



**FIRAN TECHNOLOGY GROUP
CORPORATION**

2018 AUDITED ANNUAL REPORT

CEO Message



2018 was the year of improving operating results as the year progressed and the challenges of the prior acquisitions were finally behind us.

We went into 2018 with a number of priority actions including getting some key development programs re-started in our Aerospace Toronto facility, resolving some production challenges in our Circuits Chatsworth facility, and improving our Aerospace Chatsworth facility operations as they digested the bulk of the acquired revenue from the 2016 acquisitions.

In Aerospace Toronto, the existing development programs did restart early in the year and this improved financial results as much of the engineering costs, which were being absorbed in 2017, were now engaged on customer funded programs. And as the year ended, three new programs were won, ensuring a continued source of funding for this team and increased production revenues in future years. And the first of our development programs obtained Transport Canada approval

in early 2019 with production orders already in place.

With regard to Circuits Chatsworth, the production challenges, in particular production yields, improved throughout the year and were back to our expected high levels by year end. This has enabled the site to return to high levels of performance to customers.

And finally, the biggest challenge was to improve performance at Aerospace Chatsworth both in terms of customer metrics but also improved financials. Each month and quarter saw actions taken to reduce costs due to outsourcing, expediting, overtime, and other transition costs. These actions were effective and great progress was made. Offsetting this was significantly higher inventory provisions in the year as we applied FTG's conservative inventory policy to the inventory acquired in 2016. While this was a drag on performance, it does ensure we maintain a clean balance sheet for the future. Overall this site was much improved as we exited 2018.

Across the company we were very pleased with our accomplishments and our improved financial results. Our profits were up, our EBITDA approached our targeted levels after the acquisitions, and as we reduced our R&D and capital expenditures to typical historic levels, our cashflow was exceptionally strong. Even as we reduced our investments, we began a program to implement robotic and Industry 4.0 technologies in our manufacturing processes.

Finally, a key element of FTG's strategy is our focus on Operational Excellence. In 2018, and in the coming years, we intend to develop 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.

Looking forward, the Aerospace and Defense markets remain strong. We are seeing organic growth opportunities across FTG. Our global footprint is a positive factor towards future growth. In 2018 we made significant progress in more deeply penetrating the simulation market, at all three FTG Aerospace sites and this also creates a future growth platform. There are also acquisition opportunities that could be of interest if they align with our product focus, and add strategic value.

Sincerely,

A handwritten signature in dark ink, appearing to be 'B Bourne', written over a light blue horizontal line.

Brad Bourne
President and CEO

February 6, 2019

**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, 2018 (fiscal 2018) is as of February 6, 2019 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 2018 and 2017, 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 6, 2019, 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. FTG Circuits has manufacturing operations in Toronto, Ontario, Canada and Chatsworth, California, USA. as well as a joint venture and sourcing arrangements with operating facilities in China. Its customers are technological and market leaders in the aviation, defence and other high technology industries.

FTG Aerospace designs and manufactures illuminated cockpit panels, keyboards, bezels, sub-assemblies and assemblies for original equipment manufacturers ("OEMs") of avionics products as well as for airframe manufacturers. FTG Aerospace has manufacturing operations in Toronto, Ontario, Canada as well as Chatsworth, California, USA. and Tianjin, China, and a combined engineering office & repair facility 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.

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

With these facilities in place in North America and China, FTG has completed some key strategic goals including expanding its presence in the large US aerospace and defense market, penetrating the rapidly growing Asian aerospace market, reducing its exposure to the ever changing value of the Canadian dollar, and becoming a more strategic supplier to many of its customers. FTG has become a truly global company with revenues coming from all geographic regions of the world and our current strategy is to 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 superior performance across the Corporation in recent years. FTG's biggest challenge has been maintaining stellar on time delivery performance in the face of rapidly growing demand and the transition of customer programs from PhotoEtch and Teledyne PCT to legacy facilities. 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.

RESULTS OF OPERATIONS FOR THE 2018 FISCAL YEAR

<i>(thousands of dollars except per share amounts)</i>	2018	2017
Sales	\$ 109,420	\$ 94,695
Net earnings – attributable to equity holders of FTG	2,875	1,269
Common and preferred shares, in aggregate (in thousands)	24,491	24,451
Net earnings per share – basic	\$0.13	\$0.06
Net earnings per share –diluted	\$0.12	\$0.05
Total assets	71,136	71,015
Total debt, net of cash	\$ 2,397	\$ 11,458

Business Highlights

FTG accomplished many goals in 2018 that continue to improve the Corporation and position it for the future, including:

- Achieved record annual sales of \$109.4 million, an increase of 15.5% over 2017.
- Secured the highest annual bookings in FTG history; booking \$120.7 million in orders during the current year versus \$100.0 million booked for in 2017.
- Grew Aerospace segment by 27.4% and Circuits segment by 8.4% over last year.
- Achieved record EBITDA of \$10.5 million, an increase of \$2.9 million or 38.2% over last year.
- Achieved net income of \$2.9 million and diluted earnings per share of \$0.12/share, an increase of 126.6% over 2017.
- Generated \$8.9 million in cash flow from operations, after investments in capital equipment and all development programs, compared to cash usage of \$0.9 million in 2017.
- Growing the revenue from the simulator market dramatically in 2018 to over 10% of total revenue as a result of:
 - A new multimillion dollar contract with FlightSafety for KC-46 simulator cockpit assemblies.
 - Ongoing simulator work with CAE for C-130 simulators.
 - New simulator work with CAE on a new military program for FTG Toronto and a new commercial program for FTG Tianjin.

- New simulator work with Rockwell’s simulation subsidiary in Tianjin.
 - Strengthened our cockpit product assembly business by:
 - Signing a contract amendment with Shanghai Avionics for C919 cockpit product assemblies valued at \$4 million USD and shipping first redesigned hardware for the flight test program.
 - Won three new cursor control device assemblies for use on air transport, business jet and rotary wing aircraft.
 - Completed qualification testing of a cursor control device for a helicopter program and a power supply for the LE-700 training aircraft in China.
 - Won a contract to develop cockpit panels for the Orion manned spacecraft being developed for NASA.
 - Received our first ever patent for High Temperature Rigid Flex circuit board technology in the UK.
- Completed our first robotic automation project including Industry 4.0 technology at our Circuits Toronto facility.

Sales

The following table compares net sales by reportable segment for fiscal 2018 and 2017.

<i>(thousands of dollars)</i>	2018	2017
Circuits	\$ 64,087	\$ 59,116
Aerospace	45,333	35,579
Net sales	\$ 109,420	\$ 94,695

Net sales for fiscal 2018 were \$109,420, an increase of \$14,725 or 15.5% from last year. Net sales in the Circuits Segment increased by \$4,971 or 8.4% and Aerospace Segment sales increased by \$9,754 or 27.4% during fiscal 2018 from last year.

First Quarter Sales

Sales for the first quarter of 2018 were \$27.5 million versus \$27.2 million for the same period in 2017; an increase of 1.3%.

The first quarter of 2018 was negatively impacted by certain operational issues within the Chatsworth facilities. These issues included: delays in production due to material shortages; customer qualification delays; scrap and reduced yields; and production process changes required to accommodate the use of new materials and build of new designs. These issues had a significant impact on sales in the first quarter.

Sales for the first quarter of 2017 were very strong and represented historical highs for the Corporation mainly due to the acquisition of selected assets and liabilities of Teledyne Technologies Incorporated (“Teledyne PCT”) during the third quarter of 2016 and the acquisition of substantially all of the assets of Airco Industries LLC (DBA PhotoEtch) (“PhotoEtch”) business during the second quarter of 2016.

Second Quarter Sales

Second quarter sales were \$28.9 million in 2018 versus \$25.5 million in 2017 representing an increase of 13.2%.

The second quarter also experienced a moderate slowdown in sales due to the aforementioned operational issues. However this was largely offset by the contributions of a few larger projects in Aerospace Toronto which ramped up during that quarter.

Strong sales continued into the second quarter of 2017 largely due to the incremental sales contributions of Teledyne PCT and PhotoEtch.

Third Quarter Sales

Typically FTG experiences reduced sales in the third quarter due to summer shutdowns and lower productivity due to holidays. In 2017, third quarter sales were \$19.1 million versus \$25.0 million in 2018; increasing 30.6% period-over-period.

The third quarter of 2018 was marginally impacted by the operational items experienced in the first half of the year and was further depressed by the lower production levels FTG typically sees during the summer months.

Third quarter results in 2017 were substantially below their current level as that quarter was largely devoted to the transition of work from Teledyne PCT's Hudson facility to legacy FTG sites in California.

Fourth Quarter Sales

Sales in the fourth quarter of 2018 bounced back from the seasonal depression experienced in the third quarter and were just slightly behind the second quarter's record high sales.

During 2017, the fourth quarter continued to be impacted by reduced production in both Chatsworth facilities due to the installation of equipment, transfer of inventory and transition of part production to legacy FTG facilities.

Foreign Currency Impact on Sales

During the year, sales were also negatively impacted by a strengthening of the Canadian dollar versus the US dollar which showed an incremental change of \$0.012 when compared to 2017. Sales during 2018 also included a net realized gain of \$45 (2017 – gain of \$201) on foreign exchange forward contracts ("f/x forward contracts"). These contracts were designated as cash flow hedges during the year ended November 30, 2018, which increased the sales and profitability in fiscal 2018.

Sales by Location

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

<i>(thousands of dollars)</i>	2018	%	2017	%
Canada	\$ 11,250	10.3	\$ 9,960	10.5
United States	75,231	68.7	68,865	72.7
Asia	17,589	16.1	10,467	11.1
Europe	4,299	3.9	4,390	4.6
Other	1,051	1.0	1,013	1.1
Total	\$ 109,420	100.0	\$ 94,695	100.0

As a result of increased activity at some key customers, net sales in Canada (\$1,290 or 13.0%), United States (\$6,366 or 9.2%), Asia (\$7,122 or 68.0%) and other locations (\$38 or 3.8%) are higher for fiscal 2018 as compared to last year. Net sales to Europe decreased by \$91 or 2.1% mainly as a result of variation in customer production rates.

Sales by Customer

The Corporation's top five customers represent 48.1% of net sales for fiscal 2018 as compared to 53.8% for the same period last year. The Corporation's two largest customers accounted for 16.6% (17.8% in 2017) and 10.5% (17.0% in 2017) of net sales for fiscal 2018.

Net Segment Sales

FTG Circuits Segment

Net sales for the FTG Circuits segment during fiscal 2018 were \$64,087, which represented an increase of \$4,971 or 8.4%. The increase in this segment was predominately due to strong sales at the Toronto Circuits facility which continued to experience significant organic growth and productivity gains and improved sales at the Chatsworth Circuits facility which continued with productivity and efficiency improvements to allow them to reduce their historic backlog.

While the first two quarters of 2018 lagged behind the same quarters in 2017 in FTG's Circuit segment; the second half of 2018 was considerable stronger then the same period in 2017.

The first quarter of 2018 included some setbacks in this segment due to operational issues experienced in Chatsworth Circuits operations and lower throughput in Circuits Toronto operations. In Chatsworth, the first quarter started off slowly due to the production issues reported in the last quarter of 2017. However, solid production rates and normalized scrap rates were achieved by the end of that quarter. Toronto throughput in the first quarter was impacted by a temporary dip in demand in December 2017 and their continued focus on the introduction of new materials, equipment and processes during the full quarter. The second quarter of 2018 was impacted to a lesser degree by the same issues that dampened sales in the first quarter but benefited from very strong sales for the Circuits segment largely due to productivity and efficiency improvements.

In contrast, the first two quarters of 2017 were historic highs for our Circuits segment due to the inclusion of full production from Teledyne PCT's Hudson facility plus organic growth in legacy FTG sites. However, the second half of 2017 was impacted by operational issues experienced at

the Circuits Chatsworth facility as they transitioned equipment, employees and production from Teledyne PCT's Hudson facility to FTG Chatsworth Circuits facility.

Net sales to the top five customers represented 57.0% of the FTG Circuits net segment sales for fiscal 2018 (57.2% in 2017).

A realized gain of approximately \$34 due to f/x forward contracts (net realized gain of approximately \$151 in 2017) was realized by the Circuits segment in fiscal 2018.

FTG Aerospace Segment

Net sales for the FTG Aerospace segment for fiscal 2018 were \$45,333, an increase of \$9,754 or 27.4%. The improvement in FTG Aerospace sales in fiscal 2018 over the prior year was predominately due to growth in the Aerospace Toronto facility whose sales nearly doubled year-over-year. These results have been bolstered by the strong organic growth and follow-on orders from the PhototEtch transaction during the period. Aerospace Tianjin also experienced significant growth improving by \$1,242 or 84.4% as they continue to grow existing customers and attract new customers to FTG's offshore offerings. These increases were dampened by lower Aerospace Chatsworth results, predominately in the first two quarters, due to operational issues experienced in that facility during that period including reduced shipments in February 2018 due to temporary component shortages.

Net sales to the top five customers represented 62.6% of the FTG Aerospace net segment sales for fiscal 2018 (59.7% in 2017).

Included in 2018 results for the Aerospace segment was a realized gain of approximately \$11 due to f/x forward contracts (net realized gains of approximately \$50 in 2017).

