

FIRAN TECHNOLOGY GROUP CORPORATION

Consolidated Balance Sheets

As at November 30, 2007 and 2006

(in thousands of dollars)

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

See accompanying notes.

FIRAN TECHNOLOGY GROUP CORPORATION**Consolidated Statements of (Loss) Earnings**

Years ended November 30, 2007 and 2006

(in thousands of dollars except per share amounts)

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

See accompanying notes.

FIRAN TECHNOLOGY GROUP CORPORATION

Consolidated Statements of Shareholders' Equity

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

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

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

See accompanying notes.

FIRAN TECHNOLOGY GROUP CORPORATION

Consolidated Statements of Cash Flows

Years ended November 30, 2007 and 2006

(in thousands of dollars)

	<u>2007</u>	<u>2006</u>
NET (OUTFLOW) INFLOW OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Net (loss) earnings	\$ (5,831)	\$ 1,797
Items not affecting cash		
Stock based compensation expense	135	200
Future income taxes	3,190	494
Scientific research and experimental development tax credits	1,120	(1,120)
Effect of exchange rates on U.S. dollar Canadian debt	(430)	(116)
Amortization of capital assets	2,977	3,099
	<u>1,161</u>	<u>4,354</u>
Changes in non-cash operating working capital	<u>(1,418)</u>	<u>(2,065)</u>
	<u>(257)</u>	<u>2,289</u>
INVESTING		
Additions to capital assets	<u>(3,983)</u>	<u>(2,870)</u>
	<u>(3,983)</u>	<u>(2,870)</u>
FINANCING		
Increase in bank indebtedness	400	-
Decrease in due from related party	154	-
Proceeds from long-term debt	2,634	6,819
Re-payments of long-term debt	(1,031)	(6,039)
	<u>2,157</u>	<u>780</u>
Effects of foreign exchange rate changes on cash flow	<u>(31)</u>	<u>98</u>
NET CASH FLOW	<u>(2,114)</u>	<u>297</u>
CASH, BEGINNING OF YEAR	<u>2,348</u>	<u>2,051</u>
CASH, END OF YEAR	<u>\$ 234</u>	<u>\$ 2,348</u>
See accompanying notes.		
DISCLOSURE OF CASH PAYMENTS		
Payments for interest	\$ 577	\$ 450
Payments for income taxes	\$ -	\$ 373
Refunds of income taxes	\$ 167	\$ -

FIRAN TECHNOLOGY GROUP CORPORATION
Notes to the Consolidated Financial Statements
November 30, 2007 and 2006
(in thousands of dollars except per share amounts)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and are presented in Canadian dollars.

Basis of consolidation and statement presentation

The consolidated financial statements include the accounts of Firan Technology Group Corporation (the "Corporation") and its 100% owned subsidiaries, FTG Circuits Inc. ("FTG Circuits – Chatsworth") and Firan Technology Group (USA) Corporation. All significant inter-company accounts and transactions have been eliminated.

Cash

Cash consists of balances with chartered banks.

Inventories

Raw materials and spare parts are valued at the lower of cost and replacement cost. Work-in-process and finished goods are valued at the lower of cost and net realizable value. Cost is determined on the first-in, first-out basis. Direct labour and an allocation of overheads are included in the determination of work-in-process and finished goods amounts.

Capital assets

Capital assets are recorded at cost, net of related government grants and investment tax credits. The assets are amortized using the straight-line method over their estimated useful lives as follows:

Machinery and equipment	3 to 7 years
Furniture and fixtures	4 years
Leasehold improvements	Term of the lease plus term of first renewal option

Impairment of long-lived assets

Long-lived assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when their carrying value exceeds the total undiscounted cash flows expected from their use and eventual disposition. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value.

FIRAN TECHNOLOGY GROUP CORPORATION

Notes to the Consolidated Financial Statements

November 30, 2007 and 2006

(in thousands of dollars except per share amounts)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill

The Corporation accounts for acquired goodwill in accordance with the provisions of Section 3062 of the Canadian Institute of Chartered Accountants Handbook ("CICA"), whereby the purchase price of an acquired business is allocated to assets and liabilities based on their fair values. Any purchase price amount in excess of those fair values is recorded as goodwill. Goodwill is not amortized, but must be tested annually for impairment on a fair value basis, and where the carrying value exceeds fair value, goodwill impairment must be recorded in the statement of (loss) earnings. Goodwill was tested at November 30, 2007 and 2006 and no impairment adjustment was required. The reduction in goodwill resulted from the foreign exchange translation adjustment made for the U.S. self sustaining operation.

