the consideration paid over the net of the acquisition date fair value of the identifiable assets acquired and liabilities assumed is recognized as goodwill and any deficiency is recognized as a bargain purchase gain. Acquisition costs associated with the business combination are expensed in the year incurred. The results of the operations have been consolidated from the acquisition date.

The Photo Etch business and the Teledyne PCT business were not considered to be of significant strategic benefit to their respective owners prior to acquisition by the Corporation. As such, the Corporation was able to acquire these business at the purchase considerations per above, which resulted in the generation of bargain purchase gains.

Included in the consolidated statement of earnings are revenue of $4,920 and net earnings of $554 (including bargain purchase gain of $1,108) related to the Photo Etch acquisition for the period from March 18, 2016 to November 30, 2016.

Included in the consolidated statement of earnings are revenue of $11,528 and net income of $7,839 (including bargain purchase gain of $6,081) related to the Teledyne PCT's business acquisition for the period from July 8, 2016 to November 30, 2016.

The transaction costs associated with the acquisitions totaling $124 which included $59 related to Photo Etch and $65 related to Teledyne PCT, were expensed during the year ended November 30, 2016 and included in selling, general and administrative expenses.

Included in the consolidated statements of earnings for the year ended November 30, 2016 are restructuring expenses of $1,055, related to the Photo Etch business of which $721 have been already incurred and paid, and the remaining amount of $334 have been included in the accounts payable and accrued liabilities, which are expected to be paid in fiscal 2017.

Included in the consolidated statements of earnings for the year ended November 30, 2016, are restructuring expenses of $2,996 related to the Teledyne PCT's business of which $1,322 have been already incurred and paid, and the remaining amount of $1,674 have been included in the accounts payable and accrued liabilities, which are expected to be paid in fiscal 2017.

Acquired identifiable intangible assets include customer relationships, non-compete agreement, technology, access to markets, certifications and new products in circuits and aerospace market including the simulator market, which are being amortized over a period of 5 years. The fair value of the identifiable intangible assets per table below was determined using various income approach methods including excess earnings to determine the present value of expected future cash flows for each identifiable intangible asset based on discount rates which incorporate a risk premium to take into account the risks inherent in those expected cash flows. The expected cash flows were estimated based on forecasted revenues and costs adjusted based on the expectations of market participants. The Corporation used risk adjusted discount rate of approximately 18% to discount the expected future cash flows under the income approach.

The following table sets out the allocation of the purchase price to assets acquired and liabilities assumed, based on management's estimates of fair value:

	Photo Etch	**Teledyne PCT**	**Total**
Total purchase price:			
Cash paid for acquisition	**$3,520**	**$12,127**	**$15,647**
Total purchase price to allocate	**$3,520**	**$12,127**	**$15,647**
Fair value of assets acquired and liabilities assumed:			
Accounts receivable	**$958**	**$5,105**	**$6,063**
Inventories	**3,170**	**7,336**	**10,506**
Prepaid expenses	**7**	**18**	**25**
Plant and equipment	**418**	**2,922**	**3,340**
Intangible assets	**512**	**4,784**	**5,296**
Accounts payable and accrued liabilities	**(437)**	**(1,957)**	**(2,394)**
Bargain purchase gain (credited to consolidated statement of earnings)	**(1,108)**	**(6,081)**	**(7,189)**
Net assets acquired	**$3,520**	**$12,127**	**$15,647**

RISK FACTORS

FTG operates in a dynamic and rapidly changing environment and industry, which exposes the Corporation to numerous risk factors. Additional information about the Corporation, including risks and uncertainties about FTG's business, is provided in the Corporation's Annual Information Form dated February 8, 2017 which is available on SEDAR at www.sedar.com.

FOURTH QUARTER

The following table provides the operating results for the fourth quarter of fiscal 2016 and 2015:

	Three months ended	
(in thousands of Canadian dollars, except per share amounts)	**November 30, 2016**	November 30, 2015
Sales	**$ 27,233**	$ 18,742
Cost of sales		
Cost of sales	**20,837**	13,267
Depreciation of plant and equipment	**666**	522
Total cost of sales	**21,503**	13,789
Gross margin	**5,730**	4,953
Expenses		
Selling, general and administrative	**3,354**	2,525
Research and development costs	**1,085**	1,535
Recovery of research and development costs	**(119)**	(70)
Recovery of investment tax credits	**(95)**	(6,736)
Depreciation of plant and equipment and amortization of intangible assets	**315**	38
Interest expense on short-term debt	**49**	-
Interest expense on long-term debt	**77**	140
Interest accretion due to early repayment of AMIS loan	**-**	556
Foreign exchange (gain)	**(208)**	(277)
Restructuring expenses	**136**	-
Total expenses	**4,594**	(2,289)
Earnings before income taxes	**1,136**	7,242
Current income tax expense	**10**	(24)
Deferred income tax expense	**496**	844
Total income tax expense	**506**	820
Net earnings	**$ 630**	$ 6,422
Attributable to:		
Non-controlling interest	**$ -**	$ -
Equity holders of FTG	**$ 630**	$ 6,422

Sales

Sales for the fourth quarter of fiscal 2016 were $27,233, an increase of $8,491 or 45.3% from the fourth quarter of fiscal 2015. The increase in net sales are mainly due to the two acquisitions - Photo Etch business and Teledyne PCT business during fiscal 2016, which was not present in the same period last year.

Net Earnings

The net earnings for the fourth quarter of fiscal 2016 were $630 which included net earnings of $630 attributable to equity holders of FTG and net earnings of $nil relating to the non-controlling interest. The net earnings for the fourth quarter of fiscal 2016 attributable to equity holders of FTG translated into basic earnings per share of $0.03 and diluted earnings per share of $0.03.

The net earnings for the fourth quarter of fiscal 2015 were $6,422 which included net earnings of $6,422 attributable to equity holders of FTG and net earnings of $nil relating to the non-controlling interest. The net earnings for the fourth quarter of fiscal 2015 attributable to equity holders of FTG translated into basic earnings per share of $0.36 and diluted earnings per share of $0.32.

Cash Flow

Operating Activities

Cash used by operating activities during the fourth quarter of fiscal 2016 amounted to $679 compared to cash provided of $1,806 for the fourth quarter of 2015. The change in 2016 was primarily driven by net earnings and working capital changes compared to the fourth quarter of 2015.

Investing Activities

Investing activities during the fourth quarter of fiscal 2016 resulted in the use of cash of $1,113 for capital expenditures of $1,048, additions to intangible assets of $16 and additions to deferred development costs of $49 compared to net use of cash of $956 for capital expenditures of $805 and deferred development costs of $151 during the fourth quarter of fiscal 2015.

Financing Activities

Cash provided by financing activities during the fourth quarter of fiscal 2016 amounted to $1,977 which included increase in bank indebtedness of $1,913, proceeds from issue of Common shares on exercise of share options of $61 and funding from non-controlling interests of $390, offset by repayments of long-term bank debt of $387. Cash used by financing activities during the fourth quarter of fiscal 2015 amounted to $73 which included repayments of subordinated loan of $5,110 and repayments of long-term bank debt of $466 offset by proceeds from long term bank debt of $5,341 and proceeds from issue of common shares on exercise of share options of $162.

ADOPTION OF NEW AND AMENDED IFRS PRONOUNCEMENTS

Refer to Note 3.19 of the consolidated financial statements as at November 30, 2016 for details of new and amended IFRS pronouncements adopted in fiscal 2016.

CRITICAL ACCOUNTING ESTIMATES

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.

Allowance for inventory obsolescence

Management is required to make an assessment of the net realizable value of inventory at each reporting period. Management incorporates estimates and judgments that take into account current market prices, current economic trends and past experience in the measurement of net realizable value.

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 17 of the consolidated financial statements.

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. These balances are subject to audit by taxation authorities and as a result, maybe adjusted at some future date. 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 equity settled transactions.

Impairment and valuation of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit ("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.

As part of the acquisitions as per Note 6 of the consolidated financial statements, the Corporation acquired product designs, process know-how and customer contracts. An intangible asset has been recorded in the consolidated balance sheets with respect to these assets. This asset has been valued at fair value based on the present value of expected future cash flows. As actual valuation may vary from these estimates, they are reviewed on a quarterly basis with changes recognized through net earnings as required.

Restructuring Provisions

As part of acquisitions per Note 6 of the consolidated financial statements, the Corporation assumed certain operating facilities. Restructuring provisions have been recorded with respect to the planned closure of these facilities and include estimates primarily related to employee costs, redundant equipment, customer transition and facility-related costs. Restructuring expenses are shown on the consolidated statements of earnings. As actual costs may vary from these estimates, they are reviewed on a quarterly basis with changes recognized through net earnings as required.

RECENT ACCOUNTING PRONOUNCEMENTS

Refer to Note 4 of the consolidated financial statements as at November 30, 2016 for details of the accounting pronouncements issued by the IASB which were not effective for the Corporation as of November 30, 2016 and therefore have not been applied in preparing the consolidated financial statements. The Corporation intends to adopt these standards, if applicable, when they become effective. Management is currently evaluating the potential impact the adoption of these accounting pronouncements will have on the Corporation's consolidated financial statements.

ETHICAL BUSINESS CONDUCT

The Corporation has 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") in 1992. In May 2013, COSO released an updated version of the 1992 internal control integrated framework. The Company is in the process of reviewing the changes to the framework and developing a transition plan to adopt the new framework.

Limitation on Scope of Design

The Corporation acquired Photo Etch business in March 2016 and Teledyne PCT business in July 2016. Management has not fully completed its review of internal controls over financial reporting for this newly acquired business. Since the acquisition occurred within the 365 days of the reporting period, management has limited the scope of design and subsequent evaluation of disclosure controls and procedures and internal controls over financial reporting, as permitted under Section 3.3 of National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings. For the year covered by this MD&A, management has undertaken additional procedures to satisfy itself with respect to the accuracy and completeness of the acquired operations' financial information. The following summary financial information pertains to the acquisition that was included in the Corporation's consolidated financial statements for the year ended November 30, 2016.

(Amount in thousands of Canadian dollars)	**Photo Etch Business ($)**	**Teledyne PCT Business ($)**	**Total ($)**
Revenue (1)	4,920	11,528	16,448
Net earnings (1)	54	3,062	3,116
Current assets (2)	2,365	15,235	17,600
Non-current assets (2)	770	7,305	8,075
Current liabilities (2)	43	3,424	3,467
Non-current liabilities (2)	-	-	-

(1) a) Photo-etch business results from March 18, 2016 to November 30, 2016 (date of acquisition to year end).
b) Teledyne PCT business results from July 8, 2016 to November 30, 2016 (date of acquisition to year end).
(2) Balance sheet as at November 30, 2016.

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, 2016 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, other than the limitation of scope of design as noted above, 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 other than the limitation of scope of design as noted above, and concluded that, as of November 30, 2016, 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 year ended November 30, 2016, there have been no changes in the Corporation's internal controls over financial reporting, other than the limitation of scope of design as noted above, that may have materially affected, or are reasonably likely to materially affect, the Corporation's internal controls over financial reporting.

OUTLOOK

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

Order backlog at the large air transport manufacturers, Boeing and Airbus, remain at record levels. This, combined with new aircraft such as the Boeing 787 and the Airbus A350, as well as the updates of the Boeing 737 and Airbus A320 bodes well for this market in the coming years. The Corporation believes that both companies are driving to increase their annual production volumes across much of their product lines. The Corporation also believes that there are new entrants into this market for single aisle aircraft which will potentially create new supply opportunities for lower tier suppliers. These new entrants include Bombardier's C-Series, which is just entering into service, and China's C-919 aircraft, both of which are important for FTG.

The general aviation, business jet and regional jet industry segment had seen production rates slowly recover since 2011, although in 2015 and 2016 there was of a market slowdown with some manufacturers reducing production rates on some aircraft. Market share for key OEMs has also changed over the past number of years with Bombardier, a key customer of FTG, losing share in the turbo-prop and regional jet markets while maintaining a strong position in business jets.

