FIRAN TECHNOLOGY GROUP CORPORATION

2020 AUDITED ANNUAL REPORT

CEO Message

Well, 2020 was a challenging year for FTG and everyone in the Aerospace and defense industry but we have successfully made it through the year.

The key event for 2020 was the Covid-19 pandemic. For FTG, the impact started in China in February when the whole country shut down including our facilities. As the virus spread around the world, we felt its impact in our facilities in Toronto, Chatsworth and Fredericksburg. Other than in China, our plants remained open but with many initiatives to keep our employees safe. We quickly mandated masks across all facilities. We increased our cleaning protocols and we implemented physical distancing and working from home wherever possible. Even with these measures, we experienced some cases of the virus in all our plants through the year. We continue to implement all possible initiatives to minimize the impact of the virus on FTG and our employees.

While air travel has dropped dramatically in 2020 and the commercial aerospace industry has been hard hit, FTG has mitigated this impact through actions taken in previous years. FTG has always said we would participate in all market segments including Commercial Air Transport, Business Jets, Helicopters, Defense and Simulators. This diversified market approach enabled us to absorb the estimated 40% drop in commercial aerospace and only see a 9% drop at FTG. We will maintain our market diversification strategy going forward, as each market segment will go through its own market cycles.

Also, in response to the impacts to FTG's business and to maintain our skilled workforce, we secured Government support in Canada and the US under the various relief programs available to us. By retaining our skilled team, we will be able to recover faster when the airline and aerospace industries recover.

Finally, as it relates to challenges from the pandemic, we took actions early in the year to protect our balance sheet and keep FTG strong for the downturn. Actions included cutting back on capital spending and the government support already mentioned. At year-end, our balance sheet is stronger than ever before. We are confident we will be able to weather this downturn and fully participate in the recovery when it happens.

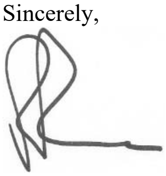
Looking forward, we are expecting 2021 to be another challenging year but with vaccines starting to roll out around the world, we are hopeful that this will help us all overcome the virus and that air travel will begin to recover. If this happens, we expect the Aerospace industries will also start to recover but a full recovery will take time.

We have not lost focus on other key initiatives at FTG. We remain focused on operational excellence. Our efforts continue on developing an FTG Operating System, based on best practices from inside and outside FTG, to ensure consistent operating performance at all sites. This multi-year initiative will be a strategic strength for the Company and one that is critical to the success of existing and future FTG sites.

Progress was also made regarding technology. In our Circuits business, we continue with our efforts on automation, albeit with some delays due to the pandemic. In additive manufacturing, we have partnered with a new technology company to offer a solution to our customers and we are using our Fredericksburg site as the focus for these efforts. In our Aerospace business, our goal was to increase our activity with active displays and progress was made by year-end.

FTG has made it through one of the toughest years in our history and I would like to thank everyone at FTG for their hard work, dedication and commitment during these challenging times. We have a great team and we are all ready for future challenges and future successes.

Sincerely,



Brad Bourne
President and CEO

February 10, 2021

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

(dollar amounts stated in thousands of Canadian dollars unless otherwise specified)

This Management's Discussion and Analysis ("MD&A") for the year ended November 30, 2020 (fiscal 2020) is as of February 10, 2021 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 2020 and 2019, 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 10, 2021, found on SEDAR at www.sedar.com and on the Corporation's website at www.ftgcorp.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. Currently, FTG Circuits has manufacturing operations in Canada (Toronto, Ontario), USA (Chatsworth, California, and Fredericksburg, Virginia), as well as a joint venture and sourcing arrangements with operating facilities in China. In July, 2019, FTG acquired Colonial Circuits, Inc., which has been subsequently renamed FTG Circuits Fredericksburg Inc. ("Colonial" or "Circuits Fredericksburg"). FTG Circuits' 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, USA and Tianjin, China, and an engineering office in Fort Worth, Texas, USA. 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. With these facilities in place in North America and China, FTG has completed some key strategic goals including expanding its presence in the large US aerospace and defense market, penetrating the rapidly growing Asian aerospace market, 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 increase the utilization and operational leverage of those facilities and realize the significant margin expansion opportunities as fixed costs are already in place. A key element of FTG's strategy has been its continued focus on Operational Excellence. This has led to improved performance across the Corporation. By weaving *Operational Excellence* into its day-to-day operations, FTG continues to create a corporate culture where quality products, on time delivery and customer service are the paramount forces driving the Corporation forward.

FTG continues to increase its technical skills in both segments to support the demands from customers for more complex, challenging solutions on new programs and opportunities.

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.

FTG continues to strive 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 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.

Going forward, the Corporation's focus and initiatives will continue to revolve around controlling the Corporation's infrastructure, material and labour costs while increasing the utilization of our facilities realizing significant operational leverage and margin expansion. Simultaneously, management continues to look for accretive business combinations that can add to FTG's strengths and offerings.

BUSINESS HIGHLIGHTS

COVID-19 continues to negatively impact the global economy and, in particular, reduced production rates implemented by the commercial aircraft manufacturers has resulted in economic headwinds for the commercial aerospace supply base, which includes FTG. Although the longer-term strategies remain in place, FTG's short and medium term focus is on maintaining a safe working environment, profitable operations, a lean balance sheet and being a responsive supplier to our customers. Actions taken in 2020 to stabilize the Corporation in this challenging economic environment and position it for the recovery stage include the following:

- In July, 2020, FTG completed a new 2-year committed Credit Facility with our existing financial institution, which includes an operating facility of U.S. $10.0 million and a capex facility of U.S. $10.0 million, as well as sufficient capacity for foreign exchange forward contracts, precious metal forward contracts.
- Reduced costs through lower headcount, which is reduced by 7% compared to the end of 2019, primarily through attrition
- Reduced costs by reducing overtime and a series of one-week plant shutdowns, particularly in our sites focused on commercial aerospace markets.
- Received subsidies of $3,221 from the CEWS program funded by the Government of Canada
- Our U.S. subsidiaries received Paycheck Protection Program (PPP) loans of $3,309 (U.S. $2,369) pursuant to the CARES Act, enacted by the U.S. Government and administered by the Small Business Administration. In December, 2020, we received notification that two of the three PPP loans, valued at $1,352 (U.S. $1,032) had been forgiven in full.
- Continued focus on customer requirements resulting in backlog, as of November 30, 2020 of $37.3 million.

RESULTS OF OPERATIONS FOR THE FOURTH QUARTER OF 2020

The following table provides the operating results for the fourth quarter of fiscal years 2020 and 2019:

	Three months ended	
(in thousands of Canadian dollars, except per share amounts)	**November 30, 2020**	November 30, 2019
Sales	**$ 26,711**	$ 27,075
Cost of sales		
Cost of sales	**18,227**	20,224
Depreciation of plant and equipment	**1,035**	981
Depreciation of right-of-use assets	**386**	-
Total cost of sales	**19,648**	21,205
Gross margin	**7,063**	5,870
Expenses		
Selling, general and administrative	**2,972**	3,004
Research and development costs	**1,318**	1,339
Recovery of investment tax credits, net	**(165)**	(260)
Depreciation of plant and equipment	**59**	40
Depreciation of right-of-use assets	**15**	-
Amortization of intangible assets	**91**	301
Interest expense on bank debt, net	**52**	54
Accretion on lease liabilities	**139**	-
Stock based compensation	**18**	27
Foreign exchange loss	**446**	253
Total expenses	**4,945**	4,758
Earnings before income taxes	**2,118**	1,112
Current income tax expense	**807**	1,181
Deferred income tax expense	**33**	(677)
Total income tax expense	**840**	504
Net earnings	**$ 1,278**	$ 608
Attributable to:		
Non-controlling interest	**$ (30)**	$ 33
Equity holders of FTG	**$ 1,308**	$ 575

Supplementary Information for the fourth quarter of fiscal years 2020 and 2019:

(thousands of dollars except per share amounts)	**2020**	2019
Number of Common and preferred shares, in aggregate (in thousands)	**24,491**	24,491
Net earnings per share – basic	**$0.06**	$0.03
Net earnings per share –diluted	**$0.06**	$0.03
Total assets	**86,676**	73,377
Net cash position[1]	**12,637**	2,231
Free cash flow[2]	**4,050**	2,477

1. Net cash is defined as cash and cash equivalents less bank debt

2 Free cash flow ("FCF") is a non-IFRS financial measure, which the Corporation defines as net cash flow from operating and investing activities excluding acquisitions, less lease liability payments.

Sales

Sales for the fourth quarter of fiscal 2020 were $26,711, a decrease of $364 or 1.3% from the fourth quarter of fiscal 2019. The significant variances in fourth quarter sales in 2020 as compared to 2019 were as follows:

- All FTG sites were negatively impacted by COVID-19, particularly as the reduction in production rates for commercial aircraft resulted in reduced demand for FTG's products. The impact is most heavily concentrated in Circuits Toronto, Aerospace Toronto and both China sites.
- Offsetting the reduced commercial aerospace revenue, Q4 2020 shipments into the Simulator market were approximately $7.2 million as compared to $1.1 million in the prior year. In FY 2020, most of the Simulator shipments were for military applications.

Gross margin

Gross margin for Q4 2020 was $7,063 or 26.4%, compared to $5,870 or 21.7% in the fourth quarter of fiscal 2019. The increased gross margin rate is the result of cost containment in the form of reduced headcount and overtime costs, and wage subsidies of $1,410.

Net Earnings

The net earnings for the fourth quarter of fiscal 2020 were $1,278 which included net earnings of $1,308 attributable to equity holders of FTG, offset by net loss of $30 relating to the non-controlling interest. The net earnings for the fourth quarter of fiscal 2020 attributable to equity holders of FTG translated into basic and diluted earnings per share of $0.06.

The net earnings for the fourth quarter of fiscal 2019 were $608 which included net earnings of $575 attributable to equity holders of FTG and net earnings of $33 relating to the non-controlling interest. The net earnings for the fourth quarter of fiscal 2019 attributable to equity holders of FTG translated into basic and diluted earnings per share of $0.03.

The increase in net earnings in Q4 2020 over the prior year is the result of the increased gross margin, partially offset by increased foreign exchange losses.

Cash Flow

Free Cash Flow

Free Cash Flow ("FCF") for the quarter ended November 30, 2020 was $4,050 (equal to net cash from operating and investing activities of $4,535 less acquisitions of $nil less lease liability payments of $485) represented an increase of $1,573 over Q4 2019. The increase in quarterly cash flow in 2020 was driven primarily by an increase in net earnings, increased realization of investment tax credits, lower investment in capital expenditures partially offset by changes in operating working capital. Reduction in working capital for Q4 2020 was driven by strong shipments in the Aerospace segment, which reduced inventories.

The Corporation recorded a net gain of $308 on disposal of plant and equipment during fiscal 2020 which resulted from casualty insurance proceeds for replacement of certain plant and equipment impacted by a fire in the third quarter of fiscal 2020 at the Circuits Fredericksburg site. Remediation has been completed and the facility is fully operational, with certain related capital expenditures to follow in the first half of 2021.

Financing Activities

Cash used by financing activities during the fourth quarter of fiscal 2020 amounted to $1,144 which included $504 for repayments of bank debt and $155 for payment on conversion of preferred shares – refer to note 13.2 to the consolidated financial statements. Cash used by financing activities during the fourth quarter of fiscal 2019 amounted to $505 for repayments of bank debt.

RESULTS OF OPERATIONS FOR THE 2020 FISCAL YEAR

(thousands of dollars except per share amounts)	**2020**	2019
Sales	**$ 102,435**	$ 112,653
Gross margin	**26,419**	30,264
Net earnings to equity holders of FTG	**1,390**	6,058
Number of Common and preferred shares, in aggregate (in thousands)	**24,491**	24,491
Net earnings per share – basic	**$0.06**	$0.27
Net earnings per share –diluted	**$0.06**	$0.25
Total assets	**86,676**	73,377
Net cash position[1]	**12,637**	2,231
Free cash flow[2]	**11,067**	8,880

[1] Net cash is defined as cash and cash equivalents less bank debt

[2] Free cash flow is a non-IFRS financial measure, which the Corporation defines as net cash from operating and investing activities excluding acquisitions, less lease liability payments.

Sales

For FTG, overall sales decreased by $10,218 or 9.1% in 2020 as compared to the prior year, and include the following variances:

- All FTG sites were negatively impacted by COVID-19, commencing with a complete shutdown of operations at the two China sites for the month of February 2020. This cascaded into North America, where we experienced parts shortages from suppliers and higher than normal employee abscences. Although the impact on FTG's operational efficiency at the site level was significant, the far greater impact on FTG's business was the reduction in production rates for commercial aircraft imposed by Boeing and Airbus on the commercial aerospace supply chain. The COVID-19 impact on the FTG's 2020 revenue is most heavily concentrated in Circuits Toronto, Aerospace Toronto and both China sites.
- The Simulator market is an important product line for FTG and revenues in FY 2020 were $1.0 million greater than FY 2019. In FY 2020, most of the Simulator shipments were for military applications.
- The acquisition of the FTG Circuits Fredericksburg business, which closed July 15, 2019, contributed approximately $8.7 million to 2020 sales as compared to approximately $3.6 million to fiscal 2019 sales for an increase of $5.1 million.

The following table compares net sales by reportable segment for fiscal 2020 and 2019.

(thousands of dollars)	**2020**	2019
Circuits	**$ 65,824**	$ 71,442
Aerospace	**36,611**	41,211
Net sales	**$ 102,435**	$ 112,653

Net sales in the Circuits segment in fiscal 2020 decreased by $5.6 million or 7.9%, as a result of lower demand for commercial aircraft components of $10.7 million, partially offset by the positive impact of the Circuits Fredericksburg acquisition of $5.1 million. Net sales to the top five customers represented 60.1% of the FTG Circuits net segment sales in fiscal 2020 (68.1% in 2019).

Net sales in the FTG Aerospace segment in fiscal 2020 decreased by $4.6 million or 11.2%, which is the result of COVID-19 related impacts of $2.7 million and reduced sales in the Simulator market of $1.9 million. The Aerospace segment has a higher mix of military end-use products and thus was less impacted by lower demand from the commercial aerospace market. Net sales to the top five customers represented 57.3% of the FTG Aerospace net segment sales for fiscal 2020 (51.6% in 2019).

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

(thousands of dollars)	**2020**	**%**	2019	%
Canada	**$ 7,116**	**6.9**	$ 9,346	8.3
United States	**79,266**	**77.4**	83,102	73.8
Asia	**12,238**	**12.0**	15,266	13.6
Europe	**2,866**	**2.8**	3,721	3.3
Other	**949**	**0.9**	1,218	1.0
Total	**$ 102,435**	**100.0**	$ 112,653	100.0

The percentage of sales derived in the United States increased in FY 2020 for two reasons: (i) The Circuits Fredericksburg location is located in the U.S. and virtually all of its customers are located in the U.S., and (ii) substantially all of the Corporation's shipments to military customers are in the U.S. and deliveries to these customers were stable in FY20, whereas commercial aerospace products are delivered to global markets.

