



Hammond Power
Solutions Inc.

2005 Annual Report
Transform:



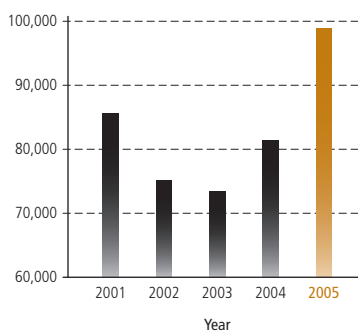
Transform: As an innovator in the design and manufacture of dry type transformers, since 1917, Hammond Power Solutions Inc., attributes its ability to “transform” itself as the key element to our success. Responding to global market changes, HPS anticipates and adapts to the needs of our customers and stakeholders, by delivering quality, innovative power solutions and consistent financial performance.

(in thousands of dollars)

	2004	2005
Sales	\$ 81,349	\$ 98,896
Earnings from operations	4,627	7,231
Net earnings	1,449	3,857
Cash provided by operations	5,042	4,280
Overall bank indebtedness	10,387	5,463

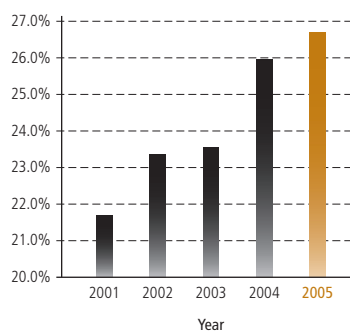
22%
sales growth

Consolidated Sales (\$000)



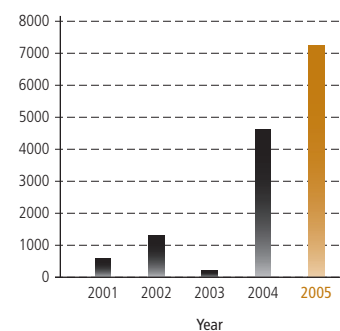
Consecutive
year-to-year gains

Gross Margin (% of Sales)



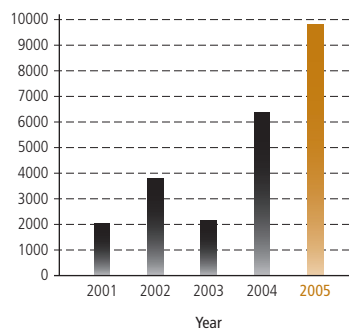
56%
increase

Earnings from Operations (\$000)



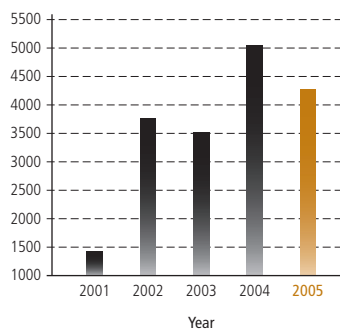
Growing
operational profitability

EBITDA (\$000)



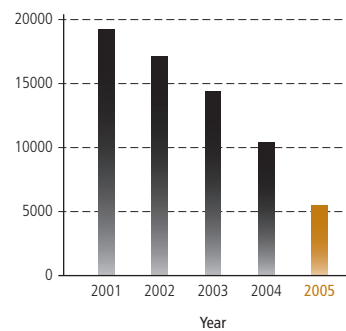
Consistent
cash generation

Cash Provided by Operations (\$000)



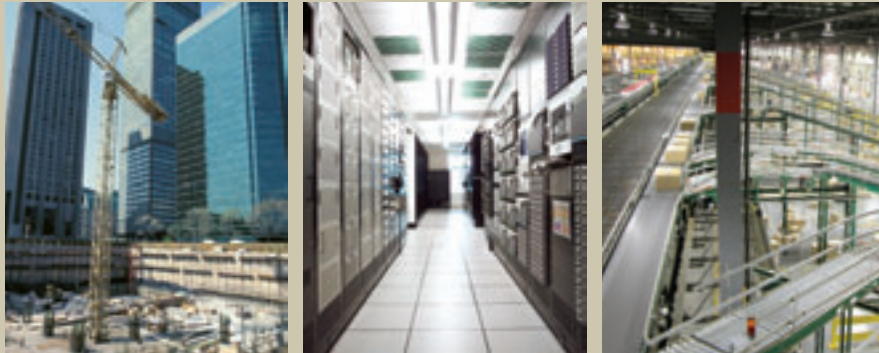
\$4.9M
reduction

Total Bank Indebtedness (\$000)



Transform: Growing Infrastructure





As our cities and industries grow, so does the dependence on the reliability of the electrical infrastructure. From commercial and institutional buildings, to integrated electrical power systems and telecommunications such as internet hotels, there is an increasing demand for quality power. Through research and development of new products, HPS is an industry leader in technology advancements.

Transform: Industry Operations

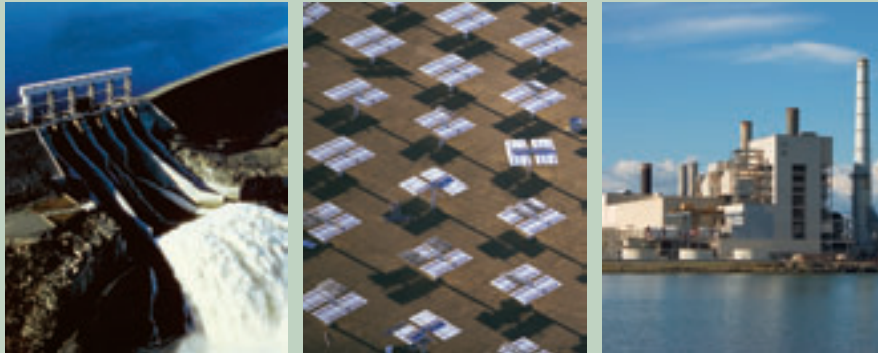




Today's industrial markets require high quality, dependable transformers for very demanding applications. Our value added engineering capabilities have earned HPS the reputation as an industry leader, in the design and manufacture of specialty transformers that meet the precision needs for some of the harshest environments. HPS custom products can be found in steel mills, sewage treatment facilities, off-shore oil rigs and mining shovels around the world.

Transform: Efficient Energy





As the market of alternative energy emerges, so do new technologies at HPS. We currently supply custom transformers for both wind power and co-generation systems. As energy costs continue to escalate, companies and governments are encouraging users to look at alternative and more efficient methods of energy generation and usage. HPS dry-type transformers provide environmentally compatible solutions, designed to achieve lower energy losses, meeting the increasing need for energy conservation.



Power Transformers

HPS designs and engineers cost-effective power solutions for indoor commercial, industrial and manufacturing processes, as well as extreme outdoor environments, such as mines and off-shore drilling platforms.



Distribution Transformers

Our distribution transformers can be found in wind power systems, commercial or institutional buildings, pulp and paper plants, mines, and marine and shipboard installations to supply widely varied power loads.



Energy Efficient Transformers

To reduce the consumption of power, governments are encouraging industries to use energy efficient products like our dry-type transformers.



Control Transformers

HPS offers a complete line of control transformer products as a cost-effective approach for controlled voltage. These products are suited for such applications as machine control and power panels.



Motor Starts

Paper and steel mills depend on HPS motor starting transformers for applications requiring heavy-duty service with voltage fluctuations, frequent starts or jogging and other unusual demands.



Reactors

HPS reactors reduce or control currents, significantly increasing savings and efficiencies as well as enhance the performance and life expectancy of sensitive electronic equipment and systems.



Encapsulated Transformers

"HPS Titan" transformers are engineered for rugged environments where dust, moisture, and corrosive contaminants are present including oil pumping, petrochemical, marine, and mining.



Custom/Specialty Transformers

HPS custom designs suit demanding and complex applications such as steel mills, earth moving equipment, mining power centers and shovels, co-generation systems, medical equipment and refineries.



Drive Isolation Transformers

HPS Drive transformers are designed for such applications as conveyers, robotics, machine tools, and other production-line equipment.

LETTER TO SHAREHOLDERS



2005 was a very rewarding year for Hammond Power Solutions Inc., as we attained significant market expansion, improved profitability, and healthy company liquidity.

HPS realized sales growth of 22%, and an unprecedented 266% increase in profits, propelled by very robust markets and the effective deployment of our operational, and strategic action plans.

Double-digit growth in Canada and the United States was derived from our market expansion initiatives. This expansive growth was also fueled by the surging demand for natural resources, driven by the burgeoning global economies, specifically the mining equipment, wind power, and oil and gas pumping sectors. We have also benefited from the enormous expansion of China's infrastructure through our OEM customers who are supplying equipment and systems for steel mills, water treatment facilities, and shipboard cranes. The escalating need to expand power generation and alternative energy sources has resulted in increased revenues in our wind power, utility, and co-generation markets. We are also very pleased with the significant market share growth through both our Canadian and U.S. distributor channels.

The Company's liquidity continued to improve as evidenced by a 48% reduction in net overall bank indebtedness. Increased net earnings positively impacting cash provided by operations, as well as the proceeds realized from the sale of our Baraboo, Wisconsin property, were paramount to the improved strength of our Balance Sheet.

We continue to battle the challenges of rising material costs and longer lead-times from suppliers as the global economy consumes resources at an accelerated pace. At the same time, we have faced the challenges of unprecedented commodity price driven raw material costs, and the negative impact of a stronger Canadian dollar on our U.S. export sales profitability and the business activities of several of our Canadian customers. We have effectively offset these increases through market specific selling price strategies and the cost competitiveness of our product designs.

