HAMMOND MANUFACTURING®

Quality Products. Service Excellence.

2013 Annual Report

QUALITY PRODUCTS. SERVICE EXCELLENCE.

We have a broad product offering:
To serve our customers in multiple markets and industries.

We promise ten day back order recovery on standard product:
We work hard to provide you with your required product in a prompt time line.

Value Added Services (Modifications, Assembly and Drop Shipment):
To go above and beyond our competition and provide our customers with the exact solution required.

OUR VALUES:

We are dedicated to our customers:
To provide quality products and service that create value to our customers.

We are responsible to our shareholders:
To provide an adequate return on their investment over the long term.

We are committed to our employees:
To provide competitive pay, open and frank communication and a safe work environment.

We recognize the importance of our suppliers:
To assist us in our ability to serve our customers.

Visit us online at www.hammondmfg.com

Hammond Manufacturing Company Limited

2013 Annual Report

4	Report to Shareholders
5	Management Discussion and Analysis
16	Management's Responsibility for Financial Reporting
17	Independent Auditors' Report
18	Consolidated Statements of Financial Position
19	Consolidated Statements of Comprehensive Income
20	Consolidated Statements of Changes in Equity
21	Consolidated Statements of Cash Flows
22	Notes to Consolidated Financial Statements
59	Corporate Directory

REPORT TO SHAREHOLDERS

Dear fellow shareholders, employees, and stakeholders:

Over the years, in strong and not-so-strong economies, we have managed for the long-term benefit of all our stakeholders. It takes the combined success of shareholders, suppliers, customers and employees, to create success.

For our shareholders, the analysis on the following pages describes how we continue to manage carefully and build enterprise value over the long-term.

For our suppliers, we recognize the importance of quality and value. Our international relationships are strategic compliments to our products.

For our customers, wherever in the world, we know that we need to earn your support with quality products, solid value, and outstanding service.

And for our associates, we offer a culture that values continuous improvement from employee involvement. We strive to provide a culture with family values of fairness and openness. We provide an opportunity to learn and grow as part of an engaged team.

I am proud of our continuing progress and appreciate the contribution from all.

Sincerely,

Robert F. Hammond

Chairman & CEO

ANNUAL MEETING
The meeting of the Shareholders will be held on
April 28, 2014 at the Holiday Inn,
601 Scottsdale Drive, Guelph, Ontario
Commencing at 10:00 a.m.

MANAGEMENT DISCUSSION AND ANALYSIS

This management discussion and analysis (MD&A) comments on the consolidated financial condition and results of operations of Hammond Manufacturing Company Limited ("HMCL" or "the Company") for the year ended December 31, 2013. This discussion should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2013 and related notes. Additional information about the Company can be found on its website, www.hammfg.com, or through the SEDAR website at www.sedar.com which includes the Company's Annual Information Form. The information contained herein is dated as of March 28, 2014.

The annual consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

All amounts in this report are in Canadian dollars unless otherwise stated.

Advisory–Certain information in this MD&A is forward-looking and is subject to important risks and uncertainties. The results or events predicted in this information may differ from actual results or events. Forward-looking statements are often, but not always, identified by the use of words such as "anticipate", "plan", "estimate", "expect", "may", "project", "predict", "potential", "could", "might", "should" and other similar expressions. The Company believes the expectations reflected in forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct. These forward-looking statements speak only to the date of this MD&A. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required pursuant to applicable securities laws.

MANAGEMENT DISCUSSION AND ANALYSIS

COMPANY PROFILE

Hammond Manufacturing Company Limited manufactures electronic and electrical enclosures, outlet strips and electronic transformers that are used by manufacturers of a wide range of electronic and electrical products. Products are sold both Original Equipment Manufacturer-direct (OEM) and through a global network of distributors and agents.

Facilities are situated in Canada, the United States of America (US), the United Kingdom (UK), Taiwan and Australia, with agents and distributors located worldwide. The Company also maintains a 40% ownership share of RITEC Enclosures Inc. (RITEC) located in Taiwan. RITEC produces plastic and die cast enclosures for sale through the Company sales network and its own existing market channels.

OPERATIONS

FOURTH QUARTER RESULTS

NET PRODUCT SALES

Net product sales, for the three months ended December 31, 2013 were $22,969,000, an increase of 2.1% from net product sales of $22,489,000 in the third quarter of 2013. Our US market net product sales were down 5.8% quarter over quarter while all our other geographical markets saw increases. Canada was up 6.2%, Europe was up 17.6% and Australia / Asia was up 4.8%. Net product sales for the current quarter were up 6.6% compared to net product sales of $21,556,000 for the three months ended December 31, 2012. Relative to the fourth quarter of 2012, foreign exchange played a large factor. Fourth quarter net product sales in 2013 compared to 2012 fourth quarter net product sales were up 6.6%. Half of this increase can be attributed to positive foreign exchange impacts. Market activity for 2013 fourth quarter net product sales compared to 2012 fourth quarter net product sales with the foreign exchange impact removed saw our US market flat while Canada was up 1.6%, Europe was up 30.8% and Australia / Asia was up 15.6%. This was largely driven by volume.

GROSS PROFIT

Gross profit for the fourth quarter of 2013 was 30.2% of net sales compared to 28.0% in the third quarter of 2013. Gross profits of 30.2% are up 2.5% from the fourth quarter 2012 level of 27.7%. The impact of foreign exchange is the primary cause of improved margins compared to last year.

SELLING, DISTRIBUTION, GENERAL AND ADMINISTRATIVE, RESEARCH AND DEVELOPMENT (“R&D”) EXPENSES AND NET LOSS (GAIN) ON SALE OF PROPERTY, PLANT AND EQUIPMENT

Fourth quarter selling and distribution, general and administration and R&D expenses of $6,087,000 were 26.5% of net sales for the three months ended December 31, 2013, compared with an expense of $5,562,000 in the previous quarter that was 24.7% of net sales and $5,566,000 which was 25.8% of net sales in the fourth quarter of 2012. Selling and distribution expenses of $4,904,000 were up 10% over the prior quarter and up 11.8% over the fourth quarter of 2012. Freight and courier expenses account for over 25% of this increase with warehousing costs accounting for another 30% of the increase. We do have some overlapping additional warehouse space as we settle into our new warehousing location. The addition to our sales force along with special initiative sales programs

accounts for another 30% of the increase. General and administrative expenses were up this quarter as the company has increased its accrual for bad debts in this quarter by $150,000 in light of one of our distributors having significant financial difficulties. Management feels it is likely that all of their outstanding debt will be uncollectible as a result.

INCOME FROM OPERATING ACTIVITIES

Income from operating activities of $857,000 (3.7% of net sales) is up from the prior quarter of $744,000 (3.3% of net sales) and up from the 2012 fourth quarter amount of $407,000 (1.8% of net sales).

INTEREST

Fourth quarter interest expense of $100,000 was down 3.8% from the third quarter expense of $104,000 and down 13.8% from the comparable period of the prior year of $116,000 as we continue to reduce our external interest bearing debt.

FOREIGN EXCHANGE TRANSACTIONAL IMPACT

During the fourth quarter of 2013, the Company recognized a loss on transactional foreign exchange of $10,000 compared to a gain of $78,000 in the three months ended December 31, 2012. In the fourth quarter the US dollar opened at an exchange of $1.00 USD to $1.03 CDN and closed at $1.00 USD to $1.0636 CDN. Most of our transactional exposure is in accounts payable and the impact of foreign exchange movement in this direction creates transactional losses.

INCOME TAX EXPENSE

In the first three quarters of this year we had utilized an estimated combined tax rate for 2013 of 36% which was based on last year’s actual combined rate. The actual combined rate for 2013 is 26.4% with the year to date adjustment being booked in the fourth quarter. The net income tax expense in the fourth quarter of 2013 was $3,000.

NET INCOME FOR THE PERIOD

Income for the fourth quarter ended December 31, 2013 was $755,000 (3.3% of net product sales) this is up from $385,000 (1.7% return on net product sales) in the previous quarter and up from the fourth quarter 2012 of $264,000 (1.2% return on net product sales).

FOREIGN EXCHANGE TRANSLATION OF FOREIGN OPERATIONS

The translation adjustment for the fourth quarter of 2013 was a gain of $320,000 compared to a translation gain of $129,000 in the fourth quarter of 2012. The translation of our US entity is the primary driver of this impact. In the fourth quarter of 2013 the US dollar opened at an exchange of $1.00 USD to $1.03 CDN and closed at $1.00 USD to $1.0636 CDN which created most of the gain. In the fourth quarter of 2012 the US dollar opened at an exchange of $1.00 USD to $0.983 CDN and closed at $1.00 USD to $0.997 CDN which created most of that quarters gain.

TOTAL COMPREHENSIVE INCOME

Comprehensive income for the fourth quarter ended December 31, 2013 was $1,075,000 (4.7% of net product sales) up from the 3 months ended December 31, 2012 of $394,000 (1.8% of net product sales).

MANAGEMENT DISCUSSION AND ANALYSIS

QUARTERLY INFORMATION

Summary of Quarterly Financial Information
(In thousands of Canadian dollars except earnings per share)

	2013				Year-to-date
	Q1	Q2	Q3	Q4	Total
Net product sales	$23,718	$23,138	$22,489	$22,969	$92,314
Income from operating activities	1,051	1,105	744	857	3,757
Net income for the period	536	582	385	755	2,258
Earnings per share - Basic & diluted	$0.05	$0.05	$0.03	$0.07	$0.20

	2012				Year-to-date
	Q1	Q2	Q3	Q4	Total
Net product sales	$23,714	$24,367	$22,788	$21,556	$92,425
Income from operating activities	803	1,020	562	407	2,792
Net income for the period	520	565	313	264	1,662
Earnings per share - Basic & diluted	$0.05	$0.05	$0.03	$0.02	$0.15

Note: Interim consolidated financial statements have not been reviewed by an auditor.

FULL YEAR RESULTS

NET PRODUCT SALES

Net product sales of $92,314,000 in 2013 were flat compared to net sales of $92,425,000 reported in 2012. After last year's strong rebound from the recession, North American markets retracted slightly. Net product sales were down 2.9% in Canada while the US market, in local currency, was down over 2012 by 2.3%. The stronger US dollar provided a foreign exchange pickup that offset the down turn and provided a flat year for the US market measured in Canadian dollars. Our European and Australia / Asian markets saw continued growth with local currency growth of 15.9% and 13.8% respectively. The overall change in these markets inclusive of foreign exchange provided an increase in European sales of 17.8% and an increase in Australia / Asia of 10.1%. This was largely driven by volume.

GROSS PROFIT

In 2013, gross profit was 29.1% of net product sales compared to 27.4% achieved in 2012. The majority of the gross profit levels can be attributed to the favorable foreign exchange impact along with improved shop efficiencies.

MANAGEMENT DISCUSSION AND ANALYSIS

SELLING, DISTRIBUTION, GENERAL AND ADMINISTRATIVE, RESEARCH AND DEVELOPMENT (“R&D”) EXPENSES AND NET LOSS (GAIN) ON SALE OF PROPERTY, PLANT AND EQUIPMENT

Selling, distribution, general and administration, R&D expenses including the net impact of the sale of property, plant and equipment of $23,087,000 increased $544,000, or 2.4% from 2012. Selling and distribution expenses of $18,457,000 increased 5.4% over 2012. We continue to position ourselves for growth and have made additions to our salesforce in the US and Canada. We also added warehouse space in Canada to accommodate the inventory growth we saw in 2012 that was being temporarily stored in trailers. Our general and administrative expenses fell 5.4% over 2012 as restructuring expenses incurred in 2012 were not repeated in 2013. Research and development activity was down over 2012 and costs dropped $134,000.