The end customer has shifted within the commercial aircraft market, with a higher percentage of customers located in Asia and lower percentages from North America and Europe. This is driving a demand for higher Far East content on each aircraft 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 is coming from airframe manufacturers in the west as well as new entrants from China and other Asian countries.

The commercial helicopter market saw significant production rate cuts in 2016 as the resource industry cut back on exploration and operations. These cuts rippled through the full supply chain as the demand softened. Looking forward, it is anticipated that production rates will be stable in the short term and increase in line with a recovery in the resource industry.

In the defense market, spending remains somewhat suppressed in Western economies. The U.S. appears to have passed the bottom of their defense spending trough and growth in beginning in some areas and/or programs. In Canada, defence spending remains stable with a number of significant equipment acquisition programs 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, sourcing in Asia, FTG's capabilities, FTG's performance and increased competition to name a few. Overall, our global footprint is proving to be a valuable asset and as we continue to drive to improve our technical capabilities and our performance we should be able to grow our market share.

There are other economic factors, outside the aerospace and defence market, that can also impact the outlook for FTG. The relative strength, or weakness, of the Canadian dollar could also be a factor as about 50% of FTG's operations are located in Canada but FTG competes primarily in U.S. dollars. Strengthening of the Canadian dollar would hurt FTG's competitiveness whereas a weakening of the Canadian dollar, as seen in the last few years, would enhance FTG's competitiveness. FTG is striving to mitigate this exchange rate risk by pursuing sales outside of the United States, to have more facilities outside of Canada and to increase its supply chain outside of Canada.

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 Bombardier's C-Series and the Chinese C-919.

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 customers' goals of reducing their supply base and focusing spending on fewer suppliers. With the joint venture in China, FTG can offer Aerospace quality circuit boards from an Asian source.

In cockpit products, FTG Aerospace has expanded into higher level assemblies, and this is opening up new opportunities. To address the demand for higher Far East content, FTG has a wholly owned operation in Tianjin, China for cockpit products.

In the second quarter of 2016, FTG acquired the assets of Photo Etch, a competitor in the cockpit products business. This acquisition is expected to improve utilization rates for FTG's newer Aerospace facilities, particularly in Chatsworth California after a transition period. It also brings new customers and new technologies to FTG.

In the third quarter of 2016, FTG acquired the assets of Teledyne PCT. The acquired technology and customer base will expand FTG's offering in rigid flex technology and the US defense market. The majority of the work is expected to transition to FTG's Chatsworth facilities again improving utilization rates and profitability.

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 the basis of performance and technology.

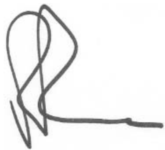
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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 BDO Canada LLP in 2016 and 2015 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	Melinda A. Diebel
President and Chief Executive Officer	Vice President, Chief Financial Officer and Corporate Secretary
February 8, 2017	February 8, 2017

Tel: 416 865 0200
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BDO Canada LLP
TD Bank Tower
66 Wellington Street West
Suite 3600, PO Box 131
Toronto ON M5K 1H1 Canada

Independent Auditor's 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 sheet as at November 30, 2016 and 2015, and the consolidated statements of earnings, comprehensive income, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with 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.

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

We believe that the audit evidence we have obtained in our 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 financial position of Firan Technology Group Corporation as at November 30, 2016 and 2015 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

February 8, 2017
Toronto, Ontario

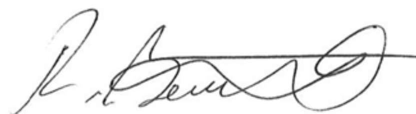
BDO Canada LLP, a Canadian limited liability partnership, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

Consolidated Balance Sheets

(in thousands of Canadian dollars) As at		**November 30, 2016**		November 30, 2015
ASSETS				
Current assets				
Cash	**$**	**3,152**	$	3,160
Accounts receivable *(Note 17.2)*		**21,022**		12,987
Taxes receivable		**259**		231
Inventories *(Note 7)*		**22,464**		11,122
Prepaid expenses		**1,776**		979
		48,673		28,479
Non-current assets				
Plant and equipment, net *(Note 6 and Note 8)*		**8,851**		5,644
Deferred income tax assets *(Note 15.1)*		**1,327**		2,876
Investment tax credits receivable *(Note 14.2)*		**7,330**		6,736
Deferred development costs *(Note 10)*		**739**		387
Intangible assets, net *(Note 6 and Note 9)*		**5,066**		100
Total assets	**$**	**71,986**	$	44,222
LIABILITIES AND EQUITY				
Current liabilities				
Bank indebtedness *(Note 11.1)*	**$**	**6,983**	$	-
Accounts payable and accrued liabilities *(Note 17.2)*		**15,105**		10,970
Provisions *(Note 12)*		**2,349**		366
Customer deposits, net of deferred development *(Note 10)*		**308**		1,044
Current portion of long-term bank debt *(Note 11.2)*		**1,510**		1,058
		26,255		13,438
Non-current liabilities				
Long-term bank debt *(Note 11.2)*		**6,079**		4,234
Deferred tax payable *(Note 15.1)*		**1,573**		1,460
Total liabilities		**33,907**		19,132
Equity				
Retained earnings	**$**	**7,543**	$	1,628
Accumulated other comprehensive income (loss)		**443**		(233)
		7,986		1,395
Share capital				
Common shares *(Note 13.1)*		**19,051**		13,075
Preferred shares *(Note 13.2)*		**2,218**		2,218
Contributed surplus *(Note 13.4)*		**8,381**		8,373
Total equity attributable to FTG's shareholders		**37,636**		25,061
Non-controlling interest *(Note 20)*		**443**		29
Total equity		**38,079**		25,090
Total liabilities and equity	**$**	**71,986**	$	44,222

See accompanying notes.

Approved on behalf of the board:



Director

Director

Consolidated Statements of Earnings

(in thousands of Canadian dollars, except per share amounts)	Years ended November 30, 2016	Years ended November 30, 2015
Sales	**$ 87,114**	$ 72,045
Cost of sales		
Cost of sales *(Note 7, Note 11.3, Note 19)*	**65,446**	52,048
Depreciation of plant and equipment *(Note 8)*	**2,315**	1,963
Total cost of sales	**67,761**	54,011
Gross margin	**19,353**	18,034
Expenses		
Selling, general and administrative *(Note 19)*	**11,259**	10,018
Research and development costs *(Note 14.1)*	**3,567**	5,558
Recovery of research and development costs *(Note 14.1)*	**(329)**	(492)
Recovery of investment tax credits *(Note 14.2)*	**(594)**	(6,736)
Depreciation of plant and equipment and amortization of intangible assets *(Note 8, Note 9)*	**597**	156
Interest expense on short-term debt	**100**	34
Interest expense on long-term debt *(Note 11.2)*	**207**	413
Interest accretion due to early repayment of AMIS loan (Note 11.3)	**-**	556
Foreign exchange loss (gain) *(Note 17.2)*	**110**	(2,054)
Bargain purchase gain *(Note 6)*	**(7,189)**	-
Restructuring expenses *(Note 6)*	**4,051**	-
Total expenses	**11,779**	7,453
Earnings before income taxes	**7,574**	10,581
Current income tax expense *(Note 15.2)*	**56**	9
Deferred income tax expense *(Note 15.1 and Note 15.2)*	**1,586**	1,024
Total income tax expense	**1,642**	1,033
Net earnings	**$ 5,932**	$ 9,548
Attributable to:		
Non-controlling interest *(Note 20)*	**17**	11
Equity holders of FTG	**5,915**	9,537
Earnings per share, attributable to the equity holders of FTG		
Basic *(Note 13.5)*	**$ 0.29**	$ 0.53
Diluted *(Note 13.5)*	**$ 0.27**	$ 0.47

See accompanying notes.

Consolidated Statements of Comprehensive Income

(in thousands of Canadian dollars)	Years ended **November 30, 2016**	November 30, 2015
Net earnings	**$ 5,932**	$ 9,548
Other comprehensive income to be reclassified to net earnings in subsequent periods:		
Foreign currency translation adjustments	**1,340**	965
Net unrealized (loss) on derivative financial instruments designated as cash flow hedges *(Note 17.1 and Note 17.2)*	**(876)**	(1,178)
Tax impact *(Note 15.1)*	**219**	295
	683	82
Total comprehensive income	**$ 6,615**	$ 9,630
Attributable to:		
Equity holders of FTG	**$ 6,591**	$ 9,616
Non-controlling interest *(Note 20)*	**$ 24**	$ 14

See accompanying notes.

Consolidated Statements of Changes in Shareholders' Equity

	Years ended November 30, 2016 and November 30, 2015							
	Attributed to the equity holders of FTG							
(in thousands of Canadian dollars)	**Common Shares**	**Preferred Shares**	**Retained Earnings**	**Contributed Surplus**	**Accumulated Other Comprehensive Income (Loss)**	**Total**	**Non-controlling interest**	**Total equity**
Balance, November 30, 2014	$ 12,681	$ 2,218	$ (7,909)	$ 8,411	$ (312)	$ 15,089	$ 15	$ 15,104
Net earnings	-	-	9,537	-	-	9,537	11	9,548
Stock-based compensation *(Note 13.6)*	-	-	-	51	-	51	-	51
Common shares issued on exercise of share options *(Note 13.1)*	394			(89)		305	-	305
Foreign currency translation adjustments	-	-	-	-	962	962	3	965
Net unrealized loss on derivative financial instruments designated as cash flow hedges, net of tax impact (Note 17.1, *Note 17.2 and Note 15.1)*	-	-	-	-	(883)	(883)	-	(883)
Balance, November 30, 2015	**$ 13,075**	**$ 2,218**	**$ 1,628**	**$ 8,373**	**$ (233)**	**$ 25,061**	**$ 29**	**$ 25,090**
Net earnings	**-**	**-**	**5,915**	**-**	**-**	**5,915**	**17**	**5,932**
Stock-based compensation *(Note 13.6)*	**-**	**-**	**-**	**47**	**-**	**47**	**-**	**47**
Common shares issued on exercise of share options *(Note 13.1)*	**157**			**(39)**	**-**	**118**	**-**	**118**
Common shares issued *(Note 13.1)*	**5,819**	**-**	**-**	**-**	**-**	**5,819**	**-**	**5,819**
Foreign currency translation adjustments	**-**	**-**	**-**	**-**	**1,333**	**1,333**	**7**	**1,340**
Net unrealized gain on derivative financial instruments designated as cash flow hedges, net of tax impact (Note 17.1, *Note 17.2 and Note 15.1)*	**-**	**-**	**-**	**-**	**(657)**	**(657)**	**-**	**(657)**
Contribution from non-controlling interest (Note 20)	**-**	**-**	**-**	**-**	**-**	**-**	**390**	**390**
Balance, November 30, 2016	**$ 19,051**	**$ 2,218**	**$ 7,543**	**$ 8,381**	**$ 443**	**$ 37,636**	**$ 443**	**$ 38,079**

See accompanying notes.