The Corporation continues to believe that the long-term fundamental market demand for its products remains strong and will continue to focus its efforts in these niche military and aerospace markets. With its enhanced global footprint and the ability to offer a low cost Asian content, the Corporation is in a strong position to continue to serve its customer base and focus on the key worldwide opportunities.

Gross Margin

In fiscal 2018, gross margin on a consolidated basis increased by \$2,137 or 9.2% to \$25,262 (23.1% of net sales) compared to \$23,125 (24.4% of net sales) over last year. Gross margin for the year was impacted by increases in Chatsworth inventory provisions related to the 2016 PhotoEtch and Teledyne PCT transactions, as well as some remaining transition related costs.

In the first quarter of 2018, and to a lesser degree in the second quarter, the anticipated improvements to FTG's gross margin and bottom line were slower to materialize as Chatsworth operations continued to work through the integration of Teledyne PCT production and address other operational issues. These items lead to decreased revenue in the first quarter, as discussed above, and increased costs during the first half of the year.

Results in the latter half of the 2017 and the first half of 2018 were also influenced by a conscious decision to prioritize customer delivery over cost savings. This commitment to mitigating the effect of our transition on our customers lead to some higher labour, outsourcing and material costs during the period. This combined with reduced production in the same quarters negatively affected FTG's

short term profitability. The requirement for these accommodations were necessary for the short-term but have been greatly reduced during the latter half of 2018.

Throughout fiscal 2017 and continuing into the first quarter of 2018, FTG also experienced a significant increase in engineering costs treated as period costs. Traditionally our Aerospace Toronto has been able to book a larger portion of their engineering related costs towards deferred development programs and recoverable customer engineering. Due to delays in certain programs, this was not the case for the last few quarters of 2017 and the start of 2018. During the second quarter of 2018, major projects started to come off hold and new programs came online. Therefore these amounts did not significantly impact profitability during the third and fourth quarter.

During fiscal 2018, the Aerospace segment accounted for \$2,395 of the gross margin increase. This increase was slightly mitigated by a decrease of \$258 in the Circuits segment.

Selling, General and Administrative Expenses

Selling, general and administrative expenses (“SG&A”) for fiscal 2018 were \$13,174 or 12.0% of net sales as compared to \$12,508 or 13.2% of net sales for 2017. This represents an increase of \$666 or 5.3% in 2018 over 2017. The increase in SG&A expense during the current year as compared to last year is mainly due to increases in performance compensation (due to better operating performance in the Canadian divisions as compared to the previous year); stock compensation expense (due to 2018 including a full year of stock compensation expense for the PSUs granted partway through 2017). These were offset by certain expenses not present in the current year but present in the same period last year which included some SG&A expenses from Teledyne PCT and some transitional items recorded in Chatsworth divisions related to the transfer of customers and production into legacy facilities in fiscal 2017.

Research and Development Costs

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

R&D costs for fiscal 2018 were \$4,740 or 4.3% of net sales as compared to \$6,497 or 6.9% of net sales for last year. This represents a decrease of \$1,757 or 27.0% in 2018 over the same period last year. R&D costs were higher in the prior period predominately due to transitional activity in our US operations and increased projects within our Toronto operations. US operations focused on process and product improvements as well as testing of new techniques and special materials. Toronto’s projects focused on new technology, process improvement and automation.

In fiscal 2018, the Corporation capitalized \$124 (2017 - \$152) in deferred development which included \$nil (2017 - \$140) related to the development of the C919 cockpit assemblies, \$82 (2017 - \$12) related to the development of cursor control device and \$42 (2017 - \$nil) related to other development programs.

Recovery of Research and Development Costs

Recoveries of research and development costs for fiscal 2018 were \$220 (2017 – \$220) from the Ontario Innovation Tax Credit (“OITC”) program.

Recovery of Investment Tax Credits

The Corporation records the tax benefit of investment tax credits (“ITCs”) when there is reasonable assurance that such credits will be realized. During fiscal 2018, the Corporation continues to demonstrate the future utilization of its investment tax credits in Canada which was based on additional positive evidence including a recent history of positive earnings and projections of future Canadian taxable income.

The Corporation has, as at November 30, 2018 - \$4,620 (November 30, 2017 - \$6,420) of Canadian investment tax credits available to be applied against future income taxes payable in Canada. The tax benefit of \$796 of these investment tax credits have been recognized as a recovery during the year ended November 30, 2018 (2017 - \$657).

Depreciation of Plant and Equipment

Depreciation of plant and equipment for fiscal 2018 was \$3,149 compared to \$2,933 for last year. The increase in depreciation of \$216 or 7.4% during fiscal 2018 as compared to the same period last year was due to timing of capital expenditures in the prior periods and the timing of assets being entered into service.

Amortization of Intangible Assets

Amortization of intangible assets for fiscal 2018 was \$1,049 as compared to \$1,107 for last year. The decrease in amortization of \$58 for fiscal 2018 as compared to the same period last year is due to certain smaller intangibles being fully amortized in 2017 and the effects of changes in the foreign exchange rates on the intangibles held in FTG’s US subsidiaries.

Interest Expense

Interest costs for fiscal 2018 increased slightly in the current year versus last year due increases in effective interest rates.

Restructuring Expenses

Restructuring expenses for fiscal 2018 was \$455 as compared to \$nil for last year. This related to certain post-employment costs for two senior divisional executives.

Foreign Exchange Gain

The foreign exchange gain for fiscal 2018 was \$75 compared to a foreign exchange gain of \$211 for last year. The foreign exchange gain for fiscal 2018 was mainly as a result of a net gain of \$15 (2017 – gain of \$313) on the re-valuation of the US dollar assets and liabilities on the respective balance sheets and net realized gain of \$60 (2017 – loss of \$102) on foreign exchange contracts. The foreign exchange gain for fiscal 2018 was lower as compared to the gains for the same period last year mainly due to the variance in average and year-end Canadian dollar as compared to US dollar exchange rates. The year-end Canadian dollar as compared to US dollar exchange rate increased by approximately 0.04 or 3.2% from 1.2888 as at November 30, 2017 to 1.3301 as at November 30, 2018 as compared to a decrease of approximately 0.05 or 4.0% from 1.3429 as at November 30, 2016 to 1.2888 as at November 30, 2017.

The table below includes the effect of the net realized gain (loss) on foreign exchange forward contracts on net sales. In 2018, a net realized gain of \$45 was recognized in sales with respect to

foreign exchange forward contracts designed as cash flow hedges; this compares to a net realized gain of \$201 in the same period of 2017.

<i>(thousands of dollars)</i>	2018	2017
Sales before adjustment for net realized loss on f/x forward contracts designed as cash flow hedges	\$ 109,375	\$ 94,494
Less: adjustment for net realized gain on hedged f/x forward contracts designed as cash flow hedges	45	201
Net sales	109,420	94,695
Costs of sales	81,143	68,754
Depreciation of plant and equipment	3,015	2,816
Total cost of sales	84,158	71,570
Gross margin	25,262	23,125
Gross margin %	23.1%	24.4%
Gross margin before f/x gain	\$ 25,217	\$ 22,924
Gross margin % before f/x gain	23.0%	24.2%

Income Tax Expense (Recovery)

During the year ended November 30, 2018, current income tax of \$3,230 (2017 – current income tax of \$1,525) was recognised in the consolidated statement of earnings which includes current income tax expense of \$3,159 (2017 - \$1,567) related to movement in deferred income tax assets and investment tax credits receivable, and expense of \$9 (2017 - \$4) related to taxes for the US subsidiaries, and withholding taxes of \$62 (2017 – recovery of \$46) related to source deductions on remittances from FTG Aerospace Tianjin Inc. to the Corporation.

During the year ended November 30, 2018, net deferred income tax expense of \$185 was recognised in the consolidated statement of earnings which included deferred income tax expense of \$25 related to the movement in deferred income tax assets and investment tax credits receivable, and the remaining deferred income tax expense of \$160 related to tax effect of recovery of investment tax credits. During the year ended November 30, 2017, net deferred income tax expense of \$765 was recognised in the consolidated statement of earnings which included deferred income tax expense of \$642 related to movement in deferred income tax assets and investment tax credits receivable, and the remaining deferred income tax expense of \$123 related to the tax effect of recovery of investment tax credits.

During the year ended November 30, 2018, deferred income tax (recovery) of (\$468) was recognised in other comprehensive income (loss) and offset against the investment tax credits receivable, which related to the change in the tax impact (25%) of the net unrealized (loss) of \$1,591 on derivative financial instruments designated as cash flow hedges as at November 30, 2018 as compared to the tax impact (25%) of net unrealized gain of \$282 on derivative financial instruments designated as cash flow hedges as at November 30, 2017.

During the year ended November 30, 2017, deferred income tax expense of \$290 was recognised in other comprehensive income (loss) and offset against the investment tax credits receivable, which related to the change in the tax impact (25%) of the net unrealized gain of \$282 on derivative financial instruments designated as cash flow hedges as at November 30, 2017 as compared to the tax impact (25%) of net unrealized (loss) of (\$876) on derivative financial instruments designated as cash flow hedges as at November 30, 2016.

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, 2018 was 25% (2017: 25%) which was based on projected annualized Manufacturing and Processing rates.

Net Earnings

The net earnings for fiscal 2018 were \$2,865 which included net earnings of \$2,875 attributable to equity holders of FTG, offset by net (loss) of (\$10) relating to non-controlling interests. The net earnings for fiscal 2018 attributable to equity holders of FTG translated into basic earnings per share of \$0.13 and diluted earnings per share of \$0.12.

The net earnings for fiscal 2017 were \$1,207 which included net earnings of \$1,269 attributable to equity holders of FTG, offset by net (loss) of (\$62) relating to non-controlling interests. The net earnings for fiscal 2017 attributable to equity holders of FTG translated into basic earnings per share of \$0.06 and diluted earnings per share of \$0.05.

OVERVIEW OF HISTORICAL QUARTERLY RESULTS

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

	Q1-17	Q2-17	Q3-17	Q4-17	Q1-18	Q2-18	Q3-18	Q4-18
Circuit Segment Sales	\$15,443	\$16,572	\$13,429	\$13,672	\$14,134	\$16,196	\$16,395	\$17,362
Aerospace Segment Sales	11,729	8,941	5,715	9,194	13,394	12,682	8,606	10,651
Total Net Sales	27,172	25,513	19,144	22,866	27,528	28,878	25,001	28,013
Earnings before income taxes	1,306	755	775	661	333	2,367	1,574	2,006
Net Earnings (Loss)	800	124	154	191	(293)	1,295	647	1,226
Per share: basic	\$0.04	\$0.01	\$0.01	\$0.01	(\$0.01)	\$0.06	\$0.03	\$0.06
Per share: diluted	\$0.03	\$0.01	\$0.01	\$0.01	(\$0.01)	\$0.05	\$0.03	\$0.05
Quarterly average CDN\$ US\$ exchange rates	\$1.3228	\$1.3476	\$1.2856	\$1.2544	\$1.2598	\$1.2847	\$1.3106	\$1.3011

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

The Corporation is exposed to foreign exchange fluctuations as the vast majority of sales are earned in US dollars, while a significant amount of operating expenses are incurred in Canadian dollars. The Corporation regularly enters into forward exchange contracts to sell excess US dollars generated from its Canadian operations.

Except for the first quarter of fiscal 2018, the Corporation was profitable during all quarters of fiscal 2018 and 2017.

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 it is making significant progress penetrating markets beyond this continent. FTG's focus on this market is based on a belief that it can provide a unique solution to its customers and attain a sustainable competitive advantage.

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.

LIQUIDITY AND CAPITAL RESOURCES

As at November 30, 2018, the Corporation's primary sources of liquidity totalled \$48,545 (\$46,023 as at November 30, 2017), made up of cash, accounts receivable, taxes receivable and inventory but excluding US\$9,000 of availability remaining on its revolving line of credit and approximately US\$2,000 of availability remaining on its revolving term loan with its primary lender as at November 30, 2018. Working capital at November 30, 2018 was \$28,686 as compared to \$24,360 at November 30, 2017.

Accounts receivable days outstanding were 59 as at November 30, 2018 compared to 69 as of November 30, 2017; inventory turns were 3.2 as at November 30, 2018 as compared to 2.7 as of November 30, 2017, and accounts payable days outstanding were 78 as at November 30, 2018 as compared to 74 as of November 30, 2017.

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, 2018.

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, 2018.

CONTRACTUAL OBLIGATIONS	PAYMENTS DUE IN \$000'S					
	Total	First Year	Second Year	Third Year	Fourth Year	Beyond Fourth Year
Long term bank debt ¹	7,447	2,014	2,030	983	1,001	1,419
Accounts payable and accrued liabilities, and provisions	17,127	17,127	-	-	-	-
Customer deposits, net of deferred development	1,966	1,966	-	-	-	-
Operating Leases	4,970	1,793	838	693	443	1,203

¹ Long term debt includes a \$24 offset for deferred financing charges

The Corporation does not have any off-balance sheet arrangements that have or reasonably are likely to have a material effect on its financial condition, changes in financial condition, revenues

or expenses, results of operations, liquidity, capital expenditures or capital resources. As a result, the Corporation is not exposed materially to any financing, liquidity, market or credit risk that could arise if it had engaged in these arrangements.

DERIVATIVE FINANCIAL INSTRUMENTS

The Corporation follows hedge accounting on its derivative financial instruments and as a result, has designated certain derivative financial instruments as cash flow hedges.

