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Circuit World Corporation

Interim Report, August 29, 2003

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Letter to Shareholders

This has been a year of significant change for Circuit World. The acquisition of Firan Technology Group has enhanced your company's ability to compete in this changing marketplace.

The merger establishes Circuit World as the largest supplier to the aerospace and defence industries in Canada.

Our near term priority is to realize the benefits of consolidating the operations of Firan technology into Circuit World. These benefits include enhanced operational efficiencies and reduced costs by combining the operations of both businesses.

Consolidation within the industry has become a critical factor in establishing a healthy balance between supply and demand in North America.

The Circuit Board industry has undergone dramatic changes in the past several years and a new landscape has emerged. With many of the old players gone we are beginning to see the emergence of new leaders who are better suited to compete in this changed economy.

Circuit World has not only survived but has evolved to meet these new challenges.

As we move forward we shall seek to further establish Circuit Worlds leadership position as a Time and Technology supplier to our target markets.

Your company remains committed to its long-term strategy of providing technology and service leadership to the high reliability electronics marketplace. It is with the support of our valued customers and employees that we move forward in pursuit of this goal.

On behalf of the Board,

Gordon Roseborough
Chief Executive Officer
October 22, 2003

Management Discussion and Analysis

This report is management's analysis of Circuit World Corporation's ('CWC') financial results for the third quarter and nine months ended August 29th, 2003 and 2002. This analysis should be read in conjunction with the financial statements and notes for the third quarter of fiscal 2003.

Overview

CWC is a leading manufacturer of high technology/high reliability printed circuit boards within the North American marketplace. Our customers are technological and market leaders in the aviation, military, medical, test, instrumentation and telecommunications industries.

Our product offering is high complexity, high reliability time to market printed circuit boards that service the prototype through pre-production segment of the market. Our strategic focus complements the dramatic changes experienced in the North American printed circuit board industry. High volume, medium technology manufacturing has migrated to Asia leaving North America as the provider of lower volume, high technology printed circuit board solutions. CWC is well positioned to compete in this market sector.

CWC also operates a division called FTG Edgelit. FTG Edgelit manufactures illuminated cockpit panels for original equipment manufacturers of avionics products as well as for airframe manufacturers. FTG Edgelit also manufactures keyboards and bezels used in cockpits. These products are interactive devices that display information but also contain buttons and switches that can be used to input signals into an avionics box or aircraft.

Acquisition of Firan Technology Group

On July 30th, 2003, CWC completed the acquisition of Firan Technology Group Inc. ('FTG'), a wholly owned subsidiary of Glendale International Corp. ('Glendale') (TSX:GIN). Under the terms of the agreement, CWC issued 8,541,987 common shares to Glendale, representing 49% of the outstanding voting shares of CWC, and Glendale nominated 4 of 7 CWC directors following the closing.

FTG has two operating divisions. One division, named FTG Precision, manufactures printed circuit boards (PCBs), primarily for the defence and aerospace markets. These markets require advanced technology PCBs including high layer counts and advanced materials. The other division, named FTG Edgelit, manufactures illuminated cockpit panels, keyboards and bezels for aircraft applications. Both civil and military applications are markets serviced by FTG Edgelit.

Strategic Reasons for the Acquisition

The global printed circuit board industry has contracted significantly over the past few years. Approximately 40% of all North American production capacity has permanently shut down. In turn, there has been significant downward pressure on pricing within the industry. Nevertheless, the electronics industry continues to demand higher technologies in terms of layer count, line density, special materials and overall product performance. To succeed in the current North American circuit board market, companies must focus on viable market segments. These include the high technology, high reliability segments of the market that serve, for example, the aerospace, defense and medical industries. Companies must be adequately invested in modern capital equipment while achieving higher rates of capacity utilization to meet the demands of the new marketplace. Management believes that the benefits of the transaction are:

- Stronger market presence in the aerospace and defence industries with virtually no overlap in customers and product offerings
- The transaction will enable CWC to offer a wider range of products and therefore be better positioned to provide customer solutions across the full range of their needs.
- Increased purchasing power for materials and services
- Reduced capital spending as CWC has fully invested in its plant and is operating at approximately 60% capacity
- Enhanced operational efficiencies and reduced costs by combining certain operations of FTG with those of CWC. This will lead to high plant utilization, and reduce the unit cost of production
- Complementary executive management skills
- Increased market capitalization allowing improved access to capital markets to finance future growth

Results of Operations

Net sales in the third quarter of 2003 were $8,034,000, an increase of 18% compared with $6,812,000 in the third quarter of 2002. The increase is attributable to the inclusion of CWC's August revenue. FTG revenues stand-alone were $6,094,000 or down 10% over the same period in 2002. The decrease is a result of weaker quarterly sales and relative strengthening of the Canadian dollar versus the US dollar.