Looking forward, we remain very positive about our market opportunities, especially in the United States. We recognize that a portion of our growth is influenced by global commodity demand and high prices for natural resources. We are buoyed by the views of customers that build equipment and systems used in the resource sector, as many are predicting that their business levels will continue strong throughout 2006 and into 2007. We will also continue to expand our penetration of the U.S. and Canadian distributor channel for both standard and custom transformers in the years ahead. Increasing our presence nationally in the United States through this channel will open up new opportunities in the construction of institutional, commercial, and retail buildings as well as the maintenance and repair market.

We have been resolute in our focus to reduce our manufacturing and material costs in the redesign of our products and processes, and are driven to continuously improve our productivity. We will pursue all organic and strategic opportunities to increase our market share, expand our manufacturing capabilities, and to reduce our U.S. currency exposure.

We will continue to manage the Company in a conservative financial manner while focusing on growth and profitability, yet we are very cognizant of the continued challenges of a volatile raw material environment and strengthening Canadian dollar.

We are proud of our accomplishments in this past year and look forward with enthusiasm as we move through 2006.

A handwritten signature in black ink that reads "WGH" followed by a stylized flourish.

William G. Hammond
Chairman and Chief Executive Officer

2005 ANNUAL REPORT

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REVIEW OF OPERATIONS

STRENGTH

The strength of our markets surprised even us during 2005. Although we expected solid overall growth, we couldn't have predicted the strength of the global demand for oil, natural gas, coal, and metals, or that it would propel our business at such a rapidly increasing pace. HPS continues to be a dominant supplier of transformer product to the mining equipment industry, and has become the key source of transformers to the burgeoning North American oil and gas industries over the last three years. HPS transformers can be found on off-shore oil drilling platforms all over the world. As the price of oil soars, so does the manufacturing of alternative energy generators such as wind mills. This too is an emerging market for HPS, one that holds a great deal of promise, as utilities look for new ways to generate electricity. The rapidly expanding economy and infrastructure of China continued to absorb electrical equipment and systems, produced by our long standing OEM customers in the United States and Canada. Our business also benefited from the refurbishment and expansion of North America's Utilities, Municipal, and Institutional infrastructure.

GROWTH

Two additional areas of growth for HPS over the year were our private-branded and distributor businesses. HPS private-brands a wide variety of standard and custom product for the largest manufacturers of electrical equipment and components in North America. These companies also gained from the surge in export and domestic business in 2005, further stimulating our growth. Additionally, we continued our expansion and penetration of the North American electrical distributor channel, and have been rewarded with significant increases in our standard and custom transformer sales, which are supported through our strategically positioned regional warehouses in California, Texas, Wisconsin, Illinois, Georgia, and Ontario.

Our business growth has come from a combination of both new markets and new customers: organically; from long established relationships; and through the expansion of

direct sales to OEMs and private-label customers; as well as our distributor channel. As a result, HPS is well diversified in terms of served markets and channels, recognizing that the surging demand for resources has been a significant driver of growth over the last two years.

Although this global demand for resources has been a very positive influence on our sales growth; in contrast, over the last two years, it has triggered our suppliers of electrical steel and copper wire to substantially increase the cost of materials used in the manufacture of our products. All transformer companies face the same situation and this has resulted in the most prolonged period of price inflation that our industry has seen in a decade. We have managed to pass along the impact of these inflated material costs through market specific selling price increases. The voracious appetite of the Chinese and Indian economies for commodities has created a strain on the availability of materials, specifically electrical grain-oriented core steel. While of concern to many of our smaller competitors who are unable to obtain an adequate supply at all times, we have circumvented through solid supply lines which meet our current and expanded demands. Additionally, through the utilization of our considerable engineering resources and expertise we have redesigned specific product lines, to take advantage of more cost-effective, alternative, and more readily available materials, a strategy designed to lessen the impact and improve our profitability in this highly volatile environment.

PRODUCT DEVELOPMENT

As usual, considerable product development efforts were dedicated to meeting the special design needs of our customers as well as expanding our standard product offering. Our highly skilled engineering team, develop over 3,000 new designs annually, to meet the very specific needs and applications of our OEMs and distributors as well as new industry standards and market opportunities. With rising energy costs across North America, HPS introduced a new line of "Super Saver" transformers that use less energy and serve to protect sensitive equipment and systems from power quality problems.

Beginning in early 2006, all transformers manufactured in Canada will be required to meet minimum energy efficiency standards, and similar U.S. standards will be introduced later in the year. As a result, we expect to increase our sales of both standard and custom transformers going into hospitals, schools, government buildings, and utilities to protect these installations from power quality problems. Towards the end of the year, we launched a new potted line of transformers which we foresee will become the industry standard for the corrosive environments of oil rigs, refineries, chemical plants, and mines which are benefiting from the extensive capital spending in these applications and markets.

Through 2005, we increased employment levels at three of our four plants to meet greater than expected business levels. Our Mexican facility continues to experience and benefit from the significant increase in distributor and high volume OEM sales. Our largest plant in Guelph, Ontario, also experienced extraordinary booking levels, specifically for custom power and distribution transformers, used in the mining and oil pumping markets. We will continue to focus our attention on significant improvements in productivity, and in reducing our cost structures and Canadian dollar material content, as the profitability of our Canadian plants continues to be negatively affected by the rising Canadian dollar. Our Compton, California plant has seen a very healthy surge in production as well, propelled by the expansion of our distributor and OEM business in the western United States, and its fast lead-time manufacturing of special distribution and small power transformers.

LOOKING FORWARD

Looking forward, HPS is well positioned to increase our sales further, as we are expecting our major markets to continue to grow. The majority of this growth will continue to come from the United States as American exports of machinery and electrical equipment to China for steel mills, material handling, new factories, nuclear generating stations, hydro dams, and more are expected to remain brisk. Continued investment in oil exploration as well as the modernization of oil and gas pumping equipment is also expected to remain strong. It is anticipated that non-residential construction will increase in 2006 due to the high capacity utilization rates of many manufacturers, as well as the need to eventually rebuild the areas of the southern United States ravaged by hurricanes this past year.

It has become apparent that Canada is becoming two separate economies. Alberta and British Columbia are expanding at a very positive rate while the manufacturing sector of Ontario and Quebec struggles under the negative weight of a high Canadian dollar and the ongoing consolidation in the automobile industry. Nonetheless, we are expecting to increase our market share with much of this growth coming from western Canada.

The positive momentum that HPS has experienced over the last two years is expected to continue in 2006. We are very cognizant of the major challenges that our Company still faces including a volatile raw material environment, as well as those challenges associated with the rising Canadian dollar. We will proceed with cautious and conservative business practices, while prudently investing in capital and people to build a stronger and growing company in 2006 and beyond.

MANAGEMENT'S DISCUSSION AND ANALYSIS—2005

OVERVIEW

Hammond Power Solutions Inc. ("HPS" or the "Company"), is the North American leader for the design and manufacture of custom electrical engineered magnetics, as well as a leading manufacturer of standard electrical dry-type transformers. Advanced engineering capabilities, high quality products, and fast responsive service to customers' needs have established the Company, as a technical and innovative leader in the electrical and electronic industries. The Company has manufacturing plants in Canada, the United States, and Mexico.

The following is Management's Discussion and Analysis of the Company's consolidated operating results for the years ended December 31, 2005 and 2004, and should be read in conjunction with the accompanying Consolidated Financial Statements of the Company as at December 31, 2005, which have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). All amounts in this report are expressed in Canadian dollars unless otherwise noted. Additional information relating to the Company may be found on SEDAR's website at www.sedar.com.

Hammond Power Solutions Inc., has produced its strongest financial results to date, making 2005 our finest year. Our unprecedented financial performance and strengthened Balance Sheet was achieved through an accumulation of many operational and strategic initiatives. The year 2005 was a very robust year in the majority of our markets, evidenced by stronger electrical industry market conditions in the United States, Canada, and offshore. Global economies have entered into a period of sustained growth as demonstrated by numerous economic indicators.

The Company's results for 2005 clearly demonstrate the benefit of our global focus, with its consistent, year-to-year sales growth, healthier margins, and improved profitability. The Company is pleased with the increase in sales and booking rates, which are attributed to our concentration on target markets and market share penetration, through new account expansion and organic sales growth. The electrical distributor, capital equipment, mining equipment, power conditioning, and motor control markets in Canada and the United States were very strong in 2005. Capital spending on new equipment in resource industries, mining, wind power, and offshore gas and oil increased at very vigorous rates during 2005.

The Company's ability to concentrate its efforts on producing premium quality transformers, competitive custom engineering designs, and providing a broad and evolving product range, combined with our market channel growth, and manufacturing agility was paramount to the success attained in 2005.

Significant gains were made with respect to the Company's financial performance in 2005, despite the detrimental effects a stronger Canadian dollar had on our U.S. margins, the foreign currency translation losses derived from our net U.S. dollar asset position, unprecedented escalating raw material costs, and competitor selling price pressures. These economic challenges have been addressed through aggressive market expansion, market specific selling price increases, and successful cost reduction initiatives, all of which have been conducive to the HPS profit surge and continued enhancement in Company liquidity.

SALES

The Company is pleased to report 2005 sales of \$98,896,000 versus sales of \$81,349,000 in 2004, an increase of \$17,547,000 or 21.5%. Sales initiatives and continuous focus on key market segments resulted in increased market share, bookings, and sales. This was further supported by more favorable market conditions in Canada and the United States, especially in the OEM (Original Equipment Manufacturer) equipment, mining equipment, and power conditioning markets. This year, HPS was also faced with ongoing selling price pressures due to the stronger Canadian dollar and unprecedented escalation of raw material costs. In response to the deteriorating effects this has on its financial performance, the Company focused on strategic sales growth, market specific selling price increases, and price maximization.