INCOME FROM OPERATING ACTIVITIES

Overall, 2013 earnings from operating activities of $3,757,000 (4.1% of net product sales) is up compared to the 2012 earnings of $2,792,000 (3.0% of net product sales).

INTEREST

Interest expense decreased $15,000 (3.4%) from the 2012 expense level to $422,000 in 2013. Overall external debt continues to decline.

FOREIGN EXCHANGE TRANSACTIONAL IMPACT

A $194,000 foreign exchange transactional loss was reported in 2013, compared to a transactional gain of $240,000 in 2012. Stronger foreign currencies have helped our sales numbers but for those items we purchase in foreign currencies our expenses have risen throughout 2013.

INCOME TAX EXPENSE

During 2013 tax expenses of $812,000 were 26.5% of income before income tax. This compares to 2012 tax expense of $941,000 which was 36.1% of income before income tax.

NET INCOME FOR THE YEAR

Net income for the year ended December 31, 2013 was $2,258,000 (2.5% of net product sales) up 35.9% from $1,662,000 (1.8% of net product sales).

FOREIGN EXCHANGE TRANSLATION OF FOREIGN OPERATIONS

During 2013 a gain of $638,000 on translational foreign exchange was realized compared to a loss of $137,000 in 2012. In 2013 the US dollar opened at an exchange of $1.00 USD to $0.997 CDN and closed at $1.00 USD to $1.0636 CDN which created most of the gain. In 2012 the US dollar opened at an exchange of $1.00 USD to $1.017 CDN and closed at $1.00 USD to $0.997 CDN which created most of the loss.

MANAGEMENT DISCUSSION AND ANALYSIS

TOTAL COMPREHENSIVE INCOME

Comprehensive income for 2013 was $2,896,000 (3.1% of net product sales) up from 2012 of $1,525,000 (1.6% of net product sales).

SELECTED ANNUAL INFORMATION

Three year financial summary:

For the years ended December 31,
(In thousands except per share amounts)

Consolidated Statements of Comprehensive Income		2013		2012		2011
Net product sales	**$**	**92,314**	$	92,425	$	85,487
Income from operating activities		**3,757**		2,792		2,921
Net income for the year		**2,258**		1,662		1,771
Per share - basic & fully diluted net earnings for the year		**$0.20**		$0.15		$0.16

Consolidated Statement of Financial Position		2013		2012		2011
Total assets	**$**	**56,115**	$	54,721	$	51,913
Total funded debt		**11,832**		13,470		12,727
Working capital		**20,411**		17,561		16,772
Net cash generated from operating activities		**3,596**		2,197		1,744
Dividends declared and paid		**226**		226		226
Shareholders' equity		**33,437**		30,767		29,468

CAPITAL RESOURCES AND LIQUIDITY

Net cash generated from operating activities for 2013 was $3,596,000 (2012 - $2,197,000). Cash flows from financing activities amounted to a usage of $1,890,000 (2012 – source of $434,000). Cash used in investing activities was $1,320,000 (2012 - $2,843,000).

Trade and other receivables increased 3.0% at December 31, 2013 compared to the 2012 year-end. Days sales outstanding (DSO) calculated on net sales was 50 days, down 2 days from 2012. The quality of accounts receivable remains high. As noted earlier we did have to make an allowance for one of our larger distributors who is in financial distress. This is a rare occurrence and not an industry issue. We expect DSO to continue in the current range for 2014.

The year-end investment in inventory of $26,951,000 was an increase of 5.8% from the 2012 inventory value of $25,464,000. Inventory turnover decreased to 2.59 from 2.78 (cost of sales divided by the twelve month average inventory level). In order to achieve higher levels of customer satisfaction inventory levels have been set to ensure our customer order fill rates are maintained or improved.

Trade and other payables increased by $248,000, or 2.8% over 2012 to $9,233,000.

Our total debt (long-term debt and bank indebtedness) decreased by $1,638,000 over the prior year to $11,832,000. Our debt-to-equity ratio at year-end was approximately 0.35:1 (2012 - 0.44:1).

MANAGEMENT DISCUSSION AND ANALYSIS

The Company paid a dividend of $226,000 in April of 2013 (2012 - $226,000).

Property, plant, equipment and intangible asset additions in 2013 were $1,335,000 down from $2,902,000 in 2012. The Company spent $215,000 (2012 - $103,000) on building and leasehold improvements. $507,000 (2012 - $966,000) was invested toward upgrading and replacing machinery and equipment, $153,000 (2012 - $874,000) was invested toward machinery and equipment for capacity growth, $339,000 (2012 - $670,000) was invested in tooling, $104,000 (2012 - $207,000) was invested in office equipment and $17,000 (2012 – $83,000) was spent on development costs.

The contractual obligations of the Company are detailed in the following table.

Contractual obligations *(In thousands)*	***Total***	***2014***	***2015***	***2016***	***2017***	***2018***	***Thereafter***
Long-term debt	$ 974	$ 195	$ 195	$ 195	$ 195	$ 194	$ -
Capital lease obligations	1,042	601	70	71	75	78	147
Operating leases	3,188	1,607	1,043	378	134	26	-
Total contractual obligations	$ 5,204	$ 2,403	$ 1,308	$ 644	$ 404	$ 298	$ 147

In addition to the contractual obligations above, the Company has current obligations of $215,000 (2012 - $348,000) against open purchase orders for outstanding capital expenditures. The Company also has open purchase commitments with RITEC as at December 31, 2013 of $319,834 (2012 - $416,390). These expenditures should be completed in the first half of 2014.

SHARE CAPITAL

As of March 28, 2014, 8,556,000 Class A subordinate voting shares and 2,778,300 Class B common shares were issued and outstanding. The Company also has a management share option plan, with no options currently outstanding.

ENVIRONMENTAL ISSUES

The Glen Ewing Property is a 50% co-tenancy with Hammond Power Solutions Inc. (HPSI) of the vacant property located at 2 Glen Road, Georgetown. Soil contaminated by diesel oil, which is believed to be related to site operations of prior owners, was discovered in 2000 and has been the focus of investigations by our environmental consultant. The contamination does not result from the normal operations of the Company. In January 2002, the adjoining property owner (whose lands were at one time part of the same historical operation as 2 Glen Road) issued a statement of claim, claiming damages from the Company and HPSI for the historical contamination found on its property. In August of 2009, the adjoining property owner, the Company and HPSI (the parties) signed a settlement outlining how the parties will work together on future management, including the remediation and monitoring of the Substances of Interest on the Properties and the South Lands. The parties also agreed on an approach to resolve future Ministry of the Environment (MOE) or other governmental claims, orders, directions, prosecutions, tickets, and environmental penalties. As part of this settlement all of the parties dropped their civil actions against each other.

The Company and HPSI, as co-tenants, have been working co-operatively with the adjacent property owner and its environmental consultant, under the direction of the MOE, in order to evaluate the extent of the contamination and develop an appropriate joint remediation plan for both sites. Ongoing investigations have also indicated that both the co-tenancy's and the adjacent owner's sites have been impacted by historical solvent usage. These impacts have been incorporated into the joint remediation

plan. The Company's share of expense for legal and consulting work for 2013 related to this property was $136,000 (2012 - $33,000). The parties started remediation of the site in October 2009. The Company has relied on its consultant's best estimate for the remaining environmental remediation costs. The Company's remaining portion of environmental remediation costs for this site is $170,000 (2012 - $170,000) with $70,000 (2012 - $70,000) presented as a current liability in the financial statements.

A statement of claim was issued on June 19, 2013, against the Company with respect to a property once held by the Company. The claim alleges that contaminants originating from the property once owned by the Company have migrated to a nearby, but not adjoining property owned by the claimants. The amount of the claim is not fully known but includes $2,000,000 which is the estimated cost of construction of a barrier and related expenses. At this point in time, there is no certainty that the contaminants emanated from the property once owned by the Company. Furthermore, given the nature of the claim, there remains significant uncertainty as to any costs to be incurred as a result of the claim and accordingly management is unable to reasonably estimate any liability that may arise as a result of this claim. As such, no amount has been recorded in these financial statements.

Other than the above noted sites, management is not aware of any unusual or significant environmental issues.

CRITICAL ACCOUNTING ESTIMATES

In the preparation of the consolidated financial statements, it is necessary for management to make some estimates and judgments that affect reported amounts in the financial statements and related disclosure of contingencies. Management determines these estimates using historical experience, assumptions and rationale that are believed to be reasonable in the circumstances. The Company evaluates these on an ongoing basis in order to form the judgment for the carrying value of certain assets and liabilities.

Specifically, the Company has assessed the property valuations related to the sites noted under "Environmental Issues" in this MD&A and in the notes to the financial statements (note 8). Based on this analysis, it is management's judgment that the reported carrying values of these properties are reasonable.

The value of goodwill related to the Company's UK operations was reviewed by management and tested for impairment in accordance with the guidelines set out in International Accounting Standard 36. Based on this analysis, it is management's judgment that the reported carrying value for goodwill is not impaired.

The environmental provision (note 12) has been established based on an analysis of cost estimates related to expected activities required for active remediation for Glen Ewing Property. It is management's judgment that the reported carrying value for this provision, based on discounted cash flows over five years, is a reasonable estimate of the Company's share of these costs given information available at this time, but acknowledges that this estimate is subject to future uncertainties.

Employee future health benefits (note 13) have been estimated based on eligible employees and management's best estimates of the utilization of these benefits on a specific employee basis. It is management's judgment that the reported carrying value for this provision, based on discounted cash flows, is a reasonable estimate of the Company's costs given information available at this time, but acknowledges that this estimate is subject to future uncertainties.

Inventory valuation (note 5) includes provisions for slow moving inventory using management's judgments based on inactivity of the specific parts. Management also reviews inventory values compared to anticipated sales values and provides a provision for lower of cost or market.

Although these estimates, which form the basis for carrying values of reported assets, liabilities, revenues and expenses, are based on reasonable assumptions, it should be noted that actual results may differ from these estimates.

CONTROLS AND PROCEDURES

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to management on a timely basis so that appropriate decisions can be made regarding public disclosure.

The purpose of internal controls over financial reporting as defined by the Canadian Securities Administrators is to provide reasonable assurance that:

(i) financial statements prepared for external purposes are in accordance with the Company's Generally Accepted Accounting Principles,

(ii) transactions are recorded as necessary to permit the preparation of financial statements, and records are maintained in reasonable detail,

(iii) receipts and expenditures of the Company are made only in accordance with authorizations of the Company's management and directors, and

(iv) unauthorized acquisitions, uses or dispositions of the Company's assets that could have a material effect on the financial statements will be prevented or detected in order to prevent material error in financial statements.

The Chief Executive Officer and the Chief Financial Officer have caused management and other employees to design, document and evaluate our disclosure controls and procedures and our internal controls over financial reporting. An evaluation of the design and operating effectiveness of the disclosure controls and internal controls over financial reporting was conducted as at December 31, 2013. The design and evaluation of internal controls was completed using the framework and criteria established in "Internal Control – Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on the evaluation, we have concluded that the Company's disclosure controls, procedures and our internal controls over financial reporting provide reasonable assurance that material information relating to the Company are made known to the Company by others, particularly during the period in which the annual filings are being prepared, that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation, and reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian generally accepted accounting principles.

RISKS AND UNCERTAINTIES

As with most businesses, the Company is subject to a number of marketplace, industry and economic related business risks, which could have some material impact on our operating results.