Consolidated Statements of Cash Flows

(in thousands of Canadian dollars)	Years ended **November 30, 2016**	November 30, 2015
Net inflow (outflow) of cash related to the following:		
Operating activities		
Net earnings	**$ 5,932**	$ 9,548
Items not affecting cash:		
Non-controlling interest share of net (earnings) *(Note 20)*	**(17)**	(11)
Stock-based compensation *(Note 13.6)*	**47**	51
Effect of exchange rates on US dollar debt	**136**	118
Depreciation of plant and equipment *(Note 8)*	**2,433**	2,070
Amortization of intangible assets *(Note 9)*	**479**	49
Amortization of deferred financing costs	**11**	37
Deferred income tax expense *(Note 15.1 and Note 15.2)*	**1,662**	729
Investment tax credits (recovery) *(Note 14.2)*	**(594)**	(6,736)
AMIS interest accretion *(Note 11.3)*	**-**	335
Interest accretion due to early repayment of AMIS loan *(Note 11.3)*	**-**	556
Amortization of government assistance *(Note 11.3)*	**-**	(339)
Decrease (increase) in net unrealized loss on derivative financial instruments designated as cash flow hedges *(Note 17.1, Note 17.2, Note 15.2)*	**227**	(188)
Net change in non-cash operating working capital *(Note 16)*	**(14,672)**	(453)
	(4,356)	5,766
Investing activities		
Additions to plant and equipment *(Note 6 and Note 8)*	**(2,210)**	(1,750)
Additions to plant and equipment - acquisitions *(Note 6 and Note 8)*	**(3,340)**	-
Additions to intangible assets - acquisitions *(Note 6 and Note 9)*	**(5,296)**	-
Additions to deferred development costs *(Note 10)*	**(352)**	(387)
Additions to deferred financing costs	**(11)**	-
	(11,209)	(2,137)
Net cash flow from operating and investing activities	**(15,565)**	3,629
Financing activities		
Increase in bank indebtedness *(Note 11.1)*	**6,983**	-
Proceeds from long-term bank debt *(Note 11.2)*	**3,390**	5,341
Repayments of long-term bank debt	**(1,229)**	(1,687)
Repayments of subordinated loan *(Note 11.3)*	**-**	(5,110)
Proceeds from issue of Common shares *(Note 13.1)*	**5,937**	305
Funding from non-controlling interests *(Note 20)*	**390**	-
	15,471	(1,151)
Effects of foreign exchange rate changes on cash flow	**86**	41
Net (decrease) increase in cash flow	**(8)**	2,519
Cash, beginning of the year	**3,160**	641
Cash, end of year	**3,152**	$ 3,160
Disclosure of cash payments		
Payment for interest	**$ 286**	$ 113
Payments for income taxes	**$ 12**	$ 6

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, FTG 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 FTG Aerospace Inc., and Firan Technology Group (Barbados) 1 Corporation, which in turn owns 100% of the voting securities of Firan Technology Group (Barbados) 2 Corporation, which in turn owns 100% of the voting securities of FTG Aerospace Tianjin Inc.

The subsidiaries were incorporated as follows:

- Firan Technology Group (USA) Corporation was incorporated in the State of California, U.S.A.
- FTG Circuits Inc. was incorporated in the State of California, U.S.A.
- FTG Aerospace Inc. was incorporated in the State of California, U.S.A.
- 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, People's Republic of China

In May 2013, the Corporation entered into a joint venture agreement with Tianjin Printronics Circuit Corp. ("TPC"), a Chinese printed circuit board manufacturing company, pursuant to which a joint venture entity, FTG Printronics Circuit Ltd ("JV"), was incorporated in the Province of Tianjin, the People's Republic of China. The Corporation holds a 60% equity interest in the JV. The joint venture agreement did not constitute a joint arrangement for accounting purposes. This arrangement gives rise to non-controlling interest as segregated on the consolidated financial statements.

The consolidated financial statements of the Corporation as at and for the years ended November 30, 2016 and 2015 comprise FTG, its subsidiaries and its JV.

These consolidated financial statements were approved for issuance by the Board of Directors on February 8, 2017.

2. BASIS OF PRESENTATION

2.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

2.2 Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis except for derivative financial instruments, which are measured at their fair value through net earnings and other comprehensive income. 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 and has been rounded to the nearest thousands except where noted and per share amounts.

2.4 Use of estimates, judgements and assumptions

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 year. 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 years. 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 may change due to market changes or circumstances arising beyond the control of the Corporation.

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

3. 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 comprise the financial statements of FTG, its subsidiaries and its JV as at November 30, 2016 and 2015. The Corporation controls the JV and its results were consolidated in the consolidated financial statements. Control is achieved when the Corporation is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns

through its power over the investee. Specifically, the Corporation controls an investee if and only if the Corporation has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the Corporation has less than a majority of the voting or similar rights of an investee, the Corporation considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Corporation's voting rights and potential voting rights

The Corporation re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Corporation obtains control over the subsidiary and ceases when the Corporation loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Corporation gains control until the date the Corporation ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income ("OCI") are attributed to the equity holders of the parent of the Corporation and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Corporation's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Corporation are eliminated in full on consolidation.

A change in the ownership interest in a subsidiary, without a loss of control, is accounted for as an equity transaction.

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 translated at the exchange rates at the balance sheet date. Exchange gains and losses on translation or settlement are recognized in earnings or loss for the current year.

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 each month 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 dates. Differences arising on translation of transactions 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 earnings 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 Corporation; 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. 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 customer deposits. 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. 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 standard quoted warranty period is one year from the date of shipment and the Corporation accrues warranty provisions at the time of sale based on historical information.

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 year when there is reasonable assurance that the conditions attached to the grant will be met and that the grant will be received. Grants are recognized as income over the year 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 Inventories

Inventories 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.

3.6 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. Leasehold improvements are depreciated over the shorter of the term of the related lease or their remaining useful life on a straight-line basis.

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

Machinery and equipment	3 to 10 years
Furniture and fixtures	5 years
Leasehold improvements	Term of the lease

3.7 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 5 to 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 titled, “Impairment of long-lived assets”.

3.8 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, 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 cash-generating units (“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.

3.9 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 tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

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 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.

3.10 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. The asset is amortized over the period of expected future benefit. Amortization is recorded in cost of sales. In the event that a 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.

3.11 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 years 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 earnings.

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.

Receivables
Receivables (accounts receivable) are non-derivative financial assets that have fixed or determinable payments and are not quoted in an active market.

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 that are not classified as FVTPL include bank indebtedness, long-term bank debt, subordinated loan, Government assistance, accounts payable and accrued liabilities. 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.

3.12 Leases

The economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all of 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. Associated costs, such as maintenance and insurance, are expensed as incurred.

3.13 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.

3.14 Share based payments – common share options

The Corporation accounts for share-based payments as equity settled transactions where the fair value of options granted is charged to 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.

3.15 Share based payments – new share unit plan adopted by the Corporation

In April 2013, the shareholders of the Corporation approved the new Share Unit Plan (the “Share Unit Plan”).

The Corporation’s current stock option plan (the “Option Plan”) was last amended by shareholders of the Corporation in 2003. The Corporation cancelled the Option Plan and adopted the Share Unit Plan in order to modernize the Corporation’s long-term incentive compensation structure. Notwithstanding the cancellation of the Option Plan, all outstanding options granted under the Option Plan will remain outstanding and effective under the terms of the Option Plan.

The Share Unit Plan provides that the Corporate Governance / Compensation Committee may, in its sole and absolute discretion, award grants of performance share units (“PSUs”) and restricted share units (“RSUs”) and referred together with PSUs, as “Share Units”, to any individual employed by the Corporation or any of the Corporation’s subsidiaries, partnerships, trusts or other controlled entities, (which individuals may include officers, employees and consultants of the Corporation) (the “Participants”).

A PSU is a right granted to a Participant in accordance with the Share Unit Plan to receive a Common Share that generally becomes vested subject to the attainment of certain performance conditions (including financial, personal, operational or transaction based performance criteria as may be determined by the Corporate Governance / Compensation Committee) ("Performance Conditions") and satisfaction of such other conditions to vesting, if any, as may be determined by the Corporate Governance / Compensation Committee. An RSU is a right granted to a Participant in accordance with the Share Unit Plan to receive a Common Share that generally becomes vested following a period of continuous employment of the Participant with the Corporation.

The vesting period of any grant shall be not later than December 15 of the third year following the year in which the Participant performed the services to which the grant relates, unless otherwise determined by the Corporate Governance / Compensation Committee.

The maximum number of Common Shares that may be issued pursuant to the Share Unit Plan is 1,780,320. No one Participant may receive any grant which, together with all grants then held by such Participant, would permit such Participant to be issued a number of Common Shares that is greater than 5% of the total outstanding Common Shares. The number of Common Shares issued to insiders of the Corporation within any one year period, under all security based compensation arrangements of the Corporation, shall not exceed 10% of the total outstanding Common Shares.

The cost recorded for equity-settled Share Units is based on the market value of the Corporation's Common Shares at the time of grant. The cost recorded for Share Units that vest based on a non-market performance condition is based on an estimate of the outcome of such performance condition. The cost of these Share Units would be adjusted as new facts and circumstances arise; the timing of these adjustments is subject to judgment. The adjustments to the cost of Share Units would generally be recorded during the last year of the three-year term based on management's estimate of the achievement of the performance conditions. The cost of Share Units is amortized to the compensation expense in the consolidated statement of earnings, with a corresponding charge to contributed surplus in the consolidated balance sheet, over the vesting period. These awards would be generally settled with issuing Common Shares from treasury.

3.16 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 dividing the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding and adjusting for the effects of all dilutive potential common shares.

3.17 Derivative financial instruments

The Corporation utilizes forward foreign exchange contracts to manage its foreign currency exposure on anticipated sales. The Corporation also utilizes gold forward contracts to manage its exposure on anticipated cost of sales. Derivative financial instruments are initially recognized at fair value (forward value at transaction date) on the date on which a derivative contract is entered into and are subsequently re-measured at fair value (forward current value). Derivatives are carried as financial assets (prepaid expenses) when the fair value is positive and as financial liabilities (accounts payable and accrued liabilities) when the fair value is negative. Any gains or losses arising from changes in the fair value of derivatives are recorded directly in the consolidated statements of earnings except for the effective portion of cash flow hedges, which are recognized in other comprehensive income.

The Corporation designates certain derivative financial instruments as cash flow hedges. The application of hedge accounting enables the recording of gains, losses, revenue and expenses from hedging items in the same period as those related to the hedged item. At the inception of a hedge relationship, the Corporation formally designates and documents the hedge relationship to which the Corporation wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess and measure the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine whether they have actually been highly effective throughout the financial reporting periods for which they were designated.

Hedges that meet the strict criteria for hedge accounting are accounted for as follows:

Amounts recognized as other comprehensive income are transferred to the consolidated statements of earnings when the hedged transaction affects net earnings.

If the forecasted transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognized in equity is transferred to the consolidated statements of earnings. Hedge accounting is discontinued prospectively when it is determined that the derivative is not effective as a hedge or the derivative is terminated or sold, or upon sale or early termination of the hedged item.

3.18 Business Combinations

In a business combination, the acquisition method of accounting is used, whereby the purchase consideration is allocated to the fair value of identifiable assets acquired and liabilities assumed at the date of acquisition. Preliminary fair values allocated at a reporting date are finalized as soon as the relevant information is available, within a period not to exceed twelve months from the acquisition date with retroactive restatement of the impact of adjustments to those preliminary fair values effective as at the acquisition date. Acquisition-related costs are expensed as incurred and included in selling, general and administrative expenses.

Purchase consideration may also include amounts payable if future events occur or conditions are met. Any such contingent consideration is measured at fair value and included in the purchase consideration at the acquisition date. Subsequent changes to the estimated fair value of contingent consideration are recorded through the consolidated statements of earnings, unless the preliminary fair value of contingent consideration as at the acquisition date is finalized before the twelve month measurement period in which case the adjustment is allocated to the identifiable assets acquired and liabilities assumed retrospectively to the acquisition date. Where the cost of the acquisition exceeds the fair values of the identifiable net assets acquired, the difference is recorded as goodwill. A gain is recorded through the consolidated statements of earnings if the cost of the acquisition is less than the fair values of the identifiable net assets acquired.

3.19 Adoption of new and amended IFRS pronouncements

New and amended IFRS pronouncements adopted in fiscal 2016

The Corporation has adopted the following new and amended IFRS pronouncements listed below in fiscal 2016 effective from December 1, 2015, in accordance with the transitional provisions outlined in the respective standards.

Amendments to IFRS 7 Financial instruments: disclosures

This amendment aligns with the deferral of the effective date of IFRS 9 *Financial Instruments* ("IFRS 9"). Instead of requiring restatement of comparative financial statements, entities are either permitted or required to provide modified disclosures on transition from IAS 39 *Financial instruments: recognition and measurement* to IFRS 9 on the basis of the entity's date of adoption and if the entity chooses to restate prior periods. The amendments became effective for annual periods beginning on or after 1 January 2015 and did not have any impact on the disclosures of the Corporation.

4. RECENT ACCOUNTING PRONOUNCEMENTS

The following accounting pronouncements issued by the IASB were not effective for the Corporation as of November 30, 2016 and therefore have not been applied in preparing these consolidated financial statements. The Corporation intends to adopt these standards, if applicable, when they become effective.