The Corporation's top five customers represent 51.5% of net sales for fiscal 2020 as compared to 53.9% in last year. The Corporation's two largest customers accounted for 20.8% (22.5% in 2019) and 9.3% (9.6% in 2019) of net sales for fiscal 2020.

Gross Margin

Gross margin on a consolidated basis decreased by $3,845 or 12.7% for fiscal 2020 to $26,419 or 25.8% of net sales compared to $30,264 or 26.9% of net sales for last year. The decrease in gross margin dollars is primarily the result of reduced operating leverage on lower sales volumes, partially offset by strong cost controls and the CEWS program.

Selling, General and Administrative Expenses

Selling, general and administrative expenses ("SG&A") for fiscal 2020 were $13,286 or 13.0% of net sales as compared to $13,732 or 12.2% of net sales for last year. The decrease of $446 during fiscal 2020 is the result of lower performance compensation expense and travel costs, which was partially offset by the full year impact of the added headcount at Circuits Fredericksburg site acquired in July 2019.

Research and Development Costs

Research and development ("R&D") costs include the cost of direct labour, materials and an allocation of overhead 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 2020 were $5,284 or 5.2% of net sales as compared to $4,846 or 4.3% of net sales for last year. This represents an increase of $438 or 9.0% in fiscal 2020 compared to last year. R&D costs were higher in fiscal 2020 as compared to the last year, in which both U.S and Canadian operations focused on process and product improvements as well as testing of new techniques, technology and special materials.

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 the year ended November 30, 2020, the Corporation recorded $735 in ITCs (2019 – $669), which were earned from qualifying research and development expenditures.

The Corporation has, as at November 30, 2020, $1,359 (November 30, 2019 – $3,035) of investment tax credits available to be applied against future income taxes otherwise payable in Canada.

Depreciation of Plant and Equipment

Depreciation of plant and equipment for fiscal 2020 was $4,367, an increase of $603 or 16.0% as compared to depreciation of $3,764 for last year. The increase in depreciation during fiscal 2020 includes $417 related to the Circuits Fredericksburg operation that was acquired in July 2019 and the remaining increase of $186 for fiscal 2020 as compared to last year was mainly due to the timing of capital expenditures being put into service.

Depreciation of Right-of-use Assets

Depreciation of right-of-use assets for fiscal 2020 was $1,615, as compared to $nil for last year. Effective December 1, 2019, the Corporation adopted IFRS 16, Leases. Subsequent to the adoption, operating costs decreased due to the removal of rent expense for leases, depreciation expense increased due to depreciation of right-of-use assets, and finance costs increased due to accretion of the lease liability.

Amortization of Intangible Assets

Amortization of intangible assets for fiscal 2020 was $581, a decrease of $547 or 48.5% as compared to amortization of $1,128 for last year. The decrease in amortization was mainly due to the effect of the impairment of intangibles assets recognized in the first quarter of fiscal 2020 (per discussion below) offset by additional amortization of $81 in fiscal 2020 as compared to last year related to the acquisition of the Circuits Fredericksburg business that was acquired in July 2019.

In the first quarter of fiscal 2020, the Corporation determined that the carrying value of intangible assets recognized following the acquisition of the Teledyne PCT business in July, 2016, exceeded its recoverable amount as of February 28, 2020 by an amount of $1,145. The recoverable amount was determined through a value in use analysis of the present value of the future cash flows to be derived from the relevant cash-generating unit.

Interest Expense

In fiscal 2020, net interest costs were $211, a decrease of $79 or 27.2% as compared to $290 for last year. The decrease in interest expense in fiscal 2020 was mainly due to the decrease in bank debt as compared to last year.

Accretion on Lease Liabilities

Accretion on lease liabilities for fiscal 2020 was $556 as compared to $nil for last year. As a result of the adoption of IFRS 16 effective December 1, 2019, operating costs decreased due to the removal of rent expense for leases, depreciation expense increased due to depreciation of right-of-use assets, and finance costs increased due to accretion of the lease liability.

Foreign Exchange Loss

The foreign exchange loss for fiscal 2020 was $1,042 compared to a foreign exchange loss of $785 for last year. The foreign exchange loss for fiscal 2020 was mainly as a result of a net loss of $1,122 (2019 – $759) on the re-valuation of the US dollar assets and liabilities on the respective consolidated statements of financial position, offset by net realized gain of $80 (2019 - loss of $26) on foreign exchange contracts). These foreign exchange fluctuations are due to the variance in U.S. dollar balances held by the Corporation, the changes in average and month-end Canadian dollar versus U.S. dollar exchange rates and the foreign exchange hedging contracts that the Corporation has in place. The year-end Canadian dollar as compared to US dollar exchange rate decreased by approximately 0.0324 or 2.4% from 1.3289 as at November 30, 2019 to 1.2965 as at November 30, 2020, as compared to a decrease of approximately 0.0012 or 0.1% from 1.3301 as at November 30, 2018 to 1.3289 as at November 30, 2019.

In fiscal 2020, a net realized loss of $1,082 was recognized in sales with respect to foreign exchange forward contracts designed as cash flow hedges; this compares to a net realized loss of $387 recognized in sales with respect to foreign exchange forward contracts designed as cash flow hedges in fiscal 2019. The table below includes the effect of the net realized loss on foreign exchange forward contracts on net sales.

(thousands of dollars)	**2020**	2019
Sales before adjustment for net realized loss on f/x forward contracts designed as cash flow hedges	**$ 103,517**	$ 113,040
Adjustment for net realized loss on hedged f/x forward contracts designed as cash flow hedges	**(1,082)**	(387)
Net sales	**102,435**	112,653
Costs of sales	**70,307**	78,788
Depreciation of plant and equipment	**4,146**	3,601
Depreciation of right-of-use assets	**1,563**	-
Total cost of sales	**76,016**	82,389
Gross margin	**26,419**	30,264
Gross margin %	**25.8%**	26.9%
Gross margin before f/x loss	**$ 27,501**	$ 30,651
Gross margin % before f/x loss	**26.6%**	27.1%

Income Tax Expense

During the year ended November 30, 2020, current income tax of $3,715 (2019 – $4,296) was recognised in the consolidated statement of earnings which includes current income tax expense of $3,625 (2019 – $4,191) related to income tax on earnings in the Canadian entity, and expense of $28 (2019 – $32) related to taxes for the U.S. subsidiaries, and withholding taxes of $62 (2019 –$73) related to source deductions on remittances from the Chinese subsidiary to the Corporation.

During the year ended November 30, 2020, net deferred income tax (recovery) of ($331) was recognised in the consolidated statement of earnings which included deferred income tax (recovery) of ($479) related to movement in deferred income tax assets and investment tax credits receivable, offset by deferred income tax expense of $148 related to the tax effect of recovery of investment tax credit. During the year ended November 30, 2019, net deferred income tax (recovery) of ($550) was recognised in the consolidated statement of earnings which included deferred income tax (recovery) of ($729) related to movement in deferred income tax assets and investment tax credits receivable, offset by deferred income tax expense of $179 related to the tax effect of recovery of investment tax credit.

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, 2020 was 25% (2019 – 25%) which was based on projected annualized Manufacturing and Processing rates.

Net Earnings

The net earnings for fiscal 2020 were $1,262 which included net earnings of $1,390 attributable to equity holders of FTG, offset by net loss of $128 relating to non-controlling interests. The net earnings for fiscal 2020 attributable to equity holders of FTG translated into basic earnings per share of $0.06 and diluted earnings per share of $0.06.

The net earnings for fiscal 2019 were $5,982 which included net earnings of $6,058 attributable to equity holders of FTG, offset by net loss of $76 relating to non-controlling interests. The net earnings for fiscal 2019 attributable to equity holders of FTG translated into basic earnings per share of $0.27 and diluted earnings per share of $0.25.

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

	Q1-19	Q2-19	Q3-19	Q4-19	Q1-20	Q2-20	Q3-20	**Q4-20**
Circuit Segment Sales	$15,207	$19,265	$18,336	$18,634	$16,457	$19,599	$15,690	**$14,078**
Aerospace Segment Sales	10,183	12,970	9,617	8,441	8,081	7,223	8,674	**12,633**
Total Net Sales	25,390	32,235	27,953	27,075	24,538	26,822	24,364	**26,711**
Earnings (Loss) before income taxes	1,980	3,798	2,838	1,112	(2,160)	3,300	1,388	**2,118**
Net Earnings (Loss) Attributable to Equity holders of FTG	1,218	2,482	1,783	575	(2,597)	2,034	645	**1,308**
Earnings (Loss) per share: Basic[1]	$0.05	$0.11	$0.08	$0.03	($0.11)	$0.08	$0.03	**$0.06**
Earnings (Loss) per share: Diluted	$0.05	$0.10	$0.07	$0.03	($0.11)	$0.08	$0.03	**$0.06**
Quarterly average CDN$ U.S.$ exchange rates	$1.3322	$1.3401	$1.3214	$1.3223	$1.3169	$1.3996	$1.3449	**$1.3176**

[1] Basic earnings (loss) per share for Q2-20 has been restated to $0.08 for rounding purposes. It was previously reported as $0.09.

The Corporation was profitable during all prior eight quarters of fiscal 2020 and 2019 except first quarter of fiscal 2020.

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 foreign exchange forward contracts to sell excess U.S. dollars generated from its Canadian operations.

LIQUIDITY AND CAPITAL RESOURCES

As at November 30, 2020, the Corporation's primary sources of liquidity totalled $56,116 ($51,154 as at November 30, 2019), made up of cash, accounts receivable, contract assets, taxes recoverable and inventory, excluding the unused portion of the Corporation's credit facilities of up to $22,500 (U.S. $17.4 million). Working capital at November 30, 2020 was $39,121 as compared to $28,603 at November 30, 2019.

Accounts receivable days outstanding were 62 as at November 30, 2020 compared to 70 as of November 30, 2019; inventory turns were 3.8 as at November 30, 2020 as compared to 3.7 as of November 30, 2019, and accounts payable days outstanding were 74 as at November 30, 2020 as compared to 81 as of November 30, 2019.

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, 2020.

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, 2020.

	PAYMENTS DUE IN $000'S					
CONTRACTUAL OBLIGATIONS	**Total**	**First Year**	**Second Year**	**Third Year**	**Fourth Year**	**Beyond Fourth Year**
Bank debt (committed facility)	3,318	959	2,359	-	-	-
Bank debt (PPP Loans)	3,072	2,048	1,024	-	-	-
Accounts payable and accrued liabilities, and provisions	14,789	14,789	-	-	-	-
Contract liabilities	388	388	-	-	-	-
Lease liabilities	15,769	1,826	1,664	1,334	1,315	9,630
Income tax payable	155	155	-	-	-	-
Operating Leases	605	329	159	74	43	-

The Corporation does not have any off consolidated statements of financial position 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 Corporation's foreign exchange forward contracts, gold forward contracts, interest rate swap 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, 2020. The forward current value (fair value) of these financial instruments as at November 30, 2020 had an net unrealized gain of $1,569 (an unrealized gain on foreign exchange forward contracts of $1,680, and an unrealized gain on gold forward contracts of $19, offset by an unrealized loss on interest rate swaps of $130), and included in other comprehensive income (loss), net of $392 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, 2019 had an net unrealized loss of $2,234 (an unrealized loss on foreign exchange forward contracts of $2,127, and an unrealized loss on gold forward contracts of $30, and an unrealized loss on interest rate swaps of $77), and included in other comprehensive income (loss), net of $558 in tax, and relates to derivatives designated as cash flow hedges.

In December 2015, the Corporation entered into an interest rate swap to hedge the U.S. dollar interest payments of the term loan (5.0 year U.S. $4,000 term loan, amortized over 5 years, repayable in equal monthly principal payments of approximately U.S. $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. The interest rate swap has been discharged in November 2020 as the term loan matured in November 2020 and was fully repaid. The forward current value (fair value) of the interest rate swap as at November

30, 2019 had an unrealized gain of $1 which was included in other comprehensive income (loss) and prepaid expenses and other.

In July 2016, the Corporation entered into an interest rate swap to hedge the U.S. dollar interest payments of the term loan (7.0 year U.S. $2,600 term loan, amortized over 7 years, repayable in equal monthly principal payments of approximately U.S. $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, 2020 had an unrealized loss of $21 which is included in other comprehensive income (loss) and accounts payable and accrued liabilities. 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, 2019 had an unrealized gain of $10 which was included in other comprehensive income (loss) and prepaid expenses and other.

In February 2018, the Corporation entered into an interest rate swap to hedge the U.S. dollar interest payments of the term loan (7.0 year U.S. $1,500 term loan, amortized over 7 years, repayable in equal monthly principal payments of approximately U.S. $18 plus interest at LIBOR rate plus 215 basis points) over the seven year term at a fixed rate of 2.81% plus applicable margin of 215 basis points for an aggregate fixed interest rate of 4.96%. 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, 2020 had an unrealized loss of $60 (November 30, 2019 – unrealized loss of $48 which is included in other comprehensive income (loss) and accounts payable and accrued liabilities.

In April 2018, the Corporation entered into an interest rate swap to hedge the U.S. dollar interest payments of the term loan (7.0 year U.S. $1,000 term loan, amortized over 7 years, repayable in equal monthly principal payments of approximately U.S. $12 plus interest at LIBOR rate plus 215 basis points) over the seven year term at a fixed rate of 2.93% plus applicable margin of 215 basis points for an aggregate fixed interest rate of 5.08%. 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, 2020 had an unrealized loss of $49 (November 30, 2019 – unrealized loss of $40 which is included in other comprehensive income (loss) and accounts payable and accrued liabilities.

CAPITAL EXPENDITURES (PLANT AND EQUIPMENT)

In 2020, the Corporation invested $3,219 in net capital expenditures which consisted of additions to deburring line and etchboard line, purchase of sprint machines, multiline machine, spectrometer, planarizer and various upgrades to machinery and equipment and leasehold improvements at its existing facilities. The Corporation also invested in an automated, highly secure system to ensure that critical Information Technology data and software is backed up and retrievable.

In 2019, the Corporation invested $5,512 in net capital expenditures which included $2,443 of machinery and equipment acquired as a result of the Colonial business acquisition and the remaining $3,069 which mainly included soldermask inkjet system machine, replace section of roof at its Circuits Toronto facility, laser machine, photometer, spectrometer system, new network switches and servers, ETQ-quality management system suite software, various upgrades to machinery and equipment and leasehold improvements at its existing facilities.

CASH FLOW

Free Cash Flow

In fiscal 2020, FTG generated $11.1 million in free cash flow, which was an improvement of $2.2 million or 25% over 2019. Offsetting the lower net earnings, the primary positive variances included: (i) the level of working capital employed in the business, (ii) realization of investment tax credits to offset income taxes otherwise payable, and (iii) net gains on valuation of derivative financial instruments. The reduction in working capital, primarily lower levels of accounts receivable and inventories, is the result of lower business volumes and improved operational efficiency.