Revenue recognition

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

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

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

Translation of foreign currencies

Monetary assets and liabilities are translated into Canadian dollars at the year-end rate. Non-monetary assets and liabilities are translated at rates prevailing at the date of the transaction. Revenues and expenses are translated at the average monthly exchange rates. Exchange gains and losses are included in operations.

FTG Circuits – Chatsworth and Firan Technology Group (USA) Corporation are considered self-sustaining subsidiaries. Accordingly, their assets and liabilities are translated at exchange rates in effect at the balance sheet date. Revenues and expenses are translated at average exchange rates prevailing during each month. The resulting translation adjustments are accumulated as a separate component in the accumulated other comprehensive loss section of shareholders' equity until there is a realized reduction in the net investment.

FIRAN TECHNOLOGY GROUP CORPORATION
Notes to the Consolidated Financial Statements
November 30, 2007 and 2006
(in thousands of dollars except per share amounts)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement uncertainty

The preparation of the Corporation's financial statements, in accordance with Canadian generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Due to the inherent uncertainty involved in making such estimates, actual results reported in future periods could differ from those estimates. Estimates include provisions for accounts receivable, inventory obsolescence, estimated useful lives of capital assets, warranty, investment tax credits, future income tax assets and goodwill.

Income taxes

The Corporation follows the liability method of accounting for income taxes. Under the liability method, future income tax assets and liabilities are recognized for loss carry forwards and for the differences between the financial reporting and tax bases of assets and liabilities, and are measured using the enacted and substantively enacted tax rates and laws that are expected to be in effect in the periods in which the future income tax assets or liabilities are expected to be settled or realized.

A future tax asset would be recorded only to the extent that based on available evidence, it is more likely than not that a future tax asset would be realized. The valuation allowance is reviewed and adjusted for each reporting period. Should management estimates of taxable income change in future periods, it may be necessary to adjust the valuation allowance, which could affect the results of operations in the period such a determination was made.

Research and development

Research costs are expensed as incurred. Development costs are expensed as incurred unless they meet the capitalization criteria in the CICA Handbook Section 3450 and are then deferred to future periods. No development costs were capitalized in 2007 or 2006.

Investment tax credits

Investment tax credits are accounted for using the cost reduction method whereby the credits are applied to reduce the related qualifying expenditure. Investment tax credits have been recognized in the accounts on the basis of reasonable assurance of realization. The amounts recorded have been determined by the Corporation based on current legislation and management's best estimates. The amount that will ultimately be received may differ from the amount recorded.

FIRAN TECHNOLOGY GROUP CORPORATION

Notes to the Consolidated Financial Statements

November 30, 2007 and 2006

(in thousands of dollars except per share amounts)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments

The Corporation's foreign exchange contracts do not qualify for hedge accounting; accordingly they have been recognized on the balance sheet at their fair value. Any resulting gain or loss on the recording of the foreign exchange contracts at fair value is included in earnings.

Stock based compensation

The Corporation uses the fair value method to measure compensation expense at the date of grant of stock options to employees. The fair value of options is determined using the Black-Scholes option pricing model and is amortized to earnings over the vesting period with an offset to contributed surplus. When options are exercised, the corresponding contributed surplus and the proceeds received by the Corporation are credited to capital stock. The impact of forfeitures are recorded as incurred.

