



St. Catharines Hydro Inc.
Consolidated Financial Highlights
As at December 31, 2016
(In thousands of dollars)

A Message from the Chair of St. Catharines Hydro Inc.

On behalf of the Board of Directors, please find the 2016 Financial Statements for St. Catharines Hydro Inc. This Corporation is wholly owned by the City of St. Catharines. St Catharines Hydro Inc. is the 100% owner of St. Catharines Hydro Generation Inc. and for all of 2016 was also the owner of 21.1% of Horizon Holdings Inc., from which Horizon Utilities provided electricity distribution services in St. Catharines and Hamilton.

St. Catharines Hydro Generation Inc. owns and operates the Heywood Generating Station in Port Dalhousie.

With effect on January 31st, January 31st, 2017, Horizon Holdings Inc. merged with Powerstream Holdings Inc. and Enersource Holdings Inc. to create Alectra Inc., which subsequently purchased Hydro One Brampton on February 28th, 2017. St. Catharines Holdings Inc.'s 21.1% share of Horizon Holdings Inc. was converted to a 4.85% share of Alectra Inc. Alectra Inc., through its subsidiary Alectra Utilities Corporation, serves approximately one million homes and businesses in the Greater Golden Horseshoe Area and also provides the City of St. Catharines with a healthy dividend stream.

Three specific unusual transactions are recorded in the 2016 Statement of Operations in the Expenses section (\$'s in 000's):

1. Impairment of property, plant and equipment
- Subsequent to year-end, due to several financial and economic conditions, the Board of Directors made a decision to cease development of the Shickluna Hydro Generation Plant. As a result of this decision, a non-cash Impairment Loss of \$7,918 was taken which primarily consisted of the write off of the Work in Progress account balance.
2. Contract Cancellation Cost
- Due to the Shickluna decision, the estimated remaining cancellation costs (\$1,318) required to complete all existing committed contracts for the Project were also expensed.
3. Phishing incident
- In December, 2016, the Company was a victim of a cyber-attack via an email phishing scheme which resulted in a loss of funds of \$659. This amount has been included in the Operations, maintenance and administration and other expenses line in the Statement of Operations.

Note: St. Catharines Hydro Inc. adopted International Financial Reporting Standards on January 1, 2012, with a transition date of January 1, 2011.

Mark Steinman, Chair
St. Catharines Hydro Inc.

BALANCE SHEET

	2016	2015
	\$	\$
Assets		
Cash	8,551	7,643
Other current assets	477	952
Investments	55,769	51,211
Capital assets	13,011	21,370
Deferred Payments in lieu of corporate income taxes	655	
Other assets	0	134
	78,463	81,310
Liabilities		
Current Liabilities	1,540	230
Long-Term Note Payable	7,754	7,754
Future Income Tax Liabilities	0	1,575
	9,294	9,559
Shareholder's Equity		
Share capital	40,265	40,265
Retained earnings	30,190	32,862
Accumulated other comprehensive loss	-1,286	-1,376
	69,169	71,751
	78,463	81,310

STATEMENT OF RETAINED EARNINGS

	2016	2015
	\$	\$
Retained Earnings, Beginning of Year	32,862	29,164
Refundable Payments in Lieu of corporate income taxes	6	
Net Income for the Year	184	6,270
Dividends	-2,862	-2,572
Retained Earnings, End of Year	30,190	32,862

STATEMENT OF OPERATIONS

	2016	2015
	\$	\$
Revenue		
Generation	3,164	3,532
Equity investment income	6,869	5,379
Interest and other income	85	120
	10,118	9,031
Expenses		
Operations, maintenance and administration & other expenses	1,787	1,098
Contract Cancellation cost	1,318	
Interest expense on promissory notes	554	554
Depreciation	699	699
Impairment of property, plant & equipment	7,918	
	12,276	2,351
Net Income from Operations	-2,158	6,680
Payments in Lieu of Corporate Income Taxes	-2,342	410
Net Income for the Year	184	6,270
Equity investment, other comprehensive income (loss) adjustment	90	53
Total Net Comprehensive Income	274	6,323

STATEMENT OF CASH FLOWS

	2016	2015
	\$	\$
Operating Activities		
Net income for the Year	184	6,270
Equity investment income	-6,869	-5,379
Depreciation	699	
Changes in non-cash working capital components	1,784	-1,012
Impairment of property, plant & equipment	7,918	
Tax Refunds & write down of assets	56	
Future payments in lieu of corporate income taxes	-2,230	635
	1,542	1,213
Investing Activities		
Additions to property, plant and equipment	-173	-4,804
Dividends received	2,401	2,572
	2,228	-2,232
Financing Activities		
Dividends paid	-2,862	-2,572
	-2,862	-2,572
Funds Used by Continuing Operations	908	-3,591
Cash, Beginning of Year	7,643	11,234
Cash, End of Year	8,551	7,643

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