



2016 Annual Report

**ICD
Utilities
Limited**



The principal business activity of ICD Utilities Limited is to act as a holding company for the purpose of ownership of a 50% interest in Grand Bahama Power Company Limited.

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President's message

2016 was a pivotal year for Grand Bahama Power Company (GBPC) with the wrap-up of our five-year turnaround plan, and the beginning of a five-year period of rate stability for customers.

Strengthening reliability

In 2011, GBPC launched a plan to improve electricity service reliability, stabilize costs for customers, and explore alternative, clean sources of energy generation. Since that time, reliability has improved by 55 percent and we are continuing to make investments in our business that are resulting in fewer outages of shorter duration. In 2016, those efforts included a vegetation management program to keep lines and rights of way clear of trees, and investments in higher quality, storm-hardy poles. Looking ahead, we continue to strengthen our system through a robust transmission and distribution asset management program, and by exploring advanced metering infrastructure that will provide real time reliability and service quality data.

There's little that will test the strength of an electric utility's system more than a category four hurricane. 2016 will be remembered in the minds of most Grand Bahama residents, myself included, as the year that brought Hurricane Matthew to our shores. On October 6, the 145km/hr sustained winds and associated tornadoes decimated West End and surrounding communities, and destroyed GBPC's transmission and distribution system in the west and central areas of the Island. Thus began a 38-day, around the clock effort by GBPC's employees, and teams of colleagues from across Emera companies, to rebuild our system and safely restore power to the businesses and residents of Grand Bahama.

Bringing rate stability

Restoration of the magnitude that followed Hurricane Matthew came at a cost and, on December 14, the Grand Bahama Port Authority approved restoration expenses of \$27.5M to be recouped through rates over the coming five years. However, because of GBPC's prudent operating cost management and a well-managed fuel hedging program in place through 2022, we identified that the all-in rate for customers can, and will, remain flat for the next five years while storm costs are being recovered. Electricity rate stability and predictability is of significant benefit for customers, and for the development of industry and tourism on our Island.

Clean energy exploration

As with our sister Emera affiliates, GBPC is exploring ways to bring cleaner, sustainable energy to Grand Bahama. Because of the success of the fuel hedging program referenced above, customers are seeing competitive fuel rates that make natural gas importation less attractive to Grand Bahamians at this time. Our abundant sunshine makes solar energy a viable option, and GBPC continues to monitor solar technologies, energy storage, and their associated costs, and other clean energy options appropriate to our environment, while keeping in mind the best interests of our customers, today and in the future.



Meanwhile, we are making efforts to minimize our footprint on this beautiful island. We're using locally produced biofuel in our diesel fleet vehicles which is displacing fossil fuels by a ratio of 20/80. We are replacing all high pressure sodium street lighting across the Island with more efficient LED lighting. There is much that we – and all Grand Bahamians – can do to secure a safe, clean environment for generations to come.

Safety – our first priority every day

Safety is paramount at GBPC and the number one priority at all Emera companies. We are proud of our injury-free performance as we restored service to customers in the weeks following Hurricane Matthew. But as we and our local contractors embarked on the next stage of restoration – to repair night guard and street lighting in affected areas – we experienced the loss of life of a contractor in the course of his duties. We are committed to learning from that event, as we are from all safety incidents and near misses, and playing our part in increasing awareness of workplace safety in 2017 and beyond for the benefit of our employees, our contractors and all Grand Bahamians.

It takes a village

Grand Bahama Power's timely post-Hurricane Matthew restoration was enabled in no small part by our community partners, our industrial customers, local media and government, our regulator and all our valued customers. I'd like to take this opportunity to thank them for their unwavering support during an unprecedented time.

I'd also like to thank the ICD Utilities Board for their invaluable guidance, and extend my deepest gratitude to the dedicated employees of Grand Bahama Power who safely deliver on our customers' expectations every day.

I look forward to reporting continued progress.



Archie Collins

President and Chief Executive Officer

Community report

At Grand Bahama Power Company (GBPC), as at all Emera companies, we believe in supporting the communities where we live and work. Giving back to the people who help us achieve success – our customers, employees, community partners and shareholders – is important to our business. Our annual Community Report highlights some of GBPC's corporate and employee giving in 2016.

Humane Society's Dog Days Marathon

In April 2016, the Dog Days Half Marathon Corporate Challenge welcomed Grand Bahama businesses to put on their running shoes and race to win. Fifty-two GBPC employees participated in the event that benefits the Humane Society of Grand Bahama.