Financing Activities

Cash used by financing activities in fiscal 2020 resulted in a cash outflow of $1,167 which included $2,056 towards repayments of bank debt to FTG's principal financial institution, $1,845 towards lease liability payments, $420 for repurchase of common shares on exercise of PSU's, and $155 for conversion of preferred shares, offset by $3,309 of proceeds from bank debt (PPP Loans).

Cash used by financing activities in fiscal 2019 resulted in a cash outflow of $2,031 towards repayments of bank debt.

RELATED PARTY TRANSACTIONS

There were no related party transactions during the years ended November 30, 2020 and 2019, except as disclosed in *Note 13.2* to the consolidated financial statements as at November 30, 2020.

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, 2020 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 authorized is a series of convertible preference shares, Series 1 (the "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.The outstanding common shares at the year ended November 30, 2020 were 24,491,201 (22,676,201 as at November 30, 2019).

In October 2020, 1,775,000 Preferred Shares, were converted into Common Shares on a one-for-one basis upon exercise of the convertible option by the preferred shareholder. Holder of Series 1 Preferred Shares was 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 was 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. In connection with this transaction, the Board of Directors of the Corporation approved a payment of $155 to the holder of the Preferred Shares, who is a related party, for conversion of Preferred Shares. As a result of the conversion, the Corporation has nil voting convertible Series 1 Preferred Shares outstanding as at November 30, 2020 (November 30, 2019 – 1,775,000).

During the year ended November 30, 2020, the Corporation granted 100,000 PSUs (2019 – 22,500), 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 or by purchasing from the open market.

As at November 30, 2020, nil of the 108,750 outstanding PSU's had vested. As at November 30, 2019, 184,444 of the 206,944 outstanding PSU's had vested, which were exercised and settled during the year ended November 30, 2020. The PSU settlement resulted in a transfer of $760 from contributed surplus to share capital representing the stock compensation expense that was recognized in contributed surplus over the three years from 2017 to 2019 related to these PSUs, which was offset by cash outflow of $420 related to the common share repurchase and issuance on settlement of these PSU's.

ACQUISITION OF COLONIAL CIRCUITS INC.

On July 15, 2019, the Corporation acquired all of the outstanding shares of Colonial Circuits Inc. ("Colonial"), for a consideration of US $2,927 or $3,817, net of cash acquired. The acquisition price was paid in cash. This transaction has significant strategic benefit to the Corporation as it is expected to complement FTG's existing facilities, add capacity to the Corporation's circuit segment, allow for rebalancing of production amongst facilities and increase FTG's market share through new technological offerings and new customers.

The Colonial acquisition was accounted for by the Corporation as a business combination under IFRS 3. Under this method, the identifiable assets acquired and liabilities assumed are measured at their acquisition date fair values.

Included in the consolidated statement of earnings are revenues of approximately $3,600 and earnings before income taxes of approximately $400 related to the Colonial acquisition for the period from July 15, 2019 to November 30, 2019.

The transaction costs associated with the acquisition totaling $153 were expensed during the year ended November 30, 2019 and is included in selling, general and administrative expenses.

Acquired identifiable intangible assets include customer relationships, non-compete agreement, technology, access to markets, certifications and new products in circuits, which are being amortized over a period of 5 years.

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:

	Colonial
Total purchase price:	
Cash paid for acquisition	$4,281
Total purchase price to allocate	$4,281
Fair value of assets acquired and liabilities assumed:	
Cash	$464
Accounts receivable	862
Inventories	704
Prepaid expenses	29
Plant and equipment	2,443
Intangible assets	626
Accounts payable and accrued liabilities	(581)
Deferred income tax liability, net	(266)
Net assets acquired	$4,281

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 10, 2021 which is available on SEDAR at www.sedar.com.

In March 2020, the World Health Organization characterized the novel coronavirus ("COVID-19") as a global pandemic and extraordinary actions have been taken by international, federal, state and provincial governmental authorities to contain and combat the spread of COVID-19 in regions throughout the world. The COVID-19 outbreak and related public health measures, including orders to shelter-in-place, travel restrictions and mandated business closures, have adversely affected workforces, organizations, consumers, economies, and financial markets globally, leading to an economic downturn and increased market volatility. The extent of the impact of COVID-19 on the Corporation's operational and financial performance will depend on certain developments, including the duration of the outbreak, impact on the Corporation's customers and its sales cycles, impact on critical suppliers, and impact on the Corporation's employees.

The economic downturn and uncertainty caused by the COVID-19 outbreak and measures undertaken to contain its spread continue to negatively affect all of the Corporation's operations to some extent and, in particular, and has caused volatility in demand for the Corporation's products and services targeted to the commercial aerospace market. The Corporation continues to evaluate the current and potential impact of the COVID-19 outbreak on its business, results of operations and interim condensed consolidated financial statements.

CRITICAL ACCOUNTING ESTIMATES

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 below:

Expected credit losses

Accounts receivable are stated after evaluation as to their collectability and an appropriate provision for expected credit losses to be incurred is made, where considered necessary.

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 judgements that take into account current market prices, current economic trends and past experience in the measurement of net realizable value.

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.

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 acquisitions (if any), the Corporation may acquire product designs, process know-how and customer contracts. An intangible asset is recorded in the consolidated statements of financial position with respect to these assets. This asset is 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.

Warranties

The Corporation typically provides warranties for general repairs of defects that existed at the time of sale, as required by law. These assurance-type warranties are not separate performance obligations and are accounted for under IAS 37.

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. 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.

ADOPTION OF NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS

The Corporation has adopted IFRS 16 *Leases* ("IFRS 16") Effective December 1, 2019. The Corporation adopted IFRS 16 under the modified retrospective approach and did not restate the comparatives for 2019. At transition, the Corporation applied the practical expedient available to the Corporation as lessee that allows the continuation of the lease assessments under IAS 17 and IFRIC 4 for existing contracts. Therefore, the definition of a lease under IFRS 16 was applied only to contracts existing as at December 1, 2019 and not expiring before November 30, 2020. Refer to *Note 3* and *Note 4* of the consolidated financial statements as at November 30, 2020 for additional details.

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.

OUTLOOK

The world economy and the outlook for the commercial Aerospace industry is very uncertain at this time. By far the largest negative impact is the COVID-19 pandemic. This has resulted in a significant decline in air travel, and has hurt the overall world economy. Looking forward, widespread vaccines could help reduce the number of cases of Covid-19 and reduce restrictions on air travel. Offsetting this could be the spread of new variants of the virus that are more easily transmissible that might or might not be controlled by existing vaccines.

On a global scale, the airline industry is dramatically weakened with huge drops in passenger travel. Both the demand for and the capacity to finance new aircraft in the short term is reduced.

Specifically at FTG, the COVID-19 pandemic has caused production disruptions at all sites at various points in time. We have had some plants shut down for periods of time due to government restrictions, we have had restricted operations, we have had suppliers with restricted operations and we have had a number of employees absent due to testing positive for the virus or having close contact with others that tested positive. We have made efforts within all our facilities to protect our employees through physical distancing, wearing masks, enhanced cleaning and other actions to minimize their exposure to the virus.

Beyond the above, we are seeing very mixed signals in the various markets we serve.

In commercial Air Transport, the pandemic has hurt demand. Airbus has reduced production by 30-40% in 2020. They are now speculating of production increases in late 2021 but not back to pre-pandemic levels. Boeing has also been hurt by the pandemic but also by their challenges with the B737 aircraft. Although the B737 is now approved for flight in the US, Canada and Europe, there are over 400 aircraft already built that need to be delivered before significant production will resume. And at the airline level, domestic travel is recovering faster than international travel and this is driving an expected ramp up of single aisle aircraft demand ahead of long-haul, twin aisle aircraft.

The business jet market also saw reduced demand due to the pandemic. But business jet activity has recovered rapidly and is now near pre-pandemic levels. In Canada, Bombardier has divested programs until it is now a business jet manufacturer only. FTG continues to maintain a solid relationship with Bombardier.

The helicopter market was less impacted by the pandemic. Production rates are being impacted by the overall economic conditions and key industries such resource extraction and public safety that are heavy users of helicopters.

The defense market is not expected to be significantly impacted by the COVID-19 pandemic. In fact, defense spending is one tool governments can use to stimulate the global economy.

There are many other economic factors, outside the aerospace and defense market, that can also impact the outlook for FTG. The relative strength, or weakness, of the Canadian dollar is one such factor as about 50-60% 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 would enhance FTG's competitiveness.

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 adopting the new framework.

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, 2019 under the supervision of the CEO and CFO as required by CSA National Instrument 52-109 - Certification of Disclosure in Issuers' Annual and Interim Filings. The evaluation included documentation, review, enquiries and other procedures considered appropriate in the circumstances. Based on that evaluation, the CEO and the CFO have concluded that the Corporation's disclosure controls and procedures are effective to provide reasonable assurance that information relating to the Corporation and its consolidated subsidiaries that is required to be disclosed in reports filed under provincial and territorial securities legislation is recorded, processed, summarized and reported to senior management, including the CEO and the CFO, so that appropriate decisions can be made by them regarding required disclosure within the time periods specified in the provincial and territorial securities legislation.

Internal control over financial reporting

CSA National Instrument 52-109 requires the CEO and CFO to certify that they are responsible for establishing and maintaining internal control over financial reporting for the Corporation, that those internal controls have been designed and are effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS.

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

The CEO and CFO have, using the framework and criteria established by COSO, evaluated the design and operating effectiveness of the Corporation's internal controls over financial reporting and concluded that, as of November 30, 2020, 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 fourth quarter ended November 30, 2020, 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.

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 10, 2021 and the Corporation's Annual Information Form (including documents incorporated by reference) dated February 10, 2021 which is available on SEDAR at www.sedar.com.

Consolidated Statements of Financial Position

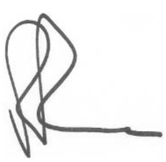
MANAGEMENT’S RESPONSIBILITY FOR FINANCIAL REPORTING

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 judgements. 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 for fiscal 2020 have been independently audited by MNP LLP in accordance with Canadian generally accepted auditing standards. Their report which follows expresses their opinion on the consolidated financial statements of the Corporation.



Bradley C. Bourne

President and Chief Executive Officer

February 10, 2021

James Crichton

Vice President, Chief Financial Officer and Corporate Secretary

February 10, 2021

To the Shareholders of Firan Technology Group Corporation:

Opinion

We have audited the consolidated financial statements of Firan Technology Group Corporation and its subsidiaries (the "Corporation"), which comprise the consolidated statement of financial position as at November 30, 2020, and the consolidated statements of earnings, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Corporation as at November 30, 2020 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The consolidated financial statements of the Corporation for the year ended November 30, 2019 were audited by another auditor who expressed an unmodified opinion on those statements on February 13, 2020.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis. The other information also comprises the information included in the Annual Report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis and the Annual Report prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the consolidated financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Corporation to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is John Muffolini.

MNP LLP

Toronto, Ontario
February 10, 2021

Chartered Professional Accountants
Licensed Public Accountants

MNP

Consolidated Statements of Financial Position

As at (in thousands of Canadian dollars)		**November 30, 2020**		November 30, 2019
ASSETS				
Current assets				
Cash and cash equivalents	**$**	**19,032**	$	7,647
Accounts receivable *(Note 17.2)*		**16,795**		21,085
Contract assets		**985**		432
Inventories *(Note 7)*		**19,304**		21,990
Prepaid expenses and other		**3,363**		1,770
		59,479		52,924
Non-current assets				
Plant and equipment, net *(Note 8)*		**12,640**		13,830
Right-of-use assets *(Note 4, Note 10)*		**12,130**		-
Deferred income tax assets *(Note 15.1)*		**-**		724
Investment tax credits recoverable *(Note 14.2)*		**1,359**		3,035
Intangible and other assets, net *(Note 9)*		**1,068**		2,864
Total assets	**$**	**86,676**	$	73,377
LIABILITIES AND EQUITY				
Current liabilities				
Accounts payable and accrued liabilities	**$**	**13,904**	$	17,104
Provisions *(Note 12)*		**885**		946
Contract liabilities		**388**		216
Current portion of bank debt *(Note 11)*		**2,931**		5,416
Current portion of lease liabilities *(Note 4, Note 10)*		**1,810**		-
Income tax payable *(Note 15.1, Note 15.2)*		**155**		639
		20,073		24,321
Non-current liabilities				
Bank debt *(Note 11)*		**3,464**		-
Lease liabilities *(Note 4, Note 10)*		**10,659**		-
Deferred tax payable *(Note 15.1)*		**1,192**		1,297
Total liabilities		**35,388**		25,618
Equity				
Retained earnings	**$**	**19,135**	$	17,745
Accumulated other comprehensive income (loss)		**958**		(1,554)
		20,093		16,191
Share capital				
Common Shares *(Note 13.1)*		**21,881**		19,323
Preferred Shares *(Note 13.2)*		**-**		2,218
Contributed surplus *(Note 13.3)*		**8,303**		8,933
Total equity attributable to FTG's shareholders		**50,277**		46,665
Non-controlling interest		**1,011**		1,094
Total equity		**51,288**		47,759
Total liabilities and equity	**$**	**86,676**	$	73,377

See accompanying notes.

Approved on behalf of the board:

Director

Edward Hanna

Director

Consolidated Statements of Earnings

(in thousands of Canadian dollars, except per share amounts)	Years ended **November 30, 2020**	Years ended November 30, 2019
Sales	**$ 102,435**	$ 112,653
Cost of sales		
Cost of sales *(Note 7, Note 19)*	**70,307**	78,788
Depreciation of plant and equipment *(Note 8)*	**4,146**	3,601
Depreciation of right-of-use assets *(Note 4, Note 10)*	**1,563**	-
Total cost of sales	**76,016**	82,389
Gross margin	**26,419**	30,264
Expenses		
Selling, general and administrative *(Note 19)*	**13,286**	13,732
Research and development costs *(Note 14.1)*	**5,284**	4,846
Recovery of investment tax credits, net *(Note 14.2)*	**(735)**	(669)
Depreciation of plant and equipment *(Note 8)*	**221**	163
Depreciation of right-of-use assets *(Note 4, Note 10)*	**52**	-
Amortization of intangible assets *(Note 9)*	**581**	1,128
Interest expense on bank debt, net *(Note 11.1)*	**211**	290
Accretion on lease liabilities *(Note 4, Note 10)*	**556**	-
Stock based compensation *(Note 13.3)*	**130**	261
Foreign exchange loss *(Note 17.2)*	**1,042**	785
Impairment of intangible assets *(Note 9)*	**1,145**	-
Total expenses	**21,773**	20,536
Earnings before income taxes	**4,646**	9,728
Current income tax expense *(Note 15.2)*	**3,715**	4,296
Deferred income tax recovery *(Note 15.1, Note 15.2)*	**(331)**	(550)
Total income tax expense, net	**3,384**	3,746
Net earnings	**$ 1,262**	$ 5,982
Attributable to:		
Non-controlling interest	**$ (128)**	$ (76)
Equity holders of FTG	**$ 1,390**	$ 6,058
Earnings per share, attributable to the equity holders of FTG		
Basic *(Note 13.4)*	**$ 0.06**	$ 0.27
Diluted *(Note 13.4)*	**$ 0.06**	$ 0.25

See accompanying notes.

