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We're teaming up for quality

Corporate Profile

Circo Craft is the leading independent Canadian manufacturer of printed circuit structures. The Company serves the major manufacturers of some of today's most sophisticated electronics equipment from the telecommunications, computer, automotive and instrumentation industries. Our mission is to become a world-class industry and technology leader by providing quality products through manufacturing excellence. Circo Craft's common shares are traded on the Montréal and Toronto stock exchanges since the Company's initial public offering in 1984. There are currently 12.1 million common shares outstanding.

Cover

We're teaming up to reach unsurpassed levels of quality that will enable Circo Craft to generate a recovery and create momentum for continued growth. The employees photographed in this report represent Circo team members who are supporting this objective through their involvement in Quality Improvement Teams.

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Shareholders' Meeting

Circo Craft's Annual General Meeting of Shareholders will be held on Wednesday, April 22, 1992 at 11:30 a.m. (EST) at the Four Seasons Hotel, 1050 Sherbrooke Street West, Montréal, Québec, Canada.

Financial Highlights

(millions of dollars) 1991 1990 1989

Operations

Sales	\$ 80.1	\$ 81.3	\$ 90.7
Operating margin	9.1	11.9	22.4
Depreciation	7.9	7.0	6.4
Earnings (loss) before income taxes & extraordinary item	(8.4)	(3.3)	8.4
Net earnings (loss)	(5.9)	(1.4)	1.7

(millions of dollars)

Financial Position

Working capital	\$ 7.9	\$ 10.0	\$ 12.7
Shareholders' equity	39.8	45.7	47.1
Total assets	70.2	69.9	64.1

(in dollars)

Per Share

Earnings (loss) before extraordinary item	\$ (0.49)	\$ (0.19)	\$ 0.43
Net earnings (loss)	(0.49)	(0.11)	0.14
Book value	3.30	3.79	3.90

Key Ratios

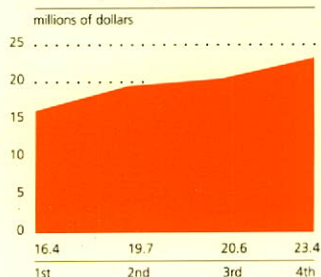
Sales/fixed assets	1.69	1.64	2.21
Sales/total assets	1.14	1.16	1.41
Current ratio	1.54	1.95	2.24

(millions of dollars)

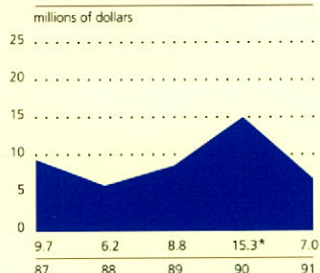
Other Statistics

Capital expenditures	\$ 7.0	\$ 15.3	\$ 8.8
Cash flow from operations	1.4	3.7	10.9

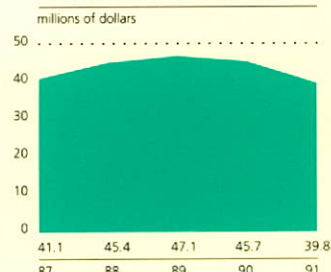
Sales per Quarter 1991



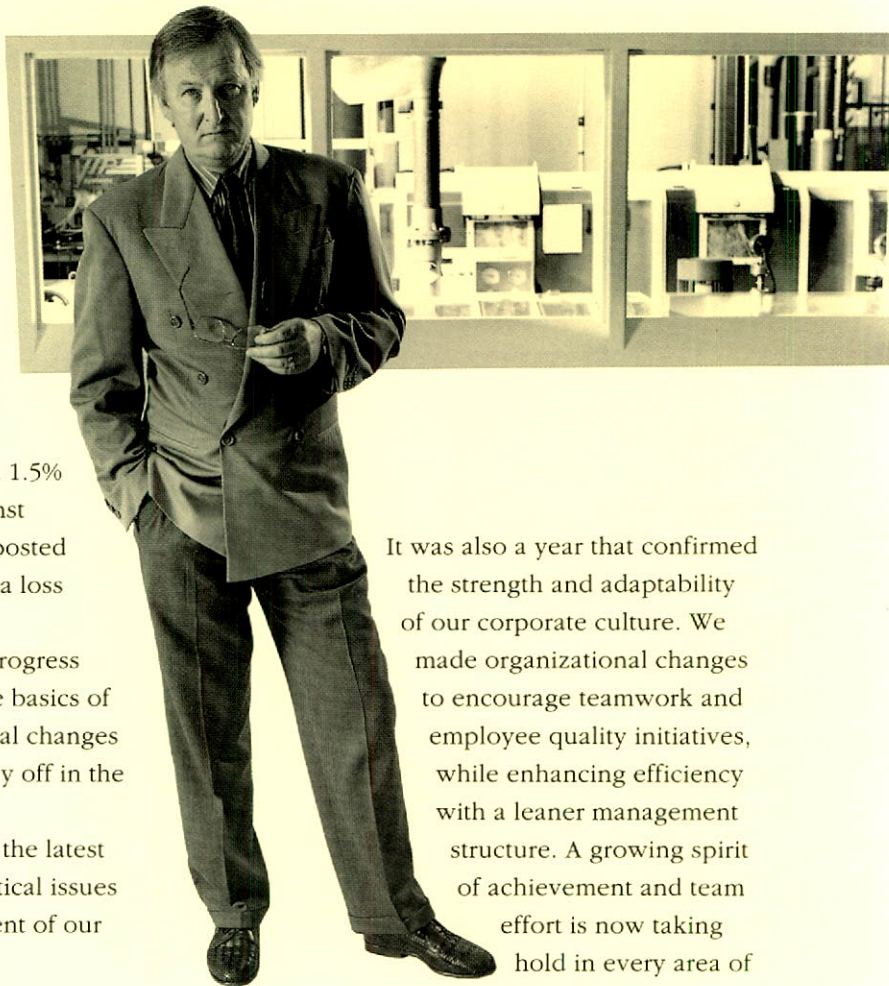
Capital Expenditures



Shareholders' Equity



* includes the establishment of the Advanced Technology Centre



The Company's 1991 financial performance was disappointing. Soft markets and pricing for the second consecutive year, compounded by overcapacity in the industry, led to a 1.5% decline in sales to \$80,068,000, against \$81,256,000 in 1990. The Company posted a loss of \$5,878,000, compared with a loss of \$1,374,000 a year ago.

Despite these results, significant progress was realized by concentrating on the basics of our business and making fundamental changes to our business practices that will pay off in the longer term:

- We sharpened our understanding of the latest manufacturing processes and the critical issues which are essential to the achievement of our strategic plan.
- Each of our three plants made measurable progress in mastering the ever-increasing technological sophistication of printed circuit structures, leading to yield improvement on denser and more complex products throughout the year.

As we gained control of our advanced manufacturing processes, the effect on earnings was immediate - from a \$2,956,000 loss in the first quarter to a reduced loss of \$479,000 in the last three months of the year. This improvement should set the stage for renewed earnings growth in what is expected to be essentially flat market prices for our products.

It was also a year that confirmed the strength and adaptability of our corporate culture. We made organizational changes to encourage teamwork and employee quality initiatives, while enhancing efficiency with a leaner management structure. A growing spirit of achievement and team effort is now taking hold in every area of the Company.

Teaming up for quality

Our operational achievements in 1991 were the result of a team effort. We involved customers, suppliers and employees in the quest for technological excellence and quality.

- We increased our capacity to manufacture fine line and higher density circuitry with strategic investments in key processes.
- We reinforced strategic partnerships by dedicating each manufacturing plant to key customer groups.
- We forged closer ties with major suppliers to support our total customer satisfaction goal.
- We implemented our "Quality 2000" process of Continuous Quality Improvement with the full support of our employees, customers and suppliers.
- We also accelerated employee training and development to prepare them to face the challenges ahead.

Circo Craft's quest for excellence is driven by customers who require first-rate technology and uncompromising quality execution. Our goal is to establish North American leadership as a high-volume supplier of increasingly complex 4, 6, 8 and 10 layer structures.

Investment in the latest equipment and R&D are part of our strategy to support manufacturing operations and customer needs. Both have helped Circo Craft earn recognition as one of the largest and most reliable North American-based printed circuit manufacturer.

The increasing complexity of multilayer boards and higher circuit density requires that the manufacturing process be continually modified and improved to assure total customer satisfaction.

Circo Craft is undertaking a joint research project with the Industrial Materials Institute of the National Research Council of Canada to develop an advanced process for high density composite laminate to improve electrical characteristics, overall thickness, space requirements and cost performance ratio.