Management is currently evaluating these standards and has not yet determined the potential impact the adoption of these accounting pronouncements will have on the Corporation's consolidated financial statements.

Amendments to IAS 1, Presentation of financial statements

The amendments to IAS 1 Presentation of Financial Statements are a part of a major initiative to improve disclosure requirements in IFRS financial statements. The amendments being made to IAS 1 include: 1) *Materiality*: Aggregation or disaggregation should not obscure useful information. Materiality applies to each of the primary financial statements, the notes and each specific disclosure required by IFRSs. 2) *Line items in primary financial statements*: Additional guidance for the list of line items required to be presented in primary statements, in particular that it may be appropriate for these to be disaggregated, and new requirements regarding the use of subtotals. 3) *Notes to the financial statements*: Determination of the order of the notes should include consideration of understandability and comparability of financial statements. It has been clarified that the order listed in IAS 1.114(c) is illustrative only. 4) *Accounting policies*: Removal of the examples in IAS 1.120 in respect of income taxes and foreign exchange gains and losses. 5) *Equity accounted investments*: An entity's share of other comprehensive income will be split between those items that will and will not be reclassified to profit or loss, and presented in aggregate as single line items within those two groups. Mandatory adoption for periods beginning on or after 1 January 2016.

Amendments to IAS 16, Property, Plant and Equipment and IAS 38, Intangible Assets

In May 2014, the IASB issued amendments to IAS 16, and IAS 38 to clarify acceptable methods of depreciation and amortization. The amended IAS 16 eliminates the use of a revenue-based depreciation method for items of property, plant and equipment. Similarly, amendments to IAS 38 eliminate the use of a revenue-based amortization model for intangible assets except in certain specific circumstances. The

amendments are to be applied prospectively and are effective for annual periods beginning on or after January 1, 2016, with earlier application permitted.

Amendments to IFRS 9, Financial Instruments

IFRS 9, *Financial Instruments* ("IFRS 9") provides guidance on the classification and measurement of financial assets and liabilities, impairment of financial assets, and general hedge accounting. The classification and measurement portion of the standard determines how financial assets and financial liabilities are accounted for in financial statements and, in particular, how they are measured on an ongoing basis. The amended IFRS 9 introduced a new, expected-loss impairment model that will require more timely recognition of expected credit losses. In addition, the amended IFRS 9 includes a substantially-reformed model for hedge accounting, with enhanced disclosures about risk management activity. The new standard is effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted.

IFRS 15, Revenue from Contracts with Customers

IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15"), supersedes IAS 18, *Revenue*, IAS 11, *Construction Contracts* and other interpretive guidance associated with revenue recognition. IFRS 15 provides a single, principle based five-step model to be applied to all contracts with customers, except insurance contracts, financial instruments and lease contracts, which fall in the scope of other IFRSs. In addition to the five-step model, the standard specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. The incremental costs of obtaining a contract must be recognized as an asset if the entity expects to recover these costs. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some nonfinancial assets that are not an output of the entity's ordinary activities. IFRS 15 is to be applied on either a full or modified retrospective approach and is effective for annual periods beginning on or after January 1, 2018, with earlier application permitted.

IFRS 16, Leases

In January 2016 the IASB issued IFRS 16, *Leases*. IFRS 16 supersedes IAS 17 *Leases,* IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. IFRS 16 contains a single lessee accounting model, which eliminates the distinction between operating and finance leases from the perspective of the lessee. All contracts that meet the definition of a lease, other than short term leases and leases of low value items for which a lessee has the option not to apply the measurement and presentation requirements of IFRS 16, will be recorded in the statement of financial position with a "right of use" asset and a corresponding liability. The asset is subsequently accounted for as property, plant and equipment or investment property and the liability is unwound using the interest rate inherent in the lease. The accounting requirements from the perspective of the lessor remains largely in line with previous IAS 17 requirements. IFRS 16 has an effective date of 1 January 2019, with early application permitted only if IFRS 15 has also been adopted.

5. USE OF SIGNIFICANT 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.

Allowance for inventory obsolescence

Management is required to make an assessment of the net realizable value of inventory at each reporting period. Management incorporates estimates and judgments that take into account current market prices, current economic trends and past experience in the measurement of net realizable value.

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 17.

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. These balances are subject to audit by taxation authorities and as a result, maybe adjusted at some future date. 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. 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 equity settled transactions.

Impairment and valuation 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.

As part of the acquisitions as per Note 6, the Corporation acquired product designs, process know-how and customer contracts. An intangible asset has been recorded in the consolidated balance sheets with respect to these assets. This asset has been valued at fair value based on the present value of expected future cash flows. As actual valuation may vary from these estimates, they are reviewed on a quarterly basis with changes recognized through net earnings as required.

Restructuring Provisions

As part of acquisitions per Note 6, the Corporation assumed certain operating facilities. Restructuring provisions have been recorded with respect to the planned closure of these facilities and include estimates primarily related to employee costs, redundant equipment, customer transition and facility-related costs. Restructuring expenses are shown on the consolidated statements of earnings. As actual costs may vary from these estimates, they are reviewed on a quarterly basis with changes recognized through net earnings as required.

6. ACQUISITIONS OF PHOTO ETCH AND TELEDYNE PCT BUSINESS

In March 2016, the Corporation’s US subsidiary FTG Aerospace Inc., which is based in Chatsworth California, acquired substantially all of the assets of Airco Industries LLC (DBA Photo Etch) (“Photo Etch”), a Fort Worth, Texas based designer and manufacturer of a full portfolio of cockpit products, electronic assemblies and simulator solutions whose fiscal 2015 revenues were approximately US $6,100 or Cdn. $7,600, for a net cash purchase price consideration of US $2,700 or approximately Cdn. $3,520, which was financed with bank debt. Under the terms of the acquisition, the Corporation has acquired equipment, working capital, product designs, process know-how and customer contracts of Photo Etch, which are in the process of being transitioned to the Corporation.

The purchase of Photo Etch's assets has significant strategic benefit to the Corporation as the acquisition is accelerating its penetration of a significant number of commercial aerospace, defense and simulator customers, primarily in the United States. The acquisition of Photo Etch is also accelerating the process of increasing the utilization rates of FTG's Aerospace facilities.

In May 2016, the Corporation entered into a sale and purchase agreement to purchase substantially all of the assets of the Printed Circuit Technology business of Teledyne Technologies Incorporated ("Teledyne PCT") for approximately US \$9,300 or approximately Cdn. \$12,127, subject to customary working capital and other adjustments, which netted to \$nil and are now settled. The acquisition closed on July 8, 2016. Under the terms of the acquisition, the Corporation has acquired equipment, working capital, product designs, process know-how and customer contracts of Teledyne PCT.

The purchase of Teledyne PCT's assets has significant strategic benefit to the Corporation as the acquisition is accelerating its penetration of a significant number of defense customers, primarily in the United States. The acquisition of Teledyne PCT is also accelerating the process of increasing the utilization rates of FTG's Circuits and Aerospace facilities.

The Photo Etch and Teledyne PCT's business acquisition was accounted for by the Corporation as a Business Combination. Under this method, the identifiable assets acquired and liabilities assumed are measured at their acquisition date fair values. Any excess of the acquisition date fair value of the consideration paid over the net of the acquisition date fair value of the identifiable assets acquired and liabilities assumed is recognized as goodwill and any deficiency is recognized as a bargain purchase gain. Acquisition costs associated with the business combination are expensed in the year incurred. The results of the operations have been consolidated from the acquisition date. The Photo Etch business and the Teledyne PCT business were not considered to be of significant strategic benefit to their respective owners prior to acquisition by the Corporation. As such, the Corporation was able to acquire these businesses at the purchase considerations per above, which resulted in the generation of bargain purchase gains.

Included in the consolidated statement of earnings are revenue of \$4,920 and net earnings of \$554 (including bargain purchase gain of \$1,108) related to the Photo Etch acquisition for the period from March 18, 2016 to November 30, 2016.

Included in the consolidated statement of earnings are revenue of \$11,528 and net income of \$7,839 (including bargain purchase gain of \$6,081) related to the Teledyne PCT's business acquisition for the period from July 8, 2016 to November 30, 2016.

The transaction costs associated with the acquisitions totaling \$124 which included \$59 related to Photo Etch and \$65 related to Teledyne PCT, were expensed during the year ended November 30, 2016 and included in selling, general and administrative expenses.

Included in the consolidated statements of earnings for the year ended November 30, 2016 are restructuring expenses of \$1,055, related to the Photo Etch business of which \$721 have been already incurred and paid, and the remaining amount of \$334 have been included in the accounts payable and accrued liabilities, which are expected to be paid in fiscal 2017. Included in the consolidated statements of earnings for the year ended November 30, 2016, are restructuring expenses of \$2,996 related to the Teledyne PCT's business of which \$1,322 have been already incurred and paid, and the remaining amount of \$1,674 have been included in the accounts payable and accrued liabilities, which are expected to be paid in fiscal 2017.

Acquired identifiable intangible assets include customer relationships, non-compete agreement, technology, access to markets, certifications and new products in circuits and aerospace market including the simulator market, which are being amortized over a period of 5 years. The fair value of the identifiable intangible assets per table below was determined using various income approach methods including excess earnings to determine the present value of expected future cash flows for each identifiable intangible asset based on discount rates which incorporate a risk premium to take into account the risks inherent in those expected cash flows. The expected cash flows were estimated based on forecasted revenues and costs adjusted based on the expectations of market participants. The Corporation used risk adjusted discount rate of approximately 18% to discount the expected future cash flows under the income approach.

The following table sets out the allocation of the purchase price to assets acquired and liabilities assumed, based on management's estimates of fair value:

	Photo Etch	Teledyne PCT	Total
Total purchase price:			
Cash paid for acquisition	**$3,520**	**$12,127**	**$15,647**
Total purchase price to allocate	**$3,520**	**$12,127**	**$15,647**
Fair value of assets acquired and liabilities assumed:			
Accounts receivable	**$958**	**$5,105**	**$6,063**
Inventories	**3,170**	**7,336**	**10,506**
Prepaid expenses	**7**	**18**	**25**
Plant and equipment	**418**	**2,922**	**3,340**
Intangible assets	**512**	**4,784**	**5,296**
Accounts payable and accrued liabilities	**(437)**	**(1,957)**	**(2,394)**
Bargain purchase gain (credited to consolidated statement of earnings)	**(1,108)**	**(6,081)**	**(7,189)**
Net assets acquired	**$3,520**	**$12,127**	**$15,647**

7. INVENTORIES

	November 30, 2016 $	November 30, 2015 $
Raw materials and spare parts	**7,910**	2,974
Work-in-progress	**8,528**	4,017
Finished goods	**6,026**	4,131
	22,464	11,122

The cost of inventories recognized as an expense during the year ended November 30, 2016 was $65,446 which includes cost of sales of $65,446 and deemed Government assistance netted against cost of sales of $nil (2015 - $52,387 which included cost of sales of $52,048 and deemed Government assistance netted against cost of sales of $339). This amount also included $1,491 during the year ended November 30, 2016 (2015 – $1,476) as cost of inventories written down due to obsolescence.