Consolidated Statements of Comprehensive Income

(in thousands of Canadian dollars)	Years ended November 30, 2020	November 30, 2019
Net earnings	**$ 1,262**	$ 5,982
Other comprehensive earnings (loss) to be reclassified to net earnings in subsequent periods:		
Change in foreign currency translation adjustments	**(296)**	(308)
Net gain (loss) on valuation of derivative financial instruments designated as cash flow hedges *(Note 17.1, Note 17.2)*	**3,803**	(644)
Deferred income taxes	**(950)**	161
	2,557	(791)
Total comprehensive income	**$ 3,819**	$ 5,191
Attributable to:		
Equity holders of FTG	**$ 3,902**	$ 5,278
Non-controlling interest	**$ (83)**	$ (87)

See accompanying notes.

Consolidated Statements of Changes in Shareholders' Equity

Years ended November 30, 2020 and November 30, 2019

(in thousands of Canadian dollars)	Common shares	Preferred shares	Retained earnings	Contributed surplus	Accumulated other comprehensive income (loss)	Total	Non-controlling interest	Total equity
	Attributed to the equity holders of FTG							
Balance, November 30, 2018	$ 19,323	$ 2,218	$ 11,687	$ 8,672	$ (774)	$ 41,126	$ 1,181	$ 42,307
Net earnings (loss)	-	-	6,058	-	-	6,058	(76)	5,982
Stock-based compensation *(Note 13.3)*	-	-	-	261	-	261	-	261
Other comprehensive loss	-	-	-	-	(780)	(780)	(11)	(791)
Balance, November 30, 2019	$ 19,323	$ 2,218	$ 17,745	$ 8,933	$ (1,554)	$ 46,665	$ 1,094	$ 47,759
Net earnings (loss)	-	-	1,390	-	-	1,390	(128)	1,262
Stock-based compensation *(Note 13.3)*	-	-	-	130	-	130	-	130
Transfer from contributed surplus to share capital for PSU's exercised *(Note 13.1)*	760			(760)	-	-	-	-
Common shares repurchase and issue on exercise of PSU's *(Note 13.1)*	(420)	-	-	-	-	(420)	-	(420)
Common shares issued on exercise of option to convert Preferred shares into Common shares *(Note 13.1, Note 13.2)*	2,218	(2,218)	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	2,512	2,512	45	2,557
Balance, November 30, 2020	$ 21,881	$ -	$ 19,135	$ 8,303	$ 958	$ 50,277	$ 1,011	$ 51,288

See accompanying notes.

Consolidated Statements of Cash Flows

	Years ended	
(in thousands of Canadian dollars)	**November 30, 2020**	November 30, 2019
Net inflow (outflow) of cash related to the following:		
Operating activities		
Net earnings	**$ 1,262**	$ 5,982
Items not affecting cash and cash equivalents:		
Stock-based compensation *(Note 13.3)*	**130**	261
Conversion of preferred shares *(Note 13.2)*	**155**	-
Gain on disposal of plant and equipment *(Note 8)*	**(302)**	(53)
Effect of exchange rates on US dollar debt	**(292)**	24
Depreciation of plant and equipment *(Note 8)*	**4,367**	3,764
Depreciation of right-of-use assets *(Note 4, Note 10)*	**1,615**	-
Amortization of intangible assets *(Note 9)*	**581**	1,128
Amortization, other	**45**	12
Impairment of intangible assets *(Note 9)*	**1,145**	-
Investment tax credits/deferred income taxes *(Note 14.2, Note 15.1, Note 15.2)*	**2,295**	877
Accretion on lease liabilities *(Note 4, Note 10)*	**556**	-
Net gain (loss) on valuation of derivative financial instruments designated as cash flow hedges, net of taxes *(Note 17.1, Note 17.2)*	**2,853**	(483)
Net change in non-cash operating working capital *(Note 16)*	**1,369**	395
	15,779	11,907
Investing activities		
Additions to plant and equipment *(Note 8)*	**(3,219)**	(3,069)
Acquisition of Colonial Circuits Inc., net of cash acquired *(Note 6)*	**-**	(3,817)
Recovery (additions) of contract and other costs	**56**	(11)
Additions to deferred financing costs *(Note 11.1)*	**(28)**	-
Proceeds from disposal of plant and equipment *(Note 8)*	**324**	53
	(2,867)	(6,844)
Net cash flow from operating and investing activities	**12,912**	5,063
Financing activities		
Proceeds from bank debt *(Note 11.2)*	**3,309**	-
Repayments of bank debt	**(2,056)**	(2,031)
Lease liability payments *(Note 4, Note 10)*	**(1,845)**	-
Repurchase of common shares on exercise of PSU's *(Note 13.1)*	**(420)**	-
Payment on conversion of preferred shares *(Note 13.2)*	**(155)**	-
	(1,167)	(2,031)
Effects of foreign exchange rate changes on cash flow	**(360)**	(411)
Net increase in cash flow	**11,385**	2,621
Cash and cash equivalents, beginning of the year	**7,647**	5,026
Cash and cash equivalents, end of year	**$ 19,032**	$ 7,647
Disclosure of cash payments		
Payment for interest	**$ 197**	$ 306
Payments for income taxes	**$ 1,779**	$ 1,750

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, its subsidiaries and its joint venture (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., FTG Aerospace Inc., and FTG Circuits Fredericksburg Inc. (acquired in fiscal 2019 – refer to Note 6), 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.
- FTG Circuits Fredericksburg Inc. was incorporated in the State of Virginia, U.S.A. (Note 6)
- 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 in the consolidated financial statements.

In July, 2019, the Corporation through its subsidiary - Firan Technology Group (USA) Corporation, acquired all of the outstanding shares of Colonial Circuits Inc., incorporated in the State of Virginia, U.S.A. In December 2019, Colonial Circuits Inc. name was changed to FTG Circuits Fredericksburg Inc. (Note 6).

These consolidated financial statements were approved for issuance by the Board of Directors on February 10, 2021.

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 (loss) ("OCI"). These consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of the Corporation's assets and settlement of liabilities as they come due in the normal course of business.

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. ("USD")
- FTG Aerospace Tianjin Inc.'s and the JV's functional currency is the Chinese Renminbi ("RMB").

All financial information is presented in Canadian dollars and has been rounded to the nearest thousand dollars except where noted and per share amounts and number of shares.

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, unless otherwise noted.

3.1 Basis of consolidation

The consolidated financial statements comprise the financial statements of FTG, its subsidiaries and its JV as at November 30, 2020 and 2019. The Corporation controls the JV and its results were consolidated in the consolidated financial statements.

Profit or loss and each component of 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 upon consolidation. For any new acquisitions, the results of operations are reflected from the date of acquisition.

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 statements of financial position 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. 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 foreign currency translation adjustments (“FCTA”) and are included in other comprehensive income (loss). On disposal of part or all of the foreign operations, the proportionate share of the related cumulative gains and losses previously recognized as 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 design 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 multiple months. The Corporation’s revenue recognition methodology is determined on a contract-by-contract basis.

Step in model	Revenue from sale of products	Revenue from engineering services
Identify the contract	The contractual arrangement executed with the client, specifying the timing, scope and compensation.	The contractual arrangement executed with the client, specifying the timing, scope and compensation.
Identify distinct performance obligations	Contracts may include multiple performance obligations.	Contract may include multiple performance obligations.
Estimate transaction price	Fixed price is established in contracts with variability associated with price escalation/incentive features.	Fixed price established in contract. Change orders due to changes in scope or unexpected costs are accounted for as contract modifications prospectively.
Allocate transaction price to performance obligations	Total revenue is allocated to performance obligations based on their relative stand-alone selling price.	The transaction price is clearly identified in the contract and is allocated to each performance obligation based on the relative fair value of products and services rendered.
Recognize revenue as Performance obligations are satisfied	Revenue for performance obligations related to delivery of product is recognized at a point in time once control passes to the customer (defined by contractual terms). Revenue for performance obligations related to providing support services is recognized over the term of the service.	Revenue is recognized over time, as the work performed enhances assets controlled by the customer. Progress towards completion is based on costs incurred as a percentage of total expected costs to complete the project.

Performance Obligation
A performance obligation is a contractual promise with a customer to transfer a distinct good or service and is the unit of account for revenue recognition.

Transfer of control of delivered products is determined when title is transferred as per the individual contract terms. The Corporation accounts for contracts with customers when it has approval and commitment from both parties, each party's rights have been identified, payment terms are defined, the contract has commercial substance and collection is probable. Contracts that do not meet the criteria for over time recognition are recognized at a point in time.

The Corporation recognizes revenue over time using the input method, which recognizes revenue as performance of the contract progresses. Input methods recognize revenue on the basis of an entity's efforts or inputs toward satisfying a performance obligation (for example, resources consumed, labour hours expended, costs incurred, time lapsed, or machine hours used) relative to the total expected inputs to satisfy the performance obligation. The estimation of revenue and costs-to-complete is complex, subject to variables and requires significant judgement. The contract value may include fixed amounts, variable amounts or both.

Other Considerations:

- The sale of consignment products are recognized on notification that the product has been used, at which point the performance obligation associated with those products is considered to be satisfied and control of the goods is transferred to the customer.
- The Corporation typically provides warranties for general repairs of defects that existed at the time of sale, as required by law. These assurance-type warranties are not separate performance obligations and are accounted for under IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*.
- The Corporation estimates variable consideration at the most likely amount to which the Corporation expects to be entitled. The estimated variable amount is included in the transaction price to the extent that it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. The estimation of variable consideration is largely based on assessment of the Corporation's historical, current and forecasted information that is reasonably available.
- The Corporation does not have contracts with any significant financing components.

Contract balances (related to revenue from engineering services)
Contract assets include unbilled amounts typically resulting from sales under long-term contracts when over time method of revenue recognition is utilized and revenue recognized exceeds the amount billed to the customer, and right to payment is not just subject to the passage of time. Amounts may not exceed their net realizable value. Contract assets are generally classified as current.

Contract liabilities consist of advance payments and billings in excess of revenue recognized and deferred revenue. Contract assets and liabilities are reported in a net position on a contract by-contract basis at the end of each reporting period. Advance payments and billings in excess of revenue recognized are classified as current or noncurrent based on the timing of when revenue is expected to be recognized.

The Corporation disaggregated revenue recognized from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. Refer to note on segmental information for the disclosure on disaggregated revenue.

3.4 Segment reporting

Management has determined 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 before interest and income taxes.

3.5 Government assistance and loans

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, and are recognized as income over the life of the depreciable asset. Repayable grants and interest-bearing loans are treated as sources of financing and are recognized as borrowings on the consolidated statements of financial position. Forgiveness of loans is recognized upon legal notice from the lender.

3.6 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.

3.7 Plant and equipment

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

3.8 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.

3.9 Impairment of non-financial 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.

3.10 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 (loss).

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 assets and 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; and,
- 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.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probably that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. 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.

3.11 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.

3.12 Financial instruments

The Corporation recognizes financial assets and financial liabilities ("financial instruments") on the date the Corporation becomes a party to the contractual provisions of the instruments. A financial asset is derecognized either when the Corporation has transferred substantially all the risks and rewards of ownership of the financial asset or when cash flows expire. A financial liability is derecognized when the obligation specified in the contract is discharged, cancelled or expired.

The Corporation's financial instruments include cash and cash equivalents, accounts receivables, contract assets, accounts payable and accrued liabilities, contract liabilities, bank debt, and other non-derivative and derivative financial assets and liabilities.

The classifications of financial instruments are typically determined at the time of initial recognition and are recognized at fair value, plus attributable transaction costs where applicable. Subsequent to initial recognition, financial instruments are classified and measured as described below.

Financial liabilities at fair value through profit or loss
Cash and cash equivalents, and derivatives instruments (that are not part of an effective and designated hedging relationship) are classified as financial instruments at fair value through profit or loss and are measured at fair value with changes recognized in the consolidated statement of earnings. Cash equivalents are short-term investments with initial maturities of three months or less. Transaction costs incurred to acquire financial instruments are expensed in the period incurred.

Financial liabilities at fair value through other comprehensive income
The Corporation manages its foreign currency and interest rate exposures through the use of derivative financial instruments. The Corporation's policy is not to utilize derivative instruments for trading or speculative purposes. The Corporation's derivative instruments that are part of an effective and designated hedging relationship are presented on the consolidated statements of financial position as

financial assets when the fair value is positive and as financial liabilities when the fair value is negative. The unrealized gains or losses related to changes in fair value are reported in other comprehensive income (loss). Amounts recognized as other comprehensive income (loss) are transferred to the consolidated statements of earnings when the hedged transaction is realized/settled.

Financial instruments carried at amortized cost
Financial instruments in this category include accounts receivables, contract assets, accounts payable and accrued liabilities, contract liabilities, and bank debt. Financial instruments are recorded initially at fair value and, in the case of financial assets and liabilities carried at amortized cost, adjusted for directly attributable transaction costs. Accounts receivables and contract assets include originated non-derivative financial assets with fixed or determined payments that are not quoted in an active market and are subsequently measured at amortized cost and is computed using the effective interest rate method less any allowance for impairment. The effective interest rate accretion is included within the interest expense in the consolidated statements of earnings.

Impairment
The expected credit loss impairment model applies to financial assets carried at amortized cost. The model uses a dual measurement approach, under which the loss allowance is measured as either twelve month expected credit losses or at the lifetime expected credit losses. The Corporation applies the simplified approach and records lifetime expected losses on accounts receivables and contract assets based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. If in a subsequent year, the amount of the estimated impairment loss increases or decreases due to an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or decreased by adjusting the carrying value of the financial assets. If a past write-off is later recovered, the recovery is recognized in the consolidated statements of earnings.

3.13 Leases

At inception of a contract, the Corporation assesses whether the contract is, or contains, a lease. A contract is a lease if the contract conveys the right to control the use of an identified asset. The Corporation assesses whether:

- the contract involves the use of an identified asset;
- it has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use; and
- it has the right to direct the use of the asset.

Lease accounting
The Corporation records a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at costs, consisting of:

- the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date; plus
- any initial direct costs incurred; and
- an estimate of costs to dismantle and remove the underlying asset or restore the site on which it is located, less
- any lease incentives received.