Capital spending totalling \$6,975,000 in 1991 was aimed at enhanced quality and productivity. The start-up of our Advanced Technology Centre highlighted the year, reaching a capacity of 1,200 square feet per day of complex circuits by year-end. Other major projects included the expansion of our Kirkland manufacturing facility and the acquisition of a world-class Swiss automatic plating system capable of producing complex product with very high manufacturing yields.

S trengthened organization

During 1991 we continued to strengthen our management with experienced engineers and technologists. We created the new senior position of Vice President, Technology and Engineering to heighten the Company's preparedness to meet the technological challenges of the 1990s head-on and direct the company-wide quality improvement process including our accelerated employee development program.

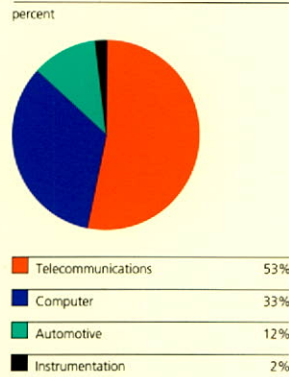
M arket outlook

The total North American printed circuit market represents sales of approximately \$7 billion annually. Industry forecasts call for an 8% average annual increase through the rest of the 1990s, with demand for multilayer structures estimated to grow by 11% annually. The successful renewal of major supply agreements with two of our largest customers, and our recent certification as a supplier to a

leading U.S. manufacturer of automotive electronics, are positive for 1992. However, we remain cautious about our short-term prospects.

We expect that overall market demand will continue to be sluggish and erratic due to the weak economic recovery in North America. Our efforts will therefore focus on further reinforcement of quality-driven partnerships with major customers and the development of new alliances.

Sales by Market Sector



Using *Quality 2000* as the catalyst, our efforts will concentrate squarely on making fundamental and durable improvements to our operating practices, while avoiding short-term solutions. In this context, the return to profitability and sales growth will be a gradual process.

Our entire team is committed to restoring profitability and growth in 1992 through higher manufacturing yields, lower manufacturing costs and expanded markets. To successfully meet this objective, our strategic business plan is tailored to effectively meet competitive pressures on the international market without relying on an early improvement in the general economy.

Our success relies in great part on the men and women in the Circo Craft team. I wish to acknowledge their enthusiasm and thank them for embracing the many new concepts we have integrated into our operations to enhance quality, technology and productivity. The management of Circo Craft is totally committed to generating satisfactory financial results for shareholders while achieving recognition for the company as a world-class industry and technology leader.

Hans-Karl Muhlegg
President and Chief Executive Officer

March 3, 1992

Review of Operations

The focal point of 1991 was the realignment of operations towards the controlled production of higher value-added printed circuit structures. At year-end, 60% of Circo Craft's product mix consisted of denser, more complex circuits, including a growing proportion of 4, 6 and 8 layer structures.

This strategic shift in product mix, which began in late 1989, has been extremely challenging. Circo Craft is now well positioned for continuous improvement in reacting quickly and effectively to its customers' changing needs.

We are directing our efforts towards select market niches in which the Company can provide the best price, quality and service combination at higher margins relative to current industry conditions. In selecting markets, significant attention was given to matching products to our traditional technical and operational strengths.



Margin improvement was addressed aggressively through substantial overhead reductions early in 1991 and gradual, incremental increases in manufacturing yields and heightened operational efficiencies throughout the year.

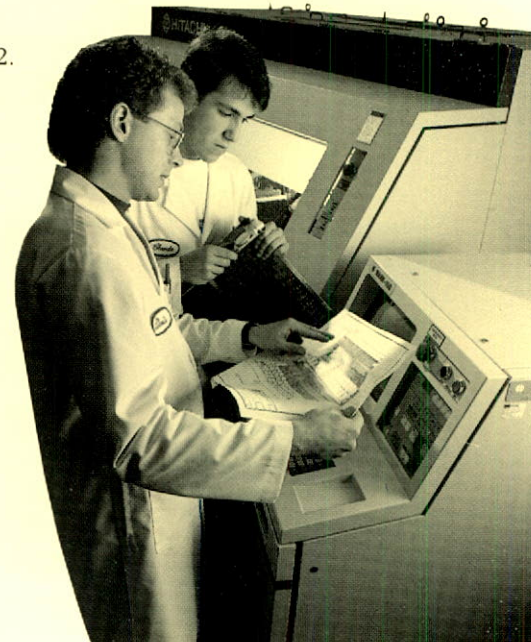
Industry consolidation

The ever-growing technological requirements, combined with increased offshore competition, have triggered an accelerated decline in the number of North American manufacturers of printed circuits. From approximately 1,500 independents in 1989, industry studies indicate that only about 800 remain, many of them smaller fabricators unable to produce complex circuits in large volumes. As well, large electronics companies continue to phase out their captive printed circuit manufacturing facilities due to a lack of competitiveness.

This is resulting in major new market and sales opportunities for a few independent manufacturers such as Circo Craft who possess the required technology and volume manufacturing capabilities.

Through the measurable productivity and efficiency gains made in 1991, Circo Craft is in an excellent position to benefit from these fundamental changes in the industry.

- Progress was achieved in reducing our defective parts rate by applying Statistical Process Control (SPC) benchmarking. Our objective is a substantial improvement in our parts per million rate in key areas of our operations, by the fourth quarter of 1992.
- We are using Just-In-Time (JIT) methodology more effectively to reduce cycle time.



Plants	Square footage	Employees
Pointe-Claire	160,000	262
Kirkland	117,000	199
Granby	103,000	249

- Our MRP-II computer integrated manufacturing system will be fully operational in 1992, giving operators complete control of the manufacturing cycle. This system will enhance production planning, on-time delivery performance and overall customer service. We will also be in a better position to measure our quality against customer targets and correct non-conformance immediately on the production line.
- The performance of our new Advanced Technology Centre improved throughout the year, offering added capacity for prototype and preproduction orders and stimulated R&D effort.

T eaming up for quality

The driving force in our future success is continuous improvement. Our goal is to maintain a performance level at which customers are totally satisfied with our ability to provide quality products competitively.

Quality 2000 is our rallying point. It was designed internally and implemented in the second half of 1991 as part of our *Operation Entreprise* strategic action plans. This quality process incorporates the requirements of International Standard ISO-9000 and the National Institute of Standards and Technology in the United States. Its most important elements are total customer satisfaction, process improvement and the use of quantitative tools.

A key aspect in the implementation of *Quality 2000* is the emphasis on teamwork. Progress results from the coordinated and genuine involvement of employees, customers and suppliers.

Major Customers

- | | |
|----------------------|---------------------------|
| Allen Bradley | Motorola |
| Digital | Northern Telecom |
| Intel | Philips |
| Memorex | Storage Technology |

In January, Circo Craft was chosen as the recipient of Northern Telecom Calgary's 1991 Environmental Vendor of the Year award. The Company



has worked closely with the Calgary division to optimize material utilization in their process through its involvement in the early stages of design. The Company was also instrumental in helping Northern Telecom phase out CFC-113 solvents from its manufacturing process.

Circo Craft's own environmental efforts include the recycling of metals, plastics, paper, photographic films, solvents and chemicals. Cardboard boxes to package our products are made of 90% recycled material. The Company spent over \$1 million in 1991 to upgrade its effluent and metal recovery systems in the Pointe-Claire facility and intends to remain progressive and proactive with respect to its environmental responsibility through its ongoing efforts and those of its employees.

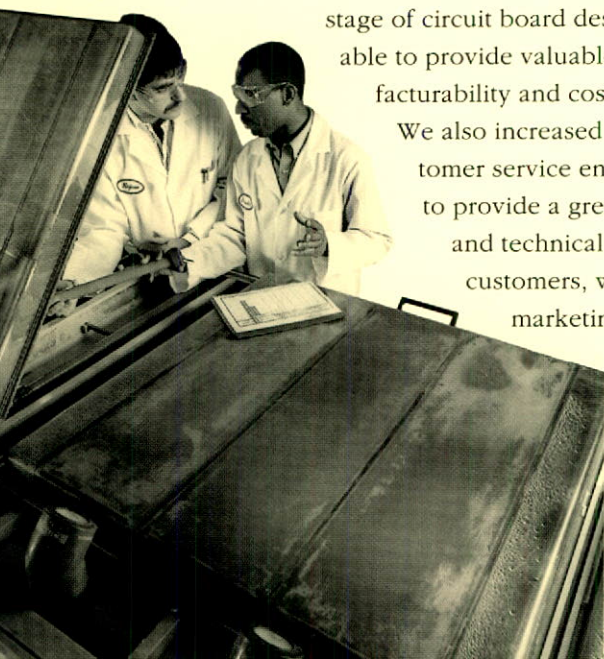
Strong customer links

In 1991, we continued to work hard to reinforce long-term, quality-driven partnerships with customers. We dedicated plants to serve the high-volume requirements of select customers, including the addition of a quick turnaround capability at each location. In addition, a skilled team of engineers, technicians and customer service representatives is dedicated to the diverse and exacting needs of specific customers. Dedicated facilities enable plant teams to work closely and directly with customers. By becoming involved at an early stage of circuit board design, Circo Craft is able to provide valuable input on manufacturability and cost.