8. PLANT AND EQUIPMENT

	Machinery and equipment	**Furniture and fixtures**	**Leasehold improvements**	**Total**
	$	**$**	**$**	**$**
Cost:				
November 30, 2015	**34,624**	**299**	**3,119**	**38,042**
Additions during the year	**1,808**	**47**	**355**	**2,210**
Acquisitions during the year *(Note 6)*	**3,340**	**-**	**-**	**3,340**
Disposals during the year	**(10)**	**-**	**-**	**(10)**
Foreign exchange impact	**107**	**(1)**	**(7)**	**99**
November 30, 2016	**39,869**	**345**	**3,467**	**43,681**
Accumulated depreciation:				
November 30, 2015	**30,338**	**253**	**1,807**	**32,398**
Depreciation during the year	**2,063**	**29**	**341**	**2,433**
Disposals during the year	**(10)**	**-**	**-**	**(10)**
Foreign exchange impact	**27**	**-**	**(18)**	**9**
November 30, 2016	**32,418**	**282**	**2,130**	**34,830**
Net book value:				
November 30, 2015	**4,286**	**46**	**1,312**	**5,644**
November 30, 2016	**7,451**	**63**	**1,337**	**8,851**

	Machinery and equipment	Furniture and fixtures	Leasehold improvements	Total
	$	$	$	$
Cost:				
November 30, 2014	31,949	256	2,658	34,863
Additions during the year	1,515	9	226	1,750
Disposals during the year	(41)	-	-	(41)
Foreign exchange impact	1,201	34	235	1,470
November 30, 2015	34,624	299	3,119	38,042
Accumulated depreciation:				
November 30, 2014	27,634	201	1,385	29,220
Depreciation during the year	1,741	23	306	2,070
Disposals during the year	(41)	-	-	(41)
Foreign exchange impact	1,004	29	116	1,149
November 30, 2015	30,338	253	1,807	32,398
Net book value:				
November 30, 2014	4,315	55	1,273	5,643
November 30, 2015	4,286	46	1,312	5,644

Included in machinery and equipment as at November 30, 2016 are $812 (November 30, 2015 – $522) and included in leasehold improvements as at November 30, 2016 are $177 (November 30, 2015 – $12) 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.

9. INTANGIBLE ASSETS

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

	Customer relationships	**Trademarks**	**Total**
	$	**$**	**$**
Cost			
November 30, 2015	**479**	**5**	**484**
Acquisitions during the year *(Note 6)*	**5,296**	**-**	**5,296**
Foreign exchange impact	**158**	**1**	**159**
November 30, 2016	**5,933**	**6**	**5,939**
Accumulated amortization			
November 30, 2015	**383**	**1**	**384**
Amortization during the year	**478**	**1**	**479**
Foreign exchange impact	**9**	**1**	**10**
November 30, 2016	**870**	**3**	**873**
Net book value			
November 30, 2015	**96**	**4**	**100**
November 30, 2016	**5,063**	**3**	**5,066**

	Customer relationships	Trademarks	Total
	$	$	$
Cost			
November 30, 2014	479	5	484
November 30, 2015	479	5	484
Accumulated amortization			
November 30, 2014	335	1	336
Amortization during the year	48	1	49
Foreign exchange impact	-	(1)	(1)
November 30, 2015	383	1	384
Net book value			
November 30, 2014	144	4	148
November 30, 2015	96	4	100

Intangible assets have an unamortized remaining period of approximately one year to five years as at November 30, 2016 (approximately two years as at November 30, 2015).

10. CUSTOMER DEPOSITS, NET OF DEFERRED DEVELOPMENT

As described in the tables below, the customer deposits net of deferred development as at November 30, 2016 included $nil remaining from a customer to be utilized towards deferred development in future periods (November 30, 2015 – $649), and $308 received by the Corporation from customers for orders not yet delivered (November 30, 2015 - $395).

Customer Deposits:	**November 30, 2016 $**	November 30, 2015 $
US $500 or Cdn. $505 advance received from a customer in May 2012 that represented a portion of the initial funding from the customer towards the design and development of control panel assemblies	**505**	505
US $1,376 or Cdn. $1,467 advance received from a customer in August 2013 towards additional funding for the program	**1,467**	1,467
US $1,100 or Cdn. $1,370 advance received from a customer in March 2014 towards additional funding for the program	**1,370**	1,370
US $524 or Cdn. $700 advance received from a customer in March 2015 towards additional funding for the program	**700**	696
Total	**4,042**	4,038
Offset with deferred development (see table below)	**(4,042)**	(3,389)
Customer deposits, net of deferred development	**-**	649
Deposits from customers for orders not delivered	**308**	395
	308	1,044

Deferred development:	**Control panel assemblies $**	**Cursor control device $**	**Total Deferred development $**
Opening balance as at November 30, 2015	**3,389**	**387**	**3,776**
Deferred development during the year	**1,042**	**264**	**1,306**
Total deferred development	**4,431**	**651**	**5,082**
Offset with customer advance per table above	**(4,042)**	**-**	**(4,042)**
Offset with advance from the customer	**-**	**(301)**	**(301)**
Net closing balance as at November 30, 2016	**389**	**350**	**739**

11. BANK INDEBTEDNESS, LONG-TERM BANK DEBT AND SUBORDINATED LOAN AND GOVERNMENT ASSISTANCE

The Corporation renewed its commercial lending facility with a financial institution in November 2015 (and amended in April 2016), which included the following terms:

- US $6,000 five-year committed operating facility ("Operating Facility") by way of a combination of current account overdraft/bank loans, London Interbank Offered Rate loans ("LIBOR") or Banker's Acceptances ("BA") or letters of guarantee ("LG") subject to an overall maximum of US $6,000 or the Canadian dollar equivalent. In April 2016, US $6,000 five-year committed operating facility was amended and increased to US $9,000. All other terms remained unchanged.
- US $6,000 five-year revolving loan ("Term Loan") to refinance plant and equipment purchased during the previous twelve months and to finance capital expenditures on future equipment purchases up to 90% of the invoice cost by way of a combination of bank loans, LIBOR's and or BA's.
- US $4,000 five-year non-revolving term loan to refinance AMIS loan and finance capital expenditures on future equipment purchases up to 90% of the invoice cost by way of a combination of LIBOR's and/or BA's *(Note 11.2).*
- US $36,000 foreign exchange forward contracts for the purchase of contracts with a maximum contract terms of US $15,000 or the Canadian dollar equivalent for up to twelve months, US $12,000 or the Canadian dollar equivalent for up to twenty four months and US $9,000 or the Canadian dollar equivalent for up to thirty six months, available to hedge foreign currency exposure *(Note 17.2)*.
- 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 twelve months, available to hedge risk on raw materials *(Note 17.2)*.
- US $400 or the Canadian dollar equivalent MasterCard limit available to issue corporate business expense cards for employees of the Corporation.
- US $10,000 swap line for the utilization of interest rate swaps with a maximum aggregate face value of US $10,000, with a maximum term equal to the remaining term on the Term Loan and the AMIS loan *(Note 11.2).*

The operating and term facilities are made available by way of prime rate / US Base Rate ("USBR") loans, BA rate loans, LIBOR loans or LG's plus an applicable margin. Applicable margins under the terms of the operating and term facility for prime rate / USBR loans are plus 90 to 115 basis points, BA rate loans are plus 200 to 240 basis points, LIBOR loans are plus 200 to 240 basis points and LG's are plus 90 to 115 basis points.

BA's, LIBOR's, LG's, 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 are repayable under the lending facility still outstanding at the end of the five years from the closing date of November 2015. The lending facility is secured by a first charge on all assets of the Corporation.

The total financing charges for the lending facility were $60 (including the amendment in April 2016 for $11), which consisted of commitment fees of $55 and legal fees of $5, and are amortized over the five year term of the facility. The unamortized deferred financing charges of $49 as at November 30, 2016 (November 30, 2015 - $49) have been offset against long-term bank debt in the consolidated balance sheet *(Note 11.2)*.

11.1 Bank indebtedness

The Corporation utilized US $5,200 or Cdn. $6,983 of the Operating Facility as at November 30, 2016 (November 30, 2015 – $nil). The lending facility is secured by a first charge on all assets of the Corporation.

11.2 Long-term bank debt

Long-term bank debt consists of the following:	**November 30, 2016 $**	November 30, 2015 $
5.0 year US $4,000 term loan, amortized over 5 years, repayable in equal monthly principal payments of approximately US $67 plus interest at LIBOR rate plus 200 basis points. The term loan is secured by a first charge over all of the property and assets of the Corporation. Principal as at November 30, 2016 was US $3,200 or Cdn. $4,297 (November 30, 2015 – US $4,000 or Cdn. $5,341). In December 2015, the Corporation had entered into an interest rate swap to hedge the USD interest payments of the US $4,000 term loan over the five year term at a fixed rate of 1.44% plus applicable margin of 200 basis points for an aggregate fixed interest rate of 3.44%.	**4,297**	5,341
7.0 year US $2,600 term loan, amortized over 7 years, repayable in equal monthly principal payments of approximately US $31 plus interest at LIBOR rate plus 200 basis points. The term loan is secured by a first charge over all of the property and assets of the Corporation. Principal as at November 30, 2016 was US $2,488 or Cdn. $3,341 (November 30, 2015 – $nil). In July 2016, the Corporation had entered into an interest rate swap to hedge the USD interest payments of the US $2,600 term loan over the seven year term at a fixed rate of 1.20% plus applicable margin of 215 basis points for an aggregate fixed interest rate of 3.35%.	**3,341**	-
	7,638	5,341
Less: deferred financing charges	**(49)**	(49)
	7,589	5,292
Less: current portion (amounts due within one year)	**(1,510)**	(1,058)
	6,079	4,234

In December 2015, the Corporation entered into an interest rate swap to hedge the US dollar interest payments of the term loan (5.0 year US $4,000 term loan, amortized over 5 years, repayable in equal monthly principal payments of approximately US $67 plus interest at LIBOR rate plus 200 basis points) over the five year term at a fixed rate of 1.44% plus applicable margin of 200 basis points for an aggregate fixed interest rate of 3.44%. The interest rate swap has been designated as a cash flow hedge and the forward current value (fair value) of the interest rate swap as at November 30, 2016 had an unrealized loss of $18 (2015 - $nil) which is included in other comprehensive income and accounts payable and accrued liabilities.

In July 2016, the Corporation entered into an interest rate swap to hedge the US dollar interest payments of the term loan (7.0 year US $2,600 term loan, amortized over 7 years, repayable in equal monthly principal payments of approximately US $31 plus interest at LIBOR rate plus 215 basis points) over the seven year term at a fixed rate of 1.20% plus applicable margin of 215 basis points for an aggregate fixed interest rate of 3.35%. The interest rate swap has been designated as a cash flow hedge and the forward current value (fair value) of the interest rate swap as at November 30, 2016 had an unrealized gain of $38 (2015 - $nil) which is included in other comprehensive income and prepaid expenses.

The Corporation's credit facilities as described above are subject to certain covenants with which it was in full compliance as at November 30, 2016.

11.3 Subordinated loan and Government assistance

The Corporation had 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 offered 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 Circuits facility.

Interest on the outstanding loan principal amount accrued at the rate of 4.22% per annum starting on the first day following the five-year interest-free period, which ended August 31, 2015. To reflect the benefit of the interest-free period, the funds received had been discounted to their estimated fair value upon receipt of proceeds, with the discount shown as government assistance. The discount was 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.

The Corporation had received the full amount under the loan agreement. The loan repayment was to commence in September 2016 in five equal annual instalments plus accrued interest; each instalment was to be based on the total loan extended during the incentive period, which ended on August 31, 2015.

Provided there was 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 accrued interest due and payable within the incentive period was fully forgiven in November 2015 as no event of default under this agreement and the Corporation achieving the cumulative job creation targets under this agreement.

The Corporation had repaid the full amount of $5,110 under the loan agreement in November 2015 and as a result of the early repayment of the loan, interest accretion of $556 was recorded in the consolidated statements of earnings during the year ended November 30, 2015 as per the table below:

Subordinated loan:	**November 30, 2016**	November 30, 2015
	$	$
Subordinated loan, opening balance	**-**	4,219
Accretion of interest during the year	**-**	335
Accretion of interest due to early repayment of loan	**-**	556
	-	5,110
Less: loan repayment in November 2015	**-**	(5,110)
Subordinated loan, ending balance	**-**	-

Government assistance:	**November 30, 2016** **$**	November 30, 2015 $
Government assistance, opening balance	-	339
Deemed Government assistance credited against cost of sales	-	(339)
Government assistance, ending balance	**-**	**-**

The loan was secured and was subordinated to the security provided to the Corporation's commercial bank. The Corporation had 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 - the Corporation was in compliance with this covenant.