The right-of-use asset is typically depreciated on a straight-line basis over the lease term, unless the Corporation expects to obtain ownership of the leased asset at the end of the lease. The lease term consists of:

- the non-cancellable period of the lease;
- periods covered by options to extend the lease, where it is reasonably certain to exercise the option; and
- periods covered by options to terminate the lease, where it is reasonably certain not to exercise the option.

If the Corporation expects to obtain ownership of the leased asset at the end of the lease, the right-of-use asset will be depreciated over the underlying asset's estimated useful life. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Corporation's incremental borrowing rate. The lease liability is subsequently measured at amortized cost using the effective interest rate method.

Lease payments included in the measurement of the lease liability include:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or rate;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that is reasonably certain to be exercised, lease payments in an optional renewal period if they are reasonably certain to be exercised as an extension option, and penalties for early termination of a lease unless it is reasonably certain that the lease will not be terminated early.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the amount expected to be payable under a residual value guarantee, or if there is a change in the assessment of whether or not the purchase, extension or termination option will be exercised. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset.

The lease liability is also remeasured when the underlying lease contract is amended. When there is a decrease in contract scope, the lease liability and right-of-use asset will decrease relative to this change with the difference recorded in net income prior to the remeasurement of the lease liability.

Variable lease payments
Certain leases contain provisions that result in differing lease payments over the term as a result of market rate reviews or changes in the Consumer Price Index (CPI) or other similar indices. The Corporation reassess the lease liabilities related to these leases when the index or other data is available to calculate the change in lease payments.

Certain leases require us to make payments that relate to property taxes, insurance, and other non-rental costs. These non-rental costs are typically variable and not dependent on index and rate and are not included in the calculation of the right-of-use asset or lease liability.

Significant estimates and judgements

The Corporation determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend or terminate the lease. The lease term is estimated by considering

the facts and circumstances that can create an economic incentive to exercise an extension option, or not exercise the termination option. Both qualitative and quantitative assumptions are considered when deriving the value of the economic incentive.
The Corporation makes judgments in determining whether a contract contains an identified asset. The identified asset should be physically distinct or represent substantially all of the capacity of the asset, and should provide the Corporation with the right to substantially all of the economic benefits from the use of the asset.

Judgments are made by the Corporation in determining the incremental borrowing rate used to measure the lease liability for each lease contract, including an estimate of the asset-specific security impact. The incremental borrowing rate should reflect the interest rate that the Corporation would have to pay to borrow at a similar term and with a similar security.

Certain of the Corporation’s leases contain extension or renewal options. At lease commencement, the Corporation assesses whether it will be reasonably certain to exercise any of the extension options based on its expected economic return from the lease. The Corporation periodically reassesses whether it will be reasonably certain to exercise the options and accounts for any changes at the date of the reassessment.

3.14 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.

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.

3.15 Share capital

Common Shares and Preferred Shares are classified as equity. Transaction costs directly attributable to the issue of Common Shares are recognized as a deduction from equity, net of any income taxes.

3.16 Share based payments – share units

In April 2013, the shareholders of the Corporation approved the Share Unit Plan (the “Share Unit 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 recognized as compensation expense in the consolidated statement of earnings, with a corresponding charge to contributed surplus in the consolidated statements of financial position, over the vesting period. These awards may be settled by issuing Common Shares from treasury or by purchasing from the open market.

3.17 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.

3.18 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 and other) 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 (loss).

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 been highly effective throughout the financial reporting periods for which they were designated.

Hedge effectiveness is tested at each reporting date. Hedges that meet the strict criteria for hedge accounting are accounted for as follows:

Amounts recognized as other comprehensive income (loss) are transferred to the consolidated statements of earnings when the hedged transaction is realized/settled.

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.

Derivative financial instruments which represent the Corporations hedging relationships have been recognized and measured under IAS 39 *Financial Instruments: Recognition and Measurement*, and not under IFRS 9. Management has chosen to continue assessing the effectiveness of its hedged relationships and measure these instruments under IAS 39 until the IASB completes its project on accounting for macro hedging project.

3.19 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. 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.

3.20 Determination of fair value

Fair value is determined based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is measured using the assumptions that market participants would use when pricing an asset or liability. Fair value is determined by using quoted prices in active markets for identical or similar assets or liabilities. When quoted prices in active markets are not available, fair value is determined using valuation techniques that maximize the use of observable inputs. When observable valuation inputs are not available, significant judgment is required to determine fair value by assessing the valuation techniques and valuation inputs. The use of alternative valuation techniques or valuation inputs may result in a different fair value.

4. NEW AND AMENDED INTERNATIONAL FINANCIAL REPORATING STANDARDS

New and Amended International Financial Reporting Standards Adopted in 2020
The Corporation has adopted the new and amended pronouncements issued by IFRS and the International Financial Reporting Interpretations Committees ("IFRIC") as listed below as at December 1, 2019, in accordance with the transitional provisions outlined in the respective standards.

Leases

Effective December 1, 2019, the Corporation adopted IFRS 16, Leases ("IFRS 16"), replacing IAS 17, *Leases* ("IAS 17"), IFRIC 4, *Determining whether an Arrangement Contains a Lease* ("IFRIC 4"), SIC-15, *Operating Leases-Incentives* and SIC-27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

IFRS 16 introduced a single on-balance sheet model for lessees unless the underlying asset is of low value and recognition exemption applied. A lessee is required to recognize, on its statement of financial position, a right-of-use asset, representing its right to use the underlying leased asset, and a lease liability, representing its obligation to make lease payments. As a result of adopting IFRS 16, the Corporation recognized a $13,764 increase to assets and liabilities, respectively, on the interim condensed consolidated statement of financial position. Subsequent to the adoption, operating costs decrease due to the removal of rent expense for leases, depreciation and amortization expense increases due to depreciation of right-of-use assets, and finance costs increase due to accretion of the lease liability.

The Corporation adopted IFRS 16 under the modified retrospective approach and did not restate the comparatives for 2019. Also, on adoption of the modified retrospective approach, the impact on opening retaining earnings was immaterial. At transition, the Corporation applied the practical expedient available to the Corporation as lessee that allows the continuation of the lease assessments under IAS 17 and IFRIC 4 for existing contracts. Therefore, the definition of a lease under IFRS 16 was applied only to contracts existing as at December 1, 2019 and not expiring before November 30, 2020.

For leases that were classified as operating leases under IAS 17, lease liabilities at transition have been measured at the present value of remaining lease payments, discounted at the incremental borrowing rate as at December 1, 2019. Right-of-use assets at transition have been measured at an amount equal to the corresponding lease liabilities, adjusted for any prepaid or accrued rent relating to that lease.

When applying IFRS 16 to leases previously classified as operating leases, the following practical expedients were applied:

- used a single discount rate to a portfolio of leases with similar characteristics;
- used hindsight in determining the lease term where the contract contains extensions, or termination options;
- relied upon our assessment of whether leases are onerous under the requirements of IAS 37, *Provisions, Contingent Liabilities and Contingent Assets* as at November 30, 2019 as an alternative to reviewing our right-of-use assets for impairment; and
- excluded short-term leases or low-value leases.

There were no such contracts in which the Corporation is the lessor.

Prior to adopting IFRS 16, the total minimum operating lease commitments as at November 30, 2019 were $9,645 which also included $1,045 for lease commitments considered out of scope for IFRS 16. The weighted average discount rate applied to the total lease liabilities recognized on transition was 4.0%. The difference between the total of the minimum lease payments set out in *Note 17* related to the amounts as at November 30, 2019 and the total lease liabilities recognized on transition was a result of:

- the effect of discounting on the minimum lease payments;
- effect of including extension options in determining the lease term where the contract contained extensions, where the exercise of that option by the lessee (FTG) is reasonably certain based on hindsight; and
- the exclusion of short-term leases.

5. USE OF SIGNIFICANT ESTIMATES AND JUDGEMENTS

The preparation of consolidated financial statements in accordance with IFRS requires the use of certain critical accounting estimates, judgements and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities at the end of the reporting 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 below:

Expected credit losses

Accounts receivable are stated after evaluation as to their collectability and an appropriate provision for expected credit losses to be incurred is made, where considered necessary.

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 judgements that take into account current market prices, current economic trends and past experience in the measurement of net realizable value.

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.

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 acquisitions (if any), the Corporation may acquire product designs, process know-how and customer contracts. An intangible asset is recorded in the consolidated statements of financial position with respect to these assets. This asset is 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.

Warranties

The Corporation typically provides warranties for general repairs of defects that existed at the time of sale, as required by law. These assurance-type warranties are not separate performance obligations and are accounted for under IAS 37.

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. 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.

COVID-19

In March 2020, the World Health Organization characterized the novel coronavirus (“COVID-19”) as a global pandemic and extraordinary actions have been taken by international, federal, state and provincial governmental authorities to contain and combat the spread of COVID-19 in regions throughout the world. The COVID-19 outbreak and related public health measures, including orders to shelter-in-place, travel restrictions and mandated business closures, have adversely affected workforces, organizations, consumers, economies, and financial markets globally, leading to an economic downturn and increased market volatility. The extent of the impact of COVID-19 on the Corporation’s operational and financial performance will depend on certain developments, including the duration of the outbreak, impact on the Corporation’s customers and its sales cycles, and impact on the Corporation’s employees.

The economic downturn and uncertainty caused by the COVID-19 outbreak and measures undertaken to contain its spread continue to negatively affect all of the Corporation’s operations to some extent and, in particular, and has caused volatility in demand for the Corporation’s products and services targeted to the commercial aerospace market. The Corporation continues to evaluate the current and potential impact of the COVID-19 outbreak on its business, results of operations and consolidated financial statements.

(in thousands of Canadian dollars except where noted and per share amounts)

6. ACQUISITION OF COLONIAL CIRCUITS INC.

On July 15, 2019, the Corporation acquired all of the outstanding shares of Colonial Circuits Inc. ("Colonial"), for a consideration of USD $2,927 or $3,817, net of cash acquired. The acquisition price was paid in cash. This transaction has significant strategic benefit to the Corporation as it is expected to complement FTG's existing facilities, add capacity to the Corporation's circuit segment, allow for rebalancing of production amongst facilities and increase FTG's market share through new technological offerings and new customers.

The Colonial acquisition was accounted for by the Corporation as a business combination under IFRS 3. Under this method, the identifiable assets acquired and liabilities assumed are measured at their acquisition date fair values.

Included in the consolidated statement of earnings are revenues and earnings before income taxes of approximately $3,600 and $400, respectively, related to the Colonial acquisition for the period from July 15, 2019 to November 30, 2019. If the transaction had taken place on December 1, 2018, revenues and earnings before income taxes would have been approximately $8,400 and $300, respectively related to the Colonial acquisition.

The transaction costs associated with the acquisition totaling $153 were expensed during the year ended November 30, 2019 and were included in selling, general and administrative expenses.

Acquired identifiable intangible assets include customer relationships, which are being amortized over a period of 5 years.

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:

	Colonial
Total purchase price:	
Cash paid for acquisition	**$4,281**
Total purchase price to allocate	**$4,281**
Fair value of assets acquired and liabilities assumed:	
Cash	**$464**
Accounts receivable	**862**
Inventories	**704**
Prepaid expenses and other	**29**
Plant and equipment	**2,443**
Intangible assets	**626**
Accounts payable and accrued liabilities	**(581)**
Deferred income tax liability, net	**(266)**
Net assets acquired	**$4,281**

(in thousands of Canadian dollars except where noted and per share amounts)

7. INVENTORIES

	November 30, 2020	November 30, 2019
	$	$
Raw materials and spare parts	**6,730**	7,636
Work-in-progress	**8,638**	9,812
Finished goods	**3,936**	4,542
	19,304	21,990

The cost of inventories recognized as an expense during the year ended November 30, 2020 was $70,307 (2019 – $78,788). This amount also included $2,025 (2019 – $2,752) 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, 2019	**47,274**	**432**	**6,028**	**53,734**
Additions during the year	**3,093**	**8**	**118**	**3,219**
Disposals during the year	**(400)**	**-**	**(15)**	**(415)**
Foreign exchange impact	**(276)**	**(6)**	**(29)**	**(311)**
November 30, 2020	**49,691**	**434**	**6,102**	**56,227**
Accumulated depreciation:				
November 30, 2019	**35,771**	**385**	**3,748**	**39,904**
Depreciation during the year	**3,725**	**33**	**609**	**4,367**
Disposals during the year	**(390)**	**-**	**(5)**	**(395)**
Foreign exchange impact	**(255)**	**(5)**	**(29)**	**(289)**
November 30, 2020	**38,851**	**413**	**4,323**	**43,587**
Net book value:				
November 30, 2020	**10,840**	**21**	**1,779**	**12,640**

(in thousands of Canadian dollars except where noted and per share amounts)

	Machinery and equipment $	Furniture and fixtures $	Leasehold improvements $	Total $
Cost:				
November 30, 2018	43,397	429	5,331	49,157
Additions during the year	2,496	-	573	3,069
Acquisitions during the year *(Note 6)*	2,301	4	138	2,443
Disposals during the year	(918)	-	-	(918)
Foreign exchange impact	(2)	(1)	(14)	(17)
November 30, 2019	47,274	432	6,028	53,734
Accumulated depreciation:				
November 30, 2018	33,523	353	3,203	37,079
Depreciation during the year	3,169	33	562	3,764
Disposals during the year	(911)	-	-	(911)
Foreign exchange impact	(10)	(1)	(17)	(28)
November 30, 2019	35,771	385	3,748	39,904
Net book value:				
November 30, 2019	11,503	47	2,280	13,830

Included in machinery and equipment as at November 30, 2020 are $1,795 (November 30, 2019 – $1,262) and included in leasehold improvements as at November 30, 2020 are $nil (November 30, 2019 – $20) of assets under construction which are not yet available for use. Accordingly, these assets are not being depreciated.

For the year ended November 30, 2020, the Corporation recorded a net gain on disposal of plant and equipment of $302 (2019 – $53) which primarily resulted from casualty insurance proceeds for replacement of certain plant and equipment impacted by a fire in the third quarter of fiscal 2020 at one of the operating divisions in the US. The facility has been fully operational and remediation has been completed.

All of the Corporation’s credit facilities with its primary lender are secured by a first charge on all of the Corporation’s assets.

(in thousands of Canadian dollars except where noted and per share amounts)

9. INTANGIBLE AND OTHER ASSETS, NET

9.1 Intangible and other assets, net

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

	Intangible assets
	$
Cost	
November 30, 2019	**6,520**
Foreign exchange impact	**(147)**
November 30, 2020	**6,373**
Accumulated amortization	
November 30, 2019	**4,205**
Amortization during the year	**581**
Impairment during the year *(Note 9.2)*	**1,145**
Foreign exchange impact	**(133)**
November 30, 2020	**5,798**
Net book value	
November 30, 2020	**575**

	Intangible assets
	$
Cost	
November 30, 2018	5,887
Acquisitions during the year *(Note 6)*	626
Foreign exchange impact	7
November 30, 2019	6,520
Accumulated amortization	
November 30, 2018	3,079
Amortization during the year	1,128
Foreign exchange impact	(2)
November 30, 2019	4,205
Net book value	
November 30, 2019	2,315

Intangible assets have an unamortized remaining period of approximately one to four years as at November 30, 2020 (approximately two to five years as at November 30, 2019).