Export sales were 85% in the third quarter of this year as compared with 80% in the same quarter of 2002. Substantially all exports were to customers in the United States. CWC and FTG ship similar overall percentages of their end product to the United States.

Revenue for the first nine months of 2003 was $21,279,000 an increase of 16% from $18,334,000 in 2002. On a stand-alone basis, FTG revenues increased 5% over the same period.

Gross profit was $2,032,000 or 25% of sales, up from $1,589,000 or 23% of sales in the third quarter of 2002. The improvement in gross profit is product mix related.

Gross profit for the first nine months of 2003 was $5,666,000 or 27% of sales as compared to $3,639,000 or 20% in 2002.

Amortization of plant and equipment for the third quarter increased to $590,000, a 119% increase from $269,000 in 2002. Amortization for the first nine months of 2003 was $1,296,000 up 21% from $1,075,000 in 2002. The increase is a result of the inclusion of CWC's amortization for the month of August 2003.

Selling, general and administrative expenses in the third quarter increased to $1,159,000 or 14% of sales from $734,000 or 11% the previous year. The increase selling, general and administrative expenses are primarily attributed to inclusion one month's expenses of CWC totaling $359,000.

Selling, general and administrative expenses for the first nine months of 2003 increased and were $3,347,000 or 16% of sales as compared to $2,118,000 in 2002 or 12% of sales. The primary reasons for the increase in costs are as follows:

- Inclusion of one months expenses of CWC totaling $359,000
- Increase in profit sharing expenses at FTG of $302,000 year over year
- Increased foreign exchange losses of $335,000

Interest in the third quarter was $29,000 as compared to $0 in the same quarter last year. Interest for the first nine months of 2003 was $29,000 up from $0 in 2002. The increase is due to the interest charges of the CWC debt for the month of August.

The Company recorded a $2,567,000 restructuring charge in the third quarter for costs associated with integrating and aligning both Companies. There is an additional $1,516,000 of restructuring costs related to CWC that were capitalized and included in the purchase price allocation and do not appear on the statement of operations. The total restructuring costs of $4,083,000 is made up of primarily termination costs, transaction/professional fees, moving costs, equipment write-downs and moving costs.

The Company incurred a loss of $2,364,000 or $0.22 per share in the third quarter as compared to an income of $356,000 or $0.04 per share in the same period last year.

Net loss for the first nine months was $1,902,000 or $0.20 per share as compared to income of $207,000 or $0.02 per share in 2002.

Capital Expenditures

During the third quarter, the Company spent $139,000 on plant and equipment as compared to $111,000 during the same quarter in 2002. Year to date the Company has spent $1,049,000 on plant and equipment as compared to $263,000 in 2002.

Financial Condition

Accounts receivable at the end of the quarter were $8,222,000 as compared to $5,249,000 at end of fiscal 2002. This increase reflects the inclusion of CWC's accounts receivable at the end of the quarter of $3,643,000. On a stand-alone basis FTG's accounts receivable are down $670,000 from year-end due primarily to timing of revenues.

Inventories at the end of the quarter were up 48% to $4,324,000 from $2,924,000 at the end of fiscal 2002. The increase is due to the inclusion of CWC's inventory at the end of the quarter.

Accounts payable and accruals at the end of the quarter were $9,736,000, up from $3,669,000 at end of fiscal 2002. The increase relates to the consolidation of CWC's accounts payable and the accrual of the $2,567,000 restructuring charge.

Cash Flow

Cash generated by operating activities in the third quarter amounted to $1,108,000 as compared to a use of cash of $245,000 in the same quarter of 2002. Cash generated by operating activities year to date amounted to $2,118,000 as compared to positive cash flows of $1,052,000 in 2002.

Cash used in investing activities in the third quarter of 2003 amounted to $139,000 as compared to $111,000 in 2002. Cash used in investing activities for the year to date amounted to $1,049,000 as compared to $263,000 in 2002. These amounts relate to capital expenditures made by the Company.

Cash used in financing activities amounted to $68,000 as compared to an increase in cash of $356,000 in the third quarter of 2002. Cash used in financing activities year to date amounted to $168,000 as compared to $789,000 in 2002.