The forward current value (fair value) of these financial instruments as at November 30, 2018 had an net unrealized loss of \$1,591 (an unrealized loss on foreign exchange forward contracts of \$1,627, and an unrealized loss on gold forward contracts of \$76, offset by an unrealized gain on interest rate swaps of \$112, and included in other comprehensive income (loss), net of \$398 in tax, and relates to derivatives designated as cash flow hedges. The amounts as at November 30, 2018 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 2019, 2020 and 2021. The forward current value (fair value) of these financial instruments as at November 30, 2017 had an net unrealized gain of \$282 (an unrealized gain on foreign exchange forward contracts of \$216, and an unrealized gain on interest rate swaps of \$81, offset by an unrealized loss on gold forward contracts of \$15) included in other comprehensive income (loss), net of \$71 in tax, and relates to derivatives designated as cash flow hedges.

CAPITAL EXPENDITURES (PLANT AND EQUIPMENT)

For fiscal 2018, the Corporation invested \$3,021 in net capital expenditures which mainly included a hybrid laser machine, robotic systems, an advance microscope, a solder mask developer, a PTH and grinding machine; replacement LED lighting and various upgrades to machinery and equipment and leasehold improvements at its existing facilities.

For fiscal 2017, the Corporation invested \$7,086 in capital expenditures including \$2,976 with respect to major asset projects at the Corporation's Toronto Circuits operations and \$1,692 towards the build-out of the Chinese joint venture facilities. Asset projects at Toronto Circuits included: automation, process improvement, cost reduction and technological improvement projects. The remaining additions related to costs incurred in order to put asset purchase via the Teledyne PCT transaction into service and various upgrades to machinery and equipment and leasehold improvements in its existing facilities.

CASH FLOW

Operating Activities

Operating activities in fiscal 2018 provided net cash of \$11,769 as compared to net cash inflow of \$6,027 in fiscal 2017. The changes in 2018 were primarily driven by an increase in cash from earnings combined with changes in operating working capital. The changes in 2017 were primarily driven by cash from earnings offset by changes in operating working capital.

Investing Activities

Investing activities in fiscal 2018 resulted in the net use of cash of \$2,848 which included \$3,021 for capital expenditures, offset by net recovery of \$143 for deferred development costs and \$30 from proceeds from disposal of plant and equipment.

Investing activities in fiscal 2017 resulted in the net use of cash of \$6,946 which included \$7,086 for capital expenditures, offset by net recovery of \$59 for deferred development costs and \$81 from proceeds from disposal of plant and equipment.

Financing Activities

Cash used by financing activities in fiscal 2018 resulted in a cash outflow of \$7,063 which included a decrease in bank indebtedness of \$6,444 and repayments of long-term bank debt of \$1,928 offset by proceeds from long term bank debt of \$1,289 and proceeds from issue of common shares on exercise of share options of \$20.

Cash used by financing activities in fiscal 2017 resulted in a cash inflow of \$754 which included proceeds from long term bank debt of \$1,921, proceeds from issue of common shares on exercise of share options of \$74 and funding of non-controlling interest of \$824, offset by a decrease in bank indebtedness of \$539 and repayments of long-term bank debt of \$1,526.

RELATED PARTY TRANSACTIONS

There were no related party transactions during fiscal 2018 and 2017.

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, 2018 and are designed to meet the requirements of the set out by the IASB in IFRS 7 *Financial Instruments: Disclosures*.

OUTSTANDING SHARES

The authorized capital of the Corporation consists of an unlimited number of common shares ("Common Shares") and an unlimited number of preference shares issuable in series, of which are outstanding a series of convertible preference shares, Series 1 (the "Preferred Shares"). As at November 30, 2018, the Corporation had outstanding 22,716,201 Common Shares and 1,775,000 Preferred Shares. The Preferred Shares are convertible into Common Shares on a one-for-one basis. Each Common Share and Preferred Share carries the right to one vote. Holders of Preferred Shares are entitled to a preference over holders of Common Shares in respect of any distribution of assets in connection with the liquidation, dissolution or winding up of the Corporation and shall be entitled to receive an amount equal to \$2.50 per Preferred Share before any amount is paid or any assets of the Corporation are distributed to the holders of Common Shares.

During the year ended November 30, 2018, 40,000 (2017 – 160,000) share options were exercised. During the year ended November 30, 2017, 200,000 common shares were issued upon the vesting of PSUs of the Corporation. No common shares were issued with respect to PSUs in 2018. The outstanding common shares at the year ended November 30, 2018 were 22,716,201 (22,676,201 as at November 30, 2017).

RISK FACTORS

FTG operates in a dynamic and rapidly changing environment and industry, which exposes the Corporation to numerous risk factors. Additional information about the Corporation, including risks and uncertainties about FTG's business, is provided in the Corporation's Annual Information Form dated February 6, 2019 which is available on SEDAR at www.sedar.com.

FOURTH QUARTER

The following table provides the operating results for the fourth quarter of fiscal years 2018 and 2017:

(in thousands of Canadian dollars)	Three months ended	
	November 30, 2018	November 30, 2017
Sales	\$ 28,013	\$ 22,866
Cost of sales		
Cost of sales	20,001	16,846
Depreciation of plant and equipment	748	733
Total cost of sales	20,749	17,579
Gross margin	7,264	5,287
Expenses		
Selling, general and administrative	3,417	2,999
Research and development costs	1,375	1,408
Recovery of research and development costs	(55)	(55)
Recovery of investment tax credits	(228)	(162)
Depreciation of plant and equipment	35	26
Amortization of intangible assets	266	267
Interest expense on short-term debt	21	74
Interest expense on long-term debt	78	51
Foreign exchange loss	89	18
Restructuring expenses	260	-
Total expenses	5,258	4,626
Earnings before income taxes	2,006	661
Current income tax expense	3,175	1,535
Deferred income tax expense	(2,406)	(1,037)
Total income tax expense	769	498
Net earnings	\$ 1,237	\$ 163
Attributable to:		
Non-controlling interest	\$ 11	\$ (28)
Equity holders of FTG	\$ 1,226	\$ 191

Sales

Sales this quarter reflected the accelerated production levels versus the fourth quarter of 2017. Sales totalled \$28,013 in the fourth quarter of 2018 (\$22,866 in 2017). The fourth quarter of 2018 benefited from high production levels in all divisions except Aerospace Chatsworth. Aerospace Chatsworth sales were down period-over-period due to some temporary operational issues and long

lead times on certain input materials. Sales for the last quarter of 2018 versus the same period last year also included the impact of an increase in the USD/CAD exchange rate of almost 5 cents.

The gross margin in the quarter has increased from 23.1% in the fourth quarter of 2017 to 25.9% in the fourth quarter of 2018.

Net Earnings

The net earnings for the fourth quarter of fiscal 2018 were \$1,237 which included net earnings of \$1,226 attributable to equity holders of FTG and net earnings of \$11 relating to the non-controlling interest. The net earnings for the fourth quarter of fiscal 2018 attributable to equity holders of FTG translated into basic and diluted earnings per share of \$0.05.

The net earnings for the fourth quarter of fiscal 2017 were \$163 which included net earnings of \$191 attributable to equity holders of FTG, offset by net loss of \$28 relating to the non-controlling interest. The net earnings for the fourth quarter of fiscal 2017 attributable to equity holders of FTG translated into basic and diluted earnings per share of \$0.01.

Cash Flow

Operating Activities

Cash provided by operating activities during the fourth quarter of fiscal 2018 amounted to \$6,594 compared to cash usage of \$255 for the fourth quarter of 2017. The changes in 2018 were primarily driven by an increase in cash from earnings combined with changes in operating working capital. The changes in 2017 were primarily driven by cash from earnings offset by changes in operating working capital.

Investing Activities

Investing activities during the fourth quarter of fiscal 2018 resulted in the use of cash of \$1,390 which included \$1,334 for capital expenditures, \$83 for additions to deferred development costs, offset by \$27 for proceeds from disposal of plant and equipment. Investing activities during the fourth quarter of fiscal 2017 resulted in the use of cash of \$2,173 which included \$2,180 for capital expenditures, \$56 for additions to deferred development costs, offset by \$63 for proceeds from disposal of plant and equipment.

Financing Activities

Cash used by financing activities during the fourth quarter of fiscal 2018 amounted to \$3,111 which included a decrease in bank indebtedness of \$2,611 and repayments of long-term bank debt of \$500. Cash provided by financing activities during the fourth quarter of fiscal 2017 amounted to \$2,451 which included an increase in bank indebtedness of \$869, proceeds from long-term bank debt for a capital asset purchase loan of \$1,921 and proceeds from issue of Common shares on exercise of share options of \$28, offset by repayments of long-term bank debt of \$367.

CRITICAL ACCOUNTING ESTIMATES

Allowance for doubtful accounts

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

Allowance for inventory obsolescence

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

Valuation of financial instruments

The Corporation determines the fair value of financial instruments for which there is no observable market price using a variety of valuation techniques. The inputs to these models are derived from observable market data where possible, but where observable market data is not available, estimates are required to establish fair values. The estimates include consideration of liquidity and other risks affecting the specific instrument. Details of the basis on which fair value is estimated are provided in Note 17 of the consolidated financial statements.

Taxes and deferred taxes

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

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

Useful lives of plant and equipment

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

Share-based payment transactions

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

and making assumptions about the most appropriate inputs to the valuation model including the expected life, volatility and dividend yield of the equity settled transactions.

Impairment and valuation of non-financial assets

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

As part of acquisitions (if any), the Corporation may acquire product designs, process know-how and customer contracts. An intangible asset is recorded in the consolidated balance sheets 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.

RECENT ACCOUNTING PRONOUNCEMENTS

Refer to Note 4 of the consolidated financial statements as at November 30, 2018 for details of the accounting pronouncements issued by the IASB which were not effective for the Corporation as of November 30, 2018 and therefore have not been applied in preparing the consolidated financial statements. The Corporation intends to adopt these standards, if applicable, when they become effective.

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

Order backlog at the large air transport manufacturers, Boeing and Airbus, remain at record levels. The strong selling twin aisle aircraft such as the Boeing 787 and the Airbus A350, as well as the updates of the Boeing 737 and Airbus A320 bodes well for this market in the coming years. The Corporation believes that both companies are driving to increase their annual production volumes across much of their product lines. There are new products being introduced into this market for single aisle aircraft which will potentially create new supply opportunities for lower tier suppliers.

These new entrants include Bombardier's C-Series (now Airbus A220), which has entered into service, and China's C-919 aircraft, both of which are important for FTG.

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

The general aviation, business jet and regional jet industry segment saw a market slowdown in the period 2015 to 2017 but had more stable production rates in 2018. Market share for key OEMs has also changed over the past number of years with Bombardier, a key customer of FTG, losing share in the turbo-prop and regional jet markets while maintaining a strong position in business jets.

The commercial helicopter market saw significant production rate cuts in 2016 and 2017 as the resource industry cut back on exploration and operations. These cuts rippled through the full supply chain as the demand softened. Looking forward, it is anticipated that production rates will be stable in the short term and increase in line with a recovery in the resource industry.

In the defense market, spending is increasing, particularly in the US. In Canada, defence spending remains stable with a number of significant equipment acquisition programs underway. Canadian spending creates opportunities both directly and via procurement offset agreements with the equipment suppliers.

For each market segment, there are positive and negative factors that could drive FTG's results going forward. These include overall demand, sourcing in Asia, FTG's capabilities, FTG's performance and increased competition to name a few. Overall, our global footprint is proving to be a valuable asset and as we continue to drive to improve our technical capabilities and our performance we will strive to grow our market share.

There are other economic factors, outside the aerospace and defence market, that can also impact the outlook for FTG. The relative strength, or weakness, of the Canadian dollar could also be a factor as about 50-60% 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, as seen in the last few years, would enhance FTG's competitiveness. FTG is striving to mitigate this exchange rate risk by pursuing sales outside of the United States, to have more facilities outside of Canada and to increase its supply chain outside of Canada.

The Corporation continues to focus on technologies necessary for the new programs and platforms. The Corporation does have content on most key new civil aviation programs such as the Boeing 787, the Airbus A350, the Airbus A220 and the Chinese C-919.

The Corporation has a very wide product and technology offering in printed circuit boards. This enables the pursuit of more opportunities which is aligned with customers' goals of reducing their supply base and focusing spending on fewer suppliers. With the joint venture in China, FTG can offer Aerospace quality circuit boards from an Asian source.

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

In the second quarter of 2016, FTG acquired the assets of PhotoEtch, a competitor in the cockpit products business. This acquisition has improved utilization rates for FTG's Aerospace facilities. It also brings new customers and new technologies to FTG.

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

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

In 2018, our Chatsworth operations also continued to focus on maintaining their high standards of quality and on-time delivery for legacy contracts and transitioned programs, while eliminating any remaining costs related to the transitions.

Our Toronto Aerospace and Circuits operations continued to focus on servicing legacy contracts and growing FTG's customer base and product offerings organically. These efforts include: automation, technological upgrades, researching new production techniques and sourcing of new materials and tools. Both Toronto divisions have a strong backlog going into 2019.