In 2005 sales to the U.S. market (in U.S. dollars) increased by 35% compared to 2004. This is the third consecutive year of double-digit sales increases (18% in 2004 and 22% in 2003). Our target to expand our U.S. electrical distributor channel and our OEM customer base, as well as our ability to provide premium engineered-to-order product designs and a diverse product range, were key to the success of this growth.

The Canadian electrical industry markets also improved appreciably in 2005, particularly in the North American

Electrical Distributor (NAED), power conditioning and utility, and excitation market segments. As a result HPS was able to realize sales increases of 13.2% in 2005, compared to 2004 in the Canadian market.

The Company continues to expand sales by focusing on strategic target markets, assisted by the improvement in market conditions in the electrical industry in the United States and Canada. We expect our focus on custom and competitive product design and uncompromised quality, will fuel this continued growth.

Sales by geographic segment grew in the United States in 2005 to 67% of our total sales, while Canadian sales accounted for 33% of total sales.

HPS continues to concentrate much of its efforts on producing premium quality transformers, competitive custom engineered designs, and on providing a broad and evolving product range. We expect that this, combined with our market channel growth and our manufacturing agility, will sustain sales expansion.

ORDER BOOKINGS AND BACKLOG

The robust electrical industry market conditions in 2005, compounded with our market expansion activities, delivered a booking rate growth of 26% over 2004. Although sales in 2005 were very strong, this significant increase in bookings produced a rise in backlog as at December 31, 2005, of 64% compared to December 31, 2004.

GROSS MARGINS

Increased sales volumes had a favourable impact on our gross margin rates in 2005 as well. This, combined with our operational and strategic initiatives to reduce manufacturing costs delivered a fifth consecutive year of elevated gross margin levels for the Company, finishing at 26.84% in 2005, compared to 25.95% in 2004. This increase in gross margin was a result of the favourable impact that higher manufacturing throughput has on our factory cost structures/resource utilization, selling price gains, cost-effective product designs, manufacturing cost improvements, and sales mix. Margins were also positively augmented through internally driven material procurement and our ability to maximize margin rates through short

lead-time order opportunities. We are pleased with the margin gains achieved despite the strain on gross margin rates from the upward pressure of electrical grain oriented steel and copper commodity prices, competition, and the uncertainty of the U.S. dollar.

SELLING, GENERAL, & ADMINISTRATIVE EXPENSE

Total selling, general, and administrative ("SG&A") expenses amounted to \$19,314,000 in 2005, versus \$16,482,000 in 2004, an increase of \$2,832,000 or 17.2%. However, as a percentage of sales, SG&A expenses decreased from 20.3% in 2004 to 19.9% in 2005. Although there is a natural rise in freight costs and sales commission expense from the increased sales volumes, as well as foreign exchange losses, we were able to reduce our SG&A expenses as a percent of sales through controlled expense management and sales mix. SG&A expenses include foreign currency exchange losses of \$487,000 in 2005, as compared to foreign currency exchange gain of \$42,000 in 2004.

INTEREST EXPENSE

The interest expense for the year ended December 31, 2005, amounted to \$1,136,000 compared to \$1,257,000 in 2004, a decrease of \$121,000 or 9.6%. The decrease for the year was as a result of a 55.8% decrease in bank operating lines of credit as at December 31, 2005, compared to December 31, 2004, a reduction of interest rates from our principal lender, and retirement of our subordinated debt. A breakdown of interest costs on bank operating lines of credit and long-term debt instruments are detailed in Note 9 in Notes to the Consolidated Financial Statements of the Company.

CO-TENANCY EXPENSE

The property at 2 Glen Road, Georgetown, Ontario, is owned equally as a co-tenancy agreement with Hammond Manufacturing Company Limited, and expenses in respect to the property are shared equally. Our expenses relating to the co-tenancy were \$72,000 in 2005, compared to \$97,000 in 2004. Refer to Notes 5 and 20(b) in Notes to the Consolidated Financial Statements for further details regarding the co-tenancy arrangement.

EQUITY INVESTMENT—MOLONEY ELECTRIC INC.

Hammond Power Solutions Inc., holds a 45% equity ownership in Moloney Electric Inc. Our investment in Moloney Electric Inc., accounted for using the equity method, resulted in a noncash profit of \$86,000 for the year ended December 31, 2005, compared to a noncash loss of \$348,000 for the year ended December 31, 2004. Moloney Electric Inc., has been successful at expanding its sales by over 33% and margin rates by 3% from 2004. Profitability was positively affected by the infusion of sales and targeted selling price strategies, despite the unprecedented rise in the raw material cost of steel and copper. See Note 4(a) in Notes to the Consolidated Financial Statements for details of our Equity Investment in Moloney Electric Inc.

INCOME TAXES

Due to the increase in profitability in 2005, income tax expense increased to \$2,558,000 for 2005, as compared to \$1,435,000 in 2004. The current future tax assets and liabilities consist mainly of reserves and allowances, and are related to current assets and liabilities, which are not deductible against current year earnings. The long-term future tax assets and liabilities relate to temporary differences resulting from losses carried forward, capital leases (the lease payments are expensed for tax purposes), foreign exchange losses (recognized for tax purposes only on the actual debt repayments), and the difference between net book value and undepreciated capital cost of capital assets. Our income tax provision is explained further in Note 11 in Notes to the Consolidated Financial Statements.

NET EARNINGS

Earnings from operations in 2005, surged to \$7,231,000, compared to \$4,627,000 in 2004, an increase of \$2,604,000 or 56%, as a result of the increased sales compounded with margin growth. The income before income taxes rose to \$6,415,000 for 2005, compared to \$2,884,000 in 2004, up \$3,531,000 or an increase of 122%. Our 2005 net earnings amounted to \$3,857,000 as compared to \$1,449,000, in 2004, an increase of \$2,408,000, or 166%.

EBITDA (earnings before interest, taxes, depreciation, and amortization) was \$9,789,000 for 2005, versus \$6,361,000 in 2004, an increase of \$3,428,000, or 54%. Although there is not a standard definition of this term, the Company uses EBITDA as a non-GAAP financial measure as one of its indicators of operational profitability.

EBITDA is calculated as outlined in the following table:

	2005	2004
Net earnings for the year	\$ 3,857,000	\$ 1,449,000
Add:		
Income tax expense (recovery)	\$ 2,558,000	\$ 1,435,000
Interest expense (income)	\$ 1,136,000	\$ 1,257,000
Depreciation and amortization	\$ 2,238,000	\$ 2,220,000
EBITDA	\$ 9,789,000	\$ 6,361,000

CAPITAL RESOURCES AND LIQUIDITY

The Company successfully executed its strategies to reduce debt and further improve the liquidity of the Company in 2005.

Cash provided by operations during 2005 was \$4,280,000 versus \$5,042,000 in 2004, an increased usage of \$762,000 in the year. Working capital requirements to support our sales growth resulted in increased accounts receivable and inventory which was partially offset by a corresponding rise in accounts payable. Cash provided by the \$2,408,000 increase in net earnings in 2005 over 2004 delivered additional operating cash flow. Accounts receivable amounted to \$16,847,000 as at December 31, 2005, compared to \$13,266,000 as at December 31, 2004, an increase of \$3,581,000, resulting from higher Fourth Quarter sales in 2005, as well as higher selling prices implemented in 2005. Our focused effort on customer accounts receivable collections resulted in a lower average day's sales outstanding at the end of 2005 compared to 2004. Inventory amounted to \$12,658,000 as at December 31, 2005, versus \$8,648,000 as at December 31, 2004. Although there was a rise in the inventory balance of \$4,010,000 between the 2005 year end and the 2004 year end, we are pleased with our inventory management efforts which resulted in improved turnover velocity. Keeping in alignment with our strategy to increase sales opportunities, HPS has invested in geographically diverse inventory distribution locations.

Higher inventory levels combined with the significant cost increases in raw materials were the main contributing factors to our elevated inventory balance. Accounts payable and accrued liabilities increased by \$4,846,000 amounting to \$14,593,000 as at December 31, 2005, compared to \$9,747,000 at the end of 2004. This provided some natural financing of our working capital. Income taxes payable amounted to \$1,011,000 as at December 31, 2005, versus \$553,000 as at December 31, 2004, a rise of \$458,000 as a result of increased profitability and the earlier than planned full utilization of U.S. federal tax losses.

Cash used in financing activities was \$4,695,000 in 2005, compared to \$4,714,000 in 2004, which was utilized primarily for the repayment of \$741,000 of long-term debt, reducing our bank operating lines of credit by \$2,542,000, and the repayment of a subordinated debt loan in the amount of \$1,500,000. As disclosed in our 2005 Second Quarter Report, we completed the sale of our Baraboo, Wisconsin property, which yielded a cash infusion of \$1,779,000 to the Company. The net proceeds of this sale were used to repay the high interest subordinated debt that was part of our 2004 bank financing arrangement.

Additions to property, plant, and equipment returned to more normalized levels in 2005, with capital expenditures of \$1,229,000 during the current year, compared to \$574,000 for 2004, an increase of \$655,000 or 114%. This investment was utilized in the areas of manufacturing capacity expansion, productivity improvement projects, and information technology infrastructure.

Bank operating lines of credit amounted to \$2,011,000 as at December 31, 2005, compared to \$4,553,000 as at December 31, 2004, yielding a drop of \$2,542,000 in the year, a 56% reduction.