As at November 30, 2020, other assets include non-current value added taxes recoverable of $281 (2019 – $270) and deferred development costs of $212 (2019 – $279).

9.2 Impairment of intangible assets

In the first quarter of fiscal 2020, the Corporation had determined that the carrying value of intangible assets recognized following the acquisition of the Teledyne PCT business in July, 2016, exceeded its recoverable amount as of February 28, 2020 by an amount of $1,145, which was charged as impairment of intangible assets in the consolidated statement of earnings during the first quarter of fiscal 2020. The recoverable amount was determined through a value in use analysis of the present value of the future cash flows to be derived from the relevant cash-generating unit.

(in thousands of Canadian dollars except where noted and per share amounts)

10. RIGHT-OF-USE ASSETS, LEASE LIABILITIES

10.1 Right-of-use assets

	Buildings $	Equipment $	Total $
At December 1, 2019	**13,671**	**93**	**13,764**
Addition	**-**	**89**	**89**
Depreciation	**(1,563)**	**(52)**	**(1,615)**
Disposal and other	**-**	**(8)**	**(8)**
Foreign currency translation	**(98)**	**(2)**	**(100)**
At November 30, 2020	**12,010**	**120**	**12,130**

10.2 Lease liabilities

The majority of the Corporation's leases relate to the rental of manufacturing facilities. The Corporation has included the renewal options in the measurement when it is reasonably certain to exercise the renewal option.

The following table presents a summary of the activity related to the Corporation's lease liabilities:

	Lease liabilities $
At December 1, 2019	13,764
Additions	89
Accretion on lease liabilities	556
Payments	(1,845)
Foreign exchange and other	(95)
At November 30, 2020	**12,469**
Less current portion	**(1,810)**
	10,659

The following table presents the contractual undiscounted cash flows for lease obligations as of November 30, 2020:

	Amount $
Less than one year	**1,826**
One to five years	**5,640**
Over five years	**8,303**
	15,769

Expenses for short-term leases and leases of low-dollar value items are not material. There are no variable lease payments which are not included in the measurement of lease obligations. All extension options have been considered in the measurement of lease obligations.

11. BANK DEBT

11.1 Bank debt

In July, 2020, the Corporation entered into an amended and restated two-year committed credit facility with a major financial institution, which will expire in July, 2022. The amended credit facility is a U.S. $20.0 million committed revolving credit facility consisting of a U.S. $10.0 million operating credit for working capital purposes and a U.S. $10.0 million term credit to fund capital expenditures. The credit facility includes the following terms:

- U.S. $10,000 two-year committed operating revolving loan facility ("Operating Loan 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 $10,000 or the Canadian dollar equivalent.
- U.S. $10,000 two-year revolving loan facility ("Capital Loan Facility") to refinance new and used plant and equipment up to 90% of the invoice cost by way of a combination of bank loans, LIBOR's and or BA's.
- U.S. $72,000 foreign exchange forward contracts for the purchase of contracts with a maximum contract terms of U.S. $24,000 or the Canadian dollar equivalent for up to twelve months, U.S. $24,000 or the Canadian dollar equivalent for up to twenty four months and U.S. $24,000 or the Canadian dollar equivalent for up to thirty six months, available to hedge foreign currency exposure *(Note 17.2)*.
- U.S. $2,000 precious metal forward contracts for the purchase of contracts with a maximum aggregate face value of U.S. $2,000 or the equivalent in major currencies with a maximum contract term of twenty four months, available to hedge risk on raw materials *(Note 17.2)*.
- U.S. $400 or the Canadian dollar equivalent MasterCard limit available to issue corporate business expense cards for employees of the Corporation.
- U.S. $10,000 swap line for the utilization of interest rate swaps with a maximum aggregate face value of U.S. $10,000 *(Note 17.2).*

In any event, all the advances are repayable under the lending facility still outstanding at the end of the two years from the closing date of July, 2020. The lending facility is secured by a first charge on all assets of the Corporation.

The total financing charges for the credit facility renewal were $28, and are amortized over the two year term of the facility. The unamortized deferred financing charges of $28 as at November 30, 2020 (November 30, 2019 – $12) have been offset against bank debt in the consolidated statement of financial position.

As the lending facility was scheduled to be renewed in the fiscal 2020, the entire bank debt was classified as current as at November 30, 2019.

As at November 30, 2020, the Corporation had entered into three (November 30, 2019 – four) interest rate swaps. The details and effects of the interest rate swaps are disclosed in *Note 17.2 – Interest rate swaps.*

The Corporation's credit facilities as described above are subject to certain covenants with which it was in full compliance as at November 30, 2020.

(in thousands of Canadian dollars except where noted and per share amounts)

Bank debt, pursuant to the amended credit facility, consists of the following:	**November 30, 2020 $**	November 30, 2019 $
5.0 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. Principal as at November 30, 2020 was US $1,083 or Cdn. $1,404 (November 30, 2019 – US $1,452 or Cdn. $1,929). In July 2016, the Corporation had entered into an IRS 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%.	**1,404**	1,929
5.0 year US $1,500 term loan, amortized over 7 years, repayable in equal monthly principal payments of approximately US $18 plus interest at LIBOR rate plus 215 basis points. Principal as at November 30, 2020 was US $857 or Cdn. $1,111 (November 30, 2019 – US $1,071 or Cdn. $1,424). In February 2018, the Corporation had entered into an IRS to hedge the USD interest payments of the US $1,500 term loan over the seven year term at a fixed rate of 2.81% plus applicable margin of 215 basis points for an aggregate fixed interest rate of 4.96%.	**1,111**	1,424
5.0 year US $1,000 term loan, amortized over 7 years, repayable in equal monthly principal payments of approximately US $12 plus interest at LIBOR rate plus 215 basis points. Principal as at November 30, 2020 was US $619 or Cdn. $803 (November 30, 2019 – US $762 or Cdn. $1,012). In April 2018, the Corporation had entered into an IRS to hedge the USD interest payments of the US $1,000 term loan over the seven year term at a fixed rate of 2.93% plus applicable margin of 215 basis points for an aggregate fixed interest rate of 5.08%.	**803**	1,012
5.0 year US $4,000 term loan, has been fully repaid	**-**	1,063
	3,318	5,428
Less: deferred financing charges	**(28)**	(12)
	3,290	5,416
Less: current portion (amounts due within one year)	**(942)**	(5,416)
	2,348	-

11.2 Paycheck Protection Program Loans

In May, 2020, the Corporations' US subsidiaries, FTG Circuits Inc., FTG Aerospace Inc., and FTG Circuits Fredericksburg Inc., closed on an unsecured bank debt guaranteed under the Paycheck Protection Program ("PPP") in the total amount of U.S. $2,369 or $3,309 ("PPP Loans") as part of the Coronavirus Aid, Relief, and Economic Security ("CARES") Act of the U.S. Government. The PPP Loans specifically support the ongoing payroll costs and certain operating costs of these subsidiaries, bear interest at a fixed rate of 1% per annum, and have a maturity date of two years from the date of advance. PPP Loans require blended monthly principal and interest payments. PPP Loans may be forgiven in whole or in part, to the extent permitted in accordance with the applicable provisions of the CARES Act.

(in thousands of Canadian dollars except where noted and per share amounts)

PPP loans:	**November 30, 2020 $**	November 30, 2019 $
Opening balance	**-**	-
PPP loans received	**3,309**	-
Foreign exchange impact and other	**(204)**	-
Ending balance	**3,105**	-
Less: current portion (amounts due within one year)	**(1,989)**	-
	1,116	-

Subsequent to the year ended November 30, 2020, U.S. $1,032 or $1,352 of the PPP loans were fully forgiven.

12. PROVISIONS

	Years ended	
	November 30, 2020 $	November 30, 2019 $
Product warranties:		
Opening balance	**661**	538
Arising during the year	**402**	413
Utilized during the year	**(229)**	(290)
Closing balance	**834**	661
Employee termination		
Opening balance	**285**	311
Arising during the year	**257**	423
Utilized during the year	**(491)**	(449)
Closing balance	**51**	285
Total	**885**	946

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.

Employee termination

In fiscal 2020, employee termination provisions were recognized for certain post-employment costs for two senior employees. In fiscal 2019, employee termination provisions were recognized for certain post-employment costs for three senior employees.

(in thousands of Canadian dollars except where noted and per share amounts)

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, 2020 and November 30, 2019:

	November 30, 2020		November 30, 2019	
	Number of Common shares	**Amount $**	Number of Common shares	Amount $
Outstanding, beginning of the year	**22,716,201**	**19,323**	22,716,201	19,323
Transfer from contributed surplus to share capital for PSU's exercised	**-**	**760**	-	-
Common shares repurchase and issue on exercise of PSU's	**-**	**(420)**	-	-
Common shares issued on exercise of option to convert Preferred shares into Common shares	**1,775,000**	**2,218**	-	-
Outstanding, end of the year	**24,491,201**	**21,881**	22,716,201	19,323

13.2 Preferred shares issued and outstanding

In October 2020, 1,775,000 Preferred Shares, were converted into Common Shares on a one-for-one basis upon exercise of the convertible option by the preferred shareholder. Holder of Series 1 Preferred Shares was 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 was 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. As a result of the conversion, the Corporation has nil voting convertible Series 1 Preferred Shares outstanding as at November 30, 2020 (November 30, 2019 – 1,775,000). In connection with this transaction, the Board of Directors of the Corporation approved a payment of $155 to the holder of the Preferred Shares, who is a related party, for conversion of Preferred Shares, which has been expensed in the consolidated statements of earnings during fiscal 2020.

13.3 Contributed surplus

	Years ended	
	November 30, 2020 $	November 30, 2019 $
Balance, beginning of the year	**8,933**	8,672
Stock-based compensation during the year	**130**	261
Transfer to share capital for PSU's exercised	**(760)**	-
Balance, end of the year	**8,303**	8,933

(in thousands of Canadian dollars except where noted and per share amounts)

13.4 Earnings per share

	Years ended November 30, 2020	Years ended November 30, 2019
Numerator		
Net earnings	**$ 1,262**	$ 5,982
Net (loss) attributable to non-controlling interests	**(128)**	(76)
Net earnings attributable to equity holders of FTG	**$ 1,390**	$ 6,058
Numerator for basic earnings per share - net earnings applicable to Common Shares	**$ 1,390**	$ 6,058
Numerator for diluted earnings per share - net earnings applicable to Common Shares	**$ 1,390**	$ 6,058
Denominator		
Denominator for basic earnings per share - weighted average number of Common Shares outstanding	**22,953,838**	22,716,201
Effect of dilutive securities:		
Number of Preferred Shares	**1,537,363**	1,775,000
Number of PSU's	**148,808**	206,944
Denominator for diluted earnings per share - weighted average number of Common Shares outstanding and assumed conversions	**24,640,009**	24,698,145
Earnings per share data attributable to the equity holders of FTG		
Basic earnings per share	**$ 0.06**	$ 0.27
Diluted earnings per share	**$ 0.06**	$ 0.25

The Corporation has nil voting convertible Series 1 Preferred Shares outstanding as at November 30, 2020 (2019 – 1,775,000). The Corporation has 108,750 and 206,944 PSU's outstanding as at November 30, 2020 and 2019, respectively. The PSU's were included in calculating diluted earnings per share for the year ended November 30, 2020 as the Corporation had net earnings. The convertible Series 1 Preferred Shares and PSU's were included in calculating diluted earnings per share for the year ended November 30, 2019 as the Corporation had net earnings.

13.5 Stock-based compensation to employees

Share units – PSUs

The following is a continuity of the changes in the number of PSU's outstanding for the years ended November 30, 2020 and November 30, 2019:

	November 30, 2020		November 30, 2019	
	Number of PSU's	**Weighted average grant price**	Number of PSU's	Weighted average grant price
Outstanding, beginning of year	**206,944**	**$ 4.00**	187,361	$ 4.12
Granted	**100,000**	**2.15**	22,500	3.01
Exercised	**(184,444)**	**(4.12)**	-	-
Forfeited	**(13,750)**	**(2.66)**	(2,917)	(4.12)
Outstanding, end of year	**108,750**	**$ 2.26**	206,944	$ 4.00

(in thousands of Canadian dollars except where noted and per share amounts)

During the year ended November 30, 2020, the Corporation granted 100,000 PSUs (2019 – 22,500), 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 or by purchasing from the open market.

As at November 30, 2020, nil of the 108,750 outstanding PSUs had vested/exercisable (as at November 30, 2019, 184,444 of the 206,944 outstanding PSUs had vested/exercisable).

The Corporation recognized stock-based compensation expense in the consolidated statement of earnings of $130 during the year ended November 30, 2020 (2019 – $261).

PSU's outstanding and exercisable as at November 30, 2020 and November 30, 2019 are as below:

November 30, 2020						
Number of PSU's	**Grant price per PSU $**	**Vesting**	**Expiry date**	**Weighted-average remaining contractual life**	**Weighted-average exercise price per PSU $**	**Number exercisable**
14,375	**3.01**	**2019-2021**	**2021**	**1.0 years**	**-**	**-**
94,375	**2.15**	**2020-2022**	**2022**	**2.0 years**	**-**	**-**
108,750						**-**

November 30, 2019						
Number of PSU's	Grant price per PSU $	Vesting	Expiry date	Weighted-average remaining contractual life	Weighted-average exercise price per PSU $	Number exercisable
184,444	4.12	2017-2019	2019	0.0 years	-	184,444
22,500	3.01	2019-2021	2021	2.0 years	-	-
206,944						184,444

13.6 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, and bank debt.

The managed capital as at November 30, 2020 of $56,672 is comprised of total equity attributable to FTG's shareholders of $50,277 and bank debt of $6,395. The managed capital as at November 30, 2019 of $52,081 is comprised of total equity attributable to FTG's shareholders of $46,665 and bank debt of $5,416.

The Corporation manages its capital structure and makes adjustments to it as necessary, taking into account the economic conditions, the risk characteristics of the underlying assets and the Corporation's working capital requirements. In order to maintain or adjust its capital structure, the Corporation, may increase or repay long-term debt, issue shares, or undertake other activities as deemed appropriate under the specific circumstances. The Board of Directors review and approve any material transactions out of the ordinary course of business, including proposals on acquisitions or other major investments or divestitures, as well as capital and operating budgets. There were no changes in the Corporation's approach to capital management during the year.

(in thousands of Canadian dollars except where noted and per share amounts)

The Corporation does not currently have a policy to pay a dividend. 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.

14.2 Investment Tax Credits Recoverable

The Corporation has, as at November 30, 2020, $1,359 (November 30, 2019 – $3,035) of Canadian investment tax credits ("ITCs") available to be applied against future taxes payable in Canada which are due to expire between 2030 and 2038.