5. INVESTMENT TAX CREDITS RECOVERABLE

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

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

2013	164
2014	319
2015	484
2016	535
	<u>1,642</u>

6. GOODWILL

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

FIRAN TECHNOLOGY GROUP CORPORATION

Notes to the Consolidated Financial Statements

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9. RESEARCH AND DEVELOPMENT COSTS AND RECOVERIES

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

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

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

FIRAN TECHNOLOGY GROUP CORPORATION

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10. INCOME TAXES

	<u>2007</u>	<u>2006</u>
Future tax asset consists of:		
Tax losses carried forward	\$ -	\$ 156
SR&ED deductible expenditures	1,784	868
Non-deductible allowances	-	43
Excess of undepreciated capital cost for tax purposes over net book value of capital assets	5,638	6,176
	<u>7,422</u>	<u>7,243</u>
Valuation allowance	7,388	2,893
	<u>Future income tax asset</u>	<u>Future income tax asset</u>
	\$ 34	\$ 4,350

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

The SR&ED deductible expenditures have no expiry date for income tax purposes.

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

	<u>2007</u>	<u>2006</u>
Combined Canadian Federal and Provincial statutory rates	34.1%	34.1%
Provision for income taxes		
Income taxes at statutory rate	(901)	705
Rate adjustment for foreign jurisdiction	(1)	(41)
Permanent differences	66	73
Impact of investment tax credits not previously recognized	-	(382)
Impact of change in tax rates	754	213
Valuation allowance	3,270	(297)
Income tax provision	\$ 3,188	\$ 271
Consisting of:		
Current	\$ (2)	\$ (223)
Future	3,190	494
	<u>Future income tax asset</u>	<u>Future income tax asset</u>
	\$ 3,188	\$ 271

FIRAN TECHNOLOGY GROUP CORPORATION

Notes to the Consolidated Financial Statements

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(in thousands of dollars except per share amounts)

10. INCOME TAXES (continued)

In addition, the Corporation has \$14,400 of capital losses, which can be used to reduce income tax on future capital gains. The benefit of these capital losses has not been recorded in the accounts.

14. TRANSLATION OF FOREIGN CURRENCIES

FTG Circuits – Chatsworth and Firan Technology Group (USA) Corporation are considered self-sustaining subsidiaries. Accordingly, their assets (including goodwill) and liabilities are translated at exchange rates in effect at the balance sheet date. Revenues and expenses are translated at average exchange rates prevailing during each month. The resulting translation loss of \$830 (2006 gain of \$5) is included in the accumulated other comprehensive loss section of shareholders' equity until there is a realized reduction in the net investment.

15. SEGMENTED INFORMATION

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

FIRAN TECHNOLOGY GROUP CORPORATION

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November 30, 2007 and 2006

(in thousands of dollars except per share amounts)

15. SEGMENTED INFORMATION (continued)

	2007			
	Circuits	Aerospace	Corporate Office	Total
Sales	\$ 43,413	\$ 12,219	\$ -	\$ 55,632
Costs and SG&A expenses	37,981	10,803	1,901	50,685
Amortization of capital assets	2,831	146	-	2,977
Research and development costs	3,057	93	-	3,150
Recovery of research and development costs	901	(16)	-	885
(Loss) earnings before interest and taxes	(1,357)	1,193	(1,901)	(2,065)
Interest expense on long-term debt	578	-	-	578
Income taxes (recovery)	2,782	406	-	3,188
Net (loss) earnings	(4,717)	787	(1,901)	(5,831)
Segment assets	22,804	7,993	-	30,797
Goodwill	3,904	-	-	3,904
Additions to capital assets	3,000	983	-	3,983
	2006			
	Circuits	Aerospace	Corporate Office	Total
Sales	\$ 44,759	\$ 10,641	\$ -	\$ 55,400
Costs and SG&A expenses	37,109	9,249	1,937	48,295
Amortization of capital assets	2,923	176	-	3,099
Research and development costs	2,575	-	-	2,575
Recovery of research and development costs	(1,120)	-	-	(1,120)
Earnings before interest and taxes	3,272	1,216	(1,937)	2,551
Interest expense on long-term debt	483	-	-	483
Income taxes (recovery)	(142)	413	-	271
Net earnings (loss)	2,931	803	(1,937)	1,797
Segment assets	29,693	7,476	-	37,169
Goodwill	4,549	-	-	4,549
Additions to capital assets	2,593	277	-	2,870

FIRAN TECHNOLOGY GROUP CORPORATION

Notes to the Consolidated Financial Statements

November 30, 2007 and 2006

(in thousands of dollars except per share amounts)

18. SUBSEQUENT EVENT

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

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

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

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