Our Chinese Aerospace division continued to concentrate on growing its existing customer base and product offerings. They have established a world class production facility with the requisite certifications and approvals and a top notch operations team. This allows FTG to offer all existing and new customers an established Chinese source for Aerospace panels and assemblies. This has led to some new exciting orders being booked with some of our key strategic customers both in China and in North America. The backlog at the end of 2018 was strong.

Our Chinese joint venture ("JV"), FTG Printronics Circuits dedicated 2018 to production process testing and to acquire the governmental approval for production in the new outer layer production facility in Tianjin. The approvals are anticipated in 2019.

FTG enters 2019 with a strong sales backlog of about \$49.0 million (2017 year-end sales backlog was \$37.3 million).

Margin improvement activities, as disclosed at the end of 2017, were focused on three FTG sites including efforts to: increase engineering development activities in Aerospace Toronto facility; reduce scrap at Circuits Chatsworth facility and reduce transition related costs in Aerospace Chatsworth facility. The first two initiatives are complete and good progress was made in reducing transition costs in 2018.

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

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, 2018 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, 2018, 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, 2018, 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 6, 2019 and the Corporation's Annual Information Form (including documents incorporated by reference) dated February 6, 2019 which is available on SEDAR at www.sedar.com.

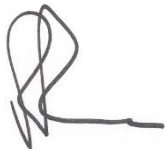
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

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

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

The consolidated financial statements have been independently audited by BDO Canada LLP in 2018 and 2017 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 6, 2019



Melinda A. Diebel

Vice President, Chief Financial Officer and Corporate Secretary

February 6, 2019



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Toronto ON M5K 1H1 Canada

Independent Auditor's Report

To the Shareholders of Firan Technology Group Corporation

We have audited the accompanying consolidated financial statements of Firan Technology Group Corporation, which comprise the consolidated balance sheets as at November 30, 2018 and 2017 and the consolidated statements of earnings, comprehensive income, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Firan Technology Group Corporation as at November 30, 2018 and 2017 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

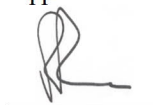
February 6, 2019
Toronto, Ontario

Consolidated Balance Sheets

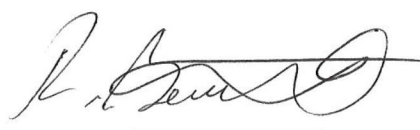
As at (in thousands of Canadian dollars)	November 30, 2018	November 30, 2017
ASSETS		
Current assets		
Cash	\$ 5,026	\$ 2,752
Accounts receivable (Note 17.2)	18,696	17,983
Taxes receivable	189	209
Inventories (Note 7)	24,634	25,079
Prepaid expenses	1,816	1,506
	50,361	47,529
Non-current assets		
Plant and equipment, net (Note 8)	12,078	12,222
Deferred income tax assets (Note 15.1)	732	395
Investment tax credits receivable (Note 14.2)	4,620	6,420
Deferred development costs (Note 10)	276	681
Intangible assets and other assets, net (Note 9)	3,069	3,768
Total assets	\$ 71,136	\$ 71,015
LIABILITIES AND EQUITY		
Current liabilities		
Bank indebtedness (Note 11.1)	\$ -	\$ 6,444
Accounts payable and accrued liabilities	16,278	13,341
Provisions (Note 12)	849	390
Customer deposits	1,966	1,268
Current portion of long-term bank debt (Note 11.2)	2,019	1,726
Income tax payable (provincial) (Note 15.1, Note 15.2)	563	-
	21,675	23,169
Non-current liabilities		
Long-term bank debt (Note 11.2)	5,404	6,040
Deferred tax payable (Note 15.1)	1,750	1,696
Total liabilities	28,829	30,905
Equity		
Retained earnings	\$ 11,687	\$ 8,812
Accumulated other comprehensive (loss) income	(774)	187
	10,913	8,999
Share capital		
Common shares (Note 13.1)	19,323	19,295
Preferred shares (Note 13.2)	2,218	2,218
Contributed surplus (Note 13.4)	8,672	8,384
Total equity attributable to FTG's shareholders	41,126	38,896
Non-controlling interest (Note 6)	1,181	1,214
Total equity	42,307	40,110
Total liabilities and equity	\$ 71,136	\$ 71,015

See accompanying notes.

Approved on behalf of the board:



Director



Director

Consolidated Statements of Earnings

	Years ended	
	November 30, 2018	November 30, 2017
(in thousands of Canadian dollars, except per share amounts)		
Sales	\$ 109,420	\$ 94,695
Cost of sales		
Cost of sales (<i>Note 7, Note 19</i>)	81,143	68,754
Depreciation of plant and equipment (<i>Note 8</i>)	3,015	2,816
Total cost of sales	84,158	71,570
Gross margin	25,262	23,125
Expenses		
Selling, general and administrative (<i>Note 19</i>)	13,174	12,508
Research and development costs (<i>Note 14.1</i>)	4,740	6,497
Recovery of research and development costs (<i>Note 14.1</i>)	(220)	(220)
Recovery of investment tax credits (<i>Note 14.2</i>)	(796)	(657)
Depreciation of plant and equipment (<i>Note 8</i>)	134	117
Amortization of intangible assets (<i>Note 9</i>)	1,049	1,107
Interest expense on short-term debt	221	258
Interest expense on long-term debt (<i>Note 11.2</i>)	300	229
Foreign exchange (gain) (<i>Note 17.2</i>)	(75)	(211)
Restructuring expenses (<i>Note 12</i>)	455	-
Total expenses	18,982	19,628
Earnings before income taxes	6,280	3,497
Current income tax expense (<i>Note 15.2</i>)	3,230	1,525
Deferred income tax expense (<i>Note 15.1, Note 15.2</i>)	185	765
Total income tax expense	3,415	2,290
Net earnings	\$ 2,865	\$ 1,207
Attributable to:		
Non-controlling interest (<i>Note 6</i>)	\$ (10)	\$ (62)
Equity holders of FTG	\$ 2,875	\$ 1,269
Earnings per share, attributable to the equity holders of FTG		
Basic (<i>Note 13.5</i>)	\$ 0.13	\$ 0.06
Diluted (<i>Note 13.5</i>)	\$ 0.12	\$ 0.05

See accompanying notes.

Consolidated Statements of Comprehensive Income

	Years ended	
	November 30, 2018	November 30, 2017
(in thousands of Canadian dollars)		
Net earnings	\$ 2,865	\$ 1,207
Other comprehensive income (loss) to be reclassified to net earnings in subsequent periods:		
Foreign currency translation adjustments	209	(458)
Net unrealized (loss) gain on derivative financial instruments designated as cash flow hedges (<i>Note 17.1, Note 17.2</i>)	(1,591)	282
Tax impact (<i>Note 17.1, Note 17.2</i>)	398	(71)
	(984)	(247)
Total comprehensive income	\$ 1,881	\$ 960
Attributable to:		
Equity holders of FTG	\$ 1,914	\$ 1,013
Non-controlling interest (<i>Note 6</i>)	\$ (33)	\$ (53)
See accompanying notes.		

Consolidated Statements of Changes in Shareholders' Equity

Years ended November 30, 2018 and November 30, 2017

(in thousands of Canadian dollars)	Attributed to the equity holders of FTG						Non-controlling interest	Total equity
	Common Shares	Preferred Shares	Retained Earnings	Contributed Surplus	Accumulated Other Comprehensive Income (Loss)	Total		
Balance, November 30, 2016	\$ 19,051	\$ 2,218	\$ 7,543	\$ 8,381	\$ 443	\$ 37,636	\$ 443	\$ 38,079
Net earnings (loss)	-	-	1,269	-	-	1,269	(62)	1,207
Stock-based compensation (<i>Note 13.6</i>)	-	-	-	173	-	173	-	173
Common shares issued on exercise of share options and PSU's (<i>Note 13.1</i>)	244	-	-	(170)	-	74	-	74
Foreign currency translation adjustments	-	-	-	-	(467)	(467)	9	(458)
Net unrealized gain on derivative financial instruments designated as cash flow hedges, net of tax impact (<i>Note 17.1</i> , <i>Note 17.2</i> , and <i>Note 15.2</i>)	-	-	-	-	211	211	-	211
Contribution from non-controlling interest (<i>Note 6</i>)	-	-	-	-	-	-	824	824
Balance, November 30, 2017	\$ 19,295	\$ 2,218	\$ 8,812	\$ 8,384	\$ 187	\$ 38,896	\$ 1,214	\$ 40,110
Net earnings (loss)	-	-	2,875	-	-	2,875	(10)	2,865
Stock-based compensation (<i>Note 13.6</i>)	-	-	-	296	-	296	-	296
Common shares issued on exercise of share options and PSU's (<i>Note 13.1</i>)	28	-	-	(8)	-	20	-	20
Foreign currency translation adjustments	-	-	-	-	232	232	(23)	209
Net unrealized gain on derivative financial instruments designated as cash flow hedges, net of tax impact (<i>Note 17.1</i> , <i>Note 17.2</i> , and <i>Note 15.2</i>)	-	-	-	-	(1,193)	(1,193)	-	(1,193)
Balance, November 30, 2018	\$ 19,323	\$ 2,218	\$ 11,687	\$ 8,672	\$ (774)	\$ 41,126	\$ 1,181	\$ 42,307

See accompanying notes.

Consolidated Statements of Cash Flows

	Years ended	
	November 30, 2018	November 30, 2017
(in thousands of Canadian dollars)		
Net inflow (outflow) of cash related to the following:		
Operating activities		
Net earnings	\$ 2,865	\$ 1,207
Items not affecting cash:		
Non-controlling interest share of net loss (Note 6)	10	62
Stock-based compensation (Note 13.6)	296	173
Loss (gain) on disposal of plant and equipment	25	(17)
Effect of exchange rates on US dollar debt	284	(230)
Depreciation of plant and equipment (Note 8)	3,149	2,933
Amortization of intangible assets (Note 9)	1,049	1,107
Amortization of deferred financing costs	12	12
Current/deferred income tax expense (Note 15.1, Note 15.2)	2,420	2,622
Investment tax credits (recovery) (Note 14.2)	(796)	(657)
(Increase) in net unrealized loss, decrease in net unrealized gain on financial instruments designated as cash flow hedges (Note 17.1, Note 17.2, Note 15.2)	(1,404)	868
Net change in non-cash operating working capital (Note 16)	3,859	(2,053)
	11,769	6,027
Investing activities		
Additions to plant and equipment (Note 8)	(3,021)	(7,086)
Recovery of deferred development costs, other	143	59
Proceeds from disposal of plant and equipment	30	81
	(2,848)	(6,946)
Net cash flow from operating and investing activities	8,921	(919)
Financing activities		
(Decrease) in bank indebtedness (Note 11.1)	(6,444)	(539)
Proceeds from long-term bank debt (Note 11.2)	1,289	1,921
Repayments of long-term bank debt	(1,928)	(1,526)
Funding from non-controlling interest (Note 6)	-	824
Proceeds from issue of Common shares (Note 13.1)	20	74
	(7,063)	754
Effects of foreign exchange rate changes on cash flow	416	(235)
Net increase (decrease) in cash flow	2,274	(400)
Cash, beginning of the year	2,752	3,152
Cash, end of year	\$ 5,026	\$ 2,752
Disclosure of cash payments		
Payment for interest	\$ 529	\$ 490
Payments for income taxes	\$ 24	\$ 6

See accompanying notes.

1. NATURE OF OPERATIONS

Firan Technology Group Corporation (“FTG”) was formed as a result of the amalgamation between Circuit World Corporation and Firan Technology Group Inc. on August 30, 2003 pursuant to articles of amalgamation under the *Canada Business Corporations Act*. Prior to this, FTG was established as Helix Circuits Inc. on April 18, 1983 by articles of amalgamation pursuant to the provisions of the *Canada Business Corporations Act*. FTG, 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. and FTG Aerospace Inc., and Firan Technology Group (Barbados) 1 Corporation, which in turn owns 100% of the voting securities of Firan Technology Group (Barbados) 2 Corporation, which in turn owns 100% of the voting securities of FTG Aerospace Tianjin Inc.

The subsidiaries were incorporated as follows:

- Firan Technology Group (USA) Corporation was incorporated in the State of California, U.S.A.
- FTG Circuits Inc. was incorporated in the State of California, U.S.A.
- FTG Aerospace Inc. was incorporated in the State of California, U.S.A.
- Firan Technology Group (Barbados) 1 Corporation was incorporated in Barbados.
- Firan Technology Group (Barbados) 2 Corporation was incorporated in Barbados.
- FTG Aerospace Tianjin Inc. was incorporated in the Province of Tianjin, People’s Republic of China

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

The consolidated financial statements of the Corporation as at and for the years ended November 30, 2018 and 2017 comprise FTG, its subsidiaries and its JV.

These consolidated financial statements were approved for issuance by the Board of Directors on February 6, 2019.

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). In addition, these consolidated financial statements have been prepared using the accrual basis of accounting.

2.3 Functional and presentation currency

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

- Firan Technology Group (USA) Corporation's functional currency is the United States dollar.
- FTG Aerospace Tianjin Inc.'s 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 thousands except where noted and per share amounts.