We also increased the number of customer service engineers, primarily to provide a greater level of service and technical support to existing customers, while extending our

marketing reach into new regions of the U.S., as well as Puerto Rico and Mexico. All customers are embracing our *Quality 2000* initiative because it har-

monizes with their varied needs. They recognize that Circo Craft is totally committed to achieve continuous improvement in supplying the increasingly complex printed structures they require.



Bringing suppliers into the quality process

With the increasing complexity of products and price competition, the quality, cost and on-time delivery of raw materials is an important factor. We are involving suppliers actively in our quality program by helping them develop analysis tools to manufacture raw materials better suited for our processes.

One of our objectives in 1992 is to certify major suppliers in order to reduce quality verification on incoming materials. We are also working with major suppliers to reduce raw material costs and improve their total supply performance.

Through partnerships with suppliers, the Company obtains early access to the most advanced process and testing technologies in the industry. Major suppliers are represented on our Quality Improvement Teams as part of the Company's effort to involve suppliers more closely in our operations. As we continue to analyze and accumulate new benchmarking data, it will be shared with key suppliers to help them improve their own performance.

Employee involvement

Employees are the focal point of *Quality 2000*. The principal thrust of our process is to bring responsibility and recognition for quality to the operator level. However, we have entrenched commitment to quality throughout the organization by making it an issue of management accountability at every level.

The steady improvement recorded in manufacturing performance throughout 1991 clearly demonstrates that our corporate quality process is continuing to make good progress.

- Manufacturing cycle time was reduced 20%.
- Incremental yield improvements were realized on denser and more complex products.
- Operating margins showed gradual and steady improvement in each quarter.
- By the end of 1991, we demonstrated measurable progress in reaching our high quality improvement standards. Circo Craft aims to attain, by 1995, its Six Sigma quality goal which equates to near perfect product and processes.

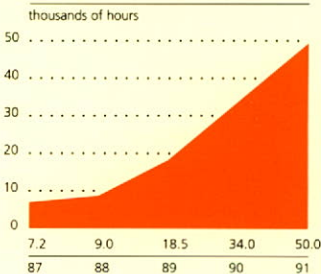
E mphasis on training

The accelerated application of modern management methods which focus on SPC, JIT, TPM, MRP-II and Quality Improvement Teams (QIT) led to a major increase in training and employee development during 1991. The number of hours of training rose to 50,000 from 34,000 in 1990.



To support our position as a supplier of increasingly sophisticated products, we plan to double the amount of training and employee development activities in 1992 to nearly 100,000 hours. The emphasis on QIT will be strengthened with training in problem-solving techniques, SPC and computerized applications.

Employee Training



Circo Craft operates training facilities in all three plant locations to complement on-the-job training, including a permanent education centre in Pointe-Claire. A major effort is under way to extend the certification program for each operator to include cross-

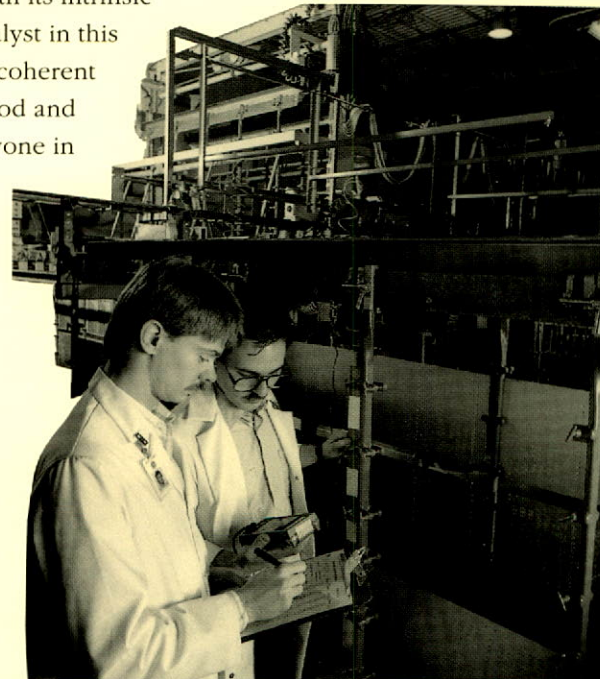
training activities in our three plants. Completion of the second phase of this program is scheduled for the fourth quarter of 1992.

We have established Quality Improvement Teams for 50% of the manufacturing employees in our three plants with a mandate to reduce defective parts per unit (DPU) and further shorten manufacturing cycle time. Administrative employees are also involved in quality teams. Numerous projects have been developed and many put into effect as the result of employee involvement teams. The positive results achieved to date have encouraged us to pursue implementation of quality teams to involve all employees.

Through training and application of new manufacturing methods we have empowered our employees to assume much greater responsibility for their work. At the same time, we have reduced management layers and modified our recognition system with the introduction of a performance-based cash incentive plan which gives the entire Circo Craft team a real stake in results.

Based on a solid partnership with employees, Circo Craft has laid the foundation for a successful process of continuous improvement. The *Quality 2000* initiative, with its intrinsic strength, is the catalyst in this partnership. It is a coherent approach understood and supported by everyone in the Company.

We all strive for the same goal - quality in all that we do.



Captive producers

Printed circuit board facilities which are owned by large original electronic equipment manufacturers and produce printed circuit boards mainly for internal use.

Composite laminate

A product made by bonding together two or more layers of base materials.

Double-sided circuit board

A printed circuit board with two conducting layers, usually on both sides of the insulating board.

High density double-sided boards

Dense two-sided printed circuit boards which contain a greater amount of circuitry and components per side. This is accomplished by reducing the width of the lines between the holes and increasing the number of holes per square inch of board.

Independent producers

Privately held or investor-owned vendors of printed circuits whose principal business is to service and supply printed circuit boards to OEMs, some of whom may also have a captive facility.

Just-in-Time manufacturing

It is a system for the continual improvement of the manufacturing process which involves eliminating all waste in the manufacturing process and generating movement on the production line by demand rather than by supply.

Manufacturing resources planning (MRP II)

A comprehensive set of tools used to plan and control all the resources in a manufacturing company to provide effective management through a single strategic plan. This includes the integration with finance, marketing and engineering.

Multilayer circuit

A product consisting of layers of electrical conductors separated from each other by insulating materials and fabricated into a solid mass. Inter-layer connections are used to establish continuity between various conductor patterns.

OEM

Original equipment manufacturers of electronics equipment.

Plated through hole

A hole in which electrical connection is made between printed circuit board layers with conductive patterns by the deposition of metal on the wall of the hole.

Printed circuit board

Printed circuit boards are solid structures made of insulated materials, rigid or flexible, bearing one or more layers of conductive copper with or without other conducting metals or alloys. The printed circuit board performs the dual function of providing the means to mount the electronic components as well as the interconnections between them.

Six Sigma quality

A quality level that equates to near perfection; mathematically it translates to only 3.4 defects for every one million opportunities.

Statistical process control (SPC)

A systematic method for improving the quality of manufactured products by analyzing, quantifying and classifying the variation of production processes with the goal of controlling and reducing variation.

Surface mount technology

The entire body of processes and devices which create printed circuit assemblies that use components without leads that penetrate the boards.

**Annual Information Form
Financial Statements
and Management's Discussion
and Analysis**

For the fiscal year ended December 31, 1991
Dated March 3, 1992

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Incorporation

Circo Craft Co. Inc. ("Circo Craft" or the "Company") was incorporated under Part I of the Companies Act (Québec) by letters patent dated August 29, 1973 and was continued under Part IA of the Companies Act (Québec) by a Certificate of Continuance dated November 18, 1981. By a Certificate of Amendment dated August 24, 1984, certain amendments were made to the Company's charter provisions and share capital. On October 3, 1984, the Company made its initial public offering, the net proceeds of which were used for the expansion of its manufacturing capacity. Circo Craft has 12,072,700 common shares outstanding and its stock is traded on the Montréal Exchange and the Toronto Stock Exchange under the symbol CCC.

