



St. Catharines Hydro Inc.

Consolidated Financial Highlights

As at December 31, 2005

(In thousands of dollars)

A MESSAGE FROM THE CHAIR OF ST. CATHARINES HYDRO INC.

On behalf of the Board of Directors, I am pleased to present a summary of the 2005 financial statements for St. Catharines Hydro Inc. St. Catharines Hydro Inc. is wholly owned by the City of St. Catharines and is the Holding Company for our 21.1% interest in Horizon Utilities and for 100% of St. Catharines Hydro Generation Inc. Horizon Utilities is jointly owned with the City of Hamilton and distributes electricity in the cities of Hamilton and St. Catharines. St. Catharines Hydro Generation Inc. operates the Heywood Generating Station at Port Dalhousie and a Digester Gas Generating facility at the Port Weller waste water treatment plant.

The merger of Hamilton and St. Catharines distribution utilities was successfully completed in 2005 resulting in yearly savings in excess of \$5 million. This was accomplished with no lay offs of personnel and with continued high customer service levels. Better than expected overall results for 2005 can be directly attributed to the excellent results from Horizon Utilities as well as higher than expected revenues from the Generation Company.

Robert Marshall, Chair
St. Catharines Hydro Inc.

BALANCE SHEET

	2005	2004
	\$	\$
Assets		
Cash	6,772	5,022
Other current assets	1,029	2,477
Investments	33,157	
Capital Assets	13,894	13,979
Future Income Tax Assets		195
Other Asset	2,859	
Assets Held For Merger		88,604
	57,711	110,277
Liabilities		
Current Liabilities	350	769
Employee Future Benefits	6	141
Long-Term Note Payable	7,754	36,877
Future Income Tax Liabilities	52	
Liabilities Related to Assets Held For Merger		16,978
	8,162	54,765
Shareholder's Equity		
Share capital	40,264	40,264
Retained earnings	9,285	15,248
	49,549	55,512
	57,711	110,277

STATEMENT OF RETAINED EARNINGS

	2005	2004
	\$	\$
Retained Earnings, Beginning of Year	20,870	18,407
Change in Accounting Policy	(5,622)	(6,067)
Retained Earnings, Beginning of Year as Restated	15,248	12,340
Net Income for the Year	3,270	2,908
Dividends	(9,233)	
Retained Earnings, End of Year	9,285	15,248

STATEMENT OF OPERATIONS

	2005	2004
	\$	\$
Revenue		
Generation	2,833	2,153
Interest income	159	108
Equity investment income	2,308	
Other revenues	875	770
	6,175	3,031
Expenses		
Operations, maintenance and administration	1,992	2,281
Interest expense on promissory notes	554	554
Other financial expense	0	0
Depreciation	480	462
	3,026	3,297
Net Income (Loss) before Payments in Lieu of Corporate Income Taxes and Discontinued Operations	3,149	(266)
Payments in Lieu of Corporate Income Taxes		
Current	183	(273)
Future	223	119
	406	(154)
Net Income (Loss) before Discontinued Operations	2,743	(112)
Discontinued Operations		
Discontinued operations related to merger	527	3,200
Discontinued operations related to Power Project		(180)
	527	3,020
Net Income for the Year	3,270	2,908

STATEMENT OF CASH FLOWS

	2005	2004
	\$	\$
Operating Activities		
Net income (loss) before discontinued operations	2,743	(112)
Equity investment income	(2,308)	
Depreciation and amortization	480	784
Changes in non-cash working capital components	1,003	(91)
Payments in lieu of corporate income taxes - future	223	119
Increase in employee future benefits	3	18
	2,144	718
Investing Activities		
Investment in Horizon Utilities Corporation	(20)	
Additions to capital assets	(416)	(1,220)
Increase in other assets		(33)
Decrease in net assets held for merger	2,432	
Dividends received	8,937	
Decrease in long-term note receivable	29,123	
	40,056	(1,253)
Financing Activities		
Repayment of long-term note payable	(29,123)	
Dividends paid	(9,233)	
	(38,356)	
Increase (Decrease) in Cash Position	3,844	(535)
Funds Used by Discontinued Operations	(2,094)	(4,994)
Cash and Cash Equivalents, Beginning of Year	5,022	10,551
Cash and Cash Equivalents, End of Year	6,772	5,022