The Dog Days Marathon, which has become the facility's largest fundraiser, raised enough money to spay or neuter 300 dogs, a great boon to this critical non-profit shelter funded entirely by donations. The Humane Society of Grand Bahama's efforts are led by a compassionate team dedicated to promoting the humane treatment of animals through continuous education, and to end pet over-population through a spay and neuter campaign.



Welcome home, Jonquel Jones

It was a fitting welcome home celebration for professional basketball player and Grand Bahamian Jonquel Jones as a sea of friends, family and well-wishers gathered in her home 'court' of Holmes Rock in June 2016.

The WNBA sixth overall draft pick joined her well-wishers in dance as Junkanoo-style music played, and the then-Connecticut Sun forward thanked GBPC for sponsoring her welcome home.

Sarah MacDonald, President of Emera (Caribbean) Inc., was happy to welcome Jonquel back to Grand Bahama. "I know over the years she has not only grown into a great athlete, but an admirable young lady. She's always respectful, well spoken, humble and most thankful." Sarah presented Jonquel with a portrait painting on behalf of all GBPC employees.



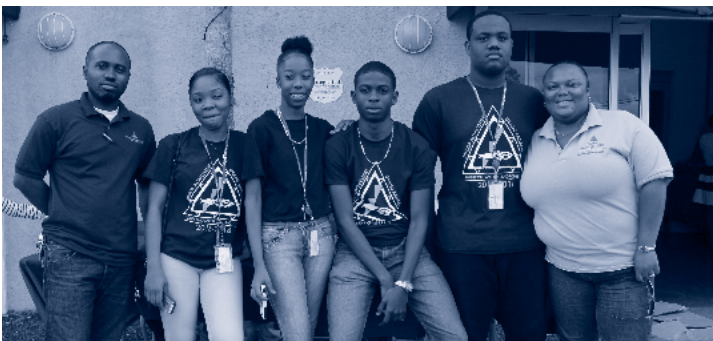
Grand Bahama Little League

The 15th Annual National Baseball Championship took place in Grand Bahama at the Emera Baseball Complex in June 2016. An avid supporter of Bahamas' baseball, GBPC continued its commitment to the sport by ensuring that Team Grand Bahama was ready for the festivities through sponsorship of team uniforms, equipment and use of the Emera Baseball Complex.



Supporting Grand Bahama youth

For the past five years, GBPC has proudly supported HOYTES – Helping Our Youth Thru Education and Sports. HOYTES is a non-profit organization that teaches basketball, discipline and respect to more than 100 male and female students every Saturday. Again in 2016, GBPC was proud to assist with the maintenance of the park where the program is held, and to donate uniforms, basketballs and other supplies to ensure the continuation of this important program.



West End recovery support

On October 6, Hurricane Matthew hit Grand Bahama as a category four storm with 145mph sustained winds, tearing roofs off structures and destroying buildings. Among the hardest hit areas of the Island was West End, where many residents were displaced due to extensive damage to their homes.

Emera Inc. responded to the need with a corporate donation of \$15,000CDN, making it possible to provide outreach to Grand Bahamians in the west. GBPC employees, along with their colleagues from across Emera companies, distributed much-needed food, water and ice, juices, snacks and cleaning supplies to residents on the western side of Grand Bahama.



GBPC and its employees were proud to support many other initiatives throughout 2016 including the Bahamas Marathon, Grand Bahama Flag Football League, West End Community Action Network, Lupus Bahamas, the Grand Bahama Regatta, Bahamas National Trust, Freeport Aquatics Club and, for the 4th year, GBPC's own annual Back to School Jamboree.

Management's Discussion and Analysis

As at March 21, 2017

Management's Discussion and Analysis ("MD&A") provides a review of the results of operations of ICD Utilities Limited ("ICDU" or "the Company") during the fourth quarter of 2016 relative to the same quarter in 2015; the full year of 2016 relative to 2015 and 2014; and its financial position as at December 31, 2016 relative to December 31, 2015. To enhance shareholders' understanding, certain multi-year historical financial and statistical information is presented.

This Discussion and Analysis should be read in conjunction with the ICDU annual audited financial statements and supporting notes as at and for the year ended December 31, 2016. ICDU follows International Financial Reporting Standards ("IFRS").

