

Toronto Hydro Corporation – Financial Statements

Date:	May 14, 2008
To:	Executive Committee
From:	Deputy City Manager and Chief Financial Officer

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Disclosure of Financial Results:

Section 6.6 of the Shareholder Direction requires the Corporation to deliver its audited consolidated annual financial statements to the Shareholder within 120 days of its fiscal year end. These documents are filed with the City Clerk's office and are posted on the internet on the Toronto Hydro Corporation website (www.torontohydro.com) and via the SEDAR website for Canadian public securities documents.

The consolidated statements are public documents upon their release. The corporation's unconsolidated statements (relating to its subsidiary companies and the holding company) remain confidential.

The *Business Corporations Act*, Ontario ("OBCA") (s.94) requires that an annual meeting of shareholders be called no later than 15 months after the last preceding annual meeting. The last annual general meeting of the Corporation was held at the Council meeting of July 16, 17, 18 and 19, 2007 (Executive Committee Report No. 10, Clause 12).

Financial Results

For the fiscal year ended December 31, 2007, the Corporation generated a consolidated net income of \$82.8 million, compared with \$92.4 million for 2006.

Contributing to the \$9.6 million lower net income were:

- Lower net revenues (\$12.5 million) stemming from the completion of the energy services subsidiary in 2006;
- Higher operating expenses (\$12.4 million) and depreciation and amortization (\$14.3 million) due to the distribution subsidiaries infrastructure and workforce renewal initiatives;
- Impairment of investments (\$13.1 million) held to maturity recorded in 2007 due to the Corporation's exposure to third-party asset-backed commercial paper;
- A one-time gain on sale of TH Energy's water heater assets of \$22.0 million;
- A lower provision for PILS of \$17.4 million.

During fiscal 2007, the City received interest payments of \$59.9 million on Toronto Hydro Corporation debt of \$980 million, and Shareholder dividend payments totalling \$46.2 million. Debt principal of \$245 million was repaid to the City at year-end.

Key consolidated results of Toronto Hydro Corporation (“the Corporation”) are as follows:

Consolidated Financial Results of Toronto Hydro Corporation		
(\$ millions)		
	Year ended Dec 31, 2007	Year ended Dec 31, 2006
	Actual	Actual
Net Income	\$82.8	\$92.4
Shareholder's Equity	\$928.7	\$892.1
Total Assets	\$2,672.5	\$2,591.7
Cash at end of period	\$216.0	\$327.5
Dividends Paid to City	\$46.2	\$46.2
Interest Paid	\$59.9	\$62.1

Subsequent Events

On March 5, 2008, the Corporation declared dividends totalling \$22.4 million, comprised of:

1. a \$6 million first quarterly dividend instalment as required under the Shareholder Direction, payable to the City of Toronto March 31, 2008;
2. a \$16.4 million payment related to earnings in fiscal 2007, March 14 2008.

In addition, the City received a scheduled interest payment on the Promissory Note of \$11.2 million on March 31, 2008.

CONTACT

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SIGNATURE

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