Overall bank indebtedness net of cash balances dropped to \$5,463,000 as at December 31, 2005, a decrease of \$4,924,000 or 48% as compared to a balance of \$10,387,000 as at December 31, 2004.

All scheduled payments of principal and interest have been made by the Company on the applicable due dates.

All bank covenants have been met throughout the year as well as at December 31, 2005.

Additional details of our change in working capital can be found in Note 16 in Notes to the Consolidated Financial Statements.

CONTINGENT LIABILITIES

As described in Note 20 in Notes to the Consolidated Financial Statements, we have two properties for which there are contingent liabilities.

Moloney Properties (1159714 Ontario Inc.):

The Company and Hammond Manufacturing Company Limited, each own 50% of the shares of 1159714 Ontario Inc., which in turn owns the property at 213 Sterling Road, Toronto, occupied by Moloney Electric Inc. ("MEI"). The property has mineral oil contamination as well as some PCB contamination although the source of such contamination (except for a spill in 1993 by MEI) has not been determined. The contamination does not result from the normal operations of the Company. It appears to pre-date the Company's ownership. The source or sources may include adjoining properties. As indirect owner and occupier, the Company and Hammond Manufacturing Company Limited may, without admitting any liability, have some responsibility to participate in the remediation of the property and adjacent properties. In this regard, the Company received a complaint in 1994 from Toronto Hydro, as an adjoining owner, to the effect that mineral oil and possibly PCB contaminants may have migrated to its property, which is an inactive substation. The Company has worked in conjunction with the Ministry of the Environment and with Toronto Hydro to remediate the properties. MEI and 1159714 Ontario Inc., completed additional field-sampling in 2005, pursuant to a joint order to further delineate the nature and extent of potential contamination. The results are consistent with previous investigations. Meetings with Toronto Hydro are contemplated to discuss further remediation activities. No determination as to the specifics of remediation has been made but the recovery period is expected to take several years.

Ongoing costs for legal, consulting, and remediation of the Sterling Road site incurred during the year, including an accrual covering the estimated costs to complete the field-sampling program described above, totaled \$133,000, of which the HPS share of these costs was \$66,500 (2004—\$111,000). These costs are funded within Moloney Properties through the rental income received from Moloney Electric Inc.

Glen Ewing Properties:

The property at 2 Glen Road, Georgetown, Ontario is owned equally as a co-tenant with Hammond Manufacturing Company Limited and any expenses or liabilities in respect of the property have been agreed to be shared equally. In January 2002, the two owners were served with a statement of claim by an adjoining industrial property owner, in which the plaintiff has claimed damages in the amount of \$8,000,000 for negligence, breach of warranty, and other matters relating to alleged environmental contamination of the property. The Company intends to vigorously defend the action if it proceeds. In 2004, the Company and Hammond Manufacturing Company Limited, served a counter-claim against the plaintiff in the amount of \$8,000,000. Both claims, by agreement between the parties, are in abeyance. At this time, no determination of potential liability or costs has been made. The contamination does not result from the normal operations of the Company. The parties, under the direction of the Ministry of the Environment, are in the process of undertaking a coordinated and shared investigation of the condition of the property and remediation options.

Ongoing legal and consulting costs pertaining to the Glen Road site incurred during the year, described above, totaled \$144,000, of which the HPS share of these costs was \$72,000 (2004–\$97,000).

Expenditures will be recorded as appropriate when environmental remediation is probable and the costs can be reasonably estimated, in accordance with Canadian generally accepted accounting principles.

Management is not aware of any other contingent liabilities.

RISKS AND UNCERTAINTIES

As with most businesses, the Company is subject to a number of marketplace, industry related, and economic related risks which could potentially have some material impact on our operating results. HPS continuously works to identify such risks and minimize their potential impact through diversification of its core business and through the geographic diversity of its operations. There are, however, several risks that deserve particular attention.

Commodity Prices

An area that has had a definite effect on the Company's costs and earnings is the cyclical effects and unprecedented upward market cost pressures of copper commodity and steel pricing in the global market. During 2005, HPS had a material procurement program in place utilizing future contracts, which hedges our exposure caused by the volatility in copper prices. Strategic supply line agreements and alliances are in place with our major steel suppliers to ensure adequate supply and competitive market pricing.

Forward purchase contracts provided some hedge against changes in commodity pricing that could have a negative impact on our margins and hence our financial results. The Company does not have commodity forward contracts in place in 2006.

Foreign Exchange

HPS operating results are reported in Canadian dollars. Nonetheless, the majority of our sales and material purchases are denominated in U.S. dollars. A change in the value of the Canadian dollar against the U.S. dollar will impact earnings. There is a natural hedge as this is partially offset by a corresponding change in the cost of raw materials purchased from the United States and commodities tied to U.S. dollar pricing. In general, a lower value for the Canadian dollar compared to the U.S. dollar will have a beneficial impact on the Company's results or inversely a higher value for the Canadian dollar compared to the U.S. dollar will have a negative impact on the Company's profitability.

The Company also has a U.S. operating subsidiary and U.S. dollar assets. The exchange rate between the Canadian and U.S. dollar can vary significantly from year-to-year. There is a corresponding positive or negative impact to the Company's Statement of Earnings solely related to the foreign exchange translation of its Balance Sheet.

We have partially reduced the impact of foreign exchange fluctuations through the structuring of our U.S. dollar borrowings and currently lessen exchange rate risk by entering into forward foreign exchange contracts.

HPS will periodically institute price increases to help offset the negative impact of changes in foreign exchange and product cost increases.

Interest Rates

The Company has structured its debt financing to take advantage of the current lower interest rates, but 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. A more significant impact on a rise in interest rates would apply to our customer's investment decisions.

STRATEGIC DIRECTION AND OUTLOOK

HPS has been faced with an uncertain economic environment through recent years. The Company continues to identify and respond to the challenges created by this economic uncertainty in a forthright and unwavering manner, through its implementation of operational and strategic profit enhancing initiatives that, management believes, will mitigate these challenges, deliver consistent financial performance, provide a sustainable return to its shareholders, and maintain Balance Sheet strength of the Company.

Hammond Power Solutions Inc., 2005 financial results demonstrate this commitment to succeed:

- We have delivered another year of double-digit sales growth in the U.S. market, resulting in increases of 35% over 2004;
- We have increased our gross margin rate by 1% over 2004, despite the negative effect of the stronger Canadian dollar on our U.S. margins and the upward spiraling cost increases on raw material costs;
- We have reduced our SG&A expense rates by 0.7% from the prior year;
- We have realized an increase in net income of 158% over the prior year;
- We have reduced our net overall bank indebtedness by \$4,924,000 from 2004.

As we move into 2006, there is optimism that both the Canadian and the U.S. economies will continue to be very robust.

We expect sales growth will be realized in several of our market segments but will remain at a lower level in others. We will continue to grow in Canada and the United States. A portion of our sales will come from major customer projects for which the exact timing is hard to predict, thus influencing quarterly sales fluctuations. In 2006, approximately 70% of our revenues will be generated in the United States and 30% will be in the Canadian market.

There are no indications to suggest that the U.S. and Canadian economies will slow as evidenced by the continued rise in our bookings and backlog, further substantiated by the increase in our sales. We do foresee continued global economy strength as the Canadian and U.S. markets will continue with increased capital spending on new equipment and infrastructure.

Management is committed to the achievement of its market growth goals, to the execution of its strategic and operational initiatives, to ensuring the Company is well capitalized, and is determined that Hammond Power Solutions Inc., will consistently deliver strong financial performance.

SIGNIFICANT AND NEW ACCOUNTING POLICIES

Note 1 in Notes to the Consolidated Financial Statements describes the basis of accounting and the Company's significant accounting policies.

Translation of Foreign Currency

The Company's subsidiary operations, located in the United States and Mexico are deemed to be integrated foreign operations and, therefore, their financial statements are translated using the temporal method. Under this method all asset, liability, revenue, and expense items are translated at the exchange rate in effect at the transaction date. At the balance sheet dates, monetary assets and liabilities are adjusted to reflect the year end exchange rate. The gain or loss resulting from translation is included in the determination of income for the current period.

Revenue Recognition

The Company recognizes revenue when products are shipped and 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.

Service revenue is recognized when the service is performed, or, in the case of maintenance contracts, is recognized as costs are incurred to fulfill the contract.

A provision for potential warranty claims is provided for at the same time of sale, based on warranty terms and prior claims experience.

Financial Instruments

The Company is party to derivative financial instruments in the form of forward foreign exchange contracts used to manage foreign currency exposures on export sales. Gains and losses on forward foreign exchange contracts are recognized in revenues in the same period as the foreign currency revenues to which they relate. Unrealized gains on foreign exchange contracts in the case of contracts in a gain position are included as assets and in liabilities in the case of contracts in a loss position. Additional details can be found in Note 1(g) in Notes to the Consolidated Financial Statements.

Stock Based Compensation

In 2005, the Company adopted CICA handbook section 3870—Stock based compensation and other stock based payments. The adoption of this accounting policy and the assumptions used to determine fair value are described in Notes 1(m) and 12(d) in Notes to the Consolidated Financial Statements.

Use of Estimates

The preparation of the Consolidated Financial Statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the dates of the Consolidated Financial Statements and the reported amounts of revenues and expenses during the

reporting periods. Significant items subject to such estimates and assumptions include: the carrying amount of property, plant, and equipment; valuation allowances for receivables, inventories and future income taxes; long-term investments; investment in properties; valuation of derivative financial instruments; obligations related to accrued pension benefit obligation; and stock options and warrants. Actual results could differ from those estimates.