Outlook

Overall demand in the market appears to have stabilized. However, pricing pressures from customers persist signaling that excess capacity remains in the market.

Management is making solid progress integrating the two companies. The benefits of a stronger market presence, improved pricing from suppliers and reduced administrative expenses are being realized. In the near future, manufacturing operations will be consolidated into one facility. This will yield additional cost savings and operational efficiencies.

This management discussion and analysis contains certain forward-looking statements that reflect the current views and/or expectations of Circuit World with respect to its performance, business and future events. Such statements are subject to a number of risks, uncertainties and assumptions. Actual results and events may vary significantly.

Consolidated Balance Sheets

(in thousands of dollars) (unaudited)		**29-Aug-03**		30-Nov-02
				(Note 2)
ASSETS				
CURRENT				
Accounts receivable	**$**	**8,222**	$	5,249
Inventories		**4,324**		2,924
Prepaid expenses		**299**		213
Future Income Taxes (Note 3)		**110**		110
		12,955		8,496
PLANT AND EQUIPMENT		**12,722**		6,108
FUTURE INCOME TAXES (Note 3)		**3,405**		405
PROMISSORY NOTE (Note 8)		**1,500**		—
GOODWILL		**896**		—
OTHER ASSETS		**82**		—
	$	**31,560**	$	15,009
LIABILITIES				
CURRENT				
Bank indebtedness	**$**	**314**	$	—
Accounts payable and accrued liabilities		**8,936**		3,699
Current portion of long-term debt		**1,527**		100
Income taxes payable		**5**		198
Due to parent		**—**		8,299
		10,782		12,296
LONG-TERM DEBT (Note 5)		**2,414**		300
		13,196		12,596
COMMITMENTS (Note 4)				
SHAREHOLDERS' EQUITY				
SHARE CAPITAL - COMMON SHARES (Note 7)		**10,347**		1,465
SHARE CAPITAL - PREFERRED SHARES (Note 7)		**2,218**		—
CONTRIBUTED SURPLUS		**6,753**		—
(DEFICIT)/RETAINED EARNINGS		**(954)**		948
		18,364		2,413
	$	**31,560**	$	15,009

Consolidated Statements of Operations and Retained Earnings

(in thousands of dollars except per share amounts) (unaudited)	Three Months Ended		Year to Date	
	29-Aug-03	30-Aug-02	**29-Aug-03**	30-Aug-02
SALES	**$ 8,034**	$ 6,812	**$ 21,279**	$ 18,334
COST OF SALES	**6,002**	5,223	**15,613**	14,695
GROSS MARGIN	**2,032**	1,589	**5,666**	3,639
EXPENSES				
Selling, general and administrative	**1,159**	734	**3,347**	2,118
Amortization of plant and equipment	**590**	269	**1,296**	1,075
Interest expense on long-term debt	**29**	—	**29**	—
Research and development	**—**	17	**—**	115
	1,778	1,020	**4,672**	3,308
OPERATING EARNINGS/(LOSS)	**254**	569	**994**	331
RESTRUCTURING COSTS	**2,567**	—	**2,567**	—
(LOSS)/EARNINGS BEFORE TAX	**(2,313)**	569	**(1,573)**	331
INCOME TAX PROVISION	**51**	213	**329**	124
NET (LOSS)/EARNINGS	**(2,364)**	356	**(1,902)**	207
RETAINED EARNINGS, BEGINNING OF PERIOD	**1,410**	231	**948**	380
(DEFECIT)/RETAINED EARNINGS, END OF PERIOD	**$ (954)**	$ 587	**$ (954)**	$ 587
EARNINGS/(LOSS) PER SHARE				
Basic and diluted	**$ (0.22)**	$ 0.04	**$ (0.20)**	$ 0.02