2.4 Use of estimates, judgements and assumptions

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Basis of consolidation

The consolidated financial statements comprise the financial statements of FTG, its subsidiaries and its JV as at November 30, 2018 and 2017. The Corporation controls the JV and its results were consolidated in the consolidated financial statements. Specifically, the Corporation controls an investee if and only if the Corporation has:

Notes to the Consolidated Financial Statements
(in thousands of Canadian dollars except where noted and per share amounts)

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

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

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

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

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

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

3.2 Foreign currency translation

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

The financial results of the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency. The presentation currency of the Corporation is Canadian dollars. Income and expenditure transactions of foreign operations are translated at the average rate of exchange for each month except for significant individual transactions, which are translated at the rate of exchange in effect at the transaction dates. All assets and liabilities, including fair value adjustments and goodwill arising on acquisition, are translated at the rate of exchange prevalent at the reporting dates. Differences arising on translation of transactions are recognized as other comprehensive income (loss) and are included in the foreign currency translation adjustments ("FCTA"). On disposal of part or all of the foreign operations, the proportionate share of the related cumulative gains and losses previously recognized in the FCTA through the consolidated statement of earnings are included in determining the profit or loss on disposal of those operations recognized in earnings or loss.

3.3 Revenue recognition

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

For manufacturing, the Corporation uses customer supplied engineering, specifications and design plans, whereas for engineering services, the Corporation develops engineering and design plans to customers' specification. The sales cycle can vary between a few days to a few months. Sales are recognized and revenues recorded when:

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

In the Aerospace segment, revenue for engineering services associated with the design and development of electronic equipment, which is deliverable over a longer period of time is recognized on the percentage-of-completion accounting method. Under this method, revenue is recognized based on the extent of progress towards completion of the contract. The Corporation uses the cost-to-cost measure of progress based on the ratio of costs incurred-to-date to the estimated costs at completion of the contract. Revenues, including estimated earned profit, are recorded as costs are incurred. When estimates of total costs to be incurred on a contract exceed total estimates of revenue to be earned, a provision for the entire loss on the contract is recorded in the period the loss is determined. Advances received from customers in excess of estimated costs are recognized as customer deposits. Unbilled receivables, if any, represent revenue that has been recognized in the consolidated financial statements in advance of contractual invoicing to the customer.

The Corporation provides its customers with limited right of return for defective products and the returns must be authorized by the Corporation prior to their acceptance at its facilities. The Corporation accrues warranty provisions at the time of sale based on historical information.

3.4 Government assistance/grant

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

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

3.5 Inventories

Inventories are measured at the lower of cost and net realizable value (“NRV”). Cost is determined on the first-in, first-out basis. Direct labour and an allocation of fixed and variable overheads are included in the determination of work-in-progress and finished goods amounts. NRV is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs to make the sale. Inventories are written down to NRV at the time carrying value exceeds the NRV. Reversals of previous write-downs to NRV are recognized when there is a subsequent increase in the value of inventories.

3.6 Plant and equipment

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

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

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

3.7 Intangible assets

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

The Corporation’s intangible assets comprise strategic customer relationships acquired in business combinations and the cost of registering trademarks. These relationships and trademarks are considered to have finite useful lives and are amortized on a straight-line basis over their useful life of 5 to 10 years. The amortization period and the amortization method are reviewed at least annually.

3.8 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.

3.9 Income taxes

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

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.

3.10 Research and development

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

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

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

3.11 Financial instruments

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

Financial assets

Financial assets at fair value through profit or loss

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

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

Loans and receivables

Loans and receivables (accounts receivable) are non-derivative financial assets that have fixed or determinable payments and are not quoted in an active market and are measured at amortized cost using the effective interest method less impairment.

Management considers whether the issuer is having significant financial difficulty, whether there has been a breach in contract, such as a default or delinquency in interest or principal payments, and other applicable criteria in determining whether objective evidence of impairment exists. Impairment is measured as the difference between the asset’s carrying value and the present value of future cash flows and is recognized in current year earnings.

The Corporation reverses impairment losses on financial assets carried at amortized cost when the decrease in impairment can be objectively related to an event occurring after the impairment loss was recognized.

Financial liabilities

Financial liabilities at fair value through profit or loss

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

Other liabilities

Financial liabilities that are not classified as FVTPL include bank indebtedness, long-term bank debt, accounts payable and accrued liabilities. Subsequent to initial recognition, these financial liabilities that are not subject to hedge accounting are measured at amortized cost using the effective interest rate method. Material transaction costs related to these financial liabilities are recorded as a reduction in the carrying value of the debt.

3.12 Leases

The economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all of the risks and rewards related to the ownership of the leased asset. The related asset is then recognized at the inception of the lease at the fair value of the leased asset or, if lower, the present value of the lease payments plus incidental payments, if any. A corresponding amount is recognized as a finance leasing liability.

When substantially all of the risk and rewards related to the ownership of the leased asset are not transferred, the total rentals payable under the lease are charged to the consolidated statement of earnings on a straight-line basis over the lease term. The aggregate benefit of lease incentives is recognized as a reduction of the rental expense over the lease term on a straight-line basis.

3.13 Provisions

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

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

3.14 Share based payments – common share options

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

3.15 Share based payments – share units

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

Notes to the Consolidated Financial Statements
(in thousands of Canadian dollars except where noted and per share amounts)

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

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

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

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

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

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

3.16 Earnings per share ("EPS")

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

3.17 Derivative financial instruments

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

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

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

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

4. RECENT ACCOUNTING PRONOUNCEMENTS

The following accounting pronouncements issued by the IASB were not effective for the Corporation as of November 30, 2018 and therefore have not been applied in preparing these consolidated financial statements. The Corporation intends to adopt these standards, if applicable, when they become effective.

Amendments to IFRS 9, Financial Instruments

In 2014, the IASB issued the final amendments to IFRS 9, *Financial Instruments* ("IFRS 9") which provides guidance on the classification and measurement of financial assets and liabilities, impairment of financial assets, and general hedge accounting. The classification and measurement portion of the standard determines how financial assets and financial liabilities are accounted for in financial statements and, in particular, how they are measured on an ongoing basis. The amended IFRS 9 introduced a new, expected-loss impairment model that will require more timely recognition of expected credit losses. In addition, the amended IFRS 9 includes a substantially-reformed model for hedge accounting, with

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enhanced disclosures about risk management activity. The new standard is effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. The adoption of the standard is not expected to result in a significant impact on the Corporation's consolidated financial statements.

IFRS 15, Revenue from Contracts with Customers

In 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15"), which supersedes IAS 18, Revenue, IAS 11, Construction Contracts and other interpretive guidance associated with revenue recognition. IFRS 15 provides a single, principle based five-step model to be applied to all contracts with customers, except insurance contracts, financial instruments and lease contracts, which fall in the scope of other IFRSs. In addition to the five-step model, the standard specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. The incremental costs of obtaining a contract must be recognized as an asset if the entity expects to recover these costs. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some nonfinancial assets that are not an output of the entity's ordinary activities. IFRS 15 permits either a full or modified retrospective approach for the adoption and is effective for annual periods beginning on or after January 1, 2018, with earlier application permitted.

The Corporation plans to adopt the new standard on the required effective date using the cumulative method, that is, retain prior period figures as reported under the previous standards, recognizing the cumulative effect of applying IFRS 15 as an adjustment to the opening balance of equity as at the date of initial application (beginning of current reporting period).

The Corporation's revenue recognition methodology is determined on a contract-by-contract basis. The Corporation reviewed certain contracts with customers in scope for IFRS 15 assessment:

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

For manufacturing, the Corporation uses customer supplied engineering, specifications and design plans, whereas for engineering services, the Corporation develops engineering and design plans to customers' specification. The sales cycle can vary between a few days to a few months.

During its review, the Corporation has identified additional contracts in which performance obligations are satisfied over time under IFRS 15 as control transfers during production. For these contracts, the revenue recognition pattern will change with revenue being recognized earlier in the year of adoption as compared to under the legacy accounting policy. Contracts that do not meet the criteria for over time recognition will continue to be recognized at a point in time. The Corporation expects to use an input method as the basis for recognizing revenue for performance obligations satisfied over time. Input methods recognize revenue on the basis of an entity's efforts or inputs toward satisfying a performance obligation (for example, resources consumed, labor hours expended, costs incurred, time lapsed, or machine hours used) relative to the total expected inputs to satisfy the performance obligation. This is similar to the Corporation's current treatment of engineering services.

Presentation of contract assets or contract liabilities

IFRS 15 requires separate presentation of contract assets and contract liabilities in the balance sheet. Under IFRS 15, earned consideration that is conditional should be recognized by the entity as a contract asset (i.e., unbilled receivables) rather than receivable. When the customer performs first, for example, by prepaying its promised consideration, the entity has a contract liability (i.e., customer advances and

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amounts in excess of costs incurred). This will result in some reclassifications as of January 1, 2019 in relation to contracts that are recognized under percentage-of-completion input method.

Presentation and disclosure requirements

The presentation and disclosure requirements in IFRS 15 are more detailed than under current IFRS. The presentation requirements represent a significant change from current practice and significantly increases the volume of disclosures required in the Corporation's consolidated financial statements.

The Company is completing the execution of its implementation plan and will adopt IFRS 15 on December 1, 2018 on a cumulative basis subject to permitted and elected practical expedients. The Corporation expects that the adoption of this standard will have an impact to the Corporation's revenue and cost of sales, however, the net impact to the Corporation's opening retained earnings as at December 1, 2018 is being assessed and is not expected to be material.

IFRS 16, Leases

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

5. USE OF SIGNIFICANT ESTIMATES AND JUDGEMENTS

Allowance for doubtful accounts

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

Allowance for inventory obsolescence

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

Valuation of financial instruments

The Corporation determines the fair value of financial instruments for which there is no observable market price using a variety of valuation techniques. The inputs to these models are derived from observable market data where possible, but where observable market data is not available, estimates are required to establish fair values. The estimates include consideration of liquidity and other risks affecting the specific instrument. Details of the basis on which fair value is estimated are provided in Note 17.

Taxes and deferred taxes

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

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

Useful lives of plant and equipment

The Corporation estimates the useful lives of plant and equipment based on the period over which the assets are expected to be available for use. In addition, the estimation of the useful lives of plant and equipment are based on internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of the plant and equipment would increase the recorded expenses and decrease the non-current assets. An increase in the estimated useful lives of the plant and equipment would decrease the recorded expenses and increase the non-current assets.

Share-based payment transactions

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

Impairment and valuation of non-financial assets

Impairment exists when the carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. If there is no binding sale agreement or active market for an asset, fair value less costs to sell is based on the best information available to reflect the amount that an entity could obtain, at the end of the reporting period, from the

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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 balance sheets 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.

6. NON-CONTROLLING INTEREST

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

	November 30, 2018	November 30, 2017
	\$	\$
Opening balance	1,214	443
Contribution	-	824
Share of net (loss) for the year	(10)	(62)
Currency translation adjustment	(23)	9
Closing balance	1,181	1,214

7. INVENTORIES

	November 30, 2018	November 30, 2017
	\$	\$
Raw materials and spare parts	8,892	9,496
Work-in-progress	10,431	10,702
Finished goods	5,311	4,881
	24,634	25,079

The cost of inventories recognized as an expense during the year ended November 30, 2018 was \$81,143 (2017 - \$68,754). This amount also included \$3,253 (2017 - \$1,553) as cost of inventories written down due to obsolescence.

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8. PLANT AND EQUIPMENT

	Machinery and equipment	Furniture and fixtures	Leasehold improvements	Total
	\$	\$	\$	\$
Cost:				
November 30, 2017	40,931	411	4,980	46,322
Additions during the year	2,725	10	286	3,021
Disposals during the year	(595)	-	-	(595)
Foreign exchange impact	336	8	65	409
November 30, 2018	43,397	429	5,331	49,157
Accumulated depreciation:				
November 30, 2017	31,318	308	2,474	34,100
Depreciation during the year	2,556	37	556	3,149
Disposals during the year	(477)	-	-	(477)
Foreign exchange impact	261	8	38	307
November 30, 2018	33,658	353	3,068	37,079
Net book value:				
November 30, 2018	9,739	76	2,263	12,078

	Machinery and equipment	Furniture and fixtures	Leasehold improvements	Total
	\$	\$	\$	\$
Cost:				
November 30, 2016	39,869	345	3,467	43,681
Additions during the year	5,450	82	1,554	7,086
Disposals during the year	(947)	-	-	(947)
Write-offs during the year	(2,781)	-	-	(2,781)
Foreign exchange impact	(660)	(16)	(41)	(717)
November 30, 2017	40,931	411	4,980	46,322
Accumulated depreciation:				
November 30, 2016	32,418	282	2,130	34,830
Depreciation during the year	2,497	34	402	2,933
Disposals during the year	(519)	-	-	(519)
Write-offs during the year	(2,776)	-	-	(2,776)
Foreign exchange impact	(302)	(8)	(58)	(368)
November 30, 2017	31,318	308	2,474	34,100
Net book value:				
November 30, 2017	9,613	103	2,506	12,222

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Included in machinery and equipment as at November 30, 2018 are \$1,456 (November 30, 2017 – \$2,356) and included in leasehold improvements as at November 30, 2018 are \$8 (November 30, 2017 – \$858) of assets under construction which are not yet available for use. Accordingly, these assets are not being depreciated.

The Corporation wrote off gross assets of \$nil as at November 30, 2018 (2017 - the Corporation wrote off gross assets of \$2,781 which had accumulated amortization of \$2,776) relating to assets not physically present, which did not impact the earnings and, also were no longer contributing to the cash flows.

