



St. Catharines Hydro Inc.

Consolidated Financial Highlights

As at December 31, 2008

(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 the 2008 Financial Statements for St. Catharines Hydro Inc. This Corporation is wholly owned by the City of St. Catharines, and is the holding company for our 21.1% ownership of Horizon Utilities Inc., as well as 100% ownership of St. Catharines Hydro Generation Inc.

St. Catharines Hydro Generation Inc. owns and operates the Heywood Generating Station in Port Dalhousie, a digester gas facility at the Port Weller waste treatment plant, and operates a partnership with Integrated Gas Recovery Systems (IGRS), to produce electricity from methane gas produced at landfill sites.

The company is currently undertaking a study to determine the feasibility of building a new generation station on the Twelve Mile Creek, which, if approved, will become the Shickluna Generating Station.

Horizon Utilities Inc., is jointly owned with Hamilton Hydro Inc., and distributes electricity to the cities of Hamilton and St. Catharines. The merger with Hamilton Hydro which produced Horizon Utilities Inc. continues to exceed pre-merger financial expectations, with above average customer satisfaction ratings confirmed by an independent study. Horizon has recently announced a rate decrease to the customer base it serves.

The company continues to provide the City of St. Catharines with a healthy dividend stream which we anticipate will grow in coming years.

Robert Marshall, Chair
St. Catharines Hydro Inc.

BALANCE SHEET		
	2008	2007
	\$	\$
Assets		
Cash	8,601	8,241
Other current assets	442	3,375
Investments	37,942	35,864
Capital Assets	13,901	13,793
Future Income Tax Assets	99	141
	60,985	61,414
Liabilities		
Current Liabilities	1,053	912
Long-Term Note Payable	7,754	7,754
Future Income Tax Liabilities	125	182
	8,932	8,848
Shareholder's Equity		
Share capital	40,264	40,264
Retained earnings	11,789	12,302
	52,053	52,566
	60,985	61,414

STATEMENT OF RETAINED EARNINGS		
	2008	2007
	\$	\$
Retained Earnings, Beginning of Year	12,302	11,196
Net Income for the Year	3,354	3,294
Dividends	(3,867)	(2,188)
Retained Earnings, End of Year	11,789	12,302

STATEMENT OF OPERATIONS		
	2008	2007
	\$	\$
Revenue		
Generation	2,725	1,890
Equity investment income	3,187	3,111
Interest and other income	280	363
	6,192	5,364
Expenses		
Operations, maintenance and administration	1,551	1,511
Interest expense on promissory notes	555	554
Depreciation	648	255
	2,754	2,320
Net Income from Operations before Impairment from Long-Lived Assets	3,438	3,045
Impairment from Long-Lived Assets	95	0
Net Income before Payments in Lieu of Corporate Income Taxes	3,343	3,045
Payments in Lieu of Corporate Income Taxes		
Current	3	5
Future	(14)	53
	(11)	58
Net Income before Discontinued Operations	3,354	2,987
Discontinued Operations		
Discontinued operations related to digester gas demonstration project	0	0
Discontinued operations related to water heaters and sentinel lighting	0	307
	0	307
Net Income for the Year	3,354	3,294

STATEMENT OF CASH FLOWS		
	2008	2007
	\$	\$
Operating Activities		
Net income before discontinued operations	3,354	2,987
Equity investment income	(3,187)	(3,111)
Depreciation	648	255
Impairment of long-lived assets	95	0
Changes in non-cash working capital components	3,073	612
Future payments in lieu of corporate income taxes	(14)	52
	3,969	796
Investing Activities		
Additions to property, plant and equipment	(852)	(603)
Investment in Horizon Holdings Inc.	(757)	0
Dividends received	1,867	2,205
	258	1,602
Financing Activities		
Dividends paid	(3,867)	(2,188)
	(3,867)	(2,188)
Funds Provided by Continuing Operations	360	210
Funds Provided by Discontinued Operations	0	893
Cash, Beginning of Year	8,241	7,139
Cash, End of Year	8,601	8,242

Note: Certain comparative figures have been reclassified to conform with the current years' presentation.