These risks include:

- Key personnel;
- The cyclical effects, unpredictability and volatility of market driven commodity costs, raw materials such as copper and steel pricing and supply and demand;
- A significant, unexpected change in the global demand for resources;
- The variability of the Canadian dollar versus the US dollar;
- Economic slowdown in the US and Canada;
- Rising interest rates;
- Trade restrictions;
- Labour costs and labour relations;
- Competition; and
- Global political unrest.

The Company continuously works to minimize the negative impact of these risks and strengthen its position through diversification of its core business, market channel expansion, geographic diversity of its operations and business hedging strategies. There are, however, several risks that deserve particular attention.

Key Personnel

The Company is dependent on the experience and industry knowledge of its executive officers and other key employees to execute its business plan. If the Company were to experience a substantial turnover in its leadership or other key employees, business results from operations and financial condition could be materially adversely affected.

Commodity Prices

An area that has had a definite effect on the Company's costs and earnings is the cyclical effects and unprecedented market cost pressures of copper commodity and steel pricing in the global market. Due to this unpredictability and volatility, particularly with copper pricing, the Company does not currently utilize future contracts. Strategic supply line agreements and alliances are in place with our major steel suppliers to ensure adequate supply and competitive market pricing.

Foreign Exchange

The Company's operating results are reported in Canadian dollars. A significant portion of our sales is denominated in US dollars. A change in the value of the Canadian dollar against the US dollar will impact revenues and earnings. We have created a natural hedge as this is partially offset by a corresponding change in the cost of materials purchased from the US and commodities tied to US dollar pricing. In general, a lower value for the Canadian dollar compared to the US dollar will have a beneficial impact on the Company's results; or, inversely, a higher value for the Canadian dollar compared to the US dollar will have a negative impact on the Company's profitability. The Company also has a US operating subsidiary and US dollar assets. The exchange rate between the Canadian and US dollar can vary significantly from year to year. There is a corresponding positive or negative impact to the Company's Consolidated Statements of Comprehensive Income solely related to the foreign exchange translation of its Consolidated Statements of Financial Position. We have partially reduced the impact of foreign exchange fluctuations through increasing our US dollar driven

manufacturing output. Finally, the Company periodically institutes price increases / reductions to help offset the negative / positive impact of changes in foreign exchange and product cost increases / decreases.

Interest Rates

Bank indebtedness makes up close to 83% of the company debt financing. The rates for this financing are low but variable. The company is cognizant that a rise in interest rates will negatively impact the financial results of the Company. The Company continuously reviews this strategy of hedging this risk by fixing interest rates on part of its total debt.

North American Economy

We believe the North American economy has stabilized and we will see marginal sales growth in 2014. Our efforts over the next 12 months will be on projects that will reduce our costs and improve our manufacturing flexibility. We believe that being nimble as an organization will become even more important in order to respond quickly to both unexpected opportunities as well as challenges. We also believe that our growing access to a variety of markets both global and domestic through our OEM and distributor channels will help the Company expand market share during an economic recovery.

OUTLOOK FACTORS FOR 2014

In 2013 we saw our larger markets stagnate. Our current market intelligence expects low market growth in 2014. A stronger US dollar will provide us the opportunity to competitively price our products and stimulate market share growth. The Company continues with the objective of sales growth and increased market share but will weigh this against achieving acceptable margins.

Capital spending will continue to be focused on high impact projects as accommodated by cash flows.

Our primary focus continues to be on productivity and margin improvement.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The consolidated financial statements are the responsibility of the management of Hammond Manufacturing Company Limited. These statements have been prepared in accordance with International Financial Reporting Standards, using management's best estimates and judgments, where appropriate.

Management is responsible for the reliability and integrity of the consolidated financial statements, the notes to the consolidated financial statements and other financial information contained in the report. In the preparation of these statements, estimates are sometimes necessary because a precise determination of certain assets and liabilities is dependent on future events. Management believes such estimates have been based on careful judgment and have been properly reflected in the accompanying consolidated financial statements.

Management is responsible for the maintenance of a system of internal controls designed to provide reasonable assurance that the assets are safeguarded and that accounting systems provide timely, accurate and reliable financial information.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board of Directors is assisted in exercising its responsibilities through the Audit Committee of the Board, which is composed of three non-management directors. The Audit Committee meets periodically with management and the auditors to satisfy itself that management's responsibilities are properly discharged, to review the consolidated financial statements and to recommend approval of the consolidated financial statements to the Board of Directors.

KPMG LLP, the independent auditors appointed by the shareholders, has audited the Company's consolidated financial statements in accordance with Canadian generally accepted auditing standards and their report follows. The independent auditors have full and unrestricted access to the Audit Committee to discuss their audit and related findings as to the integrity of the financial reporting process.

R.F. Hammond	A. Stirling
Chairman & CEO	Secretary & CFO

Guelph, Ontario

March 28, 2014

INDEPENDENT AUDITORS' REPORT

KPMG LLP
Chartered Accountants
115 King Street South, 2nd Floor
Waterloo ON N2J 5A3

Telephone 519-747-8800
Fax 519-747-8830
Internet www.kpmg.ca

To the Shareholders of Hammond Manufacturing Company Limited

We have audited the accompanying consolidated financial statements of Hammond Manufacturing Company Limited, which comprise the consolidated statements of financial position as at December 31, 2013 and December 31, 2012, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Hammond Manufacturing Company Limited as at December 31, 2013 and December 31, 2012, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants
March 28, 2014
Waterloo, Canada

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. KPMG Canada provides services to KPMG LLP.

KPMG Confidential

HAMMOND MANUFACTURING COMPANY LIMITED

Consolidated Statements of Financial Position
(in thousands of Canadian dollars)

As at December 31,	Note		**2013**		**2012**
Assets					
Current assets:					
Cash		$	774	$	416
Trade and other receivables	4 & 24		11,943		11,598
Inventories	5		26,951		25,464
Prepaid expenses			886		882
Total current assets			40,554		38,360
Non-current assets					
Property, plant and equipment	6		13,868		14,749
Intangible assets and goodwill	7		384		368
Investment property	8		1,044		1,044
Equity investment	9		265		200
Total non-current assets			15,561		16,361
Total assets		**$**	**56,115**	**$**	**54,721**
Liabilities					
Current liabilities:					
Bank indebtedness	10	$	9,816	$	10,833
Trade and other payables	11 & 24		9,233		8,985
Income taxes payable			59		37
Provisions	12		135		120
Employee future benefits	13		104		101
Current portion of long-term debt	10		796		723
Total current liabilities			20,143		20,799
Non-current liabilities					
Employee future benefits	13		342		354
Long-term debt	10		1,220		1,914
Provisions	12		100		100
Deferred tax liabilities	14		873		787
Total non-current liabilities			2,535		3,155
Total liabilities			**22,678**		**23,954**
Equity:					
Share capital	15		10,249		10,249
Contributed surplus			290		290
Accumulated other comprehensive gain (loss)			281		(357)
Retained earnings			22,617		20,585
Total equity			33,437		30,767
Commitments	16 & 17				
Contingency	18				
Subsequent event	27				
Total liabilities and equity		**$**	**56,115**	**$**	**54,721**

The notes on pages 22 to 56 are an integral part of these consolidated financial statements.

HAMMOND MANUFACTURING COMPANY LIMITED

Consolidated Statements of Comprehensive Income
(in thousands of Canadian dollars, except earnings per share)

For the Years Ended December 31,	Note	2013	2012
Net product sales		$ 92,314	$ 92,425
Cost of sales		65,470	67,090
Gross profit		26,844	25,335
Selling and distribution		18,457	17,505
General and administrative		4,408	4,662
Research and development		227	361
Net loss (gain) on sale of property, plant and equipment		(5)	15
Income from operating activities		3,757	2,792
Interest expense	10	(422)	(437)
Foreign exchange gain (loss)		(194)	240
Net finance costs		(616)	(197)
Share of profit of equity accounted investees	9	65	41
Share of expenses from investment property	8	(136)	(33)
Income before income tax		3,070	2,603
Income tax expense	19	812	941
Net income for the year		**2,258**	**1,662**
Other comprehensive income (loss):			
Foreign currency translation differences for foreign operations		638	(137)
Other comprehensive income (loss) for the year, net of income tax		638	(137)
Total comprehensive income for the year		**$ 2,896**	**$ 1,525**
Earnings per share			
Basic earnings per share	20	$ 0.20	$ 0.15
Diluted earnings per share	20	$ 0.20	$ 0.15

The notes on pages 22 to 56 are an integral part of these consolidated financial statements.

HAMMOND MANUFACTURING COMPANY LIMITED

Consolidated Statements of Changes in Equity
For the years December 31, 2013 and December 31, 2012
(in thousands of Canadian dollars)

	Attributable to equity holders of the Company				
	Share Capital	**Contributed Surplus**	**AOCI****	**Retained earnings**	**Total equity**
Balance at January 1, 2012	$ 10,249	$ 290	$ (220)	$ 19,149	$ 29,468
Total comprehensive income for year:					
Net income for the year	-	-	-	1,662	1,662
Other comprehensive loss:					
Foreign currency translation differences	-	-	(137)	-	(137)
Total comprehensive income (loss) for the year	-	-	(137)	1,662	1,525
Transactions with owners, recorded directly in equity					
Dividends to equity holders (note 15)	-	-	-	(226)	(226)
Balance at December 31, 2012	$ 10,249	$ 290	$ (357)	$ 20,585	$ 30,767
Balance at January 1, 2013	$ 10,249	$ 290	$ (357)	$ 20,585	$ 30,767
Total comprehensive income for year:					
Net income for the year	-	-	-	2,258	2,258
Other comprehensive income:					
Foreign currency translation differences	-	-	638	-	638
Total comprehensive income for the year	-	-	638	2,258	2,896
Transactions with owners, recorded directly in equity:					
Dividends to equity holders (note 15)	-	-	-	(226)	(226)
Balance at December 31, 2013	$ 10,249	$ 290	$ 281	$ 22,617	$ 33,437

** Accumulated other comprehensive income (loss)

The notes on pages 22 to 56 are an integral part of these consolidated financial statements.

HAMMOND MANUFACTURING COMPANY LIMITED

Consolidated Statements of Cash Flows
(in thousands of Canadian dollars)

For the years ended December 31,	**2013**	**2012**
Cash flows from operating activities		
Net income for the year	$ 2,258	$ 1,662
Adjustments for:		
Depreciation of property, plant and equipment	2,241	1,944
Amortization of intangible assets	63	64
Interest expense	422	437
Income tax expense	812	941
Loss (gain) on sale of property plant and equipment	(5)	15
Provisions and employee future benefits	(8)	289
Equity investments	(65)	(23)
	5,718	5,329
Change in non-cash working capital:		
Inventories	(1,163)	(2,443)
Trade and other receivables	32	66
Prepaid expenses	9	(221)
Trade and other payables	137	161
Cash generated (used) on operating activities	4,733	2,892
Interest paid	(422)	(437)
Income tax paid	(715)	(258)
Net cash generated on operating activities	**3,596**	**2,197**
Cash flows from financing activities		
Bank indebtedness	(1,042)	1,460
Payment of long-term debt	(622)	(1,368)
Advances of long-term debt	-	568
Payment of dividends	(226)	(226)
Net cash from financing activities	(1,890)	434
Cash flows from investing activities		
Proceeds from sales of property, plant and equipment	15	59
Acquisition of of property, plant and equipment	(1,266)	(2,819)
Intangible asset additions	(69)	(83)
Net cash used in investing activities	(1,320)	(2,843)
Net increase (decrease) in cash	**386**	**(212)**
Cash at beginning of year	416	633
Foreign exchange loss on cash and cash equivalents in a foreign currency	(28)	(5)
Cash at end of year	$ 774	$ 416

The notes on pages 22 to 56 are an integral part of these consolidated financial statements.