12. PROVISIONS

	Years ended	
	November 30, 2016 **$**	November 30, 2015 $
Product warranties:		
Opening balance	**366**	410
Arising during the year	**186**	284
Utilized during the year	**(211)**	(328)
Closing balance	**341**	366
Restructuring:		
Opening balance	**-**	-
Arising during the year *(Note 6)*	**4,051**	-
Utilized during the year *(Note 6)*	**(2,043)**	-
Closing balance	**2,008**	-
Total (product warranties, restructuring)	**2,349**	366

Product warranties
Product warranty provisions are recognised for expected warranty claims based on past experience of the level of repairs and returns and typically relates to products sold during the last two years. It is expected that most of these costs will be paid in the next financial year and all will have been paid within two years after the reporting date. Assumptions used to calculate the provision for warranties were based on current sales levels and current information available about returns based on the one to two year warranty period for all products sold.

Restructuring
In fiscal 2016, restructuring provisions were recognised for expected restructuring expenses associated with the acquisitions of Photo Etch business and Teledyne PCT business. It is expected that most of these expenses will be incurred in the next financial year.

13. SHARE CAPITAL

13.1 Authorized

Authorized share capital consists of an unlimited number of Common Shares with no par value and an unlimited number of Preferred Shares with no par value, 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 following is a continuity of the changes in the number of Common shares for the year ended November 30, 2016 and November 30, 2015:

	November 30, 2016		November 30, 2015	
	Number of Common shares	**Amount $**	Number of Common shares	Amount $
Outstanding, beginning of the year	**18,598,201**	**13,075**	17,803,201	12,681
Exercise of share options during the year	**268,000**	**118**	795,000	305
Transfer from contributed surplus to share capital for share options exercised	**-**	**39**	-	89
Common shares issued during the year	**3,450,000**	**5,819**	-	-
Outstanding, end of the year	**22,316,201**	**19,051**	18,598,201	13,075

Special Warrants Offering

In connection with the acquisition of Teledyne PCT as outlined in Note 6, the Corporation had issued 3,450,000 Special Warrants by private placement at $2.00 per Special Warrant. The private placement (bought deal) was completed in May 2016, resulting in gross proceeds of approximately $6,900. The net proceeds were $5,819, after transaction costs of approximately $1,081, and were used to partially finance the acquisition of Teledyne PCT.

After qualifying the Special Warrants through a short-form prospectus completed in June 2016, each Special Warrant was exercised, for no additional consideration, into one Subscription Warrant of the Corporation. As a result of the acquisition of Teledyne PCT which closed on July 8, 2016, each Subscription Warrant was automatically exercised into one common share of the Corporation for no additional consideration. As a result, an aggregate of 3,450,000 common shares of the Corporation were issued to holders of subscription warrants (which were previously issued on the deemed exercise of the special warrants).

13.2 Preferred shares issued and outstanding

The Corporation has 1,775,000 voting convertible Series 1 Preferred Shares outstanding as at November 30, 2016 (November 30, 2015 – 1,775,000). These 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.

13.3 Common share options

The following is a continuity of the changes in the number of share options outstanding for the years ended November 30, 2016 and November 30, 2015:

	November 30, 2016		November 30, 2015	
	Number of share options	**Weighted average exercise price**	Number of share options	Weighted average exercise price
Outstanding, beginning of year	**473,000**	**$ 0.45**	1,278,000	$ 0.41
Exercised	**(268,000)**	**0.44**	(795,000)	0.38
Forfeited	**(5,000)**	**0.53**	(5,000)	0.42
Expired	**-**	**-**	(5,000)	0.42
Outstanding, end of year	**200,000**	**$ 0.47**	473,000	$ 0.45

The weighted average market price of the Corporation's Common shares at the time of exercise of share options during the year ended November 30, 2016 was $2.15 (November 30, 2015 - $2.00).

There were no share options granted during the year ended November 30, 2016 and November 30, 2015.

Share options outstanding and exercisable as at November 30, 2016 and November 30, 2015 are as below:

November 30, 2016						
Number of share options	**Exercise price per share option $**	**Vesting**	**Expiry date**	**Weighted-average remaining contractual life**	**Weighted-average exercise price per share option $**	**Number exercisable**
10,000	**0.34**	**Vested**	**2017**	**0.3 years**	**0.34**	**10,000**
175,000	**0.47**	**Vested**	**2018**	**1.3 years**	**0.47**	**175,000**
15,000	**0.53**	**Vested**	**2019**	**2.2 years**	**0.53**	**15,000**
200,000						**200,000**

November 30, 2015						
Number of share options	Exercise price per share option $	Vesting	Expiry date	Weighted-average remaining contractual life	Weighted-average exercise price per share option $	Number exercisable
133,000	0.34	Vested	2017	1.3 years	0.34	133,000
245,000	0.47	Vested	2018	2.3 years	0.47	245,000
10,000	0.55	Vested	2018	2.3 years	0.55	10,000
40,000	0.62	Vested	2018	2.8 years	0.62	40,000
45,000	0.53	2/3 Vested	2019	3.2 years	0.53	25,000
473,000						453,000

13.4 Contributed surplus

	Years ended	
	November 30, 2016 $	November 30, 2015 $
Balance, beginning of the year	**8,373**	8,411
Stock-based compensation during the year	**47**	51
Transfer to share capital for share options exercised	**(39)**	(89)
Balance, end of the year	**8,381**	8,373

13.5 Earnings per share

	Years ended			
		November 30, 2016		November 30, 2015
Numerator				
Net earnings	**$**	**5,932**	$	9,548
Net earnings attributable to non-controlling interests		**17**		11
Net earnings attributable to equity holders of FTG	**$**	**5,915**	$	9,537
Numerator for basic earnings per share - net earnings applicable to Common Shares	**$**	**5,915**	$	9,537
Numerator for diluted earnings per share - net earnings applicable to Common Shares	**$**	**5,915**	$	9,537
Denominator				
Denominator for basic earnings per share - weighted average number of Common Shares outstanding		**20,051,859**		17,985,735
Effect of dilutive securities				
Number of Preferred Shares		**1,775,000**		1,775,000
Number of Stock options		**166,809**		361,406
Number of PSU's		**200,000**		200,000
Denominator for diluted earnings per share - weighted average number of Common Shares outstanding and assumed conversions		**22,193,668**		20,322,141
Earnings per share data attributable to the equity holders of FTG				
Basic earnings per share	**$**	**0.29**	$	0.53
Diluted earnings per share	**$**	**0.27**	$	0.47

The Corporation has 1,775,000 voting convertible Series 1 Preferred Shares outstanding. The Corporation also has options and PSU’s outstanding in fiscal 2016 and 2015. These convertible Series 1 Preferred Shares, options and PSU’s were included in calculating diluted earnings per share for the year ended November 30, 2016 and November 30, 2015 as the Corporation had net earnings.

13.6 Stock-based compensation to employees

The Corporation recognized stock-based compensation expense in the consolidated statement of earnings of $47 during the year ended November 30, 2016 (2015 – $51).

Common stock options

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 Black-Scholes option pricing model was developed for use in estimating the fair value of 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.

No stock options were granted during the year ended November 30, 2016 and November 30, 2015.

Share units – PSUs

During 2014, the Corporation granted 200,000 PSUs, of which 100% vest based on the achievement of a non-market performance condition. PSUs vest at the end of their respective terms, generally three years, to the extent that the applicable performance conditions have been met. The fair value of the non-market performance based PSUs is determined by the market value of the Corporation's Common Shares at the time of grant and may be adjusted in subsequent years to reflect the estimated level of achievement related to the applicable performance condition. The Corporation expects to settle these awards with Common Shares issued from the treasury.

No PSU's were granted during the years ended November 30, 2016 and November 30, 2015.

As at November 30, 2016, 200,000 outstanding PSUs had vested (as at November 30, 2015 – nil had vested).

13.7 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.

For the purpose of the Corporation's capital management, capital includes bank debt and total equity attributable to FTG's shareholders. 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, bank debt and non-current liabilities. During the current year, the Corporation also completed a private placement to partially finance the acquisition of Teledyne PCT.

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 0.30:1. Net debt and total capital employed, computed as at November 30, 2016 and November 30, 2015, are as follows:

	November 30, 2016 $	November 30, 2015 $
Bank debt (including bank indebtedness)	**14,572**	5,292
Less: cash	**(3,152)**	(3,160)
Net debt	**11,420**	2,132
Net debt	**11,420**	2,132
Total equity attributable to FTG's shareholders	**37,636**	25,061
Total capital employed	**49,056**	27,193
Net debt to total capital employed	**0.23:1**	0.08:1

The Corporation does not currently pay a dividend. The Corporation's credit facilities as per above are subject to certain covenants with which it was in full compliance as at November 30, 2016. The credit facilities are secured by a first charge on all assets of the Corporation.

14. RESEARCH AND DEVELOPMENT COSTS AND RECOVERIES

14.1 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 development, product upgrading, waste reduction programs and energy reduction programs. The Corporation recorded $3,567 of research and development costs for the year ended November 30, 2016 (2015 – $5,558).

Recoveries of research and development costs for the year ended November 30, 2016 were $329 (2015 – $492) which included $329 (2015 – $280) from the Ontario Innovation Tax Credit and the remaining $nil (2015 – $212) as contributions from Industrial Research Assistance Program ("IRAP") for product development.

The IRAP participation supports the design and development of a new common controller for aircraft cockpit control panels. The Corporation entered into an agreement under IRAP in September, 2014 under which the Corporation received a contribution of $350 and was required to complete the project by March, 2015. During the year ended November 2015, the Corporation had completed the project in March 2015 and had received contributions of $350.

14.2 Investment Tax Credits Receivable

The Corporation has, as at November 30, 2016, $7,330 (November 30, 2015 - $6,736) of Canadian investment tax credits ("ITCs") available to be applied against future taxes payable in Canada which are due to expire between 2022 and 2036. The tax benefit of $7,330 (2015 - $6,736) of these investment tax credits have been recognized in the consolidated balance sheets as at November 30, 2016 and 2015 and consolidated statements of earnings during the year ended November 30, 2016 and 2015, as per tables below:

	November 30, 2016 $	November 30, 2015 $
Investment tax credits receivable:		
Investment tax credits receivable	**7,330**	6,736
	7,330	6,736

	Years ended	
	November 30, 2016 $	November 30, 2015 $
Recovery of investment tax credits:		
Recovery of investment tax credits, in earnings during the year	**(594)**	(6,736)
	(594)	(6,736)

15. INCOME TAX EXPENSE

15.1 Deferred Income Tax Assets

The consolidated rate reconciliation is as follows:	**November 30, 2016**	November 30, 2015
Accounting income before tax	**7,557**	10,581
Statutory tax rate	**25%**	25%
	1,889	2,645
Change in benefits not recognized	**356**	(1,114)
Foreign tax rate differences	**202**	(250)
Permanent differences and differences between Canadian and foreign tax rates	**(861)**	(257)
Withholding tax	**52**	3
State income taxes	**4**	6
Tax provision	**1,642**	1,033

The gross movement on the deferred income tax asset account is as follows:	**$**	$
Opening balance	**1,416**	2,145
(Charged) recovered to earnings during the year	**(1,473)**	436
Recovered in other comprehensive income during the year	**(76)**	295
Closing balance	**(133)**	2,876
Charged to earnings during the year	**(113)**	(1,460)
	(246)	1,416

The movement in deferred income tax assets during the year ended November 30, 2016 is as follows:

	Balance as at December 1, 2015 $	**Recovered (charged) to earnings $**	**(Charged) in other comprehensive income $**	**Balance as at November 30, 2016 $**
Deferred income tax assets:				
Tax losses carried forward	**2,603**	**466**	**-**	**3,069**
SR&ED deductible expenditures	**1,763**	**(1,406)**	**-**	**357**
Tax attributes - R&D Credits	**448**	**3**	**-**	**451**
Other temporary differences	**883**	**2,005**	**(76)**	**2,812**
Excess of unamortized intangibles for tax purposes over net book value	**39**	**(1,707)**	**-**	**(1,668)**
Excess of undepreciated capital cost for tax purposes over net book value of capital assets	**329**	**(478)**	**-**	**(149)**
Deferred income tax assets not recognized	**(3,189)**	**(356)**	**-**	**(3,545)**
Deferred income tax assets	**2,876**	**(1,473)**	**(76)**	**1,327**
Deferred tax payable on investment tax credit receivable	**(1,460)**	**(113)**	**-**	**(1,573)**
	1,416	**(1,586)**	**(76)**	**(246)**

The movement in deferred income tax assets during the year ended November 30, 2015 is as follows:

	Balance as at December 1, 2014 $	Recovered (charged) to earnings $	Recovered in other comprehensive income $	Balance as at November 30, 2015 $
Deferred income tax assets:				
Tax losses carried forward	1,502	1,101	-	2,603
SR&ED deductible expenditures	3,471	(1,708)	-	1,763
Tax attributes - R&D Credits	279	169	-	448
Other temporary differences	787	(199)	295	883
Excess of unamortized intangibles for tax purposes over net book value	32	7	-	39
Excess of undepreciated capital cost for tax purposes over net book value of capital assets	550	(221)	-	329
Deferred income tax assets not recognized	(4,476)	1,287	-	(3,189)
Deferred income tax assets	2,145	436	295	2,876
Deferred tax payable on investment tax credit receivable	-	(1,460)	-	(1,460)
	2,145	(1,024)	295	1,416

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 Corporation has, as at November 30, 2016, U.S. gross tax loss carry-forwards of approximately $4,804 (November 30, 2015 - $5,388), which are due to expire between 2029 and 2037. No deferred income tax asset has been recorded in respect of these losses.