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

9. INTANGIBLE ASSETS AND OTHER ASSETS, NET

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

	Customer relationships	Trademarks	Total
	\$	\$	\$
Cost			
November 30, 2017	5,714	6	5,720
Foreign exchange impact	167	-	167
November 30, 2018	5,881	6	5,887
Accumulated amortization			
November 30, 2017	1,948	4	1,952
Amortization during the year	1,049	-	1,049
Foreign exchange impact	78	-	78
November 30, 2018	3,075	4	3,079
Net book value			
November 30, 2018	2,806	2	2,808
	Customer relationships	Trademarks	Total
	\$	\$	\$
Cost			
November 30, 2016	5,933	6	5,939
Foreign exchange impact	(219)	-	(219)
November 30, 2017	5,714	6	5,720
Accumulated amortization			
November 30, 2016	870	3	873
Amortization during the year	1,106	1	1,107
Foreign exchange impact	(28)	-	(28)
November 30, 2017	1,948	4	1,952
Net book value			
November 30, 2017	3,766	2	3,768

Intangible assets have an unamortized remaining period of approximately three years as at November 30, 2018 (approximately four years as at November 30, 2017). As at November 30, 2018, intangible assets and other assets, net include intangible assets of \$2,808 (2017 - \$3,768) and other assets related to non-current taxes receivable of \$261 (2017 - \$nil).

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10. DEFERRED DEVELOPMENT

	Years ended				
				November 30, 2018	November 30, 2017
	Control panel assemblies \$	Cursor control device \$	Other	Total Deferred development \$	Total Deferred development \$
Opening balance	4,571	663	-	5,234	5,082
Deferred development during the year	155	82	42	279	152
Total deferred development	4,726	745	42	5,513	5,234
(Charged) to earnings during the year	(4,726)	-	-	(4,726)	-
Offset with advance from customer	-	(511)	-	(511)	(4,553)
Net closing balance	-	234	42	276	681

11. BANK INDEBTEDNESS AND LONG-TERM BANK DEBT

The Corporation renewed its commercial lending facility with a financial institution in November 2015 (and amended in April 2016 and January 2018), which included the following terms:

- US \$9,000 five-year committed operating facility (“Operating Facility”) by way of a combination of current account overdraft/bank loans, London Interbank Offered Rate loans (“LIBOR”) or Banker’s Acceptances (“BA”) or letters of guarantee (“LG”) subject to an overall maximum of US \$9,000 or the Canadian dollar equivalent.
- US \$6,000 five-year revolving loan (“Term Loan”) to refinance plant and equipment purchased during the previous twelve months and to finance capital expenditures on future equipment purchases up to 90% of the invoice cost by way of a combination of bank loans, LIBOR’s and or BA’s (*Note 11.2*).
- US \$4,000 five-year non-revolving term loan to refinance AMIS loan and finance capital expenditures on future equipment purchases up to 90% of the invoice cost by way of a combination of LIBOR’s and/or BA’s (*Note 11.2*).
- US \$45,000 foreign exchange forward contracts for the purchase of contracts with a maximum contract terms of US \$15,000 or the Canadian dollar equivalent for up to twelve months, US \$15,000 or the Canadian dollar equivalent for up to twenty four months and US \$15,000 or the Canadian dollar equivalent for up to thirty six months, available to hedge foreign currency exposure (*Note 17.2*).
- US \$1,000 precious metal forward contracts for the purchase of contracts with a maximum aggregate face value of US \$1,000 or the equivalent in major currencies with a maximum contract term of twelve months, available to hedge risk on raw materials (*Note 17.2*).
- US \$400 or the Canadian dollar equivalent MasterCard limit available to issue corporate business expense cards for employees of the Corporation.

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- US \$10,000 swap line for the utilization of interest rate swaps with a maximum aggregate face value of US \$10,000, with a maximum term equal to the remaining term on the Term Loan and the AMIS loan (*Note 11.2*).

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

BA’s, LIBOR’s, LG’s, foreign exchange forward contracts, precious metal forward contracts, and interest rate swaps shall be repayable at their respective maturity dates. In any event, all the advances are repayable under the lending facility still outstanding at the end of the five years from the closing date of November 2015. The lending facility is secured by a first charge on all assets of the Corporation.

The total financing charges for the lending facility were \$60, which consisted of commitment fees of \$55 and legal fees of \$5, and are amortized over the five year term of the facility. The unamortized deferred financing charges of \$24 as at November 30, 2018 (November 30, 2017 - \$37) have been offset against long-term bank debt in the consolidated balance sheet (*Note 11.2*).

11.1 Bank indebtedness

The Corporation utilized \$nil of the Operating Facility as at November 30, 2018 (November 30, 2017 – US \$5,000 or Cdn. \$6,444). The lending facility is secured by a first charge on all assets of the Corporation.

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11.2 Long-term bank debt

Long-term bank debt consists of the following:

	November 30, 2018 \$	November 30, 2017 \$
5.0 year US \$4,000 term loan, amortized over 5 years, repayable in equal monthly principal payments of approximately US \$67 plus interest at LIBOR rate plus 200 basis points. The term loan is secured by a first charge over all of the property and assets of the Corporation. Principal as at November 30, 2018 was US \$1,600 or Cdn. \$2,128 (November 30, 2017 – US \$2,400 or Cdn. \$3,093). In December 2015, the Corporation had entered into an interest rate swap (“IRS”) to hedge the USD interest payments of the US \$4,000 term loan over the five year term at a fixed rate of 1.44% plus applicable margin of 200 basis points for an aggregate fixed interest rate of 3.44%.	2,128	3,093
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. The term loan is secured by a first charge over all of the property and assets of the Corporation. Principal as at November 30, 2018 was US \$1,809 or Cdn. \$2,406 (November 30, 2017 – US \$2,154 or Cdn. \$2,777). 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%.	2,406	2,777
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. The term loan is secured by a first charge over all of the property and assets of the Corporation. Principal as at November 30, 2018 was US \$1,286 or Cdn. \$1,710 (November 30, 2017 – US \$1,500 or Cdn. \$1,933). 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%.	1,710	1,933
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. The term loan is secured by a first charge over all of the property and assets of the Corporation. Principal as at November 30, 2018 was US \$905 or Cdn. \$1,203 (November 30, 2017 – \$nil). 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%.	1,203	-
	7,447	7,803
Less: deferred financing charges	(24)	(37)
	7,423	7,766
Less: current portion (amounts due within one year)	(2,019)	(1,726)
	5,404	6,040

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As at November 30, 2018, the Corporation had entered into four (November 30, 2017 – two) 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, 2018.

12. PROVISIONS

	Years ended	
	November 30, 2018	November 30, 2017
	\$	\$
Product warranties:		
Opening balance	390	341
Arising during the year	507	451
Utilized during the year	(359)	(402)
Closing balance	538	390
Restructuring:		
Opening balance	-	2,349
Arising during the year	455	-
Utilized during the year	(144)	(2,349)
Closing balance	311	-
Total (product warranties, restructuring)	849	390

Product warranties

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

Restructuring

In fiscal 2016, restructuring provisions were recognised for expected restructuring expenses associated with the PhotoEtch and Teledyne PCT transactions. In fiscal 2017, these provisions were utilized towards expected restructuring expenses associated with the transition of PhotoEtch business and Teledyne PCT business. In fiscal 2018, restructuring provisions were recognized for certain post-employment costs for two senior divisional executives (2017 – nil).

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

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vote. The following is a continuity of the changes in the number of Common shares for the year ended November 30, 2018 and November 30, 2017:

	November 30, 2018		November 30, 2017	
	Number of Common shares	Amount \$	Number of Common shares	Amount \$
Outstanding, beginning of the year	22,676,201	19,295	22,316,201	19,051
Exercise of share options during the year	40,000	20	160,000	74
Exercise of performance share units ("PSU's") during the year	-	-	200,000	-
Transfer from contributed surplus to share capital for share options and PSU's exercised	-	8	-	170
Outstanding, end of the year	22,716,201	19,323	22,676,201	19,295

13.2 Preferred shares issued and outstanding

The Corporation has 1,775,000 voting convertible Series 1 Preferred Shares outstanding as at November 30, 2018 (November 30, 2017 – 1,775,000). These Preferred Shares, are convertible into Common Shares on a one-for-one basis at the option of the preferred shareholder. Holders of Series 1 Preferred Shares are entitled to a preference over holders of Common Shares in respect of any distribution of assets in connection with the liquidation, dissolution or winding up of the Corporation and shall be entitled to receive an amount equal to \$2.50 per Series 1 Preferred Share before any amount is paid or any assets of the Corporation are distributed to the holders of Common Shares.

13.3 Common share options

The following is a continuity of the changes in the number of share options outstanding for the years ended November 30, 2018 and November 30, 2017:

	November 30, 2018		November 30, 2017	
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
Outstanding, beginning of year	40,000	\$ 0.49	200,000	\$ 0.47
Exercised	(40,000)	0.49	(160,000)	0.46
Outstanding, end of year	-	\$ -	40,000	\$ 0.49

The weighted average market price of the Corporation's Common shares at the time of exercise of share options during the year ended November 30, 2018 was \$3.19 (November 30, 2017 - \$3.47).

There were no share options granted during the year ended November 30, 2018 and November 30, 2017. Share options outstanding and exercisable as at November 30, 2017 were fully exercised during the year ended November 30, 2018, which resulted in nil share options outstanding and exercisable as at November 30, 2018.

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Share options outstanding and exercisable as at November 30, 2017 are as below:

November 30, 2017						
Number of share options	Exercise price per share option \$	Vesting	Expiry date	Weighted-average remaining contractual life	Weighted-average exercise price per share option \$	Number exercisable
25,000	0.47	Vested	2018	0.3 years	0.47	25,000
15,000	0.53	Vested	2019	1.2 years	0.53	15,000
40,000						40,000

13.4 Contributed surplus

	Years ended	
	November 30, 2018 \$	November 30, 2017 \$
Balance, beginning of the year	8,384	8,381
Stock-based compensation during the year	296	173
Transfer to share capital for share options exercised	(8)	(170)
Balance, end of the year	8,672	8,384

13.5 Earnings per share

	Years ended	
	November 30, 2018	November 30, 2017
<i>Numerator</i>		
Net earnings	\$ 2,865	\$ 1,207
Net (loss) earnings attributable to non-controlling interests	(10)	(62)
Net earnings attributable to equity holders of FTG	\$ 2,875	\$ 1,269
Numerator for basic earnings per share - net earnings applicable to Common Shares	\$ 2,875	\$ 1,269
Numerator for diluted earnings per share - net earnings applicable to Common Shares	\$ 2,875	\$ 1,269
<i>Denominator</i>		
Denominator for basic earnings per share - weighted average number of Common Shares outstanding	22,703,735	22,515,543
Effect of dilutive securities		
Number of Preferred Shares	1,775,000	1,775,000
Number of Stock options	-	34,993
Denominator for diluted earnings per share - weighted average number of Common Shares outstanding and assumed conversions	24,478,735	24,325,536
Earnings per share data attributable to the equity holders of FTG		
Basic earnings per share	\$ 0.13	\$ 0.06
Diluted earnings per share	\$ 0.12	\$ 0.05

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The Corporation has 1,775,000 voting convertible Series 1 Preferred Shares outstanding as at November 30, 2018 and 2017. The Corporation also has options outstanding as at November 30, 2017 but no such options were outstanding as at November 30, 2018. These convertible Series 1 Preferred Shares and options were included in calculating diluted earnings per share for the year ended November 30, 2018 and November 30, 2017 as the Corporation had net earnings.

13.6 Stock-based compensation to employees

The Corporation recognized stock-based compensation expense in the consolidated statement of earnings of \$296 during the year ended November 30, 2018 (2017 – \$173).

Common stock options

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

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

No stock options were granted during the year ended November 30, 2018 and November 30, 2017.

Share units – PSUs

No PSU's were granted during the year ended November 30, 2018. During the year ended November 30, 2017, the Corporation granted 200,000 PSUs, of which 100% vest based on the achievement of a non-market performance condition. PSUs vest at the end of their respective terms, generally three years, to the extent that the applicable performance conditions have been met. The fair value of the non-market performance based PSUs is determined by the market value of the Corporation's Common Shares at the time of grant and may be adjusted in subsequent years to reflect the estimated level of achievement related to the applicable performance condition. The Corporation expects to settle these awards with Common Shares issued from the treasury.

As at November 30, 2018, nil of the 200,000 outstanding PSUs (granted during the year ended November 30, 2017) had vested/exercisable (As at November 30, 2017, nil of the 200,000 outstanding PSUs that were granted during the year had vested/exercisable).

13.7 Management of capital

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

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For the purpose of the Corporation's capital management, capital includes bank debt and total equity attributable to FTG's shareholders. The Corporation's primary uses of capital are to finance increases in non-cash working capital, capital expenditures and acquisitions. The Corporation currently funds these requirements from internally generated cash flows, cash, bank indebtedness and bank debt.