Consolidated Statements of Cash Flows

(in thousands of dollars) (unaudited)	Three Months Ended 29-Aug-03	30-Aug-02	Year to Date 29-Aug-03	30-Aug-02
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES				
OPERATING				
Net earnings/(loss)	**$ (2,364)**	$ 356	**$ (1,902)**	$ 207
Items not affecting cash				
Restructuring charges (Note2)	**2,567**	—	**2,567**	—
Future income taxes	**52**	—	**—**	—
Amortization of other assets	**71**	—	**71**	—
Amortization of plant and equipment	**590**	269	**1,296**	1,075
	916	625	**2,032**	1,282
Changes in non-cash operating working capital	**192**	(870)	**86**	(230)
	1,108	(245)	**2,118**	1,052
INVESTING				
Additions to plant and equipment	**(139)**	(111)	**(1,049)**	(263)
	(139)	(111)	**(1,049)**	(263)
FINANCING				
Repayment ofadvances to parent	**—**	356	**—**	(689)
Repayment of long-term debt	**(68)**	—	**(168)**	(100)
	(68)	356	**(168)**	(789)
INCREASE IN CASH	**901**	—	**901**	—
CASH, BEGINNING OF PERIOD	**—**	—	**—**	—
BANK INDEBTEDNESS ACQUIRED ON ACQUISITION	**(1,215)**	—	**(1,215)**	—
(BANK INDEBTEDNESS) CASH, END OF PERIOD	**$ (314)**	$ —	**$ (314)**	$ —
DISCLOSURE OF CASH PAYMENTS				
Interest	**$ 29**	$ —	**$ 29**	$ —
Payment of income tax	**$ 32**	$ 55	**$ 503**	$ 715

Notes to the Interim Financial Statements (Unaudited)

1. Accounting Policies

The accompanying unaudited interim financial statements have been prepared in accordance with Canadian generally accepted accounting principles on a basis consistent with those followed in the 2002 audited financial statements of Circuit World Corporation (see Note 2). These unaudited interim financial statements do not include all the information and note disclosures required by generally accepted accounting principles for annual financial statements and therefore should be read in conjunction with the said audited financial statements and the notes.

The Company accounts for goodwill in accordance with Section 3062 of the CICA Handbook. Goodwill will not be amortized and will tested for impairment.

2. Acquisition of Firan Technology Group

On July 30th, 2003, Circuit World Corporation ('CWC') completed the acquisition of Firan Technology Group Inc. ('FTG'), a wholly owned subsidiary of Glendale International Corp. ('Glendale') (TSX:GIN). Under the terms of the agreement, CWC issued 8,541,987 common shares to Glendale, representing 49% of the outstanding voting shares of CWC, and Glendale nominated 4 of 7 CWC directors following the closing.

The transaction is accounted for as a reverse takeover of CWC by FTG. Legally, CWC is regarded as the parent company, however according to generally accepted accounting principles, since the former shareholders of FTG now control CWC after the acquisition, FTG is treated as the acquirer and CWC is treated as the acquired company. These consolidated financial statements are issued under the name CWC but are considered a continuation of the financial statements of FTG. Being the acquiring company, the net assets of FTG are included at their book value, and the net assets of CWC are included at their fair values. The third quarter results from operations reflect three months operating results of FTG and one month of CWC. CWC intends to change its year-end to November 30, to coincide with the accounting parent's year-end.

On August 30, 2003, FTG, a wholly owned subsidiary of CWC, and CWC were amalgamated and continued under the name CWC.

The cost of the purchase allocated to the net assets of CWC as at the date of acquisition was:

Fair value of identifiable assets	$ 7,204,000
Future tax asset	3,000,000
Goodwill	896,000
Purchase price	$ 11,100,000

The Company recorded a $2,567,000 restructuring charge in the third qurter for costs associated with integrating and aligning both Companies. There is an additional $1,516,000 of restructuring costs incurred by CWC that were capitalized and included in the purchase price allocation and do not appear on the statement of operations. The total restructuring costs of $4,083,000 are made up of termination costs, transaction/professional fees, equipment write-downs and moving costs.

3. Income Taxes

(000's)	**29-Aug-03**	30-Nov-02
Future tax asset for:		
Tax losses carried forward	**$ 23**	$ —
Future tax deductions	**63**	—
Non-deductible allowances	**585**	110
Excess of undepreciated capital cost for tax purposes over net book value of plant and equipment	**—** / **7,132**	— / 405
	7,803	515
Valuation allowance	**4,288**	—
Future tax asset	**$ 3,515**	$ 515

(000's)	**29-Aug-03**	30-Nov-02
Provision for income taxes		
Income taxes at statutory rate	**$ (515)**	$ 124
Non-deductible allowances	**—**	—
Valuation allowance	**874**	—
Provision for income taxes	**$ 329**	$ 124

4. Commitments

(a) Minimum net rentals under operating leases for plant and office premises are as follows:

(000's)	
2003	$ 72
2004	198
2005	108
2006	108
	$ 792

The lease on the primary manufacturing facility expires in June 2004, and includes an option to renew for five years at market rates.

