



St. Catharines Hydro Inc.

Consolidated Financial Highlights

As at December 31, 2009

(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 2009 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 preparing to build a new generation station on the Twelve Mile Creek, which, when completed, will become the Shickluna Generating Station with a 4 megawatt capability.

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 some of the lowest distribution charges in Ontario and has provided customers with three rate decreases in the last four years.

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

	2009	2008
Assets	\$	\$
Cash	7,579	8,601
Other current assets	506	442
Investments	38,477	37,942
Capital Assets	14,011	13,901
Future Income Tax Assets	119	99
	60,692	60,985
Liabilities		
Current Liabilities	682	1,053
Long-Term Note Payable	7,754	7,754
Future Income Tax Liabilities	0	125
	8,436	8,932
Shareholder's Equity		
Share capital	40,264	40,264
Retained earnings	11,992	11,789
	52,256	52,053
	60,692	60,985

STATEMENT OF RETAINED EARNINGS

	2009	2008
	\$	\$
Change in Accounting Policy	(404)	
Retained Earnings, Beginning of Year	11,789	12,302
Net Income for the Year	2,606	3,354
Dividends	(1,999)	(3,867)
Retained Earnings, End of Year	11,992	11,789

STATEMENT OF OPERATIONS

	2009	2008
Revenue	\$	\$
Generation	1,708	2,725
Equity investment income	2,853	3,187
Interest and other income	153	280
	4,714	6,192
Expenses		
Operations, maintenance and administration	1,292	1,551
Interest expense on promissory notes	554	555
Depreciation	407	648
	2,253	2,754
Net Income from Operations before Impairment from Long-Lived Assets	2,461	3,438
Impairment from Long-Lived Assets	0	95
Net Income before Payments in Lieu of Corporate Income Taxes		3,343
Payments in Lieu of Corporate Income Taxes		
Current	(1)	3
Future	(145)	(14)
	(146)	(11)
Net Income before Discontinued Operations	2,607	3,354
Discontinued Operations		
Discontinued operations related to digester gas demonstration project	0	0
Discontinued operations related to water heaters and sentinel lighting	0	0
	0	0
Net Income for the Year	2,607	3,354

STATEMENT OF CASH FLOWS

	2009	2008
Operating Activities	\$	\$
Net income before discontinued operations	2,607	3,354
Equity investment income	(2,853)	(3,187)
Depreciation	407	648
Impairment of long-lived assets		95
Changes in non-cash working capital components	(339)	3,073
Future payments in lieu of corporate income taxes	(145)	(14)
	(323)	3,969
Investing Activities		
Additions to property, plant and equipment	(612)	(852)
Investment in Horizon Holdings Inc.		(757)
Dividends received	1,912	1,867
	1,300	258
Financing Activities		
Dividends paid	(1,999)	(3,867)
	(1,999)	(3,867)
Funds Provided by Continuing Operations	(1,022)	360
Funds Provided by Discontinued Operations	0	0
Cash, Beginning of Year	8,601	8,241
Cash, End of Year	7,579	8,601

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