



St. Catharines Hydro Inc.

Consolidated Financial Highlights

As at December 31, 2010

(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 2010 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 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 Utilities continues to have low costs and customer rates in comparison to other Ontario electricity distributors.

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.

STATEMENT OF OPERATIONS		
	2010	2009
Revenue		\$
Generation	3,327	1,708
Equity investment income	2,681	2,853
Interest and other income	252	153
	<u>6,260</u>	<u>4,714</u>
Expenses		
Operations, maintenance and administration	1,263	1,292
Interest expense on promissory notes	554	554
Depreciation	415	407
	<u>2,232</u>	<u>2,253</u>
Net Income from Operations before Impairment from Long-Lived Assets	<u>4,028</u>	<u>2,461</u>
Impairment from Long-Lived Assets	<u>100</u>	<u>0</u>
Payments in Lieu of Corporate Income Taxes		
Current	0	(1)
Future	269	(145)
	<u>269</u>	<u>(146)</u>
Net Income for the Year	<u><u>3,659</u></u>	<u><u>2,607</u></u>

STATEMENT OF CASH FLOWS		
	2010	2009
Operating Activities		\$
Net income for the Year	3,659	2,607
Equity investment income	(2,681)	(2,853)
Depreciation	415	407
Impairment of long-lived assets	100	0
Changes in non-cash working capital components	(341)	(342)
Increase in employee future benefits	3	3
Future payments in lieu of corporate income taxes	269	(145)
	<u>1,424</u>	<u>(323)</u>
Investing Activities		
Additions to property, plant and equipment	(360)	(612)
Investment in Horizon Holdings Inc.		
Dividends received	1,712	1,912
	<u>1,352</u>	<u>1,300</u>
Financing Activities		
Dividends paid	(1,712)	(1,999)
	<u>(1,712)</u>	<u>(1,999)</u>
Funds Provided by Continuing Operations	<u>1,064</u>	<u>(1,022)</u>
Cash, Beginning of Year	<u>7,579</u>	<u>8,601</u>
Cash, End of Year	<u><u>8,643</u></u>	<u><u>7,579</u></u>

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

BALANCE SHEET		
	2010	2009
Assets		\$
Cash	8,642	7,579
Other current assets	664	506
Investments	39,447	38,477
Capital Assets	13,845	14,011
Future Income Tax Assets	184	119
	<u>62,782</u>	<u>60,692</u>
Liabilities		
Current Liabilities	490	682
Long-Term Note Payable	7,754	7,754
Future Income Tax Liabilities	334	0
	<u>8,578</u>	<u>8,436</u>
Shareholder's Equity		
Share capital	40,265	40,264
Retained earnings	13,939	11,992
	<u>54,204</u>	<u>52,256</u>
	<u>62,782</u>	<u>60,692</u>

STATEMENT OF RETAINED EARNINGS		
	2010	2009
	\$	\$
Change in Accounting Policy	0	(404)
Retained Earnings, Beginning of Year	11,992	11,789
Net Income for the Year	3,658	2,606
Dividends	(1,712)	(1,999)
Retained Earnings, End of Year	<u>13,938</u>	<u>11,992</u>