Impairment of Long-Lived Assets

In 2004, the Company adopted CICA handbook section 3063—Impairment of Long-Lived Assets. This section establishes standards for recognizing, measuring, and disclosing impairment of long-lived assets held for use. An impairment is recognized when the carrying amount of an asset to be held and used exceeds the sum of undiscounted cash flows expected from its use and disposal, and is measured as the amount by which the carrying amount exceeds its fair value. Additional policy information can be found in Note 1(p) in Notes to the Consolidated Financial Statements.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Consolidated Financial Statements are the responsibility of the management of Hammond Power Solutions Inc. These statements have been prepared in accordance with Canadian generally accepted accounting principles, using management's best estimates and judgements, 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 for 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 judgement 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 assurances 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 through the Audit Committee of the Board, which is composed of all the directors, of whom three are 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.



W.G. Hammond
Chairman & Chief Executive Officer



Chris R. Huether
Vice President Finance & Secretary

AUDITORS' REPORT

To the Shareholders of Hammond Power Solutions Inc.,

We have audited the Consolidated Balance Sheets of Hammond Power Solutions Inc., as at December 31, 2005 and 2004, and the Consolidated Statements of Earnings and Retained Earnings and Cash Flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these Consolidated Financial Statements present fairly, in all material respects, the financial position of the Company as at December 31, 2005 and 2004 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants
Waterloo, Canada, February 13, 2006

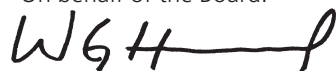
CONSOLIDATED BALANCE SHEETS

Years ended December 31, 2005 and 2004 (in thousands of dollars)

	2005	2004
Assets		
Current assets:		
Cash	\$ 253	\$ 118
Accounts receivable	16,847	13,266
Income taxes receivable	74	–
Inventories (Note 2)	12,658	8,648
Prepaid expenses	337	309
Current portion of note receivable (Note 6)	–	100
Unrealized gain on forward foreign exchange contracts	59	154
Future income taxes (Note 11)	465	458
	30,693	23,053
Property, plant, and equipment (Note 3)		
Long-term investments (Note 4)	9,519	11,305
Investment in properties (Note 5)	1,722	1,704
Notes receivable (Note 6)	1,044	1,044
Deferred finance costs, net	1,674	1,574
Deferred start-up costs, net (Note 7)	248	541
Deferred pre-production costs, net	147	411
Future income taxes (Note 11)	79	125
	134	1,003
	\$ 45,260	\$ 40,760
Liabilities and Shareholders' Equity		
Current liabilities:		
Bank indebtedness (Note 8)	\$ 2,011	\$ 4,553
Accounts payable and accrued liabilities	14,593	9,747
Income taxes payable	1,011	553
Current portion of long-term debt (Note 9)	651	708
Future income taxes (Note 11)	3	1
	18,269	15,562
Accrued pension benefit obligation (Note 14)		
	84	161
Long-term debt (Note 9)	3,054	5,244
Future income taxes (Note 11)	835	940
Shareholders' equity:		
Share capital (Note 12)	10,613	10,500
Contributed surplus (Note 12(d))	195	–
Retained earnings	12,210	8,353
	23,018	18,853
Contingent liabilities (Notes 4(a) and 20)		
	\$ 45,260	\$ 40,760

See accompanying Notes to the Consolidated Financial Statements.

On behalf of the Board:



William G. Hammond
Chairman of the Board



Donald H. MacAdam
Director

CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS

Years ended December 31, 2005 and 2004 (in thousands of dollars except earnings per share)

	2005	2004
Sales	\$ 98,896	\$ 81,349
Costs of sales	72,351	60,240
	26,545	21,109
Selling, general, and administrative (Note 19)	19,314	16,482
Earnings from operations	7,231	4,627
Other income and expenses:		
Interest expense (Note 9)	(1,136)	(1,257)
Gain on sale of property, plant, and equipment	374	-
Co-tenancy expense	(72)	(97)
Share of gain (loss) in equity and rental property investment	18	(389)
	(816)	(1,743)
Income before income taxes	6,415	2,884
Income tax expense: (Note 11)		
Current	1,799	988
Future	759	447
	2,558	1,435
Net earnings	3,857	1,449
Retained earnings, beginning of year	8,353	6,904
Retained earnings, end of year	\$ 12,210	\$ 8,353
Earnings per share (Note 13):		
Basic	\$ 0.34	\$ 0.13
Diluted	0.34	0.13

See accompanying Notes to the Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, 2005 and 2004 (in thousands of dollars)

	2005	2004
Cash provided by (used in):		
Operations:		
Net earnings	\$ 3,857	\$ 1,449
Add (deduct) items not involving cash:		
Amortization of property, plant, and equipment	1,610	1,738
Amortization of deferred finance costs	318	171
Amortization of start-up costs	264	265
Amortization of pre-production costs	46	46
Accrued pension benefit obligation	(77)	(37)
Future income taxes	759	447
Equity (income) loss on long-term investments	(18)	389
Gain on disposal of property, plant, and equipment	(374)	–
Unrealized loss (gain) on forward foreign contracts	95	(154)
Foreign exchange (gain) loss on long-term debt	(6)	62
Stock option expense	195	–
	6,669	4,376
Change in noncash operating working capital (Note 16)	(2,389)	666
Cash provided by operations	4,280	5,042
Financing:		
Finance costs	(25)	(607)
Bank operating lines	(2,542)	(5,217)
Long-term borrowing	–	4,782
Issue of common shares	113	–
Warrants issued	–	24
Sub-debt (repayment) borrowing	(1,500)	1,500
Repayment of long-term debt	(741)	(5,196)
Cash used in financing activities	(4,695)	(4,714)
Investments:		
Repayment of notes receivable	–	185
Proceeds on disposal of property, plant, and equipment	1,779	–
Additions to property, plant, and equipment	(1,229)	(574)
Cash provided by (used in) investment activities	550	(389)
Increase (decrease) in cash	135	(61)
Cash, beginning of year	118	179
Cash, end of year	\$ 253	\$ 118

See Note 15 for supplemental cash flow information.

See accompanying Notes to the Consolidated Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2005 and 2004 (tabular amounts in thousands of dollars)

Hammond Power Solutions Inc. ("HPS" or the "Company"), is a public company, traded on the Toronto Stock Exchange ("HPS.SV.A") and is incorporated under the Ontario Business Corporations Act. HPS designs and manufactures custom electrical engineered magnetics and standard electrical dry-type transformers, serving the electrical and electronic industries. The Company has manufacturing plants in Canada, the United States, and Mexico.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Consolidated Financial Statements have been prepared in accordance with Canadian generally accepted accounting principles and reflect the following policies:

(a) Principles of consolidation:

The Consolidated Financial Statements include the accounts of Hammond Power Solutions Inc., and its wholly-owned subsidiaries, Hammond Power Solutions, Inc., and Hammond Power Solutions, S.A. de C.V. All significant inter-company transactions and balances have been eliminated.

(b) Translation of foreign currencies:

The Company's subsidiary operations, located in the United States and Mexico are deemed to be integrated foreign operations and, therefore, their financial statements are translated using the temporal method. Under this method, all asset, liability, revenue, and expense items are translated at the exchange rate in effect at the transaction date. At the balance sheet dates, monetary assets and liabilities are adjusted to reflect the year end exchange rate. The gain or loss resulting from translation is included in the determination of income for the current period.

(c) Revenue recognition:

The Company recognizes revenue when products are shipped and 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.

Service revenue is recognized when the service is performed, or in the case of maintenance contracts, is recognized as costs incurred to fulfill the contract.

A provision for potential warranty claims is provided for at the same time of sale, based on warranty terms and prior claims experience.

(d) Inventories:

Inventories are valued at the lower of cost, determined on a first-in, first-out basis, and market, with market defined as net realizable value for finished goods and work-in-process, and replacement cost for raw materials.

(e) Long-term investments:

The investment in Moloney Electric Inc., (45%) is accounted for using the equity method. Under the equity method, the original cost of the shares is adjusted for the Company's share of post-acquisition earnings or losses less dividends received.

The investments in the co-tenancy of Glen Ewing Properties (50%) and in 1159714 Ontario Inc. (50%), the rental property investment, are accounted for using the proportionate consolidation method whereby the Company's proportionate share of the assets, liabilities, and the related revenues and expenses of the co-tenancy and rental property is included in the Consolidated Financial Statements.

(f) Property, plant, and equipment:

Property, plant, and equipment are stated at cost less accumulated amortization. Property, plant, and equipment under capital leases are initially recorded at the present value of the minimum lease payments at the inception of the lease.

Amortization is provided using the following method and annual rates:

Asset	Basis	Rates
Buildings	Straight-line	3.3%
Leaseholds	Straight-line	20%
Machinery and equipment	Straight-line	10–25%
Machinery and equipment under capital lease	Straight-line	10%
Office equipment	Straight-line	10–25%

(g) Derivative financial instruments:

The Company is party to derivative financial instruments in the form of forward foreign exchange contracts used to manage foreign currency exposures on export sales. These instruments are not recognized in the Consolidated Financial Statements on inception. Hedging accounting is applied when the derivative is designated and qualified as a hedge of a specific exposure and there is reasonable assurance that it will continue to be effective as a hedge based on an expectation of offsetting cash flow. Hedging accounting will not be applied when the derivative does not qualify as a hedge. Gains and losses on forward foreign exchange contracts are recognized in revenues in the same period as the foreign currency revenues to which they relate. Derivative financial instruments that are not designated or qualified as hedges are carried at estimated fair values (quoted market price), which comprise accrued gains and losses not yet realized. Unrealized gains on foreign exchange contracts in the case of contracts in a gain position are included as assets and in liabilities in the case of contracts in a loss position.