General Development of the Business

Since its founding in 1973, Circo Craft's overall business strategy has been to manufacture and sell increasingly sophisticated printed circuits of consistent high quality in large volumes to selected multinational electronics manufacturers. The purpose of this strategy is to allow the Company to achieve economies of scale, increased manufacturing efficiencies and reduced marketing expenses. Moreover, for a given volume of production, higher prices and profit margins are generally obtained for more sophisticated printed circuits.

The Company believes that one of the major reasons for its success in obtaining large volume orders from its customers is the quality of its products. The Company employs stringent quality standards and statistical process controls. In-process quality controls ensure that variances or defects are corrected as soon as possible in the manufacturing process.

Both the Kirkland and Granby (Québec) facilities initially focused on the manufacturing of double-sided and four layer printed circuits.

Increasing production of multilayer circuits commenced at the Pointe-Claire (Québec) plant in 1985 and in November of that year, the Company entered the microelectronics field, specializing part of the Pointe-Claire facility in thick-film hybrid circuits. These products are an alternate form of electronics interconnection, considered a bridge between conventional printed circuits

The Business

and more complex integrated circuits. In 1986, the Company introduced surface mount assembly, the assembly of electronic components on printed circuit boards. Following the decision in 1989 to focus on its core business, that of printed circuit fabrication, the Company's hybrid microelectronics and surface mount assembly division was closed, resulting in an extraordinary loss for discontinued operations of \$3,510,000.

Circo Craft's long-term strategic plan, "Operation Entreprise", was initiated in mid-1990 to bring the Company into the high technology segment of the international printed circuit market. The Company has continued to focus on the selling and manufacturing of an increasing proportion of high density and multilayer printed circuits. It has concentrated its energies on the pursuit of total quality, on improved manufacturing methods and on the enhancement of its fine line and higher layer count production capabilities, in order to preserve and increase its market share.

The establishment of Circo Craft's Advanced Technology Centre, primarily dedicated to serving existing customers with quick turnaround of prototype and small volume production, also enabled the Company to further test and refine its processes to assure greater efficiencies in high volume manufacturing of complex multilayer circuits.

Management recognizes that keen competition and intense pressures on prices will necessitate effective process enhancements, as well as aggressive manufacturing efficiency and ongoing cost-reduction efforts. Continued demand for higher technologies and greater densities, and Circo Craft's ability to respond to these requirements, is the key focus of the Company's strategy to achieve leadership in a segment of the market that provides higher margins and contains fewer competitors.

Overview

Circo Craft is Canada's largest independent manufacturer of high density multilayer printed circuits, which are widely used in telecommunications, computers, automotive and other electronic equipment. The Company is headquartered in Kirkland (Québec) where it operates a manufacturing facility, with additional facilities in Pointe-Claire and Granby (Québec). Circo Craft's overall strategy has been to manufacture and sell increasingly sophisticated printed circuits of consistently high quality. The Company's customers include major original equipment manufacturers (OEM) in the electronics industry and independent sub-contract manufacturers.

Principal Products and Services

Circo Craft manufactures electronic interconnect structures, specifically printed circuits containing customer-specified conductive patterns used to facilitate interconnections among electronic components within an electronic system. These conductive paths or traces are used to carry electrical signals from component to component within a board and from board to board connected within a system.

Conductive paths may be present on one or both sides of a board and several layers may be laminated together to form a multilayer circuit consisting of three or more layers of interconnections. The conductive patterns on double-sided and multilayer printed circuits are connected by holes drilled in the board that are plated through to connect one surface or innerlayer to another. Printed circuits are generally made of rigid fibreglass, rigid paper or thin flexible plastic. The Company manufactures printed circuits of rigid fibreglass construction.

In recent years, the trend in the electronics industry has generally been toward increasing density of components and the use of more components per unit area of printed circuit surface. The trend toward surface mount technology (SMT) has become significant to the computer and industrial markets in terms of speed and efficiency of components. The result has been growing use of multilayer printed circuits and increasing surface and innerlayer densities. During recent years, the Company has invested over \$46 million in the equipment, processes and technologies that enable it to manufacture high density printed circuits, including those designed to accept surface mounted components as well as traditional through-hole devices.

Standard two and four layer circuitry has become subject to price pressures, lower margins and cyclical demand. More sophisticated four layer circuitry will continue to be part of the Company's output while gradually decreasing as a proportion of its overall business. The utilization of these high density circuits continues to grow, both as a result of sales of products which already use them and through new applications. Technological advances demand that these boards become smaller and more efficient, or fulfil multiple functions. The Company's acknowledged manufacturing expertise and quality in producing these circuits will enable it to retain a significant presence in this highly competitive market segment.

Percentage of Sales By Product

Fiscal Period	Multilayer	Double-sided
1990	52.5	47.5
1991	56.1	43.9

Markets

Based on published industry statistics, the North American market for all printed circuits in 1991 was approximately \$7.4 billion. It is estimated that in 1991, approximately 68% of the North American market was served by independent manufacturers such as Circo Craft, with the remaining 32% being captive manufacturing facilities operated by certain original electronic equipment manufacturers.

The Company has strategically concentrated on manufacturing high quality printed circuits for the commercial and industrial markets. The Company has pursued its strategy to broaden and diversify the markets and customers it serves. Today, the Company supplies high technology printed circuits to a diverse customer base in the computer, telecommunications, instrumentation and automotive industries.

Percentage of Sales by Market Sector

Markets	1990	1991
Telecommunications	60	53
Computer	27	33
Automotive	12	12
Instrumentation	1	2

The high percentage of sales to the telecommunications and computer industries reflects the substantial use of more complex, high density printed circuits in the end products of both industries and their predominant position in high technology manufacturing in North America.

To better support its customers, Circo Craft has developed a number of complementary capabilities that span the period from product design to commercial delivery. The Company works in close cooperation with customers in order to assure that their printed circuit design specifications will be compatible with its manufacturing processes. The Company also gains a better understanding of future OEM requirements. This collaborative process shortens the time to market of new products, from the development of the prototype design to volume manufacturing and facilitates the delivery of high quality products on time to customer premises. These results are important benefits to customers since many of their products have increasingly shorter economic lives.

In addition, the Advanced Technology Centre, located in the Pointe-Claire facilities, assists customers by manufacturing high density multilayer circuits in prototype and preproduction quantities for use during the product development stage. Historically, prototypes and preproduction orders were manufactured in the Company's large volume facilities; therefore manufacturing efficiency is being increased by dedicating production facilities to high volume product lines. In addition, by working closely with customers at the design and prototype stage, the Company increases the likelihood of securing preferred vendor status when commercial manufacturing of new products begins. While many competitors can supply prototypes, relatively few can provide up-scale products in the volume that our larger facilities can provide.

The Company is the leading independent manufacturer of printed circuits in Canada. It currently exports 46.7 percent of its products to the United States.

Percentage of Sales By Geographic Market

Fiscal Period	Canada	United States
1990	60.9	39.1
1991	53.3	46.7

Circo Craft markets its products through its own sales and marketing organization and 8 independent sales organizations. These offices are located in the Province of Ontario and in the states of California, Florida, Illinois, Indiana, North Carolina, Oregon and Texas serving the United States nationwide, Puerto Rico and Mexico.

Competition

The North American market for printed circuits is highly competitive and fragmented. Estimates are that there are now approximately 800 printed circuit fabricators of various sizes, down from 1990 figures. The number of companies engaged in the volume production of high density, multi-layer printed circuits is considerably smaller than the number of companies manufacturing other types of printed circuits and the Company

believes that the number of viable competitors in its marketplace will continue to decrease. At the same time as U.S. based competition is declining, the Company anticipates that competition for multilayer printed circuits will come increasingly from foreign owned companies. With respect to the more complex multilayer products, the Company believes its major competitors consist of a relatively small number of independent producers and captive producers.

Many of the captives are part of large national or multinational electronic equipment manufacturers. The major captive printed circuit producers include IBM, AT&T and Digital Equipment. These captive facilities lead the industry in technical capability and, over the recent past, have concentrated increasingly on designing more complex circuit technologies. An increasing trend has seen many major printed circuit users with captive printed circuit manufacturing facilities relying more heavily on independent printed circuit suppliers primarily to meet their needs.