(b) The Company operates an Employee Stock Ownership Plan (ESOP) whereby all employees are eligible to participate. Employees who participate are eligible to contribute 3% of their base earnings towards the open market purchase of the Company's common shares. The Company matches 50% of the employee's contribution each month. In the third quarter of 2003 the Company contributed $6,800 towards the ESOP (2002 - Nil).

5. Long-Term Debt

(000's)	**29-Aug-03**	30-Nov-02
Promisory notes, interest free, repayable at $100,000 annually to acquire certain assets.	**$ 300**	$ 400
Term loan secured by a first charge on certain property, with interest at bank base rate plus 0.25%, repayable in monthly payments of $41,000. Upon mutual agreement, the Company made only one payment in each of the first two quarters in 2003 with the next scheduled payment due in October, 2003. The last payment of $41,000 will be postponed to August, 2007.	**1,927**	—
Term loan secured by a first charge on certain property, with interest at bank prime plus 1.75%, repayable in monthly payments of $8,000 to June 2005	**172**	—
Term loan of U.S. $1,109,000 (2002 - Nil) secured by a first charge on certain property, with interest at U.S. bank prime plus 1.75%, repayable in monthly payments of U.S. $50,430 to June 2005	**1,542**	—
	3,941	400
Less amounts due within one year	**1,527**	100
	$ 2,414	$ 300

6. Segmented Information

The Company reports segmented information based on the two operating segments within the Corporation.

	Operating Segments					
Three Months Ended, August 29	**2003**			2002		
(000's)	**Printed Circuits**	**Aerospace**	**Total**	Printed Circuits	Aerospace	Total
Sales	**$ 6,364**	**$ 1,670**	**$ 8,034**	$ 4,650	$ 2,162	$ 6,812
Amortization of capital assets	**464**	**126**	**590**	164	105	269
Interest expense on long-term debt	**29**	**—**	**29**	—	—	—
Income tax provision	**46**	**5**	**51**	77	136	213
Net (loss)/earnings	**$ (2,406)**	**$ 42**	**$ (2,364)**	$ 128	$ 228	$ 356
Segment assets	**27,743**	**3,817**	**31,560**	8,993	6,016	15,009

	Operating Segments					
Nine Months Ended, August 29	**2003**			2002		
(000's)	**Printed Circuits**	**Aerospace**	**Total**	Printed Circuits	Aerospace	Total
Sales	**$ 15,922**	**$ 5,357**	**$ 21,279**	$ 12,864	$ 5,470	$ 18,334
Amortization of capital assets	**917**	**379**	**1,296**	683	392	1,075
Interest expense on long-term debt	**29**	**—**	**29**	—	—	—
Income tax provision	**196**	**133**	**329**	133	(9)	124
Net (loss)/earnings	**$ (2,158)**	**$ 256**	**$ (1,902)**	$ 222	$ (15)	$ 207
Segment assets	**27,743**	**3,817**	**31,560**	8,993	6,016	15,009

7. Share Capital

(a) Common Shares

	2003		2002	
(000's)	**Number of Shares**	**Stated Capital**	Number of Shares	Stated Capital
Balance, beginning of year	**7,115,640**	**$ 1,465**	7,115,640	$ 1,465
Issue of new shares	**8,541,987**	**8,882**	1,465	—
Balance, end of year	**15,657,627**	**$ 10,347**	7,115,640	$ 1,465

(b) Convertible Preferred Shares

The Company has 1,775,000 voting convertible preferred shares outstanding. The voting convertible preferred shares have the same voting rights as common shares, will pay no dividends and will be convertible into common shares of the Company on a one for one basis at the option of the holder for no additional payment.

The convertible preferred shares automatically convert into common shares when the Company's yearly sales, excluding acquisitions, exceed $55,000,000 and the Company has positive yearly earnings before interest, taxes, depreciation and amortization ('EBITDA'). Otherwise, the convertible preferred shares are convertible into common shares at the discretion of the convertible preferred shareholder.

8. Promissory Note

The $1,500,000 promissory note is due from CWC's controlling shareholder. The note is non-interest bearing and matures at the earlier of a) July 25, 2005 or b) upon the divestiture, transfer or sale of a certain property. The promissory note is secured by a specific charge on this property.

Upon disposal of the property, should the controlling shareholder receive, net of expenses, proceeds greater than $1,850,000, 50% of the excess proceeds will be due and payable to CWC.

Circuit World Corporation
250 Finchdene Square
Scarborough, Ontario
Canada M1X 1A5

Tel: 416-299-4000
Fax: 416-292-4308
Toll free: 1-800-258-5396
Web site: www.circtwrld.com

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