



**St. Catharines Hydro Inc.**  
**Consolidated Financial Highlights**  
**As at December 31, 2006**  
(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 2006 financial statements for St. Catharines Hydro Inc. St. Catharines Hydro Inc. is wholly owned by the City of St. Catharines and is the Holding Company for our 21.1% interest in Horizon Utilities and for 100% of St. Catharines Hydro Generation Inc. Horizon Utilities is jointly owned with the City of Hamilton and distributes electricity in the cities of Hamilton and St. Catharines. St. Catharines Hydro Generation Inc. operates the Heywood Generating Station at Port Dalhousie and a Digester Gas Generating facility at the Port Weller waste water treatment plant.

The merger of Hamilton and St. Catharines distribution utilities continues to deliver both financial results and electricity rates over and above initial expectations. Overall results for the Company were negatively affected by a combination of lower output from the Heywood Generating Station resulting from lower water flows from the OPG DeCew Generating Station and lower market pricing for electricity.

Robert Marshall, Chair  
St. Catharines Hydro Inc.

**BALANCE SHEET**

	2006	2005
<b>Assets</b>	\$	\$
Cash	7,139	6,772
Other current assets	3,773	1,029
Investments	34,958	33,157
Capital Assets	13,884	13,894
Future Income Tax Assets	160	
Other Asset		2,859
	<b>59,914</b>	<b>57,711</b>
<b>Liabilities</b>		
Current Liabilities	692	350
Employee Future Benefits	8	6
Long-Term Note Payable	7,754	7,754
Future Income Tax Liabilities		52
Liabilities Related to Assets Held For Merger		
	<b>8,454</b>	<b>8,162</b>
<b>Shareholder's Equity</b>		
Share capital	40,264	40,264
Retained earnings	11,196	9,285
	<b>51,460</b>	<b>49,549</b>
	<b>59,914</b>	<b>57,711</b>

**STATEMENT OF RETAINED EARNINGS**

	2006	2005
	\$	\$
Retained Earnings, Beginning of Year	9,285	15,248
Net Income for the Year	3,268	3,270
Dividends	(1,357)	(9,233)
	<b>11,196</b>	<b>9,285</b>

**STATEMENT OF OPERATIONS**

	2006	2005
<b>Revenue</b>	\$	\$
Generation	1,475	2,689
Interest income	279	159
Equity investment income	3,158	2,308
Other revenues	2	2
	<b>4,914</b>	<b>5,158</b>
<b>Expenses</b>		
Operations, maintenance and administration	1,185	1,348
Interest expense on promissory notes	554	554
Other financial expense	2	2
Depreciation	348	345
	<b>2,089</b>	<b>2,249</b>
<b>Net Income before Payments in Lieu of Corporate Income Taxes and Discontinued Operations</b>	<b>2,825</b>	<b>2,909</b>
<b>Payments in Lieu of Corporate Income Taxes</b>		
Current	(66)	108
Future	(148)	223
	<b>(214)</b>	<b>331</b>
<b>Net Income before Discontinued Operations</b>	<b>3,039</b>	<b>2,578</b>
<b>Discontinued Operations</b>		
Discontinued operations related to merger		527
Discontinued operations related to digester gas demonstration project	46	63
Discontinued operations related to water heaters and sentinel lighting	183	102
	<b>229</b>	<b>692</b>
<b>Net Income for the Year</b>	<b>3,268</b>	<b>3,270</b>

**STATEMENT OF CASH FLOWS**

	2006	2005
<b>Operating Activities</b>	\$	\$
Net income before discontinued operations	3,039	2,578
Equity investment income	(3,158)	(2,308)
Depreciation	348	345
Changes in non-cash working capital components	(794)	1,003
Future payments in lieu of corporate income taxes	(148)	223
Increase in employee future benefits	2	3
	<b>(711)</b>	<b>1,844</b>
<b>Investing Activities</b>		
Investment in Horizon Utilities Corporation		(20)
Additions to property, plant and equipment	(249)	(274)
Decrease in other assets	1,056	
Decrease in net assets held for merger		2,432
Dividends received	1,357	8,937
Decrease in long-term note receivable		29,123
	<b>2,164</b>	<b>40,198</b>
<b>Financing Activities</b>		
Repayment of long-term note payable		(29,123)
Dividends paid	(1,357)	(9,233)
	<b>(1,357)</b>	<b>(38,356)</b>
<b>Funds Provided by Continuing Operations</b>	<b>96</b>	<b>3,686</b>
<b>Funds Provided (Used) by Discontinued Operations</b>	<b>271</b>	<b>(1,936)</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b>6,772</b>	<b>5,022</b>
<b>Cash and Cash Equivalents, End of Year</b>	<b>7,139</b>	<b>6,772</b>