High density multilayer boards involve a high level of material and process technology and therefore are more complex to manufacture than more conventional printed circuits. The Company will continue to emphasize the sale and manufacture of high density multilayer circuits, particularly in the 4-6 and 8-layer range with surface mount applications.

Circo Craft competes on the basis of product quality, timeliness of delivery, price, total customer service and the capability to produce high density, complex circuit structures in prototype, preproduction and high volume quantities.

Sources and Availability of Raw Materials

Materials that are essential to the Company's business are freely available in the open market and, within the past five years, no segment of the Company's business experienced any significant shortages of such materials.

Patents and Trademarks

The Company does not have any patent protection of significance and does not believe that patents are material to its present operations. The Company believes that its accumulated experience with respect to materials and process technology is important to its operations.

Research and Process Development

Circo Craft's research and development activities are mainly related to enhancing its manufacturing processes, including the study of new materials and new manufacturing systems. In fiscal 1991, the Company spent \$322,000 on research activities for process improvement and development. This amount includes salary costs for engineers and technical support staff and excludes raw materials and equipment used to improve existing processes and products. All research and development costs are reflected in cost of goods sold.

Environment

In 1991, the Company invested in excess of \$800,000 to meet and exceed the requirements of all federal, provincial and municipal environmental protection laws. The Company estimates that it will make capital expenditures with respect to additional environmental control facilities and equipment of approximately \$700,000 in fiscal 1992 in anticipation of increased production output.

Customers

The Company supplied 47 customers during 1991 which was approximately the same number as in 1990. The Company's strategy is to market its products and services to customers with large volume requirements who are well established or have the potential to obtain significant market shares in their respective industries. The following list sets forth the Company's largest customers in order of sales volume during fiscal 1991:

.....	
Northern Telecom	43%
.....	
Motorola	20%
.....	
Philips	14%
.....	

With respect to its two largest customers, the Company's sales were made to several different divisions, each with their own requirements and certifications. These customers operate in diversified markets, thus reducing Circo Craft's dependence on any particular market segment. The Company continues its efforts to diversify its customer base, particularly with customers who require complex state-of-the-art printed circuits and whose needs closely match the technological capabilities of the Company.

Employees

Circo Craft employed 745 persons as at December 31, 1991. Subsequent to year end, certain staff functions were reduced bringing the total number of employees to 710. The Company's employee relations are excellent. The Company has never experienced labour problems resulting in a work stoppage and the employees are not represented by a union.

The Company believes that the expertise of its employees is a significant factor in its ability to produce high quality printed circuits. Each of the Company's employees in the manufacturing sector is given extensive training in several functions; this contributes to the overall development of employees and at the same time ensures maximum flexibility and improved quality throughout the Company's manufacturing processes.

The Free Trade Agreement

The Free Trade Agreement (the "FTA") between the governments of Canada and the U.S.A. came into effect on January 1, 1989 with the gradual elimination of tariffs over the next five years. This agreement was later amended to eliminate all tariffs on printed circuit exports as of April 1, 1990. The FTA provides unrestricted access to the U.S. market; however, severe import competition from offshore and the high value of the Canadian dollar have thus far largely offset the potential benefits.

Properties

Circo Craft owns three manufacturing facilities located in Kirkland, Pointe-Claire and Granby (Québec) comprising a total of 380,000 square feet.

These properties will be pledged as security by a first-ranking specific charge related to the Company's credit facilities.

Location	Function	Surface (sq.ft.)
Kirkland	• Large volume, high density printed circuit production	117,000
Pointe-Claire	• Large volume inner layer panel production	160,000
	• Advanced Technology Centre and prototype facility	
Granby	• Large volume, high density printed circuit production	103,000

Financial Statements

For the years ended December 31, 1991 and 1990

Management's Report on Financial Statements

The accompanying financial statements of Circo Craft Co. Inc. and all information in this annual report, are the responsibility of management and have been approved by the Board of directors.

The financial statements have been prepared by management in conformity with Canadian generally accepted accounting principles. These statements necessarily include some amounts that are based on the best estimates and judgments of management and in their opinion present fairly the Company's financial position and results of its operations. The financial statements have been examined by Samson Bélair/Deloitte & Touche, chartered accountants, and their report is included therein. Financial information used elsewhere in the annual report is consistent with that in the financial statements.

The reliability of the financial information is determined from the Company's accounting records and related systems of internal controls. Management believes the internal accounting controls provide reasonable assurance that financial records are reliable and form a proper basis for preparation of financial statements and that assets are properly accounted for and safeguarded. Samson Bélair/Deloitte & Touche, chartered accountants, conduct an annual review of accounting records and related systems of internal controls to ensure that they are adequate and functioning as intended.

The Board of directors carries out its responsibility for the financial statements in this annual report principally through the Audit Committee, the majority of whose members are outside directors. The Audit Committee reviews the Company's annual financial statements and the auditors' report, and recommends their approval by the Board of directors.



Hans-Karl Muhlegg

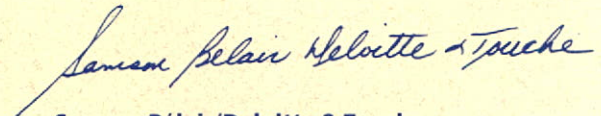
President and Chief Executive Officer

Auditors' Report to the Shareholders

We have audited the balance sheets of Circo Craft Co. Inc. as at December 31, 1991 and 1990 and the statements of earnings, retained earnings and changes in financial position for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at December 31, 1991 and 1990 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles.



Samson Bélair/Deloitte & Touche

Chartered Accountants

Montréal, Québec
March 2, 1992

Statements of Earnings

For the years ended December 31, 1991 and 1990

(thousands of dollars except per share amounts)	1991	1990
Sales	\$80,068	\$81,256
Cost of sales	70,989	69,383
Operating margin	9,079	11,873
Selling, general and administrative expenses	8,446	7,933
Other expenses		
Depreciation	7,924	6,980
Interest on long-term debt	1,106	259
	9,030	7,239
Loss before income taxes and extraordinary item	(8,397)	(3,299)
Recovery of income taxes (note 6)	(2,519)	(925)
Loss before extraordinary item	(5,878)	(2,374)
Extraordinary item (note 7)	-	1,000
Net loss for the year	\$ (5,878)	\$ (1,374)
Loss per share before extraordinary item	\$ (0.49)	\$ (0.19)
Loss per share	\$ (0.49)	\$ (0.11)

Statements of Retained Earnings

For the years ended December 31, 1991 and 1990

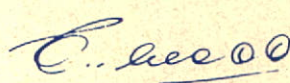
(thousands of dollars)	1991	1990
Balance – beginning of year	\$28,603	\$29,977
Net loss for the year	(5,878)	(1,374)
Balance – end of year	\$22,725	\$28,603

Balance Sheets

As at December 31, 1991 and 1990

(thousands of dollars)	1991	1990
Assets		
Current Assets		
Bank and short-term investments	\$ -	\$ 982
Accounts receivable	12,993	10,139
Income taxes	1,199	778
Inventories (note 2)	8,256	8,252
Prepaid expenses	310	335
	<u>22,758</u>	<u>20,486</u>
Fixed assets (note 3)	47,412	49,429
	<u>\$70,170</u>	<u>\$69,915</u>
Liabilities		
Current Liabilities		
Bank indebtedness (note 4 b) and c)	\$ 4,709	\$ -
Accounts payable and accrued liabilities	8,103	10,323
Current portion of long-term debt	2,000	200
	<u>14,812</u>	<u>10,523</u>
Long-term debt (note 4)	10,507	8,010
Deferred income taxes	5,026	5,679
	<u>30,345</u>	<u>24,212</u>
Shareholders' Equity		
Capital stock (note 5)	17,100	17,100
Retained earnings	22,725	28,603
	<u>39,825</u>	<u>45,703</u>
	<u>\$70,170</u>	<u>\$69,915</u>

On behalf of the board



Hans-Karl Muhlegg
Director



Norman Thorne Currie
Director

Statements of Changes in Financial Position

For the years ended December 31, 1991 and 1990

(thousands of dollars)	1991	1990
Operating Activities		
Loss before		
extraordinary item	\$ (5,878)	\$(2,374)
Non-cash items -		
Depreciation	7,924	6,980
Deferred income taxes	(653)	(800)
Loss (gain) on disposal of fixed assets	39	(119)
	<u>1,432</u>	<u>3,687</u>
Cash provided by (used for) working capital		
	<u>(5,474)</u>	<u>442</u>
	<u>(4,042)</u>	<u>4,129</u>
Financing Activities		
Increase in long-term debt	4,297	7,669
Investing Activities		
Acquisition of fixed assets	(6,975)	(15,317)
Proceeds from sale of fixed assets	177	240
Government grants for the funding of fixed assets acquired	852	78
	<u>(5,946)</u>	<u>(14,999)</u>
Decrease in Cash Position	(5,691)	(3,201)
Cash Position -		
Beginning of Year	982	4,183
Cash Position -		
End of Year	\$ (4,709)	\$ 982
Cash position is represented by:		
Bank and short-term investments	\$ -	\$ 982
Bank indebtedness	(4,709)	-
	<u>\$ (4,709)</u>	<u>\$ 982</u>

Notes to Financial Statements

For the years ended December 31, 1991 and 1990

1. Accounting Policies

Short-term investments

Short-term investments are valued at the lower of cost and market.