(h) Accrued pension benefit obligation:

The Company has a defined benefit pension plan covering the hourly employees at the Company's Baraboo, Wisconsin facility.

The Company accrues its obligations under the employee benefit plan as the employees render the services necessary to earn the pension. The Company has adopted the following policies:

- The cost of pensions earned by employees is actuarially determined using the projected benefit method pro rated on service and management's best estimate of expected plan investment performance, salary escalation, and retirement ages.
- For the purpose of calculating expected return on plan assets, those assets are valued at fair value.
- Past service costs from plan amendments are amortized on a straight-line basis over the average remaining service period of employees active at the date of the amendment.
- The excess of the net actuarial gain (loss) over 10% of the greater of the benefit obligation and the fair value of plan assets is amortized over the average remaining service period of active employees, which for the pension plan is 18.5 years (2004–19.5).
- When a restructuring of a benefit plan gives rise to both a curtailment and a settlement of obligations, the curtailment is accounted for prior to the settlement.

(i) Income taxes:

The Company provides for income taxes under the asset and liability method. Under the asset and liability method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying value of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantive 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 future 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.

(j) Deferred finance costs:

Deferred finance costs represent the unamortized cost of financing arrangements. Amortization is provided on a straight-line basis over the term of the related debt.

(k) Deferred start-up costs:

Costs associated with the start-up of the Mexican operation were deferred until the commencement of operations in August 2001 and are being amortized on a straight-line basis over five years. The net book value of deferred start-up costs will be written down if it were determined that there has been a permanent impairment in value.

(l) Deferred pre-production costs:

Costs associated with the set-up of an additional production line in Mexico were deferred and are being amortized on a straight-line basis over five years. The net book value of deferred pre-production costs will be written down if it were determined that there has been a permanent impairment in value.

(m) Stock based compensation:

The Company has a stock based compensation plan, which is described in Note 12(d). The Company accounts for all stock based payments using the fair value based method, in accordance with CICA Handbook Section 3870—Stock based compensation and other stock based payments.

Under the fair value based method, compensation cost for physically settled stock options and direct awards of stock is measured at fair value at the grant date. Compensation cost is recognized in earnings on a straight-line basis over the relevant vesting period. The counterpart is recognized in contributed surplus. Upon exercise of a stock option, share capital is recorded at the sum of the proceeds received and the related amount of contributed surplus.

(n) Earnings per share:

Basic earnings per share are computed by dividing net earnings by the weighted average shares outstanding during the reporting period. The Company uses the treasury stock method for calculating diluted earnings per share. 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 warrants or stock options, if dilutive. The number of additional shares is calculated by assuming that outstanding warrants and 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.

(o) Use of estimates:

The preparation of the Consolidated Financial Statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the dates of the Consolidated Financial Statements and the reported amounts of revenues and expenses during the reporting periods. Significant items subject to such estimates

and assumptions include: the carrying amount of property, plant, and equipment; valuation allowances for receivables, inventories, and future income taxes; long-term investments; investment in properties; valuation of derivative financial instruments; obligations related to accrued pension benefit obligation; and stock options and warrants. Actual results could differ from those estimates.

(p) Impairment of long-lived assets:

Long-lived assets, including property, plant, and equipment, and certain other long-lived assets, are amortized over their useful lives. The Company periodically reviews the useful lives and the carrying values of its long-lived assets for continued appropriateness. The Company reviews for impairment of long-lived assets (or asset groups) held and used whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. If the sum of the undiscounted expected future cash flows expected to result from the use and eventual disposition of an asset is less than its carrying amount, it is considered to be impaired. An impairment loss is measured at the amount by which the carrying amount of the asset exceeds its fair value. When quoted market prices are not available, the Company uses the expected future cash flows discounted at a rate corresponding with the risks associated with the recovery of the asset as an estimate of fair value.

2. INVENTORIES:

	2005	2004
Raw materials and work-in-process	\$ 7,386	\$ 5,747
Finished goods	5,272	2,901
	\$ 12,658	\$ 8,648

3. PROPERTY, PLANT, AND EQUIPMENT:

	2005			2004
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 951	\$ –	\$ 951	\$ 1,000
Buildings	4,689	1,961	2,728	4,247
Leaseholds	458	376	82	60
Machinery and equipment	17,911	13,141	4,770	4,912
Machinery and equipment under capital lease	538	350	188	242
Office equipment	4,426	3,911	515	604
Construction in progress	285	–	285	240
	\$ 29,258	\$ 19,739	\$ 9,519	\$ 11,305

Amortization expense for the year is \$1,610,000 (2004—\$1,738,000).

4. LONG-TERM INVESTMENTS:**(a) Equity investment:**

	2005	2004
Investment in Moloney Electric Inc. (45% of common shares owned)	\$ 1,126	\$ 1,126
Retained earnings (deficit) at beginning of year	(252)	96
Share in net income (loss) for the year	86	(348)
Net equity investment	\$ 960	\$ 874

The Company has guaranteed the debts owing by its equity investee Moloney Electric Inc. ("MEI"), to its bank to a maximum of \$1,000,000.

This guarantee was put in place as a result of the split and the reorganization agreement of the Company from Hammond Manufacturing Company Limited. The Company was required to provide a guarantee as a condition of the bank financing of Moloney Electric Inc ("MEI"). The Company has entered into this bank guarantee as it holds a 45% equity position in MEI. This general security guarantee enhances the credit worthiness of MEI with its principle lender. MEI has pledged its trade accounts receivable, inventory, and fixed assets as primary collateral of their loans. The Company has no recourse or specific collateral pledged as part of this guarantee.

(b) Rental property investment:

Investments in 1159714 Ontario Inc.:

The Consolidated Financial Statements include the Company's proportionate share of the revenue, expenses, assets, and liabilities of 1159714 Ontario Inc. (the "Rental Property").

	2005	2004
Long-term notes receivable (no terms for repayment and bears no interest)	\$ 555	\$ 555
Investment (50% common shares owned)	520	520
Deficit, opening	(245)	(204)
Share of loss	(68)	(41)
	\$ 762	\$ 830
Total long-term investments	\$ 1,722	\$ 1,704

5. INVESTMENT IN CO-TENANCY:**Investment in Glen Ewing Properties:**

The Consolidated Financial Statements include the Company's proportionate share (50%) of the revenue, expenses, assets, and liabilities of the co-tenancy called Glen Ewing Properties.

	2005	2004
Assets:		
Cash	\$ 4	\$ 8
Investment in properties	1,044	1,044
	\$ 1,048	\$ 1,052
Liabilities and deficiency:		
Accounts payable and accrued liabilities	\$ (23)	\$ (30)
Accumulated deficit	(481)	(409)
	\$ (504)	\$ (439)
Cash provided by (used in):		
Operations	\$ (79)	\$ (103)
Financing	75	90
Total decrease in cash	\$ (4)	\$ (13)

The investment in properties is stated at the lower of carrying amount and estimated net realizable value. The final realized value will be dependent on the state of the real estate market and the approval of the residential rezoning. The proposed plan is in compliance with the Official Plan of the Region of Halton.

6. NOTES RECEIVABLE:

The note receivable from Moloney Electric Inc. ("MEI"), is to be repaid in quarterly principal installments of \$25,000. There is also a provision for additional annual installments in the amount of 12.5% of the MEI audited net earnings in excess of \$500,000 but less than \$750,000, and 25% of net earnings in excess of \$750,000. In 2005 and 2004, MEI did not meet the above criteria for additional installments. The note receivable is subject to the restrictive covenants of the MEI banking agreement. No principal amounts were paid in 2005, due to restrictions imposed by the MEI bank in the year. Accordingly, the entire note receivable is classified as long-term until such time that repayments can resume. The note receivable is non-interest bearing to December 31, 2006, with interest thereafter at bank prime plus 0.5%, payable quarterly, with the first interest payment receivable on March 31, 2007.

7. DEFERRED START-UP COSTS:

Deferred start-up costs represent non-capital costs related to the start-up of the Company's Mexican subsidiary which commenced operations in August 2001.

	2005	2004
Start-up costs	\$ 1,338	\$ 1,338
Less accumulated amortization	1,191	927
	\$ 147	\$ 411

8. BANK OPERATING LINES OF CREDIT:

Bank operating lines of credit are secured by inventories, a general assignment of book debts and a charge on defined assets of the Company. Bank operating lines of credit interest are charged at bank prime rate plus 0.75%.

9. LONG-TERM DEBT:

	2005	2004
Term loans, secured by a first priority security interest in all existing and future personal property:		
Term loan of US\$ 219,300 (2004 – US\$ 314,100) with an interest rate at U.S. base rate plus 1.00%, maturing in 2009	\$ 255	\$ 378
Term loan CA\$ 2,473,500 (2004 – CA\$ 2,764,500); with interest at bank prime rate plus 1.00%, maturing in 2014	2,474	2,764
Term loan CA\$ 976,500 (2004 – CA\$ 1,255,500); with interest at bank prime rate plus 1.00%, maturing in 2009	976	1,256
Mortgage loan of US\$ nil (2004 – US\$ 45,000); through a U.S. government agency with an effective interest rate over the 15 year term of 8%, secured by certain land, building, and equipment, maturing in 2005	–	54
Subordinated debt of CA\$ 1,500,000 secured by a second subordinated fixed and floating charge over all of the undertaking property, and assets of the Company, and a personal guarantee from William G. Hammond for CA\$ 500,000, with an interest rate at 18%, payable monthly. This debt was repaid in April 2005	–	1,500
	3,705	5,952
Less current portion of long-term debt	651	708
	\$ 3,054	\$ 5,244

Hammond Power Solutions Inc., (the “Canadian” Company) and Hammond Power Solutions, Inc., (the “U.S.” Company) have cross-debt guarantees between the two companies. Each Company guarantees the maximum credit facility available to each entity.