15. INCOME TAX EXPENSE

15.1 Deferred Income Tax Assets

	November 30, 2020	November 30, 2019
	$	$
Accounting income before tax	**4,646**	9,728
Statutory tax rate	**25%**	25%
	1,161	2,432
Change in benefits not recognized	**1,640**	1,017
Deferred tax recovery on Colonial acquisition	**-**	(266)
Loss expired in current year	**293**	-
Foreign tax rate differences	**(77)**	38
Permanent differences and differences between Canadian and foreign tax rates	**204**	420
Withholding tax	**-**	73
State income taxes	**6**	32
Change in tax rate	**52**	-
Book to filing adjustment	**105**	-
Tax provision	**3,384**	3,746
The gross movement on the net deferred income tax asset account is as follows:	**$**	$
Opening balance, net	**(573)**	(1,018)
Deferred tax on Colonial acquisition	**-**	(266)
Recovered (charged) to earnings during the year	**331**	550
Recovered in other comprehensive income (loss) during the year	**(950)**	161
Closing balance, net	**(1,192)**	(573)

(in thousands of Canadian dollars except where noted and per share amounts)

The movement in net deferred income tax assets/liabilities during fiscal 2020 is as follows:

	Balance as at December 1, 2019	**Recovered (charged) to earnings**	**Charged to other comprehensive income**	**Balance as at November 30, 2020**
	$	**$**	**$**	**$**
Deferred income tax assets/liabilities, net:				
Tax losses carried forward	**6,116**	**1,369**	**-**	**7,485**
SR&ED deductible expenditures	**(59)**	**6**	**-**	**(53)**
Tax attributes - R&D Credits	**600**	**124**	**-**	**724**
Other temporary differences	**1,311**	**209**	**(950)**	**570**
Excess of unamortized intangibles for tax purposes over net book value	**(444)**	**309**	**-**	**(135)**
Excess of undepreciated capital cost for tax purposes over net book value of capital assets	**(285)**	**(393)**	**-**	**(678)**
Lease liabilities	**-**	**3,059**	**-**	**3,059**
Right-of-use assets	**-**	**(2,975)**		**(2,975)**
Deferred income tax assets not recognized	**(6,515)**	**(1,770)**	**-**	**(8,285)**
Deferred tax payable on investment tax credit recoverable	**(1,297)**	**393**	**-**	**(904)**
	(573)	**331**	**(950)**	**(1,192)**

The movement in net deferred income tax assets/liabilities during fiscal 2019 is as follows:

	Balance as at December 1, 2018	Deferred tax on Colonial acquisition	Recovered (charged) to earnings	Recovered in other comprehensive income	Balance as at November 30, 2019
	$	$	$	$	$
Deferred income tax assets/liabilities, net:					
Tax losses carried forward	4,360	-	1,756	-	6,116
SR&ED deductible expenditures	(188)	-	129	-	(59)
Tax attributes - R&D Credits	502	-	98	-	600
Other temporary differences	2,269	223	(1,342)	161	1,311
Excess of unamortized intangibles for tax purposes over net book value	(608)	-	164	-	(444)
Excess of undepreciated capital cost for tax purposes over net book value of capital assets	(234)	(489)	438	-	(285)
Deferred revenue	129		(129)	-	-
Deferred income tax assets not recognized	(5,498)	-	(1,017)	-	(6,515)
Deferred income tax assets	732	(266)	97	161	724
Deferred tax payable on investment tax credit recoverable	(1,750)	-	453	-	(1,297)
	(1,018)	(266)	550	161	(573)

(in thousands of Canadian dollars except where noted and per share amounts)

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 of November 30, 2020, U.S. gross tax loss carry-forwards of approximately U.S. $21,955 or $28,465 (November 30, 2019 – U.S. $16,607 or $22,069), of which U.S. $14,269 or $18,500 are due to expire between 2030 and 2038 and the remaining U.S. $7,686 or $9,965 have indefinite life. No deferred income tax asset has been recorded in respect of these losses.

In addition, the Corporation has, as at November 30, 2020, China gross tax loss carry-forwards of approximately $808 (November 30, 2019 – $1,600), which are due to expire between 2022 and 2025. No deferred income tax asset has been recorded in respect of these losses.

The Corporation has, as at November 30, 2020, capital loss carry-forwards of approximately $19,312 (November 30, 2019 – $18,845), 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, net

	Years ended	
	November 30, 2020 $	November 30, 2019 $
Income tax expense/(recovery):		
Current tax expense – in earnings during the year	**3,715**	4,296
Deferred tax expense (recovery) – in earnings during the year	**62**	(97)
Deferred tax (recovery) (ITCs) – charged to earnings during the year	**(393)**	(453)
Deferred tax expense (recovery) – in other comprehensive income (loss) during the year	**950**	(161)
	4,334	3,585

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, 2020 was 25% (2019 – 25%) which was based on projected annualized Manufacturing and Processing rates.

(in thousands of Canadian dollars except where noted and per share amounts)

16. NET CHANGE IN NON-CASH OPERATING WORKING CAPITAL

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

	Years ended	
	November 30, 2020	November 30, 2019
	$	$
Accounts receivable and contract assets	**3,781**	(1,947)
Taxes recoverable	**-**	189
Inventories	**2,745**	3,345
Prepaid expenses and other	**(1,595)**	71
Contract liabilities	**172**	(1,750)
Accounts payable and accrued liabilities, and provisions	**(3,249)**	410
Income tax payable	**(485)**	77
	1,369	395

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 an active market 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, 2020 and November 30, 2019.

Level 2: Valuation Techniques with Observable Parameters: The financial instruments held by the Corporation in this level included cash, accounts receivable, contract assets, accounts payable and accrued liabilities and provisions, contract liabilities, bank debt, foreign exchange forward contracts, gold forward contracts and interest rate swaps as at November 30, 2020 and November 30, 2019.

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, 2020 and November 30, 2019.

There were no transfers between levels during the period. 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, contract assets, accounts payable and accrued liabilities, and contract liabilities:

The Corporation determined that the fair value of its short-term financial assets and liabilities approximates their respective carrying value as at the consolidated statements of financial position dates because of the short-term maturity of those instruments.

Bank debt:

The fair value of bank debt bearing interest at variable rates approximates its carrying value as interest rate charges fluctuate with changes in the bank's prime rate.

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, 2020. The forward current value (fair value) of these financial instruments as at November 30, 2020 had an net unrealized gain of $1,569 (an unrealized gain on foreign exchange forward contracts of $1,680, and an unrealized gain on gold forward contracts of $19, offset by an unrealized loss on interest rate swaps of $130), and included in other comprehensive income (loss), net of $392 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, 2019 had an net unrealized loss of $2,234 (an unrealized loss on foreign exchange forward contracts of $2,127, and an unrealized loss on gold forward contracts of $30, and an unrealized loss on interest rate swaps of $77), and included in other comprehensive income (loss), net of $558 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 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 three (November 30, 2019 – four) interest rate swaps as at November 30, 2020.

Based on the value of interest bearing financial instruments for the year ended November 30, 2020, an assumed 50 basis points increase in interest rates during such year would have decreased earnings before income taxes by $9 (year ended November 30, 2019 – decrease of $3), 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; and also a significant portion of the headcount and operations are in now located in United States, providing a natural economic hedge for a portion of the Corporation's currency exposure. The foreign exchange loss for the reporting periods is set out in the table below:

	Years ended	
	November 30, 2020 **$**	November 30, 2019 $
Realized loss relating to financial assets and liabilities, excluding foreign exchange contracts	**1,122**	759
Realized (gain) loss relating to foreign exchange contracts	**(80)**	26
Foreign exchange loss	**1,042**	785

In addition, net realized loss for foreign exchange forward contracts designated as cash flow hedges that were settled during the year ended November 30, 2020 of $1,082 (year ended November 30, 2019 – net realized loss of $387 was recorded in 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 periods presented that were denominated in U.S. dollars, is set out in the table below:

			November 30, 2020	November 30, 2019
(In thousands of U.S. dollars)	**Canadian and other operations** **$**	**U.S. operations** **$**	**Consolidated financial statements** **$**	Consolidated financial statements $
Cash	**9,041**	**2,513**	**11,554**	4,103
Accounts receivable	**8,520**	**4,285**	**12,805**	15,082
Accounts payable and accrued liabilities	**(2,466)**	**(4,480)**	**(6,946)**	(6,591)
Total bank debt	**(2,559)**	**(2,395)**	**(4,954)**	(4,085)
Consolidated statements of financial position exposure, excluding financial derivatives	**12,536**	**(77)**	**12,459**	8,509
Reporting date Cdn.$:U.S.$ exchange rate			**1.2965**	1.3289

			Years ended	
			November 30, 2020	November 30, 2019
(In thousands of U.S. dollars)	**Canadian and other operations** **$**	**US operations** **$**	**Total** **$**	Total $
Net sales	**47,513**	**27,203**	**74,716**	80,699
Operating expenses	**(14,908)**	**(32,788)**	**(47,696)**	(47,078)
Net exposure	**32,605**	**(5,585)**	**27,020**	33,621

With all variables remaining constant, assuming a 1% strengthening of the Canadian dollar versus the U.S. dollar, net earnings before tax for the years ended November 30, 2020 and November 30, 2019 would decrease as follows in the tables below. An assumed 1% weakening of the Canadian dollar versus the U.S. dollar would have had an equal but opposite effect on the amounts shown below.

	Years ended			
			November 30, 2020	November 30, 2019
Source of net earnings/loss variability from changes in foreign exchange rates *(In thousands of U.S. dollars)*	**Canadian and other operations $**	**US operations $**	**Total $**	Total $
Consolidated statements of financial position exposure, excluding financial derivatives	**(125)**	**1**	**(124)**	(85)
Net sales and operating expenses (net exposure)	**(326)**	**56**	**(270)**	(336)
Net exposure	**(451)**	**57**	**(394)**	(421)

The Corporation also holds RMB arising from its Circuits and Aerospace facilities in the People's Republic of China. Total consolidated statements of financial position exposure as at November 30, 2020 was RMB 3,609,002 or Cdn. $711 (November 30, 2019 – RMB 4,464,403 or Cdn. $844) including a short term deposit with a financial institution with maturity of less than 1 year an amount of RMB 2,538,900 or Cdn. $500 (November 30, 2019 – RMB 2,500,000 or Cdn. $472). With all variables remaining constant, assuming a 1% strengthening of the Canadian dollar versus the RMB, net earnings before tax for the years ended November 30, 2020 and November 30, 2019 would decrease by approximately $7 and $8, respectively. An assumed 1% weakening of the Canadian dollar versus the USD would have had an equal but opposite effect on these amounts.

Derivative Financial Instruments and Hedge Accounting

Foreign exchange forward contracts

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 thirty six months as at November 30, 2020 and November 30, 2019:

Currency sold	Currency bought	Notional value	Forward value at transaction date	Forward current value	Unrealized gain (loss)
November 30, 2020					
U.S. dollars	**Canadian dollars**	**$54,000**	**$71,730**	**$70,050**	**$1,680**
November 30, 2019					
U.S. dollars	Canadian dollars	$45,000	$57,645	$59,772	($2,127)

As at November 30, 2020 and 2019, the foreign exchange forward contracts (contracts to sell foreign currency) are designated as cash flow hedges, all of which was recognized in other comprehensive income (loss) and prepaid expenses and other, accounts payable and accrued liabilities. This net unrealized gain in other comprehensive income (loss) is expected to be realized through net earnings on the consolidated statements of earnings over the next thirty six months when the sales are recorded.

(in thousands of Canadian dollars except where noted and per share amounts)

Gold forward contracts

As at November 30, 2020, in addition to the foreign exchange forward contracts per above, the Corporation had an outstanding commitment to buy 600 ounces of gold (November 30, 2019 – 600 ounces of gold) under gold forward contracts at a contract price of approximately $2.28 per ounce (2019 – $1.93) expiring quarterly from December 2020. 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 gain (loss)
November 30, 2020	**Gold forward contract**	**600 ounces**	**$1,366**	**$1,385**	**$19**
November 30, 2019	Gold forward contracts	600 ounces	$1,157	$1,127	($30)

As at November 30, 2020 and 2019, the gold forward contracts are designated as a cash flow hedges, all of which was recognized in other comprehensive income (loss) and prepaid expenses and other, accounts payable and accrued liabilities. This unrealized gain in other comprehensive income (loss) is expected to be reclassified to the consolidated statements of earnings over the next twelve months when the cost of sales are recorded.

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 as at November 30, 2020 retained in other comprehensive income (loss) related to these contracts are expected to be recognized through net earnings on the consolidated statement of earnings in fiscals 2021, 2022 and 2023.

Interest rate swaps

In December 2015, the Corporation entered into an interest rate swap to hedge the U.S. dollar interest payments of the term loan (5.0 year U.S. $4,000 term loan, amortized over 5 years, repayable in equal monthly principal payments of approximately U.S. $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. The interest rate swap has been discharged in November 2020 as the term loan matured in November 2020 and was fully repaid. The forward current value (fair value) of the interest rate swap as at November 30, 2019 had an unrealized gain of $1 which was included in other comprehensive income (loss) and prepaid expenses and other.

In July 2016, the Corporation entered into an interest rate swap to hedge the U.S. dollar interest payments of the term loan (7.0 year U.S. $2,600 term loan, amortized over 7 years, repayable in equal monthly principal payments of approximately U.S. $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, 2020 had an unrealized loss of $21 which is included in other comprehensive income (loss) and accounts payable and accrued liabilities. 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, 2019 had an unrealized gain of $10 which was included in other comprehensive income (loss) and prepaid expenses and other.

(in thousands of Canadian dollars except where noted and per share amounts)

In February 2018, the Corporation entered into an interest rate swap to hedge the U.S. dollar interest payments of the term loan (7.0 year U.S. $1,500 term loan, amortized over 7 years, repayable in equal monthly principal payments of approximately U.S. $18 plus interest at LIBOR rate plus 215 basis points) over the seven year term at a fixed rate of 2.81% plus applicable margin of 215 basis points for an aggregate fixed interest rate of 4.96%. 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, 2020 had an unrealized loss of $60 (November 30, 2019 - unrealized loss of $48 which is included in other comprehensive income (loss) and accounts payable and accrued liabilities.

In April 2018, the Corporation entered into an interest rate swap to hedge the U.S. dollar interest payments of the term loan (7.0 year U.S. $1,000 term loan, amortized over 7 years, repayable in equal monthly principal payments of approximately U.S. $12 plus interest at LIBOR rate plus 215 basis points) over the seven year term at a fixed rate of 2.93% plus applicable margin of 215 basis points for an aggregate fixed interest rate of 5.08%. 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, 2020 had an unrealized loss of $49 (November 30, 2019 - unrealized loss of $40 which is included in other comprehensive income (loss) and accounts payable and accrued liabilities.