1) Reporting entity:

Hammond Manufacturing Company Limited ("HMCL" or the "Company") is a public company traded on the Toronto Stock Exchange under the symbol "HMM.A" and is incorporated under the Ontario Business Corporations Act. The address of the Company's registered office is 394 Edinburgh Road North, Guelph, Ontario. The consolidated financial statements of the Company as at and for the year ended December 31, 2013 include the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interest in jointly controlled entities. The Group primarily is involved in the design, manufacture and sale of electrical and electronic components. Facilities are located in Canada, the US, the UK, Taiwan and Australia, with agents and distributors located worldwide. The Company also maintains a 40% ownership share of RITEC Enclosures Inc. (RITEC) located in Taiwan. RITEC produces plastic and die cast enclosures for sale through the Company's sales network and its own existing market channels.

2) Basis of preparation:

a) Statement of compliance:

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

The Board of Directors approved these consolidated financial statements on March 7, 2014.

b) Basis of measurement:

The consolidated financial statements have been prepared on the historical cost basis.

c) Functional and presentation currency:

The consolidated financial statements are presented in Canadian dollars. The functional currency of the Group's entities is the currency of their primary economic environment. In individual companies, transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities in foreign currencies at the reporting date are re-measured to the functional currency at the exchange rate at that date. Any resulting exchange differences are taken to the statement of comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. On consolidation, assets and liabilities of Group entities reported in their functional currencies are translated into the Canadian dollar, being the presentation currency, at the exchange rate on the reporting date. The income and expenses of foreign operations are translated to Canadian dollars using average exchange rates for the months during which the transactions occurred. Foreign currency translation differences are recognized in other comprehensive income which is included in the accumulated other comprehensive income account. The functional currency of the Company's subsidiary operations located in the US, UK, Taiwan and Australia are the US dollar, the British Pound, Taiwan Dollar and the Australian Dollar respectively. The functional currency of the Company's Canadian operations is the Canadian Dollar.

d) Use of estimates:

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expense. Actual results may differ from these

estimates. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Management periodically reviews its estimates and underlying assumptions relating to the following items:

i) Amortization

Management makes estimates of the appropriate useful lives to be assigned to intangible assets based on the individual circumstances of an acquisition. Management reviews the appropriateness of the lives assigned and makes adjustments prospectively, where necessary.

ii) Impairment tests

Management makes estimates of sustainable earnings, future expected cash flows and discount rates in the determination of the value-in-use or fair value less costs of disposal of cash-generating units (“CGUs”).

iii) Provision against accounts receivable

Management makes estimates on the recoverability of accounts receivable balances based on specific facts and circumstances as well as past experience of write-offs. Changes in the economic conditions in which the Company’s customers operate and their underlying financial stability may impact these estimates.

iv) Employee future benefits

Management estimates the discount rates, retirement age and future costs of benefits associated with providing future employee benefits and exercises judgment to determine how many employees will utilize these benefits.

v) Tax assets

Deferred tax assets and liabilities contain estimates about the nature and timing of future permanent and temporary differences as well as the future tax rates that will apply to those differences. Changes in tax laws and rates as well as changes to the expected timing of reversals may have a significant impact on the amounts recorded for deferred tax assets and liabilities. Management closely monitors current and potential changes to tax law and bases its estimates on the best available information at each reporting date.

vi) Depreciation

Management estimates future residual values and the rate at which the useful lives of property and equipment are consumed to determine appropriate depreciation charges. Estimates of residual value and useful lives are based on data and information from various sources, including vendors, industry practice and company-specific history. Management reviews the appropriateness of the lives assigned and makes adjustments prospectively, where necessary.

vii) Stock options

Management makes estimates with respect to risk-free rates of return, expected volatility, expected dividends, expected life of options, expected forfeitures and future market conditions to calculate the fair value of stock options.

viii) Property value

Management estimates the value of the investment property to assess if an impairment has occurred. The estimate is made by reviewing local land prices and current sales of similar properties as well as property tax value assessment.

ix) Environmental remediation:

Management estimates the value to complete the remediation project on the Glen Ewing Property each year by reviewing the project status and activities still to be completed. Any changes to the project scope are updated in the cost estimation model and any change in the required reserve is booked in the current year.

x) Sales returns:

Management estimates the value of product that will be returned based on a historical analysis. Any change to the estimate is recorded as a reduction of revenue in the current period.

e) Use of judgments:

The preparation of financial statements in conformity with IFRS requires management to make judgments that affect the application of accounting policies and the interpretation of accounting standards. Management periodically reviews its judgments and underlying assumptions relating to the following items:

i) Provision for claims

Judgment is exercised in deciding whether a liability for a claim meets the criteria of a present obligation and in assessing the probability of the outflow of economic resources.

ii) Lease classification

The Company enters into leases for premises and operating equipment that may be classified as operating or finance leases. Management exercises judgement to determine whether substantially all the risks and rewards incidental to ownership have been transferred to the Company.

iii) Impairment tests

Management exercises judgment to determine whether there are factors that would indicate that an asset or a CGU is impaired. The determination of CGUs is also based on management's judgment and is an assessment of the smallest group of assets that generate cash inflows independently of other assets. Factors considered include whether an active market exists for the output produced by the asset or group of assets as well as how management monitors and makes decisions about the Company's operations.

iv) Intangible assets

Management exercises judgment to determine whether identifiable intangible assets were acquired in a business combination, separate from goodwill and whether they will provide future economic benefits to the Company.

3) Summary of significant accounting policies:

Except for the changes explained in “new standards and interpretations adopted” below, the accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements. These accounting policies have been consistently applied by all Group entities.

a) Basis of consolidation:

The consolidated financial statements include the accounts of Hammond Manufacturing Company Limited, its wholly owned subsidiaries, Hammond Manufacturing Company Inc., Hammond Electronics Limited, Hammond Electronics PTY Ltd., Les Fabrications Hammond (Quebec) Inc., Hammond Electronics Asia Inc, and its proportionate share of the Glen Ewing Property, an unincorporated co-tenancy (50%). All significant intercompany balances and transactions have been eliminated on consolidation. The consolidated financial statements include the investment in RITEC, which are accounted for using the equity method.

b) Revenue recognition:

The Company recognizes revenue on product sales and services at the time the products are shipped or services rendered to customers, when the customer takes ownership and assumes risk of loss, collection of the relevant receivable is probable, persuasive evidence of an arrangement exists and the sales price is fixed or determinable. A provision for sales returns is recognized when the underlying products or services are sold. The provision is based on historical returns data and a weighting of all possible outcomes against their associated probabilities.

c) Inventories:

Inventories are valued at the lower of cost, determined on a first-in, first-out basis and net realizable value, and includes expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, costs include an appropriate share of production overheads based on normal operating capacity. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. When circumstances that previously gave rise to an inventory write down no longer exist, the previous impairment is reversed.

d) Investment property:

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. The Group measures its investment property, being the land held by Glen Ewing Property, at historical cost.

e) Property, plant and equipment:

Property, plant and equipment are shown in the statements of financial position at their historical cost. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are

located, and borrowing costs on qualifying assets. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. Depreciation is provided on components that have homogenous useful lives by using the straight-line method so as to depreciate the initial cost down to the residual value over the estimated useful lives.

The depreciation rates based on the estimated useful lives for the current and comparative periods are as follows:

Asset	Rate
Buildings	2.5% – 5%
Office equipment	10% - 25%
Machinery and equipment	10% - 25%
Tooling general use	10% - 25%
Tooling specific part	Based on anticipated life output

Machinery and equipment under capital lease is initially recorded at the present value of minimum lease payments at the inception of the lease and amortized over the shorter of the lease term and their useful lives.

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted, if appropriate.

f) Intangible assets other than goodwill:

Intangible assets are stated at cost less accumulated amortization. Intangible assets with a finite life are amortized using the straight-line method at rates calculated to amortize the cost of these assets over their estimated useful lives.

Amortization rates are as follows:

Asset	Rate
Computer software	20%
Development costs	20%

g) Investments measured using equity method:

The Company uses the equity method as a basis of accounting for investments in companies over which it exercises significant influence or joint control. Under the equity method, the Company records these investments initially at cost and the carrying values are adjusted thereafter to include the Company's pro rata share of post-acquisition earnings of the investees, computed by the consolidation method. The adjustments are included in the determination of net income by the Company, and the investment accounts of the Company are also increased or decreased to reflect the Company's share of capital transactions (including amounts recognized in other comprehensive income). Profit distributions received

from investees reduce the carrying values of the investments. Unrealized intercompany gains or losses are eliminated.

The Company's determination of significant influence is based on consideration of voting interest in the investees along with other indicators such as representation on the board of directors, participation in policy-making processes, material intercompany transactions, interchange of managerial personnel or provision of technical information. The Company uses the equity method to account for its 40% interest in RITEC.

h) Income taxes:

The Company uses the asset and liability method of accounting for income taxes. Under the asset and liability method, deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of enactment or substantive enactment. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

i) Goodwill:

Acquisitions on or after January 1, 2010, are accounted for using the acquisition method required by IFRS 3. Goodwill is the residual amount that results when the purchase price of an acquired business exceeds the sum of the amount allocated to the identifiable assets acquired, less liabilities assumed based on their fair values. Goodwill is allocated as of the date of the business combination to the Company's cash generating units that are expected to benefit from the synergies of the business combination. As part of its transition to IFRS, the Company elected to restate only those business combinations that occurred on or after January 1, 2010. In respect of acquisitions prior to January 1, 2010, goodwill represents the amounts recognized under previous Canadian GAAP.

Goodwill is tested for impairment at least annually and upon the occurrence of an indication of impairment. The impairment tests are performed at the cash generating unit (CGU) level. The Group defines it CGUs based on the way it monitors and derives economic benefits from the acquired goodwill and intangibles. The impairment tests are performed by comparing the carrying value of the assets of these CGUs with the greater of its value in use and its fair value less costs to sell. The value in use is based on their future projected cash flows discounted to the present value at an appropriate pre-tax discount rate. Usually, the cash flows correspond to estimates made by Group management in financial and strategic business plans covering a period of five years. They are then projected beyond five years using a steady or declining growth rate given that the Group businesses are of a long-term nature. The discount rate used approximates the Company's weighted average cost of capital. The business risk is included in the determination of the cash flows. Both the cash flows and the discount rates exclude inflation. An impairment loss in respect of goodwill is never subsequently reversed. The Group

completed its annual impairment test at December 31, 2013 and December 31, 2012, and concluded there was no impairment.

j) Provisions:

Provisions may include liabilities of uncertain timing or amounts that arise from environmental, litigation, commercial or other risks. Provisions are recognized when a legal or constructive obligation exists stemming from a past event and when the future cash outflows can be reliably estimated. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. Environmental provisions consider the present value of the anticipated clean-up costs.

k) Earnings per share:

Basic earnings per share are computed by dividing net earnings by the weighted average shares outstanding during the reporting period. Diluted earnings per share are computed similar to basic earnings per share except that the weighted average shares outstanding are increased to include additional shares from the assumed exercise of stock options, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options were exercised and that the proceeds from such exercises were used to acquire shares of common stock at the average market price during the reporting period.

l) Financial instruments:

The Company aggregates its financial instruments into classes based on their nature and characteristics. The Group has classified its financial instruments as follows:

- Cash is classified as loans and receivables
- Trade and other receivables are classified as loans and receivables
- Bank indebtedness, trade and other payables and long-term debt are classified as other liabilities.

m) Financial assets and financial liabilities:

All financial assets and financial liabilities are initially recognized at fair value plus directly attributable transaction costs, unless the transaction costs relate to financial instruments classified as fair value through profit and loss, in which case they are expensed immediately. Subsequent measurement is determined based on initial classification.