Inventories

Inventories are valued at the lower of cost and market. Cost is determined on the first-in, first-out basis for raw materials and maintenance supplies. The cost of work in process inventories includes the cost of raw materials, direct labour and applicable manufacturing overhead, excluding depreciation. Market is defined as replacement cost for raw materials, and as net realizable value less cost to complete for work in process.

Fixed assets and depreciation

Fixed assets are recorded at cost less applicable investment tax credits, government grants and accumulated depreciation. Assets acquired prior to 1982 are depreciated using the diminishing balance method at rates varying between 2½% and 15%. Assets acquired after 1981 are depreciated using the straight-line method at rates varying between 2½% and 20%.

Foreign exchange

Monetary assets and liabilities are translated into Canadian dollars at exchange rates in effect on December 31 and non-monetary assets and liabilities at the exchange rates prevailing when the assets were acquired and liabilities incurred. Sales and expenses, with the exception of depreciation, are translated at average monthly rates. Depreciation is translated at the rates used in the translation of the relevant asset accounts. Translation gains and losses are included in determining net earnings in the year in which the exchange rate changes.

Income taxes

The company follows the tax allocation method of providing for income taxes. Deferred income taxes result primarily from the difference between capital cost allowance claimed for income tax purposes and depreciation recorded for accounting purposes.

2. Inventories

(thousands of dollars)	1991	1990
Raw materials	\$3,065	\$2,772
Work in process	3,259	3,693
Maintenance supplies	1,932	1,787
	<u>\$8,256</u>	<u>\$8,252</u>

3. Fixed Assets

(thousands of dollars)	1991		1990	
	Cost	Accumulated depreciation	Net	Net
Land	\$ 1,127	\$ -	\$ 1,127	\$ 1,127
Buildings	26,162	4,293	21,869	21,066
Machinery and equipment	63,456	37,025	26,431	30,281
Vehicles	148	103	45	60
	<u>\$90,893</u>	<u>\$41,421</u>	<u>49,472</u>	<u>52,534</u>
Less:				
Government grants – unamortized balance			2,060	1,429
Provision for discontinued operations			-	1,676
			<u>\$47,412</u>	<u>\$49,429</u>

4. Long-term Debt

a) Long-term debt is comprised of the following:

(thousands of dollars)	1991	1990
Term loan		
(paragraphs b) and c)	\$12,500	\$8,000
Term loan from the Minister of Regional Industrial Expansion, non-interest bearing, reimbursed during the year	-	200
Other	7	10
	<u>12,507</u>	8,210
Less: Current portion	2,000	200
	<u>\$10,507</u>	<u>\$8,010</u>

Principal repayments over the next five years are as follows:

1992	1993	1994	1995	1996
\$2,000	2,000	2,000	2,000	4,500

b) According to an agreement with a chartered bank, the company has available credit facilities up to \$17,500,000. Under the agreement, \$12,500,000 is repayable in annual instalments of \$2,000,000 on June 30th of each year until June 30, 1996, at which time the balance becomes payable. The interest rate on these loans varies from prime to prime plus ¼%. These borrowings are guaranteed by an assignment of accounts receivable and inventories and by the pledge of a debenture in the principal amount of \$6,800,000 issued under a trust deed providing for a first fixed charge on a specific building.

c) Subsequent to year-end, the bank agreement referred to in paragraph b) was amended. The company still has available credit facilities up to \$17,500,000. However, the new agreement requires the pledge of a debenture in the principal amount of \$22,000,000 to be issued under the terms of a new trust deed providing a first fixed and floating charge on all of the company's assets in replacement of the debenture in the principal amount of \$6,800,000 pledged under the original agreement. The new agreement still requires the assignment of accounts receivable and inventories. The interest rate will vary from prime to prime plus ½% and the term loan will be payable over the next six years in minimum annual instalments of \$2,000,000 on June 30th of each year, commencing June 30, 1992.

Under the new agreement, principal repayments over the next six years will be as follows:

1992	\$2,000
1993	2,000
1994	2,000
1995	2,000
1996	2,000
1997	2,500

5. Capital Stock

a) As at December 31, 1991 and 1990 the authorized capital stock consists of the following:

An unlimited number of First Preferred shares, without nominal or par value, issuable in series

An unlimited number of Second Preferred shares, without nominal or par value, issuable in series

An unlimited number of Common shares, without nominal or par value

The directors are responsible for defining the rights, privileges, restrictions and the conditions attached to each series of the First and Second Preferred shares upon their issuance.

b) The issued and paid capital stock as at December 31, 1991 and 1990 consists of the following:

(thousands of dollars)	1991	1990
12,072,700 Common shares	\$17,100	\$17,100
1,200,000 Second preferred shares, Series A (note 5 c))	-	-
156,000 Second preferred shares, Series B (note 5 c))	-	-
852,000 Second preferred shares, Series C (note 5 c))	-	-
	\$17,100	\$17,100

c) The company issued Second Preferred shares, Series A, B and C in connection with the financial assistance amounting to \$1,200,000 in 1986, \$78,000 in 1988, \$78,000 in 1990 and \$852,000 in 1991, received from the Government of Québec for costs incurred in the installation of facilities. Such shares are non-voting and are entitled to receive, as and when declared, an aggregate non-cumulative preferential dividend of \$1 and, upon liquidation, to receive an aggregate amount of \$1. The company issued such shares for the purposes of such financial assistance and will repurchase such shares at their issue price upon request of the holder thereof if the majority of the Common shares or more than half of the assets of the company are transferred, within five years following the granting of such financial assistance, to an enterprise whose head office is not located in the Province of Québec or to an individual who does not reside therein. The proceeds from these issues were deducted from the cost of certain fixed assets.

6. Income Taxes

The company's recovery of income taxes includes the following:

(thousands of dollars)	1991	1990
Current	\$(1,866)	\$ (125)
Deferred	(653)	(800)
	<u>\$(2,519)</u>	<u>\$ (925)</u>

The company's effective income tax rate is calculated as follows:

	1991	1990
	%	%
Combined basic federal and provincial income tax rate	41.00	41.00
Increase (decrease) in income tax rate resulting from:		
Active business income deduction	(7.50)	(7.50)
Manufacturing and processing deduction	(4.50)	(3.50)
Surtax	1.92	1.40
Other	(0.92)	(3.40)
	<u>30.00</u>	<u>28.00</u>

7. Extraordinary Item

(thousands of dollars)	1991	1990
Proceeds from life insurance	\$ -	\$1,000

8. Major Clients

Approximately 63% (1990 - 69%) of the company's sales were to two unrelated multinational corporations which have several divisions responsible for their own purchasing decisions.

9. Commitments

Capital expenditures committed at December 31, 1991 amount to approximately \$418,000.

10. Geographic and Business Segments

Sales to foreign countries amounted to approximately 47% (1990 - 39%) of the company's total sales.

The company's operations are concentrated in the designing and manufacturing of printed circuit structures.

Market for Securities

The Company's common shares are traded on the Montréal Exchange and Toronto Stock Exchange under the stock symbol, CCC. Market information can be found in the stock tables of Canadian newspapers under the acronym CIRCO CRFT.

Circo Craft has a long-standing policy not to declare or pay dividends on its common shares in order to reinvest earnings for the development of the Company's business. The Company anticipates that it will continue to retain its earnings for use in the business for the foreseeable future.

Board of Directors and Officers

The following list indicates the directors elected at the Annual General Meeting of Shareholders of Circo Craft held on April 24, 1991, the principal occupation of each director, the year when each nominee first became a director and the number of common shares of the Company beneficially owned, directly or indirectly, or over which control or direction was exercised, by each director.