In addition, the Corporation has, as at November 30, 2016, China gross tax loss carry-forwards of approximately $2,133 (November 30, 2015 - $1,942), which are due to expire between 2017 and 2021. No deferred income tax asset has been recorded in respect of these losses.

The Corporation has, as at November 30, 2016, SR&ED deductible expenditures of $1,429 (November 30, 2015 - $7,051), which do not expire.

The Corporation has, as at November 30, 2016, capital loss carry-forwards of approximately $14,145 (November 30, 2015 - $14,145), which do not expire. The capital losses can only be used to shelter income from capital gains. No deferred income tax asset has been recorded in respect of these losses.

15.2 Income tax expense/(recovery)

	Years ended	
	November 30, 2016 $	November 30, 2015 $
Income tax expense/(recovery):		
Current tax expense- charged to earnings during the year	**56**	9
Deferred tax expense (recovery) - in earnings during the year	**1,473**	(436)
Deferred tax expense (ITCs) – charged to earnings during the year	**113**	1,460
Deferred tax expense (recovery) - in other comprehensive income during the year	**76**	(295)
	1,718	738

During the year ended November 30, 2016, current income tax expense of $56 (2015 - $9) was recognised in the consolidated statement of earnings which includes withholding taxes of $52 (2015 - $6) related to source deductions on remittances from FTG Aerospace Tianjin Inc. to the Corporation and the remaining $4 (2015 - $3) related to taxes for a U.S. subsidiary.

During the year ended November 30, 2016, net deferred income tax expense of $1,586 was recognised in the consolidated statement of earnings which included deferred income tax expense of $1,473 related to movement in deferred income tax assets and the remaining deferred income tax expense of $113 related to the tax effect of recovery of investment tax credits. During the year ended November 30, 2015, net deferred income tax expense of $1,024 was recognised in the consolidated statement of earnings which included deferred income tax expense of $1,460 related to the tax effect of recovery of investment tax credits offset by deferred income tax (recovery) of $436 related to movement in deferred income tax assets.

During the year ended November 30, 2016, deferred income tax expense of $76 was recognised in other comprehensive income and offset against the deferred income tax asset, which related to the change in the tax impact of the net unrealized (loss) of $876 on derivative financial instruments designated as cash flow hedges as at November 30, 2016 as compared to the net unrealized (loss) of $1,178 on derivative financial instruments designated as cash flow hedges as at November 30, 2015.

During the year ended November 30, 2015, deferred income tax (recovery) of $295 was recognised in other comprehensive income and included in the deferred income tax asset, which related to the tax impact of the net unrealized (loss) of $1,178 on derivative financial instruments designated as cash flow hedges.

The Corporation's tax expense is calculated by using the rates applicable in each of the tax jurisdictions that the Corporation operates in. The effective tax rate on Canadian earnings for the year ended November 30, 2016 was 25% (2015: 25%) which was based on projected annualized Manufacturing and Processing rates.

16. NET CHANGE IN NON-CASH OPERATING WORKING CAPITAL

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

	Years ended	
	November 30, 2016 $	November 30, 2015 $
Accounts receivable	**(7,945)**	269
Taxes receivable	**(28)**	20
Inventories	**(11,215)**	(762)
Prepaid expenses	**(792)**	(413)
Customer deposits/customer advances	**(736)**	(487)
Accounts payable and accrued liabilities, and provisions	**6,044**	920
	(14,672)	(453)

17. FINANCIAL INSTRUMENTS

17.1 Fair value

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 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 as at November 30, 2016 and November 30, 2015.

Level 2: Valuation Techniques with Observable Parameters: This level includes loans, commitments, interest rate swaps and certain corporate debt instruments. The financial instruments held by the Corporation in this level included bank indebtedness, long-term bank debt, subordinated loan and Government assistance, foreign exchange forward contracts and gold 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 as at November 30, 2016 and November 30, 2015.

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

Cash, accounts receivable, accounts payable and accrued liabilities, 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 sheets dates because of the short-term maturity of those instruments.

Bank indebtedness and long-term bank debt:

The fair value of bank indebtedness and long-term bank debt bearing interest at variable rates approximates its carrying value as interest rate charges fluctuate with changes in the bank's 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, approximates its carrying value.

Foreign exchange forward contracts, gold forward contracts and interest rate swap:

The fair value of the Corporation's foreign exchange forward contracts, gold forward contracts, interest rate swap (per details in Note 17.2) is based on the current market values of similar contracts with similar remaining durations as if the contract had been entered into on November 30, 2016. The forward current value (fair value) of these financial instruments as at November 30, 2016 had an unrealized loss of $876 (an unrealized loss on foreign exchange forward contracts of $844 and unrealized loss on gold forward contract of $52, offset by unrealized gain on interest rate swap of $20) included in other comprehensive income, net of $219 in tax, and relates to derivatives designated as cash flow hedges. The forward current value (fair value) of these financial instruments as at November 30, 2015 had an unrealized loss of $1,178 (which included unrealized loss of $1,181 related to foreign exchange forward contracts offset by unrealized gain of $3 related to gold forward contracts) included in other comprehensive income, net of $295 in tax, and relates to derivatives designated as cash flow hedges.

17.2 Financial risks

Interest rate risk

Interest rate risk arises because of the fluctuation in interest rates. The Corporation's revolving credit facilities and the term loan 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 entered into derivative contracts to mitigate this risk which include two interest rate swaps per details below.

Based on the value of interest bearing financial instruments for the year ended November 30, 2016, an assumed 50 basis points increase in interest rates during such year would have decreased earnings before income taxes by $19 (year ended November 30, 2015 – decrease of $32), 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. The Corporation's bank 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 years is set out in the table below:

	Years ended	
	November 30, 2016 $	November 30, 2015 $
Realized loss (gain) relating to financial assets and liabilities, excluding foreign exchange forward contracts	**143**	(1,795)
Realized (gain) relating to forward exchange foreign contracts	**(33)**	(259)
Foreign exchange loss (gain)	**110**	(2,054)

In addition, net realized losses for foreign exchange forward contracts designated as cash flow hedges that were settled during the year ended November 30, 2016 of $1,095 (year ended November 30, 2015 - net realized loss of $2,297) was offset against sales in the consolidated statements of earnings.

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

			November 30, 2016	November 30, 2015
	Canadian and other operations	**US operations**	**Consolidated financial statements**	Consolidated financial statements
(In thousands of US dollars)	**$**	**$**	**$**	$
Cash	**617**	**1,152**	**1,769**	1,752
Accounts receivable	**6,472**	**8,304**	**14,776**	8,855
Accounts payable and accrued liabilities	**(1,574)**	**(6,411)**	**(7,985)**	(3,282)
Total bank borrowings	**(10,888)**	**-**	**(10,888)**	(4,000)
Balance sheet exposure, excluding financial derivatives	**(5,373)**	**3,045**	**(2,328)**	3,325
Reporting date US$:Cdn.$ exchange rate			**1.3429**	1.3353

	Years ended			
			November 30, 2016	November 30, 2015
	Canadian and other operations	**US operations**	**Total**	Total
(In thousands of US dollars)	**$**	**$**	**$**	$
Net sales	**37,255**	**24,704**	**61,959**	54,291
Operating expenses	**(12,629)**	**(23,249)**	**(35,878)**	(29,921)
Net exposure	**24,626**	**1,455**	**26,081**	24,370

With all variables remaining constant, assuming a 1% strengthening of the Canadian dollar versus the US dollar, net earnings before tax for the years ended November 30, 2016 and November 30, 2015 would decrease as follows in the tables below. An assumed 1% weakening of the Canadian dollar versus the US dollar would have had an equal but opposite effect on the amounts shown below.

	Years ended			
			November 30, 2016	November 30, 2015
Source of net earnings/loss variability from changes in foreign exchange rates	**Canadian and other operations** **$**	**US operations** **$**	**Total** **$**	Total $
Balance sheet exposure, excluding financial derivatives	**53**	**(31)**	**22**	(33)
Net sales and operating expenses (net exposure)	**(246)**	**(14)**	**(260)**	(244)
Net exposure	**(193)**	**(45)**	**(238)**	(275)

The Corporation had some exposure to the Chinese Renminbi (“RMB”) arising from its Circuits and Aerospace facilities in the People’s Republic of China. Total balance sheet exposure as at November 30, 2016 was RMB 3,165,404 or Cdn. $617 (November 30, 2015 – RMB 641,043 or Cdn. $134).

Derivative Financial Instruments and Hedge Accounting

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 twenty eight months as at November 30, 2016 and November 30, 2015:

Currency sold	Currency bought	Notional value	Forward value at transaction date	Forward current value	Unrealized (loss)
November 30, 2016					
US dollars	**Canadian dollars**	**$31,500**	**$41,229**	**$42,073**	**($844)**
November 30, 2015					
US dollars	Canadian dollars	$15,000	$18,841	$20,022	($1,181)

As at November 30, 2016, the foreign exchange forward contracts (contracts to sell foreign currency) are designated as cash flow hedges and have an unrealized loss of $844 (forward current value (fair value) of $42,073 as compared to the forward value at transaction date of $41,229), all of which was recognized in other comprehensive income and accounts payable and accrued liabilities. This unrealized loss in other comprehensive income is expected to be reclassified to the consolidated statements of earnings over the next twenty eight months when the sales are recorded.

As at November 30, 2015, the foreign exchange forward contracts (contracts to sell foreign currency) were designated as cash flow hedges and have an unrealized loss of $1,181 (forward current value (fair value) of $20,022 as compared to the forward value at transaction date of $18,841), all of which was recognized in other comprehensive income and accounts payable and accrued liabilities.

As at November 30, 2016, in addition to the foreign exchange forward contracts per above, the Corporation had an outstanding commitment to buy 600 ounces of gold (November 30, 2015: 600 ounces of gold) under gold forward contracts at a contract price of approximately $1.66 per ounce expiring quarterly from December 2016. These gold forward contracts qualify for hedge accounting. The table below summarizes the outstanding commitments under these gold forward contracts, all of which have a maturity date of less than one year:

Year ended	Nature of contract	Quantity	Forward value at transaction date	Forward current value	Unrealized (loss) gain
November 30, 2016	**Gold forward contract**	**600 ounces**	**$1,002**	**$950**	**($52)**
November 30, 2015	Gold forward contracts	600 ounces	$852	$855	$3

As at November 30, 2016, the gold forward contracts are designated as a cash flow hedges and have an unrealized loss of $52 (forward current value (fair value) of $950 as compared to the forward value at transaction date of $1,002), all of which was recognized in other comprehensive income and accounts payable and accrued liabilities. This unrealized loss in other comprehensive income is expected to be reclassified to the consolidated statements of earnings over the next twelve months when the cost of sales are recorded.