All amounts are expressed in Bahamian dollars.

Forward-Looking Information

This MD&A contains "forward-looking information" and statements which reflect the current view with respect to the Company's expectations regarding future growth, results of operations, performance, business prospects and opportunities, and may not be appropriate for other purposes within the meaning of applicable securities laws. All such information and statements are made pursuant to safe harbor provisions contained in applicable securities legislation. The words "anticipates", "believes", "could", "estimates", "expects", "intends", "may", "plans", "projects", "schedule", "should", "will", "would", "budget", "forecast", "might", "targets" and similar expressions are often intended to identify forward-looking information, although not all forward-looking information contains these identifying words.

The forward-looking information reflects management's current beliefs and is based on information currently available to ICDU's management and should not be read as guarantees of future events, performance or results, and will not necessarily be accurate indications of whether, or the times at which, such events, performance or results will be achieved.

The forward-looking information is based on reasonable assumptions and is subject to risks, uncertainties and other factors that could cause actual results to differ materially from historical results or results anticipated by the forward-looking information. Factors which could cause results or events to differ from current expectations may also include: regulatory risk; operating and maintenance risks; changes in economic conditions; commodity price and availability risk; capital market and liquidity risk; future dividend growth; challenges in the global economy; changes in customer energy usage patterns; developments in technology that could reduce demand for electricity; weather; construction and development risk; unanticipated maintenance and other expenditures; derivative financial instruments and hedging availability; interest rate risk; credit risk; commercial relationship risk; disruption of fuel supply; environmental risks; foreign exchange; regulatory and government decisions, including changes to environmental, financial reporting and tax legislation; loss of service area; risk of failure of information technology infrastructure and cyber security risks; market energy sales prices; labour relations; and availability of labour and management resources.

Readers are cautioned not to place undue reliance on forward-looking information as actual results could differ materially from the plans, expectations, estimates or intentions and statements expressed in the forward-looking information. All forward-looking information in this MD&A is qualified in its entirety by the above cautionary statements and, except as required by law, ICDU undertakes no obligation to revise or update any forward-looking information as a result of new information, future events or otherwise.

INTRODUCTION AND STRATEGIC OVERVIEW

ICDU was incorporated under the laws of the Commonwealth of The Bahamas on April 15, 1993 for the purpose of holding a 50 percent interest in GBPC. Effective January 1, 2011, GBPC follows the United States Generally Accepted Accounting Principles.

In September 2008, Emera Incorporated ("Emera") purchased a 50 percent interest in ICDU and in December 2010, through one of its subsidiaries, Emera Caribbean Holding Limited, purchased the remaining 50 percent interest in GBPC and an additional 10.7 percent interest in ICDU.

GBPC is a vertically-integrated utility and sole provider of electricity on Grand Bahama Island. It was incorporated on April 18, 2001 under the laws of the Commonwealth of The Bahamas. Previous to this, the Company operated as Freeport Power Company Limited. GBPC owns approximately 98 megawatts ("MW") of oil-fired generation, 138 kilometers of transmission facilities and 860 kilometers of distribution facilities, and has a workforce of approximately 219 people. As at December 31, 2016, the Company serviced approximately 19,000 customers, of whom approximately 87 percent were residential customers.

GBPC is a rate regulated utility, which is regulated by the Grand Bahama Port Authority Limited (the "GBPA" or "Port Authority"), which has granted it a licensed, regulated and exclusive franchise to generate, transmit and distribute electricity on the island until 2054.

As part of the 2016 rate case filing under the regulatory structure, the GBPA approved GBPC's regulated return on rate base of 8.7 per cent applicable for 2016. GBPC has a fuel charge mechanism which provides the opportunity to recover all fuel costs in a timely manner. In December 2016, the GBPA approved the all-in rates for electricity (fuel and base rates) for the 2017 to 2021 periods to be held consistent with the 2016 rates. The approval includes the recovery of Hurricane Matthew related costs.

In 2013, GBPC and the GBPA finalized an Operating Protocol and Regulatory Framework Agreement. The regulatory rate structure consists of two components:

- a base rate intended to recover GBPC's operating expenses, depreciation and return on capital investment; and
- a fuel charge intended to recover all of GBPC's fuel costs.

As a component of its regulatory agreement with the GBPA, GBPC has an Earnings Share Mechanism to allow for earnings above or below the 2016 approved 8.7 percent return on rate base to be deferred to a regulatory asset or liability at the rate of 50 percent of amounts below a 7.7 percent return on rate base, and 50 percent of amounts above 9.7 percent return on rate base respectively.