The aggregate maturities of long-term debt for each of the five years subsequent to December 31, 2005 and thereafter are as follows:

2006	\$ 651
2007	651
2008	651
2009	442
2010	291
Thereafter	1,019
	\$ 3,705

Interest expense is comprised as follows:

	2005	2004
Long-term debt	\$ 347	\$ 471
Other	789	786
	\$ 1,136	\$ 1,257

10. LEASE OBLIGATIONS:

The Company has entered into various non-cancelable operating leases. The future minimum lease payments for each of the five years subsequent to December 31, 2005 are as follows:

2006	\$	853
2007		637
2008		310
2009		159
2010		147
	\$	2,106

11. INCOME TAXES:

The Company's provision for income tax is comprised of the following:

	2005	2004
Income taxes based on a combined Canadian federal and provincial income tax rate of 43.12% (2004 – 43.12%)	\$ 2,765	\$ 1,243
Increase (decrease) in income taxes resulting from:		
Reduced rate for active business and manufacturing and processing	(219)	(178)
Lower income tax rate on income of foreign subsidiaries	(268)	(131)
Foreign exchange translation loss	167	138
Permanent tax differences	103	20
Tax effected equity (gain) loss	(4)	168
Tax effect of government audit	42	–
Others	(28)	175
Income tax expense	\$ 2,558	\$ 1,435

The tax effect of temporary differences that give rise to significant portions of the future tax assets and future tax liabilities at December 31, are presented below:

Current future tax asset:		
Inventory provisions	\$ 163	\$ 86
Accounts receivable, allowance for doubtful accounts	168	181
Research and development expenses and credits deferred for tax purposes	–	(21)
Accounts payable and accrued liabilities not deductible currently	134	212
	\$ 465	\$ 458
Long-term future tax asset:		
Property, plant, and equipment – differences in net book value and undepreciated capital cost	\$ 134	\$ (68)
Loss carryforwards	–	1,146
Inventory provisions	–	(67)
Other	–	(8)
	\$ 134	\$ 1,003

	2005	2004
Current future tax liability:		
Inventory provisions	\$ (13)	\$ 12
Accounts payable and accrued liabilities not currently deductible	(17)	(11)
Accounts receivable, allowance for doubtful accounts	(9)	–
Research development expenses and credits deferred for tax purposes	22	–
Unrealized foreign exchange gains on forward exchange contracts	20	–
	\$ 3	\$ 1
Long-term future tax liability:		
Loss carryforwards	\$ (133)	\$ (17)
Property, plant, and equipment—differences in net book value and undepreciated capital cost	1,072	977
Equity investment—difference in net book value and tax basis	(38)	–
Other	(66)	(20)
	\$ 835	\$ 940

The Company has unused Federal tax losses in the United States of \$nil (2004 – \$2,549,000).

12. SHARE CAPITAL:

(a) Authorized:

Unlimited number of special shares, discretionary dividends, non voting, redeemable, and retractable.

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.

(b) Issued:

	2005	2004
8,657,000 Class A shares (2004 – 8,507,000)	\$ 10,606	\$ 10,469
2,778,300 Class B common shares (2004 – 2,778,300)	7	7
11,435,300 Total Class A and B shares	\$ 10,613	\$ 10,476
Warrants	–	24
Total share capital	\$ 10,613	\$ 10,500

(c) Warrants:

In May 2004, as part of the subordinated debt agreement, the Company issued 150,000 warrants which have been recorded at a fair value of \$24,000. Each warrant entitles the holder to purchase one class A subordinate voting share at \$0.75 per share. In April 2005 all warrants were exercised in exchange for cash proceeds of \$112,500.

(d) Stock Option Plan:

The Company uses a Stock Option Plan to attract and retain key employees, officers, and directors. The shareholders have approved a maximum of 800,000 Class A shares for issuance under the Stock Option Plan, with the maximum reserved for issuance to any one person at 5% of the Class A shares outstanding calculated immediately prior to the time of the grant. As per the Stock Option Plan, the Board of Directors may, at its sole discretion determine the time during which the Options shall vest and the method of vesting, or that no vesting restriction shall exist. The stock option exercise price is the price of the Company's common shares on the Toronto Stock Exchange at closing for the day prior to the grant date on which the Class A shares traded. The period during which an option will be outstanding shall be seven years or such other time fixed by the Board of Directors, subject to earlier termination upon the optionee ceasing to be a director, officer, or employee of the Company. Options issued under the plan are non-transferable unless specifically provided in the Stock Option Plan. Any option granted which is cancelled or terminated for any reason prior to exercise, shall become available for future stock option grants.

During the year the Company granted 230,000 options which vested immediately; the maximum period for which these options can be outstanding is seven years. The weighted average fair value of the options granted in the year was \$0.85, resulting in compensation expense of \$195,500 being recognized in the year. The fair value of the options was calculated based on the following assumptions:

Expected volatility	53%
Risk-free interest rate	3.3%
Expected life in years	4
Expected dividend yield	0%

None of the options were exercised and 10,000 options were forfeited during the year, leaving 220,000 options outstanding and exercisable at December 31, 2005, with a weighted average exercise price of \$1.93 and a weighted average remaining contractual life of 6.6 years.

13. EARNINGS PER SHARE:

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

	2005	2004
Net earnings	\$ 3,857	\$ 1,449
Average number of common shares outstanding (Class A and Class B):		
Basic	11,397,500	11,285,000
Effect of warrants	–	71,000
Effect of options	47,281	–
Diluted	11,444,781	11,356,000
Earnings per share:		
Basic	\$ 0.34	\$ 0.13
Diluted	0.34	0.13

14. PENSION PLANS:**(a) Defined contribution plan:**

The Company has defined contribution pension plans that are available to virtually all of its employees with eligible employee contributions based on 2-4% of annual earnings. The Company's contribution of \$485,000 (2004—\$492,000) matches the employee contribution.

(b) Defined benefit plan:

The Company maintains a contributory, defined pension plan covering all of its hourly employees in Baraboo, Wisconsin. The Company measures its accrued pension benefit obligations and the fair value of plan assets for accounting purposes as at October 1 of each year. The most recent actuarial valuation of the pension plan for funding purposes was as of August 1, 2005 and the next required valuation is August 1, 2006.

Information about the Company's defined benefit plan is as follows:

	2005	2004
Accrued benefit obligation:		
Balance, beginning of year	\$ (992)	\$ (1,051)
Current service cost	(2)	(2)
Interest cost	(53)	(55)
Benefits paid	31	60
Actuarial loss	(56)	(17)
Foreign exchange	34	73
Balance, end of year	\$ (1,038)	\$ (992)
Plan assets:		
Fair value, beginning of year	\$ 719	\$ 754
Actual return on plan assets	46	44
Employer contributions	90	34
Benefits paid	(31)	(60)
Foreign exchange	(27)	(53)
Fair value, end of year	\$ 797	\$ 719
Unfunded status deficit	\$ (241)	\$ (273)
Unamortized net actuarial loss	151	105
Unrecognized prior service cost	6	7
Accrued pension benefit obligation	\$ (84)	\$ (161)

Included in the above accrued benefit obligation and fair value of plan assets at year end are the following amounts in respect of the benefit plan that are not fully funded as at December 31:

	2005	2004
Accrued benefit obligation	\$ (1,038)	\$ (992)
Fair value of plan assets	797	719
Balance, end of year	\$ (241)	\$ (273)

The significant actuarial assumptions adopted in measuring the Company's accrued benefit obligations are as follows (weighted-average assumptions as of December 31):

	2005	2004
Weighted-Average assumptions used to determine benefit obligations for years beginning:		
Discount rate	5.25%	5.50%
Weighted-Average assumptions used to determine net periodic benefit cost for years ending:		
Discount rate	5.50%	5.50%
Expected long-term rate of return on plan assets	7.00%	7.00%

The Company's plan consists of the following assets as at December 31:

	2005	2004
Equity Securities	31%	29%
Debt Securities	64%	66%
Real estate	5%	5%
	100%	100%

The Company's net pension plan expense is as follows:

	2005	2004
Current service costs	\$ 2	\$ 2
Interest cost	54	55
Expected return on plan assets	(50)	(51)
Amortization of prior service costs	2	2
Foreign exchange and other	6	(12)
Net pension plan expense	\$ 14	\$ (4)

15. SUPPLEMENTAL CASH FLOW INFORMATION:

	2005	2004
Cash paid for interest	\$ 566	\$ 873
Cash paid for income taxes	\$ 837	\$ 321

16. CHANGE IN NONCASH OPERATING WORKING CAPITAL:

	2005	2004
Accounts receivable	\$ (3,581)	\$ (1,912)
Income taxes recoverable	(74)	715
Inventories	(4,010)	394
Prepaid expenses	(28)	(73)
Accounts payable and accrued liabilities	4,846	989
Income taxes payable	458	553
	\$ (2,389)	\$ 666

17. SEGMENT DISCLOSURES:

The Company operates in a single operating segment, being a manufacturer of transformers.