The Group uses trade date accounting for regular-way purchases and sales of financial assets.

i) Loans and receivables:

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. This category includes cash, trade and other receivables. Subsequent to initial measurement, loans and receivables are carried at amortized cost using the effective interest rate method less appropriate allowances for doubtful receivables. Allowance for doubtful receivables represent the Group's estimates of losses that could arise from the failure or inability of customers to make payments when due. Loans and receivables are further classified as current and non-current depending whether these will be realized within twelve months after the balance sheet date or beyond.

ii) Other liabilities:

This category includes bank indebtedness, accounts payable and accrued liabilities and long-term debt. Subsequent to initial measurement, other liabilities are carried at amortized cost using the effective interest rate method.

n) Impairment:

i) Financial assets:

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

The Group considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

ii) Non-financial assets:

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets. For the purposes of goodwill impairment testing, goodwill acquired in a business combination is allocated to the CGU, or the group of CGUs, that is expected to benefit from the synergies of the combination. This allocation is subject to an operating segment ceiling test and reflects the lowest level at which that goodwill is monitored for internal reporting purposes.

The Group's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset is allocated.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Goodwill that forms part of the carrying amount of an investment in an associate is not recognized separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate is tested for impairment as a single asset when there is objective evidence that the investment in an associate may be impaired.

o) Employee Benefits:

i) Defined contribution plans:

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in the periods during which services are rendered by the employees. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

ii) Other long-term employee benefits:

The Group's net obligation in respect of long-term employee benefits, other than pension plans, is the amount of future benefit that employees have earned in return for their service

in the current and prior periods; that benefit is discounted to determine its present value and the fair value of any related assets is deducted. Any actuarial gains and losses are recognized in profit or loss in the period in which they arise.

iii) Termination benefits:

Termination benefits are recognized as an expense when the Group is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognized as an expense if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

iv) Short-term employee benefits:

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

v) Share-based payment transactions:

The grant date fair value of share-based payment awards granted to employees is recognized as an employee expense, with a corresponding increase in contributed surplus in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true up for differences between expected and actual outcomes. Share-based payment arrangements in which the Group receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the Group.

p) Segment reporting:

The continuing operations of the Company are in one operating segment, electrical and electronic components.

q) Finance costs:

Finance costs consist of interest on borrowings and finance leases.

r) New standards and interpretations adopted:

IFRS 10 - Consolidation - requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is

required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12 Consolidation—Special Purpose Entities and parts of IAS 27 Consolidated and Separate Financial Statements. The Company assessed its consolidated conclusions on January 1, 2013 and determined that the adoption of IFRS 10 did not result in any change in the consolidation status of any of its subsidiaries.

IFRS 11 - Joint arrangements – effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2013, IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venture will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31, Interests in Joint Ventures, and SIC-13, Jointly Controlled Entities Non-monetary Contributions by Venturers. The adoption of IFRS 11 did not have an impact on the Company.

IFRS 12 - Disclosure of interests in other entities - establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities. This standard is effective for annual periods beginning on or after January 1, 2013. The adoption of IFRS 12 did not have an impact on the Company.

IFRS 13 - Fair value measurement - is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRSs. The new standard clarifies that fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures. IFRS 13 is effective for annual periods beginning on or after January 1, 2013. The adoption of IFRS 13 did not require any adjustments to the valuation techniques used by the Company to measure fair value and did not result in any measurement adjustments as at January 1, 2013.

Amendments to IAS 36 - Recoverable Amount Disclosures for Non-Financial Assets - The Company has decided to adopt early the amendment to IAS 36, Recoverable Amount Disclosures for Non-Financial Assets. In May 2013, the International Accounting Standards Board ("IASB") issued Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36). The IASB has issued amendments to reverse the unintended requirement in IFRS 13, Fair Value Measurement, to disclose the recoverable amount of every CGU to which significant goodwill or indefinite-lived intangible assets have been allocated. Under the amendments, recoverable amount is required to be disclosed only when an impairment loss has been recognized or reversed. The amendments impact certain disclosure requirements only and the amendments did not have a material impact on the consolidated financial statements.

s) New standards and interpretations not yet adopted:

The International Accounting Standards Board ("IASB") and International Financial Reporting Interpretations Committee ("IFRIC") issued the following standards that have not been applied in preparing these Consolidated Financial Statements as their effective dates fall within annual periods beginning subsequent to the current reporting period.

The Company has not assessed the impact that the new and amended standards will have on its consolidated financial statements.

IFRS 9 Financial Instruments ("IFRS 9 (2009)"), was issued in November 2009 and introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows, resulting in two primary measurement categories for financial assets, amortized cost and fair value through profit and loss. IFRS 9 (2010) introduces additional changes related to financial liabilities. IFRS 9 (2013) introduces a more principles-based general hedging model that aligns hedge accounting more closely with risk management. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of IFRS 9 that proposes to introduce another measurement category, fair value through other comprehensive income for financial assets that are held for both the collection of cash flows and for sale, and add new requirements to address the impairment of financial assets and macro hedge accounting.

With the release of IFRS 9 (2013), the mandatory effective date for IFRS 9 of January 1, 2015 has been removed. A new mandatory effective date will be determined once the limited amendments to the classification and measurement requirements and the impairment requirements for IFRS 9 are finalized, although early adoption is permitted. Where an entity adopts IFRS 9, it will also have an accounting policy choice to defer application of the general hedge accounting model until the standard resulting from the IASB's project on macro hedge accounting is effective.

The Company does not intend to adopt IFRS 9 at this time but continues to monitor the individual phases of this IASB project. The extent of the impact of adoption of IFRS 9 has not yet been determined.

Amendments to IAS 32, Offsetting Financial Assets and Liabilities, clarify that an entity currently has a legally enforceable right to set-off if that right is:

- not contingent on a future event; and
- enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties.

The amendments to IAS 32 also clarify when a settlement mechanism provides for net settlement or gross settlement that is equivalent to net settlement. The Company intends to adopt the amendments to IAS 32 in its consolidated financial statements for the annual period beginning January 1, 2014. The Company does not expect the amendments to have a material impact on the consolidated financial statements.

In December 2013, the IASB published annual Improvements to IFRS. These amendments were made to clarify the following in their respective standards:

- Definition of "vesting condition" in IFRS 2, Share-based payment;

- Classification and measurement of contingent consideration; and scope exclusion for the formation of joint arrangements in IFRS 3, Business Combinations;
- Disclosures on the aggregation of operating segments in IFRS 8, Operating segments;
- Measurement of short-term receivables and payables; and scope of portfolio exception in IFRS 13, Fair Value Measurement;
- Restatement of accumulated depreciation (amortization) on revaluation in IAS 16, Property, Plant and Equipment and IAS 38, Intangible Assets;
- Definition of "related party" in IAS 24, Related Party Disclosures; and Inter-relationship of IFRS 3 and IAS 40 in IAS 40, Investment Property.

Special transitional requirements have been set for amendments to IFRS 2, IAS 16, IAS 38 and IAS 40.

The Company intends to adopt these amendments in its consolidated financial statements for the annual period beginning January 1, 2014. The Company does not expect the amendments to have a material impact on the consolidated financial statements.

4) Trade and other receivables:

	December 31, 2013	December 31, 2012
Trade receivables	$ 11,798	$ 10,998
Employee receivables	14	12
Other receivables	469	767
	12,281	11,777
Allowance for doubtful accounts	(338)	(179)
Trade and other receivables	$ 11,943	$ 11,598

The Group's exposure to credit and currency risks, and impairment losses related to trade and other receivables is disclosed in note 24.

5) Inventories:

	December 31, 2013	December 31, 2012
Raw materials and work-in-process	$ 6,895	$ 6,977
Finished goods	20,056	18,487
Inventories	$ 26,951	$ 25,464
Inventories carried at fair value less cost to sell	$ 1,078	$ 920

In 2013, raw materials, consumables and changes in finished goods and work in progress recognized as cost of sales amounted to approximately $65,470,000 (2012 - $67,090,000). In 2013, the write-down of inventories to net realizable value amounted to approximately $547,000 (2012 - $84,000). The write-down is included in cost of sales.

6) Property plant and equipment:

Cost

	Land and buildings	Machinery and equipment	Tooling	Office equipment	Total
Balance at December 31, 2011	$ 8,386	$ 32,256	$ 8,444	$ 4,871	$ 53,957
Additions	103	1,847	667	203	2,820
Disposals	-	(520)	(439)	(58)	(1,017)
Effect of movements in exchange rates	-	(3)	-	2	(1)
Balance at December 31, 2012	$ 8,489	$ 33,580	$ 8,672	$ 5,018	$ 55,759
Reclass	$ 119	$ -	$ -	$ (119)	$ -
Additions	215	661	339	51	1,266
Disposals	-	(178)	(927)	-	(1,105)
Effect of movements in exchange rates	6	93	232	23	354
Balance at December 31, 2013	$ 8,829	$ 34,156	$ 8,316	$ 4,973	$ 56,274

Accumulated depreciation

	Land and buildings	Machinery and equipment	Tooling	Office equipment	Total
Balance at December 31, 2011	$ 4,573	$ 24,317	$ 6,745	$ 4,369	$ 40,004
Depreciation for the year	187	1,305	309	143	1,944
Disposals	-	(447)	(439)	(58)	(944)
Effect of movements in exchange rates	-	9	(6)	3	6
Balance at December 31, 2012	$ 4,760	$ 25,184	$ 6,609	$ 4,457	$ 41,010
Reclass	$ 27	$ 17	$ (17)	$ (27)	$ -
Depreciation for the year	186	1,442	471	142	2,241
Disposals	-	(178)	(917)	-	(1,095)
Effect of movements in exchange rates	4	50	179	17	250
Balance at December 31, 2013	$ 4,977	$ 26,515	$ 6,325	$ 4,589	$ 42,406

Carrying amounts

	Land and buildings	Machinery and equipment	Tooling	Office equipment	Total
At December 31, 2012	$ 3,729	$ 8,396	$ 2,063	$ 561	$ 14,749
At December 31, 2013	$ 3,852	$ 7,641	$ 1,991	$ 384	$ 13,868

7) Intangible assets and goodwill:

Cost

	Goodwill	Computer software	Development costs	Total
Balance at December 31, 2011	$ 105	$ 2,053	$ 104	$ 2,262
Additions	-	45	38	83
Disposal	-	(69)	-	(69)
Effect of movement in exchange rates	2	(1)	-	1
Balance at December 31, 2012	$ 107	$ 2,028	$ 142	$ 2,277
Additions	$ -	$ 52	$ 17	$ 69
Disposal	-	(32)	-	(32)
Effect of movement in exchange rates	10	4	-	14
Balance at December 31, 2013	$ 117	$ 2,052	$ 159	$ 2,328

Amortization and impairment losses

	Goodwill	Computer software	Development costs	Total
Balance at December 31, 2011	$ -	$ 1,876	$ 40	$ 1,916
Amortization for the year	-	43	21	64
Disposal	-	(69)	-	(69)
Effect of movement in exchange rates	-	(2)	-	(2)
Balance at December 31, 2012	$ -	$ 1,848	$ 61	$ 1,909
Amortization for the year	$ -	$ 40	$ 23	$ 63
Disposal	-	(32)	-	(32)
Effect of movement in exchange rates	-	4	-	4
Balance at December 31, 2013	$ -	$ 1,860	$ 84	$ 1,944

Carrying amounts

	Goodwill	Computer software	Development costs	Total
At December 31, 2012	$ 107	$ 180	$ 81	$ 368
At December 31, 2013	$ 117	$ 192	$ 75	$ 384

All the intangible assets have been externally acquired.