All of the directors have held the principal position indicated opposite their name or other executive office with the same or related firm for the last five years except for Mr. Kyle who was formerly Chairman of the Board of JM Asbestos Inc. and Mr. Sorensen who was previously Vice President, Advanced Technology and Engineering of a major U.S. manufacturer of printed circuits. The mandates of all directors expire at the next annual meeting to be held on April 22, 1992.

Board of Directors

Name and residence	Principal occupation	First year as a director	Common shares beneficially owned or over which control or direction was exercised
Hans-Karl Muhlegg Beaconsfield, Québec	President and Chief Executive Officer of the Company	1973	50,635 ⁽¹⁾
Renato Cervini Rosemère, Québec	President, Cernato Holdings Inc.	1973	1,118,345
*Norman T. Currie, F.C.A. Islington, Ontario	Chairman of the Board Corporate Foods Ltd. (food company)	1984	3,000
*Jean-Guy Fontaine, C.G.A. Ile Bizard, Québec	Secretary of the Company and Vice President, Finance and Administration, Cerico Investments Inc.	1984	2,635
*Peter D. Kyle, C.A. Montréal, Québec	Corporate Director	1984	3,500
Hubert T. Lacroix Montréal, Québec	Partner, McCarthy Tétrault (barristers and solicitors)	1987	1,000
Bruce W. Sorensen Hudson, Québec	Executive Vice President and Chief Operating Officer of the Company	1991 ⁽²⁾	—

(1) To the knowledge of the senior executives of the Company, Cerico Investments Inc. ("Cerico") and the Ontario Municipal Employees Retirement Services ("OMERS") were the only persons exercising control or direction over more than 10% of the outstanding common shares of the Company; at such date, Cerico was the beneficial owner of 7,804,040 common shares, being 64.64% of the outstanding common shares of the Company and all outstanding voting shares of Cerico were indirectly held by Hans-K. Muhlegg, nominee for election as a director of the Company. At such date, OMERS was the beneficial owner of 1,241,500 common shares, being 10.28% of the outstanding common shares of the Company.

* Members of the Audit Committee.

(2) On January 17, 1992, Mr. Sorensen left Circo Craft on good terms and resigned as a member of the Board and as Executive Vice President and Chief Operating Officer of the Company.

As of the date hereof, the occupation and municipality of residence of the officers of Circo Craft are the following:

Officers

Name and residence	Current position
Hans-Karl Muhlegg Beaconsfield, Québec	President and Chief Executive Officer
Gerhard Kastner Granby, Québec	Vice President, Operations
A. Dwayne Poteet Beaconsfield, Québec	Vice President, Technology and Engineering and Chief Quality Officer
Jean-Guy Fontaine, C.G.A. Ile Bizard, Québec	Corporate Secretary
Normand Potvin, C.A., C.M.A. St-Alphonse-de-Granby, Québec	Director of Finance and Corporate Controller

The above officers have held the position indicated opposite their name or held a similar position with Circo Craft during the last five years, with the exception of Mr. Poteet, who was previously Group Engineering Manager responsible for the worldwide printed circuit technology

strategy of a leading U.S. electronics manufacturer, and Mr. Potvin, who was previously Controller for an international manufacturer of communications equipment and semi-conductors.

Additional Information

Circo Craft's Management's Report on Financial Statements, Auditors' Report, and Financial Statements for the fiscal years 1991 and 1990 are presented in Item 4 of this report. The Management's Discussion and Financial Analysis is presented in the following pages.

Other information, including information related to the principal holders of securities of the Company, election of directors, and remuneration of executives is presented in the Information Circular for Solicitation of Proxies with respect to the Annual General Meeting of Shareholders of the Company to be held April 22, 1992. This document is available from the Company upon request.

Management's Discussion and Financial Analysis**Results of Operations**

Sales declined marginally to \$80,068,000 in 1991 from \$81,256,000 in the prior year, in an environment of soft demand and flat prices caused by the North American recession and overcapacity in the industry.

Sales per employee rose to \$99,340 in 1991 from \$93,290 in 1990. This increase is attributable to efficiencies realized from the reorganization of operations personnel initiated during 1991.

The Company's product mix improved with a 12.5% increase in sales of both higher layer count and higher density products, offset by a general pressure on unit sales prices. Cost efficiency is the first priority for the Company with continual emphasis on manufacturing improvements to produce more complex printed circuits efficiently without relying on higher selling prices.

The transition to the production of more sophisticated products while meeting strict quality requirements affected manufacturing efficiency, particularly in the first half of the year. Along with the unfavourable business conditions, this resulted in a net loss of \$5,878,000, or 49 cents per share, compared with a net loss of \$1,374,000, or 11 cents per share, a year ago. The 1990 result included an extraordinary after-tax gain of \$1,000,000 received from a life insurance policy.

Cost of sales included additional costs related to sub-contracting of mass laminate during the first half of the year. The Company has enhanced its innerlayer and multilayer manufacturing technology and capabilities to increase its production

capacity and reduce throughput time. Improvements in operating efficiencies, especially at the innerlayer operations, will contribute to operating margin improvement.

Operating margin was also affected by total expenses of \$1,603,000 related to the start-up of the Advanced Technology Centre (ATC). The Company's policy with respect to the ATC was to expense start-up operating costs in the quarter during which they occurred, rather than defer and amortize them over the period when revenues are realized.

Selling, general and administrative expenses increased by 6% primarily due to an \$814,000 increase in commissions and representation fees required for expanded sales coverage in new and existing markets. This increase in selling costs offset a reduction of approximately \$300,000 in administration costs which would have been greater if it were not for the expenses associated with management changes and personnel reductions. Subsequent to year-end, further overhead reductions were made, including a streamlining of certain staff functions and a wage and salary freeze.

Depreciation expense increased to \$7,924,000 from \$6,980,000 in 1990 as a result of the Advanced Technology Centre and the acquisition of additional manufacturing systems in 1991. The Company expects a marginal increase in depreciation for 1992.

Interest on long-term debt was higher at \$1,106,000, as a result of additional borrowings, mainly to fund the capital investments made in the year. In 1990, interest expense totalled \$259,000.

Sales to the United States accounted for 46.7% of the Company's business. Historically, the impact of currency fluctuations was substantially

offset by the purchase of raw materials and supplies which are imported from the United States. While not a major factor in the overall competitiveness of the Company, the high relative value of the Canadian dollar, combined with the significant increase in sales to the U.S., has affected operating margins. A lower Canadian dollar would be beneficial to the Company since it is expected that sales to the United States will reach approximately 60% of total sales in 1992.

Capital Spending

The Company reduced its capital spending to \$6,975,000 in 1991, compared with \$15,317,000 in 1990. Major projects included the completion of its Kirkland plant expansion and the acquisition of an automatic plating line. The balance was used to enhance processes in its three facilities and environmental control systems at the Granby plant.

In the second quarter of 1991, the federal and provincial governments jointly accorded Circo Craft an interest-free repayable loan to support the enhancement of the Company's technology and environmental control systems. This support is based on a percentage of investments, payable upon the execution of the Company's ongoing capital investment program. As of this date, no such contribution has been received. The Company will submit an initial reimbursement claim to the governments in the first half of 1992 for \$1.1 million.

During the past five years, the Company's capital spending has totalled \$46,956,000. As a result, its plants are all equipped with the latest manufacturing, inspection and test systems. The Company expects capital spending will not exceed \$2.75 million in 1992 to introduce new generation equipment and technology necessary to maintain its competitive position. Capital expenditures committed as at December 31, 1991 amounted to \$418,000.

Liquidity and Capital Resources

The Company's cash position decreased by \$5,691,000 in 1991 as a result of lower profitability, cash used for working capital and the capital investment program.

Long-term debt increased by \$4,297,000 to \$12,507,000. As at December 31, 1991, the Company has borrowed \$14,000,000 in the form of bankers' acceptances and \$2,429,000 in bank loan.

According to an agreement with a chartered bank, the Company has available credit facilities up to \$17,500,000. Under the agreement, \$12,500,000 is repayable in annual instalments of \$2,000,000 on June 30th of each year until June 30, 1996, at which time the balance becomes payable. The interest rate on these loans varies from prime to prime plus $\frac{1}{4}\%$. These borrowings are guaranteed by an assignment of accounts receivable and inventories and by the pledge of a debenture in the principal amount of \$6,800,000 issued under a trust deed providing for a first fixed charge on a specific building.

