



St. Catharines Hydro Inc.

Consolidated Financial Highlights

As at December 31, 2007

(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 2007 financial statements for St. Catharines Hydro Inc. The Company 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. Horizon Utilities Inc. is jointly owned with the City of Hamilton and distributes electricity to the cities of St. Catharines and Hamilton, serving over 220,000 customers. St. Catharines Hydro Generation Inc. owns and operates the Heywood Generating station in Port Dalhousie, a Digester Gas Facility at the Port Weller waste water treatment plant, and has a partnership with Integrated Gas Recovery Services (IGRS), a subsidiary of Walker Industries, to generate electricity from methane gas produced at landfill sites.

The merger of the St. Catharines and Hamilton distribution utilities continues to exceed pre-merger financial expectations and customer satisfaction surveys conducted by an independent company place Horizon above the Provincial average.

The financial results for St. Catharines Hydro Generation Inc. continue to be affected by the long term maintenance performed upstream at the DeCew Generating station and the resultant decreased water flow. That work has now been completed and we anticipate significant financial improvement from our Heywood plant in 2008.

Robert Marshall, Chair
St. Catharines Hydro Inc.

BALANCE SHEET

	2007	2006
	\$	\$
Assets		
Cash	8,241	7,139
Other current assets	3,375	3,773
Investments	35,864	34,958
Capital Assets	13,793	13,884
Future Income Tax Assets	141	160
	61,414	59,914
Liabilities		
Current Liabilities	912	700
Long-Term Note Payable	7,754	7,754
Future Income Tax Liabilities	182	
	8,848	8,454
Shareholder's Equity		
Share capital	40,264	40,264
Retained earnings	12,302	11,196
	52,566	51,460
	61,414	59,914

STATEMENT OF RETAINED EARNINGS

	2007	2006
	\$	\$
Retained Earnings, Beginning of Year	11,196	9,285
Net Income for the Year	3,294	3,268
Dividends	(2,188)	(1,357)
Retained Earnings, End of Year	12,302	11,196

STATEMENT OF OPERATIONS

	2007	2006
	\$	\$
Revenue		
Generation	1,738	1,475
Equity investment income	3,111	3,158
Interest and other income	363	281
	5,212	4,914
Expenses		
Operations, maintenance and administration	1,406	1,187
Interest expense on promissory notes	554	554
Depreciation	303	300
	2,263	2,041
Net Income before Payments in Lieu of Corporate Income Taxes and Discontinued Operations	2,949	2,873
Payments in Lieu of Corporate Income Taxes		
Current	5	(66)
Future	65	(148)
	70	(214)
Net Income before Discontinued Operations	2,879	3,087
Discontinued Operations		
Discontinued operations related to digester gas demonstration project	108	(2)
Discontinued operations related to water heaters and sentinel lighting	307	183
	415	181
Net Income for the Year	3,294	3,268

STATEMENT OF CASH FLOWS

	2007	2006
	\$	\$
Operating Activities		
Net income before discontinued operations	2,879	3,087
Equity investment income	(3,111)	(3,158)
Depreciation	303	300
Changes in non-cash working capital components	612	(792)
Future payments in lieu of corporate income taxes	65	(148)
	748	(711)
Investing Activities		
Additions to property, plant and equipment	(603)	(249)
Decrease in other assets		1,056
Dividends received	2,205	1,357
	1,602	2,164
Financing Activities		
Dividends paid	(2,188)	(1,357)
	(2,188)	(1,357)
Funds Provided by Continuing Operations	162	96
Funds Provided by Discontinued Operations	940	271
Cash, Beginning of Year	7,139	6,772
Cash, End of Year	8,241	7,139