The primary measure used by the Corporation to monitor its financial leverage is its ratio of net debt to total capital employed which it aims to maintain at a maximum of 0.30:1. Net debt and total capital employed, computed as at November 30, 2018 and November 30, 2017, are as follows:

	November 30, 2018	November 30, 2017
	\$	\$
Bank indebtedness and long-term bank debt	7,423	14,210
Less: cash	(5,026)	(2,752)
Net debt	2,397	11,458
Net debt	2,397	11,458
Total equity attributable to FTG's shareholders	41,126	38,896
Total capital employed	43,523	50,354
Net debt to total capital employed	0.06:1	0.23:1

The Corporation does not currently have a policy to pay dividend. The Corporation's credit facilities as per above are subject to certain covenants with which it was in full compliance as at November 30, 2018. The credit facilities are secured by a first charge on all assets of the Corporation.

14. RESEARCH AND DEVELOPMENT COSTS AND RECOVERIES

14.1 Research and Development Costs and Recoveries

Research and development costs include the cost of direct labour, materials and an allocation of overheads specifically incurred in activities regarding technical uncertainties in production processes, product development, product upgrading, waste reduction programs and energy reduction programs. The Corporation recorded \$4,740 of research and development costs for the year ended November 30, 2018 (2017 – \$6,497).

Recoveries of research and development costs for the year ended November 30, 2018 were \$220 (2017 – \$220) from the Ontario Innovation Tax Credit.

14.2 Investment Tax Credits Receivable

The Corporation has, as at November 30, 2018, \$4,620 (November 30, 2017 - \$6,420) of Canadian investment tax credits ("ITCs") available to be applied against future taxes payable in Canada which are due to expire between 2024 and 2038. The tax benefit of \$4,620 (2017 - \$6,420) of these investment tax credits have been recognized in the consolidated balance sheets as at November 30, 2018 and 2017, and recoveries of investment tax credits of \$796 (2017 - \$657) were recognized in the consolidated statements of earnings during the year ended November 30, 2018.

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15. INCOME TAX EXPENSE

15.1 Deferred Income Tax Assets

The consolidated rate reconciliation is as follows:

	November 30, 2018 \$	November 30, 2017 \$
Accounting income before tax	6,280	3,497
Statutory tax rate	25%	25%
	1,570	874
Change in benefits not recognized	742	1,184
Foreign tax rate differences	123	(844)
Permanent differences and differences between Canadian and foreign tax rates	909	1,118
Withholding tax	62	(46)
State income taxes	9	4
Tax provision	3,415	2,290
The gross movement on the net deferred income tax asset account is as follows:	\$	\$
Opening balance, net	(1,301)	(246)
(Charged) recovered to earnings during the year	(131)	(642)
Recovered (charged) in other comprehensive income (loss) during the year	468	(290)
Closing balance, net	(964)	(1,178)
(Charged) recovered in earnings during the year	(54)	(123)
	(1,018)	(1,301)

The movement in net deferred income tax assets during the year ended November 30, 2018 is as follows:

	Balance as at December 1, 2017 \$	Recovered (charged) to earnings \$	Recovered in other comprehensive income \$	Balance as at November 30, 2018 \$
Deferred income tax assets, net:				
Tax losses carried forward	4,673	(313)	-	4,360
SR&ED deductible expenditures	(1,309)	1,121	-	(188)
Tax attributes - R&D Credits	487	15	-	502
Other temporary differences	1,371	430	468	2,269
Excess of unamortized intangibles for tax purposes over net book value	(1,301)	693	-	(608)
Excess of undepreciated capital cost for tax purposes over net book value of capital assets	65	(299)	-	(234)
Customer deposits	1,138	(1,009)	-	129
Deferred income tax assets not recognized	(4,729)	(769)	-	(5,498)
Deferred income tax assets	395	(131)	468	732
Deferred tax payable on investment tax credit receivable	(1,696)	(54)	-	(1,750)
	(1,301)	(185)	468	(1,018)

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

	Balance as at December 1, 2016 \$	Recovered (charged) to earnings \$	(Charged) in other comprehensive income \$	Balance as at November 30, 2017 \$
Deferred income tax assets, net:				
Tax losses carried forward	3,069	1,604	-	4,673
SR&ED deductible expenditures	357	(1,666)	-	(1,309)
Tax attributes - R&D Credits	451	36	-	487
Other temporary differences	2,812	(1,151)	(290)	1,371
Excess of unamortized intangibles for tax purposes over net book value	(1,668)	367	-	(1,301)
Excess of undepreciated capital cost for tax purposes over net book value of capital assets	(149)	214	-	65
Customer deposits	-	1,138	-	1,138
Deferred income tax assets not recognized	(3,545)	(1,184)	-	(4,729)
Deferred income tax assets	1,327	(642)	(290)	395
Deferred tax payable on investment tax credit receivable	(1,573)	(123)	-	(1,696)
	(246)	(765)	(290)	(1,301)

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

The Corporation has, as at November 30, 2018, U.S. gross tax loss carry-forwards of approximately \$11,103 (November 30, 2017 - \$8,210), which are due to expire between 2031 and 2038. No deferred income tax asset has been recorded in respect of these losses.

In addition, the Corporation has, as at November 30, 2018, China gross tax loss carry-forwards of approximately \$2,200 (November 30, 2017 - \$2,059), which are due to expire between 2019 and 2023. No deferred income tax asset has been recorded in respect of these losses.

The Corporation has, as at November 30, 2018, capital loss carry-forwards of approximately \$14,145 (November 30, 2017 - \$14,145), which do not expire. The capital losses can only be used to shelter income from capital gains. No deferred income tax asset has been recorded in respect of these losses.

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15.2 Income tax expense/(recovery)

	Years ended	
	November 30, 2018	November 30, 2017
	\$	\$
Income tax expense:		
Current tax expense- in earnings during the year	3,230	1,525
Deferred tax (recovery) expense - in earnings during the year	25	642
Deferred tax expense (ITCs) – charged to earnings during the year	160	123
Deferred tax (recovery) expense - in other comprehensive income (loss) during the year	(468)	290
	2,947	2,580

During the year ended November 30, 2018, current income tax of \$3,230 (2017 – current income tax of \$1,525) was recognised in the consolidated statement of earnings which includes current income tax expense of \$3,159 (2017 - \$1,567) related to movement in deferred income tax assets and investment tax credits receivable, and expense of \$9 (2017 - \$4) related to taxes for the U.S. subsidiaries, and withholding taxes of \$62 (2017 – (recovery) of (\$46)) related to source deductions on remittances from FTG Aerospace Tianjin Inc. to the Corporation.

During the year ended November 30, 2018, net deferred income tax expense of \$185 was recognised in the consolidated statement of earnings which included deferred income tax expense of \$25 related to movement in deferred income tax assets and investment tax credits receivable, and the remaining deferred income tax expense of \$160 related to the tax effect of recovery of investment tax credits. During the year ended November 30, 2017, net deferred income tax expense of \$765 was recognised in the consolidated statement of earnings which included deferred income tax expense of \$642 related to movement in deferred income tax assets and investment tax credits receivable, and the remaining deferred income tax expense of \$123 related to the tax effect of recovery of investment tax credits.

During the year ended November 30, 2018, deferred income tax (recovery) of (\$468) was recognised in other comprehensive income (loss) and offset against the investment tax credits receivable, which related to the change in the tax impact (25%) of the net unrealized (loss) of \$1,591 on derivative financial instruments designated as cash flow hedges as at November 30, 2018 as compared to the tax impact (25%) of net unrealized gain of \$282 on derivative financial instruments designated as cash flow hedges as at November 30, 2017.

During the year ended November 30, 2017, deferred income tax expense of \$290 was recognised in other comprehensive income (loss) and offset against the investment tax credits receivable, which related to the change in the tax impact (25%) of the net unrealized gain of \$282 on derivative financial instruments designated as cash flow hedges as at November 30, 2017 as compared to the tax impact (25%) of net unrealized (loss) of (\$876) on derivative financial instruments designated as cash flow hedges as at November 30, 2016.

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, 2018 was 25% (2017: 25%) which was based on projected annualized Manufacturing and Processing rates.

16. NET CHANGE IN NON-CASH OPERATING WORKING CAPITAL

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

	Years ended	
	November 30,	November 30,
	2018	2017
	\$	\$
Accounts receivable	(782)	3,076
Taxes receivable	26	51
Inventories	352	(2,645)
Prepaid expenses	(311)	272
Customer deposits/customer advances	699	960
Accounts payable and accrued liabilities, and provisions	3,312	(3,767)
Income tax payable (provincial)	563	-
	3,859	(2,053)

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, 2018 and November 30, 2017.

Level 2: Valuation Techniques with Observable Parameters: This level includes cash, accounts receivable, accounts payable and accrued liabilities, customer deposits, loans, commitments, interest rate swaps and certain corporate debt instruments. The financial instruments held by the Corporation in this level included cash, accounts receivable, accounts payable and accrued liabilities, customer deposits, bank indebtedness, long-term bank debt, foreign exchange forward contracts, gold forward contracts and interest rate swaps as at November 30, 2018 and November 30, 2017.

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, 2018 and November 30, 2017.

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.

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

Cash, accounts receivable, accounts payable and accrued liabilities, and customer deposits:

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

Bank indebtedness and long-term bank debt:

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

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, 2018. The forward current value (fair value) of these financial instruments as at November 30, 2018 had an net unrealized loss of \$1,591 (an unrealized loss on foreign exchange forward contracts of \$1,627, and an unrealized loss on gold forward contracts of \$76, offset by an unrealized gain on interest rate swaps of \$112, and included in other comprehensive income (loss), net of \$398 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, 2017 had an net unrealized gain of \$282 (an unrealized gain on foreign exchange forward contracts of \$216, and an unrealized gain on interest rate swaps of \$81, offset by an unrealized loss on gold forward contracts of \$15) included in other comprehensive income (loss), net of \$71 in tax, and relates to derivatives designated as cash flow hedges.

17.2 Financial risks

Interest rate risk

Interest rate risk arises because of the fluctuation in interest rates. The Corporation's revolving credit facilities and the term loan are subject to rates varying with the lending institution's prime rates and are subject to cash flow risks.

The Corporation's interest rate and cash flow risks are primarily related to the Corporation's revolving credit facilities, for which amounts drawn are subject to varying rates at the time of borrowing. The interest rates on amounts currently drawn on the revolving facility and on any future borrowings will vary and are unpredictable. The Corporation monitors its exposure to interest rates and has entered into derivative contracts to mitigate this risk which include four (November 30, 2017 – two) interest rate swaps as at November 30, 2018.

Based on the value of interest bearing financial instruments for the year ended November 30, 2018, an assumed 50 basis points increase in interest rates during such year would have decreased earnings before income taxes by \$23 (year ended November 30, 2017 – decrease of \$35), with an equal but opposite effect for an assumed 50 basis points decrease in interest rates.

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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 (gain) loss for the reporting periods is set out in the table below:

	Years ended	
	November 30, 2018	November 30, 2017
	\$	\$
Realized (gain) loss relating to financial assets and liabilities, excluding foreign exchange forward contracts	(15)	(313)
Realized (gain) loss relating to forward exchange foreign contracts	(60)	102
Foreign exchange (gain)	(75)	(211)

In addition, net realized (gain) for foreign exchange forward contracts designated as cash flow hedges that were settled during the year ended November 30, 2018 of (\$45) (year ended November 30, 2017 - net realized (gain) of (\$201) 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, 2018	November 30, 2017
	Canadian and other operations	U.S. operations	Consolidated financial statements	Consolidated financial statements
<i>(In thousands of U.S. dollars)</i>	\$	\$	\$	\$
Cash	2,331	166	2,497	922
Accounts receivable	8,413	4,668	13,081	12,806
Accounts payable and accrued liabilities	(4,353)	(2,947)	(7,300)	(5,781)
Total bank borrowings	(5,599)	-	(5,599)	(11,054)
Balance sheet exposure, excluding financial derivatives	792	1,887	2,679	(3,107)
Reporting date Cdn.\$:U.S.\$ exchange rate			1.3301	1.2888

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	Years ended			
	November 30,			November 30,
	2018			2017
	Canadian and	US	Total	Total
	other operations	operations		
(In thousands of US dollars)	\$	\$	\$	\$
Net sales	55,345	23,981	79,326	67,923
Operating expenses	(22,179)	(29,914)	(52,093)	(45,903)
Net exposure	33,166	(5,933)	27,233	22,020

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, 2018 and November 30, 2017 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,			November 30,
	2018			2017
	Canadian and	US	Total	Total
	other operations	operations		
	\$	\$	\$	\$
Source of net earnings/loss variability from changes in foreign exchange rates				
Balance sheet exposure, excluding financial derivatives	(8)	(18)	(26)	31
Net sales and operating expenses (net exposure)	(332)	59	(273)	(220)
Net exposure	(340)	41	(299)	(189)

The Corporation had some exposure to the RMB arising from its Circuits and Aerospace facilities in the People's Republic of China. Total balance sheet exposure as at November 30, 2018 was RMB 4,733,776 or Cdn. \$905 (November 30, 2017 – RMB 6,494,734 or Cdn. \$1,266) including a short term deposit with a financial institution with maturity of less than 1 year an amount of RMB 3,000,000 or Cdn. \$574 (November 30, 2017 – RMB nil).