Impairment testing for cash-generating units:

The Company has defined its cash generating units as each individual legal entity, due to the fact that each location is largely independent of the other entities and each is ultimately responsible for sales generated in their markets. The Company monitors the performance of each legal entity through the use of profitability analysis based on the most recent business plan in place as of December 31, 2013.

Impairment testing for cash-generating units containing goodwill:

The Company performed an impairment test on the goodwill of its UK entity using the value in use method, under which a five year present value cash flow projection was completed using the Hammond Electronics Limited weighted average pre-tax cost of capital of 6.5%. The cash flow model also incorporated growth rates in the range of 3% – 5% depending on the market location and the facility's operating history. This was then compared to the carrying value of the facility's assets, including goodwill, to determine if there was impairment. Effective December 31, 2012 and December 31, 2013, the assets, including goodwill of $117,000 (2012 – $107,000), of the Company's wholly owned subsidiary, Hammond Electronics Limited, were tested and no impairment was found.

8) Investment property:

The Group has a 50% ownership of a property in Georgetown, Ontario (referred to as the Glen Ewing Property). It is a vacant plot of land and currently under environmental remediation. The property value represents the actual historical cost of the property from the mid 1990's. Management has reviewed the property and local market conditions as well as the environmental condition of the property in estimating the property's fair value. Management estimates its interest in the property's fair market value to be approximately $1,250,000. This estimate is unchanged from December 31, 2012. No independent valuation has been performed. The property is currently vacant and no income is being derived from it. The Company's direct operating expenses in 2013 related to the property were $136,000 (2012 - $33,000).

9) Equity investment

RITEC Enclosures Inc. 40% Ownership	
	Total
December 31, 2011	$ 177
Equity in earnings	41
Dividend received	(18)
December 31, 2012	$ 200
Equity in earnings	65
December 31, 2013	$ 265

Since 2008 the Company has had 40% ownership of RITEC Enclosures Inc. All dividends paid since taking the 40% holding in 2008 have been loaned back to RITEC Enclosures Inc. as an interest free shareholder loan.

RITEC Enclosures Inc.	December 31, 2013	December 31, 2012
Assets	$ 1,712	$ 1,180
Liabilities	1,158	778
Revenues	3,036	2,623
Profit (after tax)	$ 163	$ 103

10) Loans and borrowings:

Bank indebtedness:

Bank indebtedness is due on demand and secured by inventories, a general assignment of trade receivables and a charge on specific assets of the Company. The Company has established operating lines for the entities in Canada, the US and the UK. The following chart depicts the amount utilized in each of the entities' lines of credit.

	December 31, 2013			December 31, 2012		
		Local currency	CDN $		Local currency	CDN $
Canadian entities	CDN	$ 9,767	$ 9,767	CDN	$ 9,510	$ 9,510
US entity	USD	$ -	-	USD	$ 1,000	998
UK entity	GBP	£ 28	49	GBP	£ 202	325
Bank indebtedness			$ 9,816			$ 10,833

Interest is payable at the rate of bank prime plus 50 basis points (2012 - bank prime plus 50 basis points).

Long-term debt:

	December 31, 2013	December 31, 2012
Term loans, secured by a debenture on the Company's land and buildings together with a floating charge over all other assets of the Company:		
Portion drawn in Canadian funds at variable interest rates based on the bank's prime lending rate, matured in 2010 through September 2013. Monthly principle installment of $12 in January 2013 and then installments of $3 to September 2013.	$ -	$ 37
	-	37
Term loan drawn in US funds at a fixed interest rate of 6.05% through December 2018, secured by the assets of Hammond Manufacturing Company Limited. Monthly installments of principle and interest at $15 USD.	973	1,094
Subtotal	973	1,131
Finance lease obligations:		
Secured by equipment in Canadian funds at an interest rate of 6.175%. Monthly installments of $23 maturing March 2014 with a lump sum payment of $365.	405	649
Secured by equipment, drawn in GBP Sterling at interest rates between 7.53% to 8.8%. Monthly installments of £1 GBP until Dec 2013 and then monthly installments of £0.5 GBP until May 2015.	9	32
Secured by equipment, drawn in US funds at interest rates from 4.97% to 6.75%. Monthly installments of $23 USD until April 2014, then monthly installments of $15 USD until November 2014 followed by monthly installments of $7 USD until April 2019 with a lump sum payment at this time of $114 USD.	629	825
	1,043	1,506
Total long-term debt	2,016	2,637
Less current portion of long-term debt	796	723
Non-current long-term debt	$ 1,220	$ 1,914

The aggregate amount of principal payments required to meet the existing long-term debt obligations in each of the next five years is as follows:

2014	$ 796
2015	265
2016	266
2017	269
2018	273
Thereafter	147
	$ 2,016

Interest expense is comprised as follows:

	December 31, 2013	December 31, 2012
Long-term debt, including capital leases	$ 83	$ 103
Bank indebtedness	339	334
Interest expense	$ 422	$ 437

11) Trade and other payables:

	December 31, 2013	December 31, 2012
Trade payables	$ 3,406	$ 4,294
Non-trade payables and accrued expenses	5,827	4,691
	$ 9,233	$ 8,985

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 24.

12) Provisions:

	Environmental Remediation	Sales Returns	Total
Balance at December 31, 2011	$ 250	$ 60	$ 310
Provisions made during the year	-	50	50
Provisions used during the year	(80)	(60)	(140)
Balance at December 31, 2012	$ 170	$ 50	$ 220
Provisions made during the year	90	65	155
Provisions used during the year	(90)	(50)	(140)
Balance at December 31, 2013	$ 170	$ 65	$ 235
Non-current	100	-	100
Current	70	65	135
Balance at December 31, 2013	$ 170	$ 65	$ 235

The provision for environmental remediation is based on the estimated costs to setup and extract contamination from the Glen Ewing Property. The anticipated costs are based on an external consultant's remediation plan, discounted for expected timing of expenditures. There are approximately three years remaining in the clean-up plan. The Glen Ewing Property is owned equally as a co-tenant with Hammond Power Solutions Incorporated (HPSI) and any expenses or liabilities in respect of the property have been agreed to be shared equally. The contamination did not result from the normal operations of the Company. The parties have cooperatively developed a remediation action plan and began remediation in October 2009. The MOE is aware of the remediation and the process being used. The Company is satisfied that their consultants have provided the best estimate available for the Company's remaining portion of the environmental remediation costs for this site of $170,000 (December 31, 2012 - $170,000) with $70,000 (2012 - $70,000) presented as a current provision.

The provision for sales returns is based on estimates from historical returns of product. The provision reflects the estimated profit margin of the anticipated returns.

13) Employee future benefits:

The Company's net obligation in respect of its current and long-term employee benefits is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. The terms of the agreements do not require the Company to fund these obligations as they accumulate. The Company has accounted for these post-employment benefits as defined benefit plans. The benefit plans are broken into two categories:

a) Benefit for post-employment health benefits:

If an employee meets the set criteria and retires between the age of 60 and 65, their health plan will continue until age 65.

b) Disability health coverage:

This benefit is for employees who are off work due to a covered disability. Health coverage will continue until they are off disability or reach the age of 65, whichever occurs first.

In determining both the post-employment health benefit and the disability health coverage liabilities a 3.5% (2012 – 3.5%) per annum health cost increase and a discount rate of 6.0% (2012 – 6.0%) were utilized to determine its present value. The discount rate used approximated the Company`s weighted average cost of capital.

Assumed healthcare cost trend rates affect the amounts recognized in profit and loss. A 1% change in assumed healthcare cost trend rates would increase (decrease) the aggregate service and interest costs by $26,000 (2012 - $25,000) respectively. Changes in assumptions resulted in nominal gains/losses which have been included in general and administrative expense.

	December 31, 2013	December 31, 2012
Post employment health benefits	$ 146	$ 170
Employee health benefits while on disability	300	285
Total employee future benefits	$ 446	$ 455

Employee future benefits - continued:

	Post employment health benefits	Employee health benefits while on disability	Total
Balance at December 31, 2011	$ 59	$ 107	$ 166
Provisions made during the year	139	217	356
Provisions used during the year	(28)	(39)	(67)
Balance at December 31, 2012	$ 170	$ 285	$ 455
Provisions made during the year	-	38	38
Provisions used during the year	(24)	(23)	(47)
Balance at December 31, 2013	$ 146	$ 300	$ 446
Non-current	80	262	342
Current	66	38	104
Balance at December 31, 2013	$ 146	$ 300	$ 446

14) Deferred tax assets and liabilities:

Unrecognized deferred tax liabilities:

At December 31, 2013, temporary differences of $9,097,381 (2012 - $7,821,641) related to investments in subsidiaries were not recognized because the Company controls whether the liability will be incurred and it is satisfied that it will not be incurred in the foreseeable future.

Recognized deferred tax liabilities:

Deferred tax assets and liabilities are attributable to the following:

Deferred Tax Assets	December 31, 2013	December 31, 2012
Intangible assets	$ 34	$ 39
Investment property	8	9
Inventories	348	321
Loans and borrowings	185	230
Provisions	96	53
Scientific research & experimental development	-	30
Tax loss carry-forwards	-	26
Total Deferred Tax Assets	671	708
Deferred Tax Liabilities		
Scientific research & experimental development	(32)	-
Property, plant and equipment	(1,512)	(1,495)
Total Deferred Tax Liabilities	(1,544)	(1,495)
Net tax liabilities	$ (873)	$ (787)

15) Share capital:

a) Authorized:

Unlimited number of Class A subordinate voting shares.

Unlimited number of Class B common shares with four votes per share, convertible into Class A subordinate voting shares on a one-for-one basis. Annual dividends on the Class B common shares may not exceed the annual dividends on the Class A subordinate voting shares.

Unlimited number of Class YA non-voting, redeemable, retractable shares entitled to non-cumulative discretionary dividends. No dividends shall be declared or paid on the Class YA shares unless the same dividend is simultaneously declared and paid on the Class YB shares.

Unlimited number of Class YB non-voting, redeemable, retractable shares entitled to non-cumulative discretionary dividends. No dividends shall be declared or paid on the Class YB shares unless the same dividend is simultaneously declared and paid on the Class YA shares.

b) Issued:

	December 31, 2013	December 31, 2012
8,556,000 Class A shares (2012 - 8,556,000)	$ 10,242	$ 10,242
2,778,300 Class B shares (2012 - 2,778,300)	7	7
	$ 10,249	$ 10,249

No shares were issued in 2013 or in 2012.

c) Dividends:

The following dividends were declared and paid by the Company:

A special cash dividend of $0.02 per Class A subordinate voting share (2012 - $0.02) and a special cash dividend of $0.02 per Class B common share (2012 - $0.02) were declared and paid in 2013.

Total dividends declared and paid was $226,000 (2012 - $226,000).