On December 14, 2016 the GBPA approved that over a five year period, 2017 to 2021, the all-in rate for electricity (fuel and base rates) will be held at 2016 levels. This is achievable as the company's fuel costs over this period are forecasted to decrease. Fuel costs are managed through a fuel hedging program which allows predictability of these costs.

REVIEW OF 2016

ICDU Financial Highlights

For the	Three months ended		Year ended		
	December 31	2015	December 31	2014	
thousands of Bahamian dollars (except per share amounts)	2016	2015	2016	2015	
Equity income	\$ (12,124)	\$ 371	\$ (6,301)	\$ 7,275	\$ 5,602
Operating expenses					
Operating and general	32	42	69	69	59
Directors' fees and annual report costs	8	5	63	68	52
Registrar fees	27	11	60	43	40
Stock exchange listing fees	(11)	(1)	10	8	6
Foreign exchange (gains) losses	1	(4)	5	(87)	(56)
Total cost of operations	57	53	207	101	101
Net income (loss)	\$ (12,181)	\$ 318	\$ (6,508)	\$ 7,174	\$ 5,501
Earnings per common share – basic	\$ (1.22)	\$ 0.03	\$ (0.65)	\$ 0.72	\$ 0.55
Dividends per common share declared	\$ –	\$ 0.12	\$ 0.14	\$ 0.12	\$ 0.12

As at	December 31	
thousands of Bahamian dollars	2016	2015
Total assets	\$ 46,759	\$ 43,543
		\$ 41,126

ICDU's Q4 2016 net income decreased by \$(12,782) to \$(12,464) thousand compared to \$318 thousand in Q4 2015. For the year ended December 31, 2016, ICDU's net income decreased by \$13,965 to \$(6,508) thousand compared to \$7,174 thousand in 2015 primarily due to the effect of Hurricane Matthew.

GBPC has recorded \$27.5 million of restoration costs associated with Hurricane Matthew along with \$2.5 million of write-offs related to Net Book Value of damaged assets in the network. Approximately \$6.9 million of the restoration costs were capitalized as property, plant and equipment depreciating at an average life of 27 years, and the remaining \$20.6 million in restoration costs were directly charged as an expense in the income statement. In December 2016, the GBPA approved recovery of the hurricane costs over a five year period (2017-2021) with no change in rates. The GBPA approved the recovery of a \$20,600 regulatory asset through a fuel/other charge of 10 cents per kWh. On a monthly basis, the difference between the fuel charge and the 10 cents per kWh shall constitute the hurricane recovery and be applied to the regulatory asset. This will continue over a five year period. If there is an over recovery within the five year period, additional funds that were collected from customers over the period will be placed into the Hurricane Cost Rate Stabilization Account. If there is an under recovery within the five year period, in year six (2022) an agreement will be reached with the GBPA to collect the balance through rates.

As a 50% shareholder of GBPC, 50% of the above items were recognized in the ICDU financial statements for the year ended December 31, 2016.

OUTLOOK

ICDU's outlook is dependent on the earnings of its investment in GBPC. GBPC's earnings are most directly impacted by the combined impacts of the range of rates of return on equity and rate base approved by its regulator, capital structure, the prudent management and approved recovery of operating costs, load, and the timing and amount of capital expenditures.

The economy of Grand Bahamas is highly correlated to the United States economy and has exhibited signs of improving economic growth and a corresponding growth in load in the industrial sector and weather related growth in the residential sector.

Effective February 1, 2016, the GBPA approved GBPC's General Rate Application applicable for the 2016 through 2018 period. In addition, the GBPA approved that over a five year period, 2017 to 2021, the all-in rate for electricity (fuel and base rates) will be held at 2016 levels. This is achievable as the company's fuel costs over this period are forecasted to decrease. Fuel costs are managed through a fuel hedging program which allows predictability of these costs.

Overall, GBPC 2017 earnings are expected to be less than prior years as a result of expected short term load decline in GBPC from Hurricane Matthew.

Developments

On July 7, 2016, ICDU declared an annual dividend of \$0.14 per common share.