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, 2018 and November 30, 2017:

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Currency sold	Currency bought	Notional value	Forward value at transaction date	Forward current value	Unrealized (loss) gain
November 30, 2018					
U.S. dollars	Canadian dollars	\$45,000	\$57,584	\$59,211	(\$1,627)
November 30, 2017					
U.S. dollars	Canadian dollars	\$31,500	\$40,647	\$40,431	\$216

As at November 30, 2018, the foreign exchange forward contracts (contracts to sell foreign currency) are designated as cash flow hedges and have an unrealized (loss) of (\$1,627) (forward current value (fair value) of \$59,211 as compared to the forward value at transaction date of \$57,584), all of which was recognized in other comprehensive income (loss) and accounts payable and accrued liabilities. This net unrealized (loss) 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.

As at November 30, 2017, the foreign exchange forward contracts (contracts to sell foreign currency) are designated as cash flow hedges and have an unrealized gain of \$216 (forward current value (fair value) of \$40,431 as compared to the forward value at transaction date of \$40,647), all of which was recognized in other comprehensive income (loss) and prepaid expenses.

Gold forward contracts

As at November 30, 2018, in addition to the foreign exchange forward contracts per above, the Corporation had an outstanding commitment to buy 600 ounces of gold (November 30, 2017: 600 ounces of gold) under gold forward contracts at a contract price of approximately \$1.74 per ounce (2017: \$1.63) expiring quarterly from December 2018. These gold forward contracts qualify for hedge accounting. The table below summarizes the outstanding commitments under these gold forward contracts, all of which have a maturity date of less than one year:

Year ended	Nature of contract	Quantity	Forward value at transaction date	Forward current value	Unrealized (loss)
November 30, 2018	Gold forward contract	600 ounces	\$1,047	\$971	(\$76)
November 30, 2017	Gold forward contracts	600 ounces	\$978	\$963	(\$15)

As at November 30, 2018, the gold forward contracts are designated as a cash flow hedges and have a net unrealized (loss) of (\$76) (forward current value (fair value) of \$971 as compared to the forward value at transaction date of \$1,047), all of which was recognized in other comprehensive income (loss) and accounts payable and accrued liabilities. This unrealized loss 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.

As at November 30, 2017, the gold forward contracts are designated as a cash flow hedges and have a net unrealized (loss) of (\$15) (forward current value (fair value) of \$963 as compared to the forward value at transaction date of \$978), all of which was recognized in other comprehensive income (loss) and

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accounts payable and accrued liabilities. This unrealized loss 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, 2018 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 2019, 2020 and 2021.

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 and the forward current value (fair value) of the interest rate swap as at November 30, 2018 had an unrealized gain of \$28 (November 30, 2017 – unrealised gain of \$18) which is included in other comprehensive income (loss) and prepaid expenses.

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, 2018 had an unrealized gain of \$91 (November 30, 2017 - unrealized gain of \$63) which is included in other comprehensive income (loss) and prepaid expenses.

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, 2018 had an unrealized (loss) of (\$1) (November 30, 2017 - \$nil) 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, 2018 had an unrealized (loss) of (\$6) (November 30, 2017 - \$nil) which is included in other comprehensive income (loss) and accounts payable and accrued liabilities.

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The table below summarizes the net unrealised gain related to interest rate swaps as at November 30, 2018 and November 30, 2017:

Year ended	Nature of contracts	Net unrealized gain
November 30, 2018	Interest rate swaps	\$112
November 30, 2017	Interest rate swaps	\$81

Credit risk

For the year ended November 30, 2018, the Corporation recorded a bad debts expense of \$505 against trade receivable in selling, general and administrative expenses in the consolidated statements of earnings. For the year ended November 30, 2017, the Corporation released bad debts expense of \$60 against trade receivable in selling, general and administrative expenses in the consolidated statements of earnings.

Credit risk arises from the potential that the counterparty will fail to fulfil its obligations. The Corporation is exposed to credit risk from its customers. However, the Corporation has a significant number of customers, which minimizes concentration of credit risk, and the majority of the Corporation's customers are large, multi-national, stable organizations. The Corporation's largest and second largest customer accounted for approximately 16.6% and 10.5% of sales (2017 – 17.8% and 17.0%), respectively during year ended November 30, 2018. The Corporation may also have credit risk relating to cash and foreign exchange forward contracts, which it manages by dealing with its current bank, a major financial institution that the Corporation anticipates will satisfy its obligations under the contracts.

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

Although the Corporation's credit control processes have been effective in mitigating credit risk, these controls cannot eliminate credit risk and there can be no assurance that these controls will continue to be effective or that the Corporation's low credit loss experience will continue. Most sales are invoiced with payment terms in the range of 30 to 90 days in accordance with industry practice. Customers do not provide collateral in exchange for credit. The Corporation reviews its trade receivable accounts regularly and writes these accounts down to their expected realizable values by making an allowance for doubtful accounts, as soon as the account is determined not to be fully collectible. The allowance is charged against earnings. Shortfalls in collections are applied against this provision. Estimates for allowance for doubtful accounts are determined by a customer-by-customer evaluation of collectability at each consolidated balance sheet reporting date, taking into account the amounts that are past due and any available relevant information on the customers' liquidity and going concern problems.

Accounts receivable of \$18,696 as at November 30, 2018 included trade receivables of \$18,309 and other receivables of \$387. Accounts receivable of \$17,983 as at November 30, 2017 included trade receivables of \$17,422 and other receivables of \$561.

Notes to the Consolidated Financial Statements
(in thousands of Canadian dollars except where noted and per share amounts)

The Corporation's exposure to credit risk for trade receivables as at November 30, 2018 and November 30, 2017 was as follows:

	November 30, 2018 \$	November 30, 2017 \$
By geographical area:		
Canada	2,700	2,472
United States	11,683	12,970
Asia	3,852	1,695
Europe	691	569
Trade receivables	18,926	17,706
Allowance for doubtful accounts ("AFDA")	(617)	(284)
Trade receivables, net of AFDA	18,309	17,422
Aging by due dates:		
Not past due	14,388	12,901
Past due 1 to 30 days	2,635	2,675
Past due 31 to 120 days	1,764	1,794
Past due 121 to 180 days	117	116
Past due over 181 days	22	220
Trade receivables	18,926	17,706
AFDA	(617)	(284)
Trade receivables, net of AFDA	18,309	17,422

The movements in the AFDA were as follows:

	November 30, 2018 \$	November 30, 2017 \$
Opening balance	284	232
Provision expensed during the year	505	60
Doubtful accounts written off during the year	(172)	(8)
Closing balance	617	284

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, 2018 and November 30, 2017:

Notes to the Consolidated Financial Statements
(in thousands of Canadian dollars except where noted and per share amounts)

	November 30, 2018				November 30, 2017
	Less than 1 year	1 to 2 years	2 to 5 years	More than 5 years	Amount
	\$	\$	\$	\$	\$
Bank Indebtedness (<i>Note 11.1</i>)	-	-	-	-	6,444
Long-term bank debt (<i>Note 11.2</i>)	2,014	2,030	2,865	538	7,803
Accounts payable and accrued liabilities, and provisions	17,127	-	-	-	13,731
Customer deposits, net of deferred development (<i>Note 10</i>)	1,966	-	-	-	1,268
Operating leases	1,793	838	1,399	940	5,082
	22,900	2,868	4,264	1,478	34,328

Financial liabilities and obligations for future interest payments relating to long-term bank debt are \$258 for within 1 year, \$182 for the 2nd year, \$250 in aggregate for years 3, 4 and 5 and \$15 after the 5th year.

18. RELATED PARTY TRANSACTIONS

18.1 Advances due to/from related parties

There were no related party transactions during the years ended November 30, 2018 and 2017.

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, 2018	November 30, 2017
	\$	\$
Short-term remuneration benefits	1,519	1,595
Stock-based payment benefits	361	197
	1,880	1,792

18.3 Key management personnel and director shareholdings

As at November 30, 2018, key management and directors of the Corporation control 11.7% (2017 – 11.8%) of the voting shares of the Corporation.

Notes to the Consolidated Financial Statements
(in thousands of Canadian dollars except where noted and per share amounts)

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, 2018, wages, salaries and related benefits were \$40,069 (2017 – \$35,878).

20. COMMITMENTS

Lease commitments

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

	Amount
	\$
2019	1,793
2020	838
2021	693
2022	443
2023	263
Thereafter	940
	4,970

Lease payments recognized as an expense in the consolidated statements of earnings for the years ended November 30, 2018 and November 30, 2017 amounted to \$2,325 and \$2,178, respectively.

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 makers. 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:

Notes to the Consolidated Financial Statements
(in thousands of Canadian dollars except where noted and per share amounts)

	Year ended November 30, 2018			
	Corporate			Total \$
	Circuits \$	Aerospace \$	Office \$	
Sales	65,121	54,549	-	119,670
Inter-company sales	(1,034)	(9,216)	-	(10,250)
Net sales	64,087	45,333	-	109,420
Cost of sales and selling, general and administrative expenses	48,414	43,171	2,732	94,317
Research and development costs	3,900	840	-	4,740
Recovery of research and development costs	(98)	(122)	-	(220)
Recovery of investment tax credits	-	-	(796)	(796)
Depreciation of plant and equipment	2,275	813	61	3,149
Amortization of intangible assets	142	907	-	1,049
Restructuring expenses	130	325	-	455
Foreign exchange (gain) loss on conversion of balance sheet assets and liabilities	(121)	(167)	213	(75)
Earnings (loss) before interest and income taxes	9,445	(434)	(2,210)	6,801
Interest expense on long-term and short-term debt	-	-	521	521
Income tax expense	-	-	3,415	3,415
Net earnings (loss)	9,445	(434)	(6,146)	2,865
	Year ended November 30, 2017			
	Corporate			Total \$
	Circuits \$	Aerospace \$	Office \$	
Sales	62,518	44,274	-	106,792
Inter-company sales	(3,402)	(8,695)	-	(12,097)
Net sales	59,116	35,579	-	94,695
Cost of sales and selling, general and administrative expenses	43,330	34,587	3,345	81,262
Research and development costs	4,675	1,822	-	6,497
Recovery of research and development costs	(98)	(122)	-	(220)
Recovery of investment tax credits	-	-	(657)	(657)
Depreciation of plant and equipment	2,153	753	27	2,933
Amortization of intangible assets	192	915	-	1,107
Foreign exchange loss (gain) on conversion of balance sheet assets and liabilities	345	86	(642)	(211)
Earnings (loss) before interest and income taxes	8,519	(2,462)	(2,073)	3,984
Interest expense on long-term and short-term debt	-	-	487	487
Income tax expense	-	-	2,290	2,290
Net earnings (loss)	8,519	(2,462)	(4,850)	1,207

Notes to the Consolidated Financial Statements
(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, 2018			As at November 30, 2017		
	Circuits	Aerospace	Total	Circuits	Aerospace	Total
	\$	\$	\$	\$	\$	\$
Total segment assets	41,316	29,820	71,136	34,779	36,236	71,015
Intangible assets and other assets	646	2,423	3,069	514	3,254	3,768
Additions to plant and equipment	2,699	322	3,021	5,593	1,493	7,086
Total segment liabilities	22,489	6,340	28,829	24,541	6,364	30,905

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

	Canada	United States	Asia	Europe	Other	Total
	\$	\$	\$	\$	\$	\$
Year ended November 30, 2018:						
Net sales (by location of customer)	11,250	75,231	17,589	4,299	1,051	109,420
Year ended November 30, 2017:						
Net sales (by location of customer)	9,960	68,865	10,467	4,390	1,013	94,695

	As at November 30, 2018					
	Canada	United States	Asia	Europe	Other	Total
	\$	\$	\$	\$	\$	\$
Intangible assets and other assets (by location of division)	-	2,806	263	-	-	3,069
Plant and equipment (by location of division)	5,768	4,235	2,075	-	-	12,078
	As at November 30, 2017					
	Canada	United States	Asia	Europe	Other	Total
	\$	\$	\$	\$	\$	\$
Intangible assets (by location of division)	-	3,766	2	-	-	3,768
Plant and equipment (by location of division)	4,888	5,095	2,239	-	-	12,222

During the year ended November 30, 2018, there were two customers in the United States that accounted for approximately 16.6% and 10.5% of the total net sales, respectively - the largest customer accounted for \$18,165 of net sales (of which 80.8% was in Circuits and the remaining 19.2% in the Aerospace segment) and the second largest customer accounted for \$11,540 of net sales (of which 42.2% was in Circuits segment and the remaining 57.8% in the Aerospace segment).

During the year ended November 30, 2017, there were two customers in the United States that accounted for approximately 17.8% and 17.0% of the total net sales, respectively - the largest customer accounted for \$16,893 of net sales (of which 76.5% was in Circuits and the remaining 23.5% in the Aerospace segment) and the second largest customer accounted for \$16,075 of net sales (of which 34.3% was in Circuits segment and the remaining 65.7% in the Aerospace segment).

CORPORATE DIRECTORY

DIRECTORS

Mike Andrade

Corporate Director and CEO, Morgan Solar

Robert J. Beutel

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

Bradley C. Bourne

President and Chief Executive Officer
Firan Technology Group Corporation

Edward C. Hanna

Corporate Director

David F. Masotti

Corporate Director and Business Consultant

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President and Chief Executive Officer
Firan Technology Group Corporation

Melinda A. Diebel

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

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STOCK LISTING

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

ANNUAL GENERAL MEETING

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

April 16, 2019, 10:30am (Toronto Time)

at the Toronto Board of Trade

77 Adelaide St. W., First Canadian Place, 3rd Floor

Ridout Room

Toronto, Ontario

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