16) Operating leases:

The Company is committed to payments under operating leases for equipment and buildings. The future minimum non-cancellable operating lease rentals are payable as follows:

	December 31, 2013	December 31, 2012
Less than 1 year	$ 1,607	$ 1,415
Between 1 and 5 years	1,581	2,200
Thereafter	-	-
Total minimum payments	$ 3,188	$ 3,615

The Group leases a number of offices and warehouses and factory facilities under operating leases. The leases typically run for a period of three to five years, with an option to renew the lease after that date.

During the year ended December 31, 2013, an amount of $1,586,000 was recognized as an expense in profit or loss in respect of operating leases (2012 - $1,445,000).

The warehouse and factory leases have been renewed over several terms as combined leases of land and buildings. Since the land title does not pass, the rent paid to the landlord of the building is increased to market rent at regular intervals, and the Company does not participate in the residual value of the building, it was determined that substantially all the risks and rewards of the building are with the landlord. As such, the Company determined that the leases are operating leases.

17) Commitments:

The Company has contractual obligations for outstanding capital expenditures of $215,000 (2012 - $348,000). These expenditures should be completed in the first half of 2014.

18) Contingency:

A statement of claim was issued on June 19, 2013, against HMCL with respect to a property once held by the Company. The claim alleges that contaminants originating from the property once owned by HMCL have migrated to a nearby, but not adjoining property owned by the claimants. The amount of the claim is not fully known but includes $2,000,000 which is the estimated cost of construction of a barrier and related expenses. At this point in time, there is no certainty that the contaminants emanated from the property once owned by HMCL. Furthermore, given the nature of the claim, there remains significant uncertainty as to any costs to be incurred as a result of the claim and accordingly management is unable to reasonably estimate any liability that may arise as a result of this claim. As such, no amount has been recorded in these financial statements.

19) Income tax expense:

Income tax expense

	December 31, 2013	December 31, 2012
Current tax expense:		
Current period	$ 727	$ 557
Adjustment for prior periods	14	13
	741	570
Deferred tax expense:		
Origination and reversal of temporary differences	71	371
	71	371
Total income tax expense	$ 812	$ 941

	2013	2013	2012	2012
Net income for the year		$ 2,258		$ 1,662
Total income tax expense		812		941
Profit excluding income tax		$ 3,070		$ 2,603
Income tax using the Company's domestic tax rate	38.00%	1,167	38.00%	989
Reduced rate for active business and manufacturing and processing	(8.99%)	(276)	(6.38%)	(166)
Effect of tax rates in foreign jurisdictions	(1.40%)	(43)	(3.00%)	(78)
Reduction in tax rate	(1.21%)	(37)	1.38%	36
Non-deductible expenses	0.62%	19	0.58%	15
Other	(0.59%)	(18)	5.57%	145
	26.44%	$ 812	36.15%	$ 941

20) Earnings per share:

The computations for basic and diluted earnings per share are as follows:

	December 31, 2013	December 31, 2012
Net income for the year	$ 2,258	$ 1,662
Average number of common shares outstanding:		
Basic and Diluted	11,334,300	11,334,300
Earnings per share:		
Basic	$ 0.20	$ 0.15
Diluted	0.20	0.15

No share options to purchase common shares were outstanding as at December 31, 2013 or December 31, 2012

21) Personnel expenses:

For years ended December 31,	2013	2012
Wages and Salaries	$ 28,628	$ 29,447
Health benefit plans	721	803
Canadian Pension Plan (CPP) and EI remittances	872	915
Contributions to defined contribution plans	4,357	4,604
	$ 34,578	$ 35,769

For years ended December 31,	2013	2012
Cost of sales	$ 24,754	$ 26,303
Selling and distribution	6,991	6,525
General and administrative	2,677	2,724
Research and development expenses	156	217
	$ 34,578	$ 35,769

22) Management share option plan:

As at December 31, 2013, the Company has a stock-based compensation plan, which is described below. No options were granted through December 31, 2013 or in 2012 and no stock options were outstanding as of January 1 2012, and, accordingly, no stock-based compensation expense has been incurred in either year.

In 1986, the Company established the management share option plan providing for the granting to directors, officers and key employees of the Company options to purchase the Class A subordinate voting shares of the Company. A maximum number of 540,000 Class A subordinate voting shares are issuable under the plan. The exercise price for purchasing Class A subordinate voting shares may not be less than the market price of the Class A subordinate voting shares at the date the option is granted.

23) Determination of fair values:

The carrying values of the Group's financial assets and liabilities, consisting of cash, trade and other accounts receivables, bank indebtedness, trade and other accounts payables approximate their fair values due to the relatively short periods to maturity of the instruments. The carrying value of term loans, and finance leases with fixed interest rates are comparable to their fair market value since the interest rates approximate market rates.

The market values of financial assets and liabilities together with the carrying amounts shown in the statements of financial position are as follows:

	December 31, 2013		December 31, 2012	
	Carrying amount	Market value	Carrying amount	Market value
Assets carried at amortized cost				
Cash	$ 774	$ 774	$ 416	$ 416
Trade and other receivables	11,943	11,943	11,598	11,598
	$ 12,717	$ 12,717	$ 12,014	$ 12,014
Liabilities carried at amortized cost				
Bank indebtedness	$ 9,816	$ 9,816	$ 10,833	$ 10,833
Trade and other payables	9,233	9,233	8,985	8,985
Income taxes payable	59	59	37	37
Term loans	973	991	1,131	1,108
Finance lease obligations	1,043	1,042	1,506	1,482
	$ 21,124	$ 21,141	$ 22,492	$ 22,445

Interest rates used to discount estimated cash flows, when applicable are based on bank indication rates for similar type arrangements.

Bank Indication Interest Rates	December 31, 2013		December 31, 2012	
	From	To	From	To
Nonsecured variable interest rates	2.5%	3.5%	2.5%	3.5%
Fixed rates				
1 to 2 year secured	3.5%	4.5%	3.5%	4.5%
3 to 4 year secured	4.5%	5.5%	4.5%	5.5%
5 year secured	5.5%	6.5%	5.5%	6.5%
6 year secured	6.5%	7.5%	6.5%	7.5%

Rates fluctuate depending on currency and jurisdiction.

24) Financial instruments and risk management:

Overview

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk
- operational risk.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

Risk management framework:

The Board of Directors has overall responsibility for the establishment and oversight of the Group’s risk management framework. The Board is responsible for developing and monitoring the Group’s risk management policies.

The Group’s risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group’s activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group’s Audit Committee oversees how management monitors compliance with the Group’s risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group’s Audit Committee is assisted in its oversight role by the corporate finance group. The corporate finance group undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

Credit risk:

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group’s receivables from customers. The carrying amount of financial assets represents the maximum credit risk exposure.

Trade and other receivables

The Group’s exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group’s customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk.

The Group has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Group’s standard payment and delivery terms and conditions are offered. The Group’s review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer, which represents the maximum open amount without requiring approval from management. Customers that fail to meet the Group’s benchmark creditworthiness may transact with the Group only on a prepayment basis.

In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or legal entity, whether they are a wholesale, retail or end-user customer, geographic location, industry, aging profile, maturity and existence of previous financial difficulties. Trade and other receivables relate mainly to the Group’s wholesale customers. Customers that are graded as “high risk” are placed on a restricted customer list and monitored by the accounts receivable department, and future sales are made on a prepayment basis.

The Group does not require collateral in respect of trade and other receivables.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

Credit risk arises from the possibility that the entities to which the Company sells products may experience difficulty and be unable to fulfill their obligations. The Company is exposed to financial risk that arises from the credit quality of the entities to which it sells products and services. The Company sells to a variety of companies in a number of different industries and geographic areas. As a result, the requirement for an industry specific or geographic reserve is minimal.

The carrying amount of financial assets represents the maximum credit exposure which was as follows at the reporting date:

	December 31, 2013	December 31, 2012
Loans and receivables:		
Cash	$ 774	$ 416
Trade and other receivables	11,943	11,598
	$ 12,717	$ 12,014

The maximum exposure to credit risk for loans and receivables at the reporting date by geographic region was:

	December 31, 2013	December 31, 2012
Loans and receivables:		
Canada	$ 8,009	$ 7,711
United States	3,497	3,332
United Kingdom	1,079	848
Australia	132	123
	$ 12,717	$ 12,014

The following table reflects the net details of trade receivables as at December 31, 2013 and December 31, 2012:

	December 31, 2013			December 31, 2012		
	Gross	Impairment	Carrying Value	Gross	Impairment	Carrying Value
Aging of trade receivables:						
1 – 30 days	$ 5,723	$ 90	$ 5,633	$ 5,429	$ -	$ 5,429
31 – 60 days	4,197	61	4,136	4,132	-	4,132
61 – 90 days	1,253	-	1,253	1,073	-	1,073
Over 90 days	625	187	438	364	179	185
Trade receivables	$ 11,798	$ 338	$ 11,460	$ 10,998	$ 179	$ 10,819

The following table provides the roll forward of the allowance for doubtful accounts:

	December 31, 2013	December 31, 2012
Allowance for doubtful accounts, beginning of year	$ 179	$ 122
Accounts provided for in the period	162	111
Amounts written off during the period	(3)	(54)
Allowance for doubtful accounts	$ 338	$ 179
Allowance for doubtful accounts as % of total trade accounts receivable	2.9%	1.6%

The following table provides the net details of trade and other receivables:

	December 31, 2013	December 31, 2012
Net trade receivable	$ 11,460	$ 10,819
Employee receivables	14	12
Other receivable	469	767
Trade and other receivables	$ 11,943	$ 11,598

Liquidity risk:

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group uses planning tools to identify future cash flow requirements.

The Group has established a $17,744,000 overdraft facility that is secured against inventory and accounts receivable. If drawn upon, interest would be payable at the rate of bank prime plus 50 basis points (2012 - bank prime plus 50 basis points). The Company had available unused credit facilities in the amount of $8,739,000 at December 31, 2013 (2012 - $7,148,000) to meet fluctuations in working capital requirements.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting arrangements. It is not expected that the cash flows included in the maturity analysis will occur significantly earlier or at materially different amounts.

December 31, 2013

	Carrying amount	Contractual cash flows	2014	2015	2016 to 2017	Thereafter
Non-derivative financial liabilities						
Secured bank loans	$ 973	$ (1,123)	$ (249)	$ (236)	$ (437)	$ (201)
Finance lease liabilities	1,043	(1,139)	(634)	(91)	(176)	(238)
Trade and other payables	9,233	(9,233)	(9,233)	-	-	-
Bank overdraft	9,816	(9,816)	(9,816)	-	-	-
Total	$ 21,065	$ (21,311)	$(19,932)	$ (327)	$ (613)	$ (439)

December 31, 2012

	Carrying amount	Contractual cash flows	2013	2014	2015 to 2016	Thereafter
Non-derivative financial liabilities						
Secured bank loans	$ 1,131	$ (1,334)	$ (282)	$ (232)	$ (432)	$ (388)
Finance lease liabilities	1,506	(1,668)	(576)	(620)	(167)	(305)
Trade and other payables	8,985	(8,985)	(8,985)	-	-	-
Bank overdraft	10,833	(10,995)	(10,995)	-	-	-
Total	$ 22,455	$ (22,982)	$(20,838)	$ (852)	$ (599)	$ (693)

Market risk:

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The Group has tried to create some natural hedges but does not utilize hedging practices for foreign exchange.

Foreign currency risk:

The Group has a substantial number of transactions denominated in United States dollars and is exposed to risk with respect to fluctuations in exchange rates between Canadian and United States dollars. The Group holds smaller positions in other foreign currencies. The Group does not use derivative instruments to reduce its exposure to foreign currency risk. As a result, variations in foreign exchange rates could cause unanticipated fluctuations in the Group's operating results. The following chart depicts the foreign currency positions.