As at November 30, 2015, the gold forward contracts were designated as cash flow hedges and had an unrealized gain of $3 (forward current value (fair value) of $855 as compared to the forward value at transaction date of $852), all of which was recognized in other comprehensive income and prepaid expenses.

The terms of the foreign currency and gold forward contracts match the terms of the expected highly probable forecast transactions. As a result, no hedge ineffectiveness arises requiring recognition through earnings or loss. The amounts retained in other comprehensive income as at November 30, 2016 are expected to mature and affect the consolidated statement of earnings in fiscal 2017, 2018 and 2019.

In December 2015, the Corporation entered into an interest rate swap to hedge the US dollar interest payments of the term loan (5.0 year US $4,000 term loan, amortized over 5 years, repayable in equal monthly principal payments of approximately US $67 plus interest at LIBOR rate plus 200 basis points) over the five year term at a fixed rate of 1.44% plus applicable margin of 200 basis points for an aggregate fixed interest rate of 3.44%. The interest rate swap has been designated as a cash flow hedge and the forward current value (fair value) of the interest rate swap as at November 30, 2016 had an unrealized loss of $18 (2015 - $nil) which is included in other comprehensive income and accounts payable and accrued liabilities.

In July 2016, the Corporation entered into an interest rate swap to hedge the US dollar interest payments of the term loan (7.0 year US $2,600 term loan, amortized over 7 years, repayable in equal monthly principal payments of approximately US $31 plus interest at LIBOR rate plus 215 basis points) over the seven year term at a fixed rate of 1.20% plus applicable margin of 215 basis points for an aggregate fixed interest rate of 3.35%. The interest rate swap has been designated as a cash flow hedge and the forward current value (fair value) of the interest rate swap as at November 30, 2016 had an unrealized gain of $38 (2015 - $nil) which is included in other comprehensive income and prepaid expenses.

The table below summarizes the net unrealised gain related to interest rate swaps as at November 30, 2016 & 2015:

Year ended	Nature of contracts	Net unrealized gain
November 30, 2016	**Interest rate swaps**	**$20**
November 30, 2015	Interest rate swaps	-

Credit risk

For the year ended November 30, 2016, the Corporation released bad debts provision of $60 by recording a credit to the bad debts expense account (year ended November 30, 2015 – the corporation recorded a bad debts expense of $166) against trade receivable in selling, general and administrative expenses in the consolidated statements of earnings.

Credit risk arises from the potential that the counterparty will fail to fulfil 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. The Corporation's largest and second largest customer accounted for approximately 18.0% and 14.8% of sales (2015 – 17.8% and 11.1%), respectively during year ended November 30, 2016. 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 that 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, 2016 and November 30, 2015 was as follows:

	November 30, 2016	November 30, 2015
	$	$
By geographical area:		
Canada	**1,884**	2,286
United States	**17,147**	8,025
Asia	**1,385**	1,718
Europe	**476**	940
Trade receivables	**20,892**	12,969
Allowance for doubtful accounts ("AFDA")	**(232)**	(296)
Trade receivables, net of AFDA	**20,660**	12,673
Aging by due dates:		
Not past due	**17,288**	10,956
Past due 1 to 30 days	**2,593**	1,275
Past due 31 to 120 days	**981**	715
Past due 121 to 180 days	**3**	14
Past due over 181 days	**27**	9
Trade receivables	**20,892**	12,969
AFDA	**(232)**	(296)
Trade receivables, net of AFDA	**20,660**	12,673

The movements in the AFDA were as follows:

	November 30, 2016	November 30, 2015
	$	$
Opening balance	**296**	133
Provision expensed (released) during the year	**(60)**	166
Doubtful accounts written off during the year	**(4)**	(3)
Closing balance	**232**	296

Accounts receivable of $21,022 as at November 30, 2016 include trade receivables of $20,660 and other receivables of $362. Accounts receivable of $12,987 as at November 30, 2015 include trade receivables of $12,673 and other receivables of $314.

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 13.7. 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 review and approve 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, 2016 and November 30, 2015:

					November 30, 2016	November 30, 2015
	Less than 1 year	**1 to 2 years**	**2 to 5 years**	**More than 5 years**	**Amount**	Amount
	$	**$**	**$**	**$**	**$**	$
Bank Indebtedness *(Note 11.1)*	**6,983**	**-**	**-**	**-**	**6,983**	-
Long-term bank debt *(Note 11.2)*	**1,523**	**1,538**	**4,577**	**-**	**7,638**	5,341
Accounts payable and accrued liabilities, and provisions	**17,454**	**-**	**-**	**-**	**17,454**	11,336
Customer deposits, net of deferred development *(Note 10)*	**308**	**-**	**-**	**-**	**308**	1,044
Operating leases	**1,993**	**1,160**	**1,201**	**-**	**4,354**	3,940
	28,261	**2,698**	**5,778**	**-**	**36,737**	21,661

Financial liabilities and obligations for future interest payments relating to long-term bank debt are $232 for less than 1 year, $179 for 1 to 2 years, $240 for 2 to 5 years and $26 for more than 5 years.

18. RELATED PARTY TRANSACTIONS

18.1 Advances due to/from related parties

There were no related party transactions during the years ended November 30, 2016 and 2015.

18.2 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, 2016	November 30, 2015
	$	$
Short-term remuneration benefits	**1,904**	1,850
Stock-based payment benefits	**103**	104
	2,007	1,954

18.3 Key management personnel and director shareholdings

Key management and directors of the Corporation control 12.9% (2015 – 16.3%) of the voting shares of the Corporation.

19. EMPLOYEE COMPENSATION

Employee compensation expenses are included in cost of sales and selling, general and administrative expenses in the consolidated statements of earnings. For the year ended November 30, 2016, wages, salaries and related benefits were $31,300 (2015 – $28,865).

20. NON-CONTROLLING INTEREST

Non-controlling interest represents Tianjin Printronics Circuit Corp.'s ("TPC") share in the joint venture between the Corporation and TPC.

	November 30, 2016	November 30, 2015
	$	$
Opening balance	**29**	15
Contribution	**390**	-
Share of net earnings for the year	**17**	11
Currency translation adjustment	**7**	3
Closing balance	**443**	29

21. COMMITMENTS

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 $
2017	**1,993**
2018	**1,160**
2019	**764**
2020	**244**
2021	**193**
Thereafter	**-**
	4,354

Lease payments recognized as an expense in the consolidated statements of earnings for the years ended November 30, 2016 and November 30, 2015 amounted to $1,766 and $1,667, respectively.

22. SEGMENTED INFORMATION

Management has determined that the operating segments are 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 (loss) before interest and income taxes.

The Corporation consists of 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, 2016			
	Circuits	**Aerospace**	**Corporate Office**	**Total**
	$	**$**	**$**	**$**
Sales	**59,515**	**33,958**	**-**	**93,473**
Inter-company sales	**(2,677)**	**(3,682)**	**-**	**(6,359)**
Net sales	**56,838**	**30,276**	**-**	**87,114**
Cost of sales and selling, general and administrative expenses	**45,190**	**28,576**	**2,940**	**76,705**
Research and development costs	**2,807**	**760**	**-**	**3,567**
Recovery of research and development costs	**(224)**	**(105)**	**-**	**(329)**
Recovery of investment tax credits	**-**	**-**	**(594)**	**(594)**
Depreciation of plant and equipment	**1,605**	**799**	**29**	**2,433**
Amortization of intangible assets	**120**	**359**	**-**	**479**
Restructuring expenses	**599**	**3,452**	**-**	**4,051**
Bargain purchase gain	**(1,216)**	**(5,973)**	**-**	**(7,189)**
Foreign exchange loss (gain) on conversion of balance sheet assets and liabilities	**155**	**(72)**	**27**	**110**
Earnings (loss) before interest and income taxes	**9,802**	**2,480**	**(2,402)**	**7,881**
Interest expense on long-term and short-term debt	**-**	**-**	**307**	**307**
Income tax expense	**-**	**-**	**1,642**	**1,642**
Net earnings (loss)	**9,802**	**2,480**	**(4,351)**	**5,932**

	Year ended November 30, 2015			
	Circuits	Aerospace	Corporate Office	Total
	$	$	$	$
Sales	56,880	21,196	-	78,076
Inter-company sales	(2,565)	(3,466)	-	(6,031)
Net sales	54,315	17,730	-	72,045
Cost of sales and selling, general and administrative expenses	42,803	16,722	2,541	62,066
Research and development costs	4,603	955	-	5,558
Recovery of research and development costs	(92)	(400)	-	(492)
Recovery of investment tax credits	-	-	(6,736)	(6,736)
Depreciation of plant and equipment	1,505	565	-	2,070
Amortization of intangible assets	48	1	-	49
Foreign exchange (gain) on conversion of balance sheet assets and liabilities	(443)	(736)	(875)	(2,054)
Earnings before interest and income taxes	5,891	623	5,070	11,584
Interest expense on long-term and short-term debt	-	-	1,003	1,003
Current income tax expense	-	-	9	9
Deferred income tax expense	-	-	1,024	1,024
Net earnings	5,891	623	3,034	9,548

The following table details the total assets, intangible assets, additions to plant and equipment and total liabilities of the Corporation by operating segments:

	As at November 30, 2016			As at November 30, 2015		
	Circuits	**Aerospace**	**Total**	Circuits	Aerospace	Total
	$	**$**	**$**	$	$	$
Total segment assets	**40,821**	**31,165**	**71,986**	33,934	10,288	44,222
Intangible assets	**960**	**4,106**	**5,066**	96	4	100
Additions to plant and equipment	**2,538**	**3,012**	**5,550**	1,447	303	1,750
Total segment liabilities	**27,401**	**6,506**	**33,907**	15,528	3,604	19,132

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

	Canada	**United States**	**Asia**	**Europe**	**Other**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
Year ended November 30, 2016:						
Net sales (by location of customer)	**9,244**	**62,951**	**8,191**	**5,677**	**1,051**	**87,114**
Year ended November 30, 2015:						
Net sales (by location of customer)	7,082	48,132	9,902	5,262	1,667	72,045

	As at November 30, 2016					
	Canada	**United States**	**Asia**	**Europe**	**Other**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
Intangible assets (by location of division)	**48**	**5,015**	**3**	**-**	**-**	**5,066**
Plant and equipment (by location of division)	**3,081**	**5,230**	**540**	**-**	**-**	**8,851**

	As at November 30, 2015					
	Canada	United States	Asia	Europe	Other	Total
	$	$	$	$	$	$
Intangible assets (by location of division)	96	-	4	-	-	100
Plant and equipment (by location of division)	3,085	2,106	453	-	-	5,644

During the year ended November 30, 2016, there were two customers in the United States that accounted for approximately 18.0% and 14.8% of the total net sales, respectively - the largest customer accounted for $15,718 of net sales (of which 77.5% was in Circuits and the remaining 22.5% in the Aerospace segment) and the second largest customer accounted for $12,870 of net sales (of which 47.3% was in Circuits segment and the remaining 52.7% in the Aerospace segment).

During the year ended November 30, 2015, there were two customers in the United States that accounted for approximately 17.8% and 11.1% of the total net sales, respectively - the largest customer accounted for $12,844 of net sales (of which 66.5% was in Circuits and the remaining 33.5% in the Aerospace segment) and the second largest customer accounted for $7,995 of net sales (of which 70.7% was in Circuits segment and the remaining 29.3% in the Aerospace segment).

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Corporate Director and CEO, Morgan Solar

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Chairman, Firan Technology Group Corporation, and Executive Officer, Oakwest Corporation Limited

Bradley C. Bourne
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STOCK LISTING

The Corporation’s shares are traded on the Toronto Stock Exchange under the symbol FTG

ANNUAL GENERAL MEETING

All shareholders and other interested parties are cordially invited to attend the Annual General Meeting of Shareholders on:

April 18, 2017, 10:30am (Toronto Time)
at the Toronto Board of Trade
77 Adelaide St. W., First Canadian Place, 3rd Floor
Ridout Room
Toronto, Ontario

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