The Company and its subsidiaries operate in Canada, the United States, and Mexico. Inter-segment sales are made at fair market values.

Geographic segments	2005	2004
Sales:		
Canada:		
Sales to customers	\$ 32,806	\$ 29,005
Inter-segment sales	30,668	27,491
United States and Mexico:		
Sales to customers	66,090	52,344
Inter-segment sales	13,933	15,814
Eliminations	(44,601)	(43,305)
	\$ 98,896	\$ 81,349
Earnings from operations:		
Canada	\$ 2,995	\$ 3,017
United States and Mexico	4,236	1,610
	\$ 7,231	\$ 4,627
Property, plant, and equipment—net:		
Canada	\$ 6,859	\$ 6,911
United States and Mexico	2,660	4,394
	\$ 9,519	\$ 11,305

18. FINANCIAL INSTRUMENTS:

The carrying values of accounts receivable, bank operating line of credit, accounts payable, and accrued liabilities approximate their fair value due to the relatively short period to maturity of the instruments.

The carrying value of the Company's long-term debt is comparable to its fair market value. Fair value has been calculated using the estimated future cash flows of the actual outstanding debt instruments, discounted at current market rates available to the Company for the same or similar instruments.

The carrying value of the Company's long-term note receivable from its equity investee, Moloney Electric Inc. (Note 6), calculated using the estimated future cash flows, discounted at current market rates available to the Company for the same or similar instruments, is \$1,500,000 (2004 – \$1,500,000). The Company intends to hold this note to maturity.

The Company's accounts receivable are not subject to significant concentrations of credit risk. Accounts receivable include US\$ 7,489,000 (2004 – US\$ 6,193,000) and Mexican Pesos 3,599,000 (2004 – 5,722,000). Accounts payable include US\$ 6,903,000 (2004 – US\$ 3,195,000) and Mexican Pesos 4,460,000 (2004 – 2,488,000).

Changes in market interest rates directly affect cash flows associated with the Company's variable rate term loans and capital leases.

Long-term debt includes loans denominated in U.S. funds totaling US\$ 219,300 (2004 – US\$ 359,100), which may affect the amount of principal and interest payments ultimately recorded.

The Company has entered into forward foreign exchange contracts in order to reduce the Company's exposure to changes in the exchange rate of the U.S. dollar as compared to the Canadian dollar. At December 31, 2005, the Company had outstanding forward foreign exchange contracts in the amount of US\$ 2,500,000 (2004 – US\$ 3,100,000) at rates ranging from 1.1665 to 1.2225 (2004 – 1.1950 to 1.3943), with dates ranging from January 2006 to August 2006, with a fair value of CA\$ 59,000 (2004 – CA\$ 154,000) which has been recorded in the Consolidated Financial Statements as an unrealized gain on forward foreign exchange contracts.

19. SELLING, GENERAL, AND ADMINISTRATIVE:

Selling, general, and administrative expense includes foreign exchange loss of \$487,000 (2004 – gain of \$42,000).

20. CONTINGENT LIABILITIES:

(a) Moloney Properties (1159714 Ontario Inc.):

The Company and Hammond Manufacturing Company Limited each own 50% of the shares of 1159714 Ontario Inc., which in turn owns the property at 213 Sterling Road, Toronto, occupied by Moloney Electric Inc. ("MEI"). The property has mineral oil contamination as well as some PCB contamination although the source of such contamination (except for a spill in 1993 by MEI) has not been determined. The contamination does not result from the normal operations of the Company. It appears to predate the Company's ownership. The source or sources may include adjoining properties. As indirect owner and occupier, the Company and Hammond Manufacturing Company Limited may, without admitting any liability, have some responsibility to participate in the remediation of the property and adjacent properties. In this regard, the Company received a complaint in 1994 from Toronto Hydro, as an adjoining owner, to the effect that mineral oil and possibly PCB contaminants may have migrated to its property, which is an inactive substation. The Company has worked in conjunction with the Ministry of the Environment and with Toronto Hydro to remediate the properties. MEI and 1159714 Ontario Inc., completed additional field-sampling in 2005 pursuant to a joint order to further delineate the nature and extent of potential contamination. The results are consistent with previous investigations. Meetings with Toronto Hydro are contemplated to discuss further remediation activities. No determination as to the specifics of remediation has been made but the recovery period is expected to take several years.

Ongoing costs for legal, consulting, and remediation of the Sterling Road site incurred during the year, including an accrual covering the estimated costs to complete the field-sampling program described above, totaled \$133,000, of which the HPS share of these costs was \$66,500 (2004 – \$111,000). These costs are funded within Moloney Properties through the rental income received from Moloney Electric Inc.

(b) Glen Ewing Properties:

The property at 2 Glen Road, Georgetown, Ontario is owned equally as a co-tenant with Hammond Manufacturing Company Limited, and any expenses or liabilities in respect of the property have been agreed to be shared equally. In January 2002, the two owners were served with a statement of claim by an adjoining industrial property owner, in which the plaintiff has claimed damages in the amount of \$8,000,000 for negligence, breach of warranty, and other matters relating to alleged environmental contamination of the property. The Company intends to vigorously defend the action if it proceeds. In 2004, the Company and Hammond Manufacturing Company Limited served a counter-claim against the plaintiff in the amount of \$8,000,000. Both claims, by agreement between the parties, are in abeyance. At this time, no determination of potential liability or costs has been made. The contamination does not result from the normal operations of the Company. The parties, under the direction of the Ministry of the Environment, are in the process of undertaking a coordinated and shared investigation of the condition of the property and remediation options.

Ongoing legal and consulting costs pertaining to the Glen Road site incurred during the year, described above, totaled \$144,000, of which the HPS share of these costs was \$72,000 (2004 – \$97,000).

21. RECLASSIFICATION

Certain comparative figures have been reclassified to conform with current financial statement presentation.

SELECTED ANNUAL AND QUARTERLY INFORMATION

(in thousands of dollars except earnings per share)

ANNUAL INFORMATION

	2001	2002	2003	2004	2005
Sales	86,566	75,170	73,408	81,349	98,896
Earnings from operations	579	1,298	209	4,627	7,231
EBITDA	2,032	3,797	2,152	6,361	9,789
Net earnings (loss)	(834)	(168)	(875)	1,449	3,857
Total assets	49,639	45,978	41,821	40,760	45,260
Total liabilities	31,216	27,723	24,441	21,907	22,242
Total debt	19,534	17,268	14,395	10,387	5,463
Cash provided by operations	1,427	3,768	3,514	5,042	4,280
Basic earnings (loss) per share	(0.07)	(0.01)	(0.08)	0.13	0.34
Diluted earnings (loss) per share	(0.07)	(0.01)	(0.08)	0.13	0.34

QUARTERLY INFORMATION

	2004				2005			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sales	20,033	19,904	20,918	20,494	22,063	24,673	24,678	27,482
Earnings from operations	755	934	1,546	1,392	1,472	1,552	1,719	2,488
EBITDA	1,316	1,482	2,037	1,526	1,982	2,583	2,359	2,865
Net earnings	169	307	582	391	532	934	957	1,434
Total assets	42,146	41,647	41,341	40,760	42,192	43,978	42,458	45,260
Total liabilities	24,597	23,791	22,903	21,907	22,807	23,546	21,069	22,242
Total debt	14,712	14,407	12,119	10,387	11,509	10,246	7,985	5,463
Cash provided (used) by operations	(152)	560	2,616	2,018	(782)	(300)	2,454	2,908
Basic earnings (loss) per share	0.01	0.03	0.05	0.04	0.05	0.08	0.08	0.13
Diluted earnings (loss) per share	0.01	0.03	0.05	0.04	0.05	0.08	0.08	0.13

CORPORATE INFORMATION

CORPORATE OFFICERS AND DIRECTORS



William G. Hammond*
CHAIRMAN & CEO



F. Al Raftis*
PRESIDENT & DIRECTOR



Chris R. Huether
CORPORATE SECRETARY
& CFO



Donald H. MacAdam†**
DIRECTOR



Zoltan D. Simo†**
DIRECTOR



Douglas V. Baldwin†**
DIRECTOR

*Corporate Governance Committee
†Audit and Compensation Committee

CORPORATE HEAD OFFICE

595 Southgate Drive
Guelph, Ontario, Canada N1G 3W6

STOCK EXCHANGE LISTING

Toronto Stock Exchange (TSX)
Trading Symbol: HPS.SV.A

Effective May 17, 2006: Trading Symbol is HPS.A

REGISTRAR AND TRANSFER AGENT

Computershare Investor Services Inc.
100 University Avenue
Toronto, Ontario, Canada M5J 2Y1

AUDITORS

KPMG, LLP
20 Erb Street West, 3rd Floor
Waterloo, Ontario, Canada N2L 1T2

INVESTOR RELATIONS

Contact: William G. Hammond, Chairman & CEO
Chris R. Huether, Corporate Secretary & CFO

Telephone: 519-822-2441

Email: ir@hammondpowersolutions.com

ANNUAL MEETING

Shareholders are cordially invited to attend the Annual General Meeting held at:

The Hilton Toronto
145 Richmond Street West, 2nd Floor, Governor General Suite
Toronto, Ontario, Canada M5H 2L2
Thursday, May 18, 2006, at 4:30 p.m.

The Hammond Museum of Radio

The Hammond Museum of Radio is one of North America's premiere wireless museums. It is home to thousands of receivers and transmitters dating back to the turn of the century.

The museum is open normal business hours Monday to Friday, and evenings and weekends by special appointment. Tours can be arranged by calling: 519-822-2441, Extension 590



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