Currency		Accounts Receivable		Accounts Payable		Long-term Debt	
		Dec 31, 2013	Dec 31, 2012	Dec 31, 2013	Dec 31, 2012	Dec 31, 2013	Dec 31, 2012
Australia	AUD	37	49	(5)	(7)	-	-
Europe	EURO	-	-	(15)	(101)	-	-
New Zeland	NZD	24	15	-	-	-	-
Taiwanese	NTW	128	150	-	-	-	-
UK	GBP	612	526	(354)	(342)	(5)	(20)
USA	USD	3,219	3,393	(1,692)	(1,679)	(1,506)	(1,926)

Long-term debt includes loans and capital leases denominated in foreign currencies which may affect the amount of principal and interest payments ultimately recorded.

Sensitivity Analysis:

An average one-cent decrease of the Canadian dollar against the US dollar in 2013 would have increased net product sales by $478,000 (2012 - $488,460) and increased income from operations by $431,000 (2012 - $432,000). Inversely, a one cent increase in the Canadian dollar against the US dollar in 2013 would have had the equal but opposite effect. This analysis assumes that all other variables remain constant. As noted, the company does deal in other currencies but the level of impact of these currencies would not be significant.

Interest rate risk:

Interest rate risk arises from the possibility that the cash flows related to a financial instrument would fluctuate as a result of changes in market interest rates. The Group is exposed to financial risk that arises from the interest rate differentials between the market interest rate and the rates on its cash, bank indebtedness, and its float rate term loans. Changes in variable interest rates could cause unanticipated fluctuations in the Group's operating results.

Sensitivity Analysis:

A one percent increase in the variable rates charged on our ending 2013 bank indebtedness would increase annual interest expense by $98,000 (2012 - $105,000). This analysis assumes that all other variables remain constant. Inversely, a one percent decrease in the variable rates charged on our ending 2013 bank indebtedness would have had the equal but opposite effect.

Operational risk:

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, liquidity and market risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorization of transactions
- requirements for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures

- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- requirements for the reporting of operational losses and proposed remedial action
- development of contingency plans
- training and professional development
- ethical and business standards
- risk mitigation, including insurance when this is effective.

Compliance with Group standards is supported by a program of periodic reviews undertaken by the corporate finance group. The results of the reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Audit Committee and senior management of the Group.

Capital management:

In order to manage capital, the Group regularly identifies and assesses risks that threaten the ability to meet the Company's capital management objectives, and determines the appropriate strategy to mitigate these risks.

The Group's objectives when managing capital are to:

- maintain financial flexibility in order to preserve its ability to meet financial obligations
- deploy capital to provide an appropriate investment return to its shareholders
- maintain capital structure that allows multiple financing options to the Group should a financing need arise.

The Group defines its capital as follows:

- shareholders' equity
- long-term debt, including the current portion
- cash and cash equivalents and short-term borrowings
- The Group is subject to externally imposed capital requirements through the covenants of its facility arrangements with the bank. The covenants measure Debt to Total Net Worth and Current Ratio. The Group is in compliance with its covenants at December 31, 2013 and has been in compliance with its covenants through 2012 and 2013.
- There were no changes to the Group's approach to capital management during 2013.
- Neither the Company, nor any of its subsidiaries, is subject to externally imposed capital requirements.

The Group's debt to adjusted capital ratio at the end of the reporting period was as follows:

		December 31, 2013		December 31, 2012
Total liabilities	$	22,678	$	23,954
Add:				
Current year operating leases		1,607		1,415
Less:				
Cash		(774)		(416)
Net debt	$	23,511	$	24,953
Total equity	$	33,437	$	30,767
Less:				
Investment in property		(1,044)		(1,044)
Intangible assets and goodwill		(384)		(368)
Equity investments		(265)		(200)
Total net worth for bank covenant	$	31,744	$	29,155
Net debt to total net worth ratio		0.74		0.86
Bank requirement must be less than		2.25		2.25

		December 31, 2013		December 31, 2012
Total current assets	$	40,554	$	38,360
Total current liabilities		20,143		20,799
Current ratio		2.01		1.84
Bank requirement must be greater than		1.20		1.20

25) Segment disclosures:

The continuing operations of the Company are in one operating segment, electrical and electronic components.

The Company and its subsidiaries operate in Canada, the United States, the United Kingdom and Australia.

Geographic Segments		Year Ended: December 31, 2013	December 31, 2012
Sales:			
	Canada:		
	Sales to customers	$ 37,585	$ 39,141
	United States:		
	Sales to customers	45,888	45,853
	All other countries:		
	Sales to customers	8,841	7,431
Net sales		$ 92,314	$ 92,425
Non-current assets:			
	Canada:		
	Non-current assets	$ 14,398	$ 14,957
	United States:		
	Non-current assets	670	779
	All other countries:		
	Non-current assets	493	625
Total	Non-current assets	$ 15,561	$ 16,361

26) Related party transactions:

a) Key management includes the Company's directors and members of the executive management team. Compensation awarded to key management included:

	Years Ended: December 31, 2013	December 31, 2012
Salaries and short-term employee benefits	$ 732	$ 714

b) The Company purchased $2,763,226 of product from RITEC in 2013 ($1,806,045 - 2012). The Company sold $9,000 of product to RITEC in 2013 ($11,000 - 2012). These transactions were made in the normal course of business and have been recorded at the exchange amounts, being the amount agreed to by the two parties.

All outstanding trade balances with related parties are to be settled in cash within six months of the reporting date. None of the balances are secured. Trade receivables as at December 31, 2013 were $4,572 (2012 - $5,122) while trade payables were $nil (2012 - $150,441). Trade receivables and payables to related parties are included within Trade and other receivables and Trade and other payables on the Consolidated Statement of Financial Position.

c) The Chairman of the Corporation, Robert Frederick Hammond, through direct and indirect ownership of Class A and Class B voting shares effectively controls the Company.

d) Consolidated entities:

HAMMOND MANUFACTURING COMPANY LIMITED

	Country of Incorporation	% Ownership Interest December 31, 2013	December 31, 2012
Les Fabrications Hammond (Quebec) Inc. / Hammond Manufacturing (Quebec) Inc.	Canada	100	100
Hammond Electronics Pty Limited	Australia	100	100
Hammond Electronics Limited	UK	100	100
Subsidiary of above:			
Hammond Electronics Asia Limited	Republic of China	100	100
Hammond Manufacturing Company Inc.	US	100	100
Subsidiaries of above:			
Hammond Holdings Inc.	US	100	100
Paulding Electrical Products, Inc	US	100	100

The year end for each of the entities listed in the table above is December 31.

27) Subsequent event:

On March 7, 2014 the Company declared a special cash dividend of $0.02 per Class A Subordinate Voting Share and $0.02 per Class B Common share (not listed on the Toronto Stock Exchange (TSX)) payable April 11, 2014, to shareholders of record at the close of business on March 28, 2014. The ex-dividend date was March 26, 2014. Total dividend payable is $226,000 (2013 - $226,000).

CORPORATE DIRECTORY

Directors

Robert F. Hammond
Chairman and CEO

Marc A. Dubé *
Retired
Formerly Chairman of the Board
Ranger Metal Products Limited
(Manufacturer of Wire Products)

Edward Sehl *
Principal - Sehl Consulting
Director - Fox Seeds
Director - Guelph Municipal Holdings Inc.

Paul Quigley *
President
Quigley Group Inc.

Sheila Hammond
Registered Individual, Couple and Family Therapist
Officer and Director of Eramosa Group Ltd.

Officers/Senior Management

Robert F. Hammond
Chairman and CEO

Cy A. Mahy
Vice-President, Human Resources

Alexander Stirling
Secretary & CFO

Ray Shatzel
Vice-President, Electronic Sales

Sheldon Butts
Canadian Sales & Marketing Manager

Ross N. Hammond
Assistant Secretary

*Members of the Audit Committee and Compensation Committee

Auditors
KPMG LLP
Baker Tilly, UK
Grant Thornton, Australia

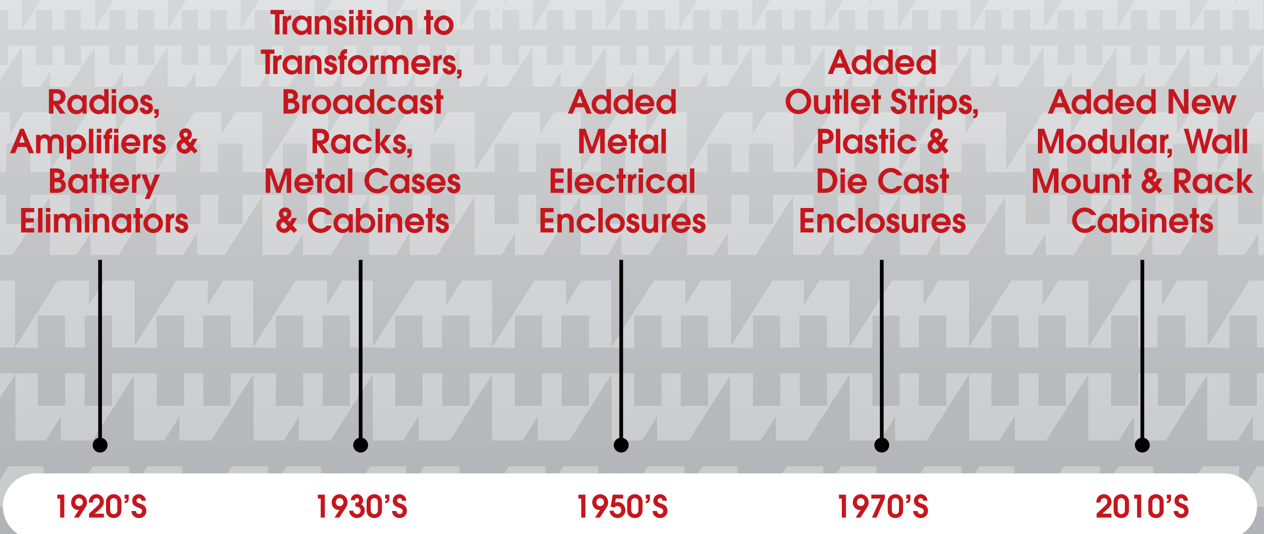
Legal Counsel
Borden Ladner Gervais

Stock Listing
Toronto Stock Exchange
Symbol: HMM.A

Bankers
HSBC

Transfer Agent and Registrar
Computershare Investor Services Inc.

Over 75 Years of providing
Quality Products & Service Excellence.



OFFICES AND LOCATIONS

Corporate Head Office	Les Fabrications Hammond (Québec) Inc.	Hammond Manufacturing Co. Inc.	Hammond Electronics Ltd.	Hammond Electronics Pty. Ltd.
394 Edinburgh Road North Guelph, Ontario N1H 1E5 Canada	985 Rue Bergar Laval, Quebec H7L 4Z6 Canada	475 Cayuga Rd. Cheektowaga, NY 14225 USA	1 Onslow Close Kingsland Business Park Basingstoke, Hampshire RG248QL England	11-13 Port Road Queenstown, SA 5024 Australia
Email: ir@hammfg.com				
Tel: (519) 822-2960	Tel: (450) 975-1884	Tel: (716) 630-7030	Tel: 01256 812812	Tel: 61-8-8235-0744
Fax: (519) 822-7289	Fax: (450) 975-2098	Fax: (716) 630-7042	Fax: 01256 332249	Fax: 61-8-8356-3652

© Copyright. Hammond Manufacturing Co. Ltd.