The table below summarizes the net unrealised gain related to interest rate swaps as at November 30, 2020 and November 30, 2019:

Year ended	**Nature of contracts**	**Net unrealized loss**
November 30, 2020	**Interest rate swaps**	**($130)**
November 30, 2019	Interest rate swaps	($77)

Credit risk

For the year ended November 30, 2020, the Corporation recorded a bad debts expense of $368 against trade receivable in selling, general and administrative expenses in the consolidated statements of earnings. For the year ended November 30, 2019, the Corporation recorded a bad debts expense of $1 against trade receivable in selling, general and administrative expenses in the consolidated statements of earnings. The Corporation considers that there has been a significant increase in credit risk when contractual payments are more than 120 days past due. The Corporation considers a receivable to be in default when contractual payments are 180 days past due. However, in certain cases, the Corporation may also consider a financial asset to be in default when internal or external information indicates that the Corporation is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Corporation.

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 20.8% and 9.3% of sales (2019 – 22.5% and 9.6%), respectively during year ended November 30, 2020. 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.

(in thousands of Canadian dollars except where noted and per share amounts)

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 to determine whether an adjustment to the provision for expected credit loss. The expected credit loss is charged against earnings. Shortfalls in collections are applied against this provision. Estimates for expected credit loss are determined on a portfolio basis taking into account any available relevant information on the portfolio's liquidity and market factors.

Accounts receivable of $16,795 as at November 30, 2020 included trade receivables of $16,526 and other receivables of $269. Accounts receivable of $21,085 as at November 30, 2019 included trade receivables of $20,537 and other receivables of $548.

The Corporation's exposure to credit risk for trade receivables as at November 30, 2020 and November 30, 2019 was as follows:

	November 30, 2020 $	November 30, 2019 $
By geographical area:		
Canada	**1,347**	2,228
United States	**13,581**	15,176
Asia	**1,892**	3,079
Europe	**531**	596
Trade receivables	**17,351**	21,079
Expected credit losses ("ECL")	**(825)**	(542)
Trade receivables, net of ECL	**16,526**	20,537
Aging by due dates:		
Current	**15,678**	18,775
Past due 31 to 120 days	**1,258**	1,636
Past due over 121 days	**415**	668
Trade receivables	**17,351**	21,079
ECL	**(825)**	(542)
Trade receivables, net of ECL	**16,526**	20,537

The movements in the ECL as follows:

	November 30, 2020 $	November 30, 2019 $
Opening balance	**542**	617
Provision expensed during the year	**368**	1
Doubtful accounts written off during the year	**(85)**	(76)
Closing balance	**825**	542

(in thousands of Canadian dollars except where noted and per share amounts)

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, 2020 and November 30, 2019:

					November 30, 2020	November 30, 2019
	Less than 1 year $	**1 to 2 years $**	**2 to 5 years $**	**More than 5 years $**	**Amount $**	Amount $
Bank debt[1] (committed facility) *(Note 11.1)*	**959**	**2,359**	**-**	**-**	**3,318**	5,428
Bank debt[2] PPP Loans *(Note 11.2)*	**2,048**	**1,024**			**3,072**	-
Accounts payable and accrued liabilities, and provisions	**14,789**	**-**	**-**	**-**	**14,789**	18,050
Contract liabilities	**388**	**-**	**-**	**-**	**388**	216
Lease liabilities *(Note 10.2)*	**1,826**	**1,664**	**3,976**	**8,303**	**15,769**	-
Operating leases	**329**	**159**	**117**	**-**	**605**	9,645
	20,339	**5,206**	**4,093**	**8,303**	**37,941**	33,339

1. Bank debt as at November 30, 2020 is offset by $28 for deferred financing charge ($12 as at November 30, 2019).

2. Bank debt as at November 30, 2020 includes $70 for accretion of interest ($nil as at November 30, 2019), offset by $37 for amortization of government grant ($nil as at November 30, 2019).

Financial liabilities and obligations for future interest payments relating to bank debt are $141 for within 1 year, $84 for the second year, $55 in aggregate for years three, four and five and $nil after the fifth year.

(in thousands of Canadian dollars except where noted and per share amounts)

18. RELATED PARTY TRANSACTIONS

18.1 Advances due to/from related parties

There were no related party transactions during the years ended November 30, 2020 and 2019, except as disclosed in *Note 13.2*.

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, 2020	November 30, 2019
	$	$
Short-term remuneration benefits	**1,680**	1,661
Stock-based payment benefits	**168**	309
Severance benefits	**97**	226
	1,945	2,196

18.3 Key management personnel and director shareholdings

As at November 30, 2020, key management and directors of the Corporation control 12.3% (2019 – 11.8%) 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, 2020, wages, salaries and related benefits were $38,211 (2019 – $41,824).

During the second quarter of fiscal 2020, the Government of Canada announced the Canada Emergency Wage Subsidy ("CEWS") for Canadian employers whose businesses were affected by the COVID-19 pandemic. The CEWS provides a subsidy of up to 75% of eligible employees' employment insurable remuneration, subject to certain criteria.

During the year ended November 30, 2020, the Corporation received $3,221 in CEWS funding which was recorded as a reduction to cost of sales and expenses in the consolidated statement of earnings.

(in thousands of Canadian dollars except where noted and per share amounts)

20. COMMITMENTS AND CONTINGENCIES

Lease commitments

The Corporation has entered into commercial leases for certain equipment. Future minimum lease payments under non-cancellable operating leases are as follows:

	Amount $
2020	**329**
2021	**159**
2022	**74**
2023	**43**
2024	**-**
Thereafter	**-**
	605

Contingencies

In the ordinary course of business activities, the Corporation may be contingently liable for litigation and claims with, among others, customers, suppliers and former employees. Management believes that adequate provisions have been recorded in the accounts where required.

21. 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 maker. The chief operating decision maker of the Corporation is the President and Chief Executive Officer. The Corporation evaluates the financial performance of its operating segments primarily based on earnings 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:

(in thousands of Canadian dollars except where noted and per share amounts)

	Year ended November 30, 2020			
	Circuits	**Aerospace**	**Corporate Office**	**Total**
	$	**$**	**$**	**$**
Sales	**67,648**	**42,679**	**-**	**110,327**
Inter-company sales	**(1,824)**	**(6,068)**	**-**	**(7,892)**
Net sales	**65,824**	**36,611**	**-**	**102,435**
Cost of sales and selling, general and administrative expenses	**49,037**	**31,617**	**3,069**	**83,723**
Research and development costs	**4,755**	**529**	**-**	**5,284**
Recovery of investment tax credits	**(520)**	**(215)**	**-**	**(735)**
Depreciation of plant and equipment	**3,402**	**796**	**169**	**4,367**
Depreciation of right-of-use assets	**798**	**776**	**41**	**1,615**
Amortization of intangible assets	**134**	**447**	**-**	**581**
Impairment of intangible assets	**-**	**1,145**	**-**	**1,145**
Foreign exchange loss (gain) on conversion of assets and liabilities	**977**	**(160)**	**225**	**1,042**
Earnings (loss) before interest and income taxes	**7,241**	**1,676**	**(3,504)**	**5,413**
Interest expense on bank debt, net	**-**	**-**	**211**	**211**
Accretion on lease liabilities	**348**	**204**	**4**	**556**
Income tax expense	**-**	**-**	**3,384**	**3,384**
Net earnings (loss)	**6,893**	**1,472**	**(7,103)**	**1,262**

	Year ended November 30, 2019			
	Circuits	Aerospace	Corporate Office	Total
	$	$	$	$
Sales	72,988	48,701	-	121,689
Inter-company sales	(1,546)	(7,490)	-	(9,036)
Net sales	71,442	41,211	-	112,653
Cost of sales and selling, general and administrative expenses	51,730	37,470	3,581	92,781
Research and development costs	4,038	808	-	4,846
Recovery of investment tax credits	(403)	(266)	-	(669)
Depreciation of plant and equipment	2,866	792	106	3,764
Amortization of intangible assets	194	934	-	1,128
Foreign exchange loss (gain) on conversion of assets and liabilities	536	365	(116)	785
Earnings (loss) before interest and income taxes	12,481	1,108	(3,571)	10,018
Interest expense on bank debt	-	-	290	290
Income tax expense	-	-	3,746	3,746
Net earnings (loss)	12,481	1,108	(7,607)	5,982

(in thousands of Canadian dollars except where noted and per share amounts)

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, 2020			As at November 30, 2019		
	Circuits	**Aerospace**	**Total**	Circuits	Aerospace	Total
	$	**$**	**$**	$	$	$
Total segment assets	**59,577**	**27,099**	**86,676**	48,370	25,007	73,377
Intangible and other assets	**746**	**322**	**1,068**	1,098	1,766	2,864
Additions to plant and equipment	**2,890**	**329**	**3,219**	4,973	539	5,512
Total segment liabilities	**30,403**	**4,985**	**35,388**	20,996	4,652	25,618

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

	Canada	**United States**	**Asia**	**Europe**	**Other**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
Year ended November 30, 2020:						
Net sales (by location of customer)	**7,116**	**79,266**	**12,238**	**2,866**	**949**	**102,435**
Year ended November 30, 2019:						
Net sales (by location of customer)	9,346	83,102	15,266	3,721	1,218	112,653

	As at November 30, 2020					
	Canada	**United States**	**Asia**	**Europe**	**Other**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
Intangible and other assets (by location of division)	**212**	**575**	**281**	**-**	**-**	**1,068**
Plant and equipment (by location of division)	**6,335**	**4,621**	**1,684**	**-**	**-**	**12,640**

	As at November 30, 2019					
	Canada	United States	Asia	Europe	Other	Total
	$	$	$	$	$	$
Intangible and other assets (by location of division)	279	2,314	271	-	-	2,864
Plant and equipment (by location of division)	6,211	5,665	1,954	-	-	13,830

	Years ended	
The Corporation's primary sources of revenue are as follows	**November 30, 2020**	November 30, 2019
	$	$
Sale of goods	**100,960**	111,190
Services	**1,475**	1,463
	102,435	112,653

(in thousands of Canadian dollars except where noted and per share amounts)

Timing of revenue recognition based on transfer of control is as follows	Years ended **November 30, 2020** **$**	November 30, 2019 $
At a point of time	**100,960**	111,190
Over time	**1,475**	1,463
	102,435	112,653

During the year ended November 30, 2020, there were two customers in the U.S. that accounted for approximately 20.8% and 9.3% of the total net sales, respectively - the largest customer accounted for $21,340 of net sales (of which 80.0% was in Circuits and the remaining 20.0% in the Aerospace segment) and the second largest customer accounted for $9,500 of net sales (of which 50.4% was in Circuits segment and the remaining 49.6% in the Aerospace segment).

During the year ended November 30, 2019, there were two customers in the U.S. that accounted for approximately 22.5% and 9.6% of the total net sales, respectively - the largest customer accounted for $25,350 of net sales (of which 84.0% was in Circuits and the remaining 16.0% in the Aerospace segment) and the second largest customer accounted for $10,850 of net sales (of which 88.1% was in Circuits segment and the remaining 11.9% in the Aerospace segment).

22. COMPARATIVE FIGURES

These consolidated financial statements have been re-classified, where applicable, to conform to the presentation format used in the current year. These changes have had no impact on prior year earnings.

CORPORATE DIRECTORY

DIRECTORS

Mike Andrade
Corporate Director and CEO, Morgan Solar

Bradley C. Bourne
President and Chief Executive Officer
Firan Technology Group Corporation

Edward C. Hanna
Corporate Director

Kumail Gangjee
Corporate Director and Private Investor

David F. Masotti
Corporate Director and Business Consultant

OFFICERS
Bradley C. Bourne
President and Chief Executive Officer
Firan Technology Group Corporation

Jamie Crichton
Vice-President, Chief Financial Officer and
Corporate Secretary
Firan Technology Group Corporation

CORPORATE HEAD OFFICE
Firan Technology Group Corporation
250 Finchdene Square
Toronto, Ontario M1X 1A5
Canada
Tel: 416-299-4000
Fax: 416-299-1140
Toll free: 1-800-258-5396
Website: www.ftgcorp.com

GENERAL COUNSEL
Blake Cassels & Graydon LLP
P.O. Box 25
Commerce Court West
Toronto, Ontario M5L 1A9
Canada

TRANSFER AGENT
AST Trust Company (Canada)
P.O. Box 700, Postal Station B
Montreal, QC H3B 3K3
Canada
Toll free: 1-800-387-0825
Email: inquiries@astfinancial.com

AUDITORS
MNP LLP
111 Richmond Street West
Suite 300
Toronto, Ontario M5H 2G4
Canada

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 20, 2021, 10:30am (Toronto Time)
The virtual-only format is accessible at the following LUMI managed virtual meeting URL https://web.lumiagm.com/479299356. The password to the meeting is "firan2021" (case sensitive). **Caution:** Internal network security protocols including firewalls and VPN connections may block access to the Lumi platform for your AGM. If you are experiencing any difficulty connecting or **watching the meeting**, ensure your VPN setting is disabled or use computer on a network not restricted to security settings of your organization

HEAD OFFICE:

Firan Technology Group Corporation
250 Finchdene Square
Toronto, Ontario M1X 1A5
Canada
Tel: 416-299-4000
Fax: 416-299-1140
Toll free: 1-800-258-5396
Website: www.ftgcorp.com

Circuits Facilities:

FTG Circuits – Toronto
250 Finchdene Square
Toronto, Ontario M1X 1A5
Canada
Tel: 416-299-4000
Fax: 416-299-1140
Toll Free: 1-800-258-5396

FTG Circuits – Chatsworth
20750 Marilla St.
Chatsworth, California
U.S.A. 91311
Tel: 818-407-4024
Fax: 818-407-4034

FTG Printronics Circuits Ltd.
Suite 209-210, Area A-1
No 53 Hanghai Rd.
Airport Industrial Park
Tianjin, P.R. China, 300308
Tel: 86-(0) 22-84918133

FTG Circuits – Fredericksburg
1026 Warrenton Road,
Fredericksburg, Virginia
U.S.A. 22406
Tel: 540-752-5511
Fax: 540-752-2109

Aerospace Facilities:

FTG Aerospace – Toronto
10 Commander Blvd.
Toronto, Ontario M1S 3T2
Canada
Tel: 416-438-6076
Fax: 416-438-8065

FTG Aerospace – Chatsworth
20736 & 20740 Marilla St.
Chatsworth, California
U.S.A. 91311
Tel: 818-407-4024
Fax: 818-407-4034

FTG Aerospace – Fort Worth
4084 Sandshell Drive
Fort Worth, Texas
U.S.A. 76137
Tel: 817-332-3980
Fax: 817-336-2759

FTG Aerospace – Tianjin
225 Jinger Road
Aviation Industry Zone
Building 2 Block 1-B
Tianjin Airport Economic Area
Tianjin, P.R. China, 300308
Tel: 86-(0) 22-84476268