Subsequent to year-end, the bank agreement covering the credit facilities of \$17,500,000 was amended. The new agreement requires the pledge of a debenture in the principal amount of \$22,000,000 to be issued under the terms of a new trust deed providing a first fixed and floating charge on all the Company's assets in replacement of the debenture in the principal amount of \$6,800,000 pledged under the original agreement. The new agreement still requires the assignment of accounts receivable and inventories. The interest rate will vary from prime to prime plus $\frac{1}{2}\%$ and the term loan will be payable over the next six years in minimum annual instalments of \$2,000,000 on June 30th of each year. See Financial Statements note 4 c) for additional information.

As at December 31, 1991, shareholders' equity was 69.5% of total capitalization. The Company believes that funds generated from operations, working capital and funds available through bank agreements in place will be sufficient to meet anticipated cash requirements in 1992.

Capitalization

As at December 31

	1991		1990		1989	
	millions	%	millions	%	millions	%
Long-term debt, including current portion	\$12.5	21.8	\$ 8.2	13.8	\$ 0.5	0.9
Deferred income taxes	5.0	8.7	5.7	9.6	6.5	12.0
Common shareholders' equity	39.8	69.5	45.7	76.6	47.1	87.1
	\$57.3	100.0	\$59.6	100.0	\$54.1	100.0

Quarterly Financial Data

(unaudited)

(in thousands of dollars
except per share amounts)

	1st quarter	2nd quarter	3rd quarter	4th quarter	Total
1991					
Sales	\$16,362	\$19,668	\$20,628	\$23,410	\$80,068
Operating margin	213	2,399	3,106	3,361	9,079
Net loss	(2,956)	(1,486)	(957)	(479)	(5,878)
Net loss per share	(0.24)	(0.12)	(0.08)	(0.05)	(0.49)
1990					
Sales	\$19,238	\$19,880	\$21,337	\$20,801	\$81,256
Operating margin	2,682	3,517	3,807	1,867	11,873
Earnings (loss) before extraordinary item	(404)	(143)	75	(1,902)	(2,374)
Extraordinary item	-	-	1,000	-	1,000
Net earnings (loss)	(404)	(143)	1,075	(1,902)	(1,374)
Loss per share before extraordinary item	(0.03)	(0.01)	-	(0.15)	(0.19)
Net earnings (loss) per share	(0.03)	(0.01)	0.08	(0.15)	(0.11)
1989					
Sales	\$24,861	\$28,439	\$20,194	\$17,179	\$90,673
Operating margin	6,491	8,470	4,383	3,080	22,424
Earnings before extraordinary item	1,621	2,904	593	101	5,219
Extraordinary item	-	(3,840)	-	330	(3,510)
Net earnings (loss)	1,621	(936)	593	431	1,709
Earnings per share before extraordinary item	0.13	0.24	0.05	0.01	0.43
Net earnings (loss) per share	0.13	(0.08)	0.05	0.04	0.14

Ten-Year Financial Summary

(unaudited)

For the year	1991	1990	1989
Operations (thousands of dollars)			
Sales	80,068	81,256	90,673
Cost of sales	70,989	69,383	68,249
Operating margin	9,079	11,873	22,424
Depreciation	7,924	6,980	6,401
Interest (income) expense – net	1,106	259	(89)
Earnings (loss) before income taxes and extraordinary item	(8,397)	(3,299)	8,417
Income taxes (recovery)	(2,519)	(925)	3,198
Earnings (loss) before extraordinary item	(5,878)	(2,374)	5,219
Net earnings (loss)	(5,878)	(1,374)	1,709
Balance Sheet (thousands of dollars)			
Total assets	70,170	69,915	64,087
Current assets	22,758	20,486	23,025
Current liabilities	14,812	10,523	10,290
Working capital	7,946	9,963	12,735
Long-term debt	10,507	8,010	241
Shareholders' equity	39,825	45,703	47,077
Cash Flow (thousands of dollars)			
Cash flow from operations	1,432	3,687	10,919
Capital expenditures	6,975	15,317	8,818
Key Financial Ratios			
Current ratio	1.5	1.9	2.2
Earnings (loss) before extraordinary item as a percentage of sales	(7.3)	(2.9)	5.8
Return on average shareholders' equity	(13.7)	(3.0)	3.7
Sales/fixed assets	1.69	1.64	2.21
Sales/total assets	1.14	1.16	1.41
Per Share Data* (in dollars)			
Earnings (loss) before extraordinary item	(0.49)	(0.19)	0.43
Net earnings (loss)	(0.49)	(0.11)	0.14
Shareholders' equity	3.30	3.79	3.90
Other Information			
Number of employees at year-end			
Printed circuit group	745	964	845
Microelectronic group	–	–	–
Total	745	964	845
Total square footage of plant facility			
Printed circuit group	355,000	355,000	315,000
Microelectronic group	–	–	–
Available future expansion	25,000	25,000	25,000
Total	380,000	380,000	340,000

*By a certificate of amendment dated August 24, 1984, the outstanding common shares of the company were subdivided into 10,000,000 common shares. Per share data for the years 1973 to 1983 have therefore been calculated based on the assumption that 10,000,000 shares were issued and outstanding.

1988	1987	1986	1985	1984	1983	1982
91,374	70,127	55,335	45,317	37,335	19,593	11,893
69,036	52,492	39,435	28,530	22,003	12,415	8,334
22,338	17,635	15,900	16,787	15,332	7,178	3,559
6,376	5,104	3,533	2,407	1,529	1,151	610
1,082	1,006	(122)	(563)	532	776	586
6,701	4,123	5,937	8,511	9,335	3,113	897
2,412	1,541	2,186	3,179	2,700	543	389
4,289	2,582	3,751	5,332	6,635	2,570	508
4,289	2,582	3,751	5,332	6,635	2,570	508
71,882	72,941	65,515	50,420	40,832	19,888	16,079
28,569	28,876	25,549	16,614	19,964	9,272	7,441
14,805	14,055	13,427	6,464	7,763	4,409	3,561
13,764	14,821	12,122	10,150	12,201	4,863	3,880
3,553	10,190	7,424	5,212	1,229	6,607	6,265
45,368	41,079	38,497	34,746	29,414	7,046	4,476
11,404	9,142	9,398	9,399	8,797	3,857	1,580
6,190	9,656	12,648	16,095	12,691	3,832	2,579
1.9	2.1	1.9	2.6	2.6	2.1	2.1
4.7	3.7	6.8	11.8	17.8	13.1	4.3
9.9	6.5	10.2	16.6	36.4	44.6	11.2
2.11	1.59	1.39	1.34	1.82	1.85	1.38
1.27	0.96	0.84	0.90	0.92	0.98	0.74
0.36	0.21	0.31	0.44	0.64	0.26	0.05
0.36	0.21	0.31	0.44	0.64	0.26	0.05
3.76	3.40	3.19	2.88	2.44	0.70	0.45
877	722	550	460	465	317	156
166	181	190	70	15	-	-
1,043	903	740	530	480	317	156
230,000	225,000	185,000	175,000	110,000	100,000	100,000
85,000	75,000	40,000	40,000	-	-	-
25,000	30,000	105,000	115,000	142,000	-	-
340,000	330,000	330,000	330,000	252,000	100,000	100,000

Shareholder Information

General Administration and Head Office

17600 Trans Canada Highway
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Advanced Technology Centre

205 Brunswick Blvd.
Pointe-Claire, Québec H9R 1A5
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Bank

The Royal Bank of Canada

Legal Advisors

McCarthy Tétrault,
barristers and solicitors

Auditors

Samson Bélair/Deloitte & Touche,
chartered accountants

Transfer Agent and Registrar

Communications regarding change of address, transfer of common shares, or lost share certificates should be directed to:

Montreal Trust Company, at its principal offices in Montréal, Toronto, Winnipeg, Regina, Calgary and Vancouver.

Stock Listing

The shares of Circo Craft are traded on the Montréal Exchange and Toronto Stock Exchange under the stock symbol, CCC. Market information can be found in the stock tables of Canadian newspapers under the acronym CIRCO CRFT.

Shareholders' Information

Requests should be directed to:

The office of the Secretary
Circo Craft Co. Inc.
17600 Trans Canada Highway
Kirkland, Québec H9J 3A3

Si vous désirez vous procurer la version française du présent rapport, veuillez vous adresser comme suit:

Compagnie Circo Craft Inc.
Le bureau du Secrétaire
17600, route Trans Canada
Kirkland (Québec) H9J 3A3



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