Summary of GBPC Financial Highlights

Financial data of the Company's equity method investment in GBPC is included in the following table:

As at December 31

thousands of Bahamian dollars

	2016	2015
Balance sheet		
Current assets	\$ 38,263	\$ 36,701
Other assets	193,010	193,649
Goodwill	51,763	51,763
Total assets	\$ 283,036	\$ 282,113
Current liabilities	\$ 53,130	\$ 39,657
Long-term liabilities	102,690	122,775
Total liabilities	155,821	162,432
Preferred stock	\$ 33,865	\$ 33,865
Net assets attributable to common shareholders	\$ 93,350	\$ 85,816
ICDU's investment	\$ 46,675	\$ 42,908

ICDU's investment increased by \$3,767 thousand to \$46,675 thousand at December 31, 2016 compared to \$42,908 thousand at December 31, 2015 primarily due to the decrease in GBPC's other comprehensive income derivatives reflecting higher fuel market price resulting in favorable hedge contracts, partially offset by lower equity earnings from GBPC due to impacts of Hurricane Matthew.

Income statement	2016	2015
Operating revenues	\$ 91,224	\$ 108,791
Operating expenses	65,566	84,193
Income from operations	25,658	24,598
Other expenses, net	35,719	(7,505)
Net (loss) income	(10,061)	17,093
Preferred dividends	2,541	2,544
Net income (loss) attributable to common shareholders	\$ (12,602)	\$ 14,549
ICDU's share of net income (loss) attributable to common shareholders	(6,301)	7,275
Other comprehensive income (loss)	23,136	(4,250)
ICDU's share of other comprehensive income (loss)	11,568	(2,125)

Statement of Cash Flow	2016	2015
Operating cash flow before changes in working capital	\$ 2,848	\$ 25,164
Change in working capital	15,736	(4,785)
Operating cash flow	18,584	20,379
Investing cash flow	(16,053)	(8,087)
Financing cash flow	(12,003)	(12,953)
Net decrease in cash	(9,472)	(661)
Cash, beginning of year	2,276	2,937
Cash, end of year	(7,196)	2,276

LIQUIDITY AND CAPITAL RESOURCES

The Company generates cash primarily through its equity investment in GBPC. Circumstances that could affect the Company's ability to generate cash include general economic downturns in GBPC's markets, the loss of one or more of GBPC's large customers, GBPC regulatory decisions affecting customer rates, including the recovery of regulatory assets and changes in environmental legislation. GBPC maintains solid credit metrics and is generally in a financial position to contribute cash dividends to ICDU provided they do not breach their debt covenants, where applicable, after giving effect to the dividend payment.

Cash Flow Highlights

Significant changes in the statements of cash flows between the years ended December 31, 2016 and 2015 include:

Year ended December 31 thousands of Bahamian dollars	2016	2015	\$ Change 2016 versus 2015
Cash beginning of year	\$ 635	\$ 1,517	\$ (882)
Used in:			
Operating cash flow before changes in working capital	\$ (207)	\$ (101)	\$ (106)
Changes in working capital	(140)	(278)	138
Operating activities	(347)	(379)	32
Provided by:			
Investing activities	1,500	1,850	(350)
Used in:			
Financing activities	(1,704)	(2,353)	649
Cash end of year	\$ 84	\$ 635	\$ (551)

Operating Cash Flows

Net cash used in operating activities increased \$32 thousand to \$(347) thousand in 2016 compared to \$(379) thousand during the same period in 2015. The increase was primarily due to an increase in accounts payable and accrued liabilities, partially offset by a decrease in foreign exchange gains recognized on Emera's intercompany payments.

Investing Cash Flows

Net cash provided by investing activities decreased \$(350) thousand to \$1,500 thousand for the year ended December 31, 2016 compared to \$1,850 thousand for the year ended December 31, 2015. The decrease was primarily due to a lower dividend declared in 2016 as a result of the financial effect of Hurricane Matthew on GBPC.

Financing Cash Flows

Net cash used in financing activities increased \$649 thousand to \$(1,704) thousand for the year ended December 31, 2016 compared to \$(2,353) thousand for the year ended December 31, 2015. The decrease was due to the payment of 2016 dividends and remaining portion of 2015 dividends in 2016, compared to the payment of 2013 to 2015 dividend payments in 2015.

Working Capital

As at December 31, 2016, ICDU's cash balance was \$84 thousand (2015 – \$635 thousand) and investment in working capital was \$(73) thousand (2015 – \$34 thousand). The change in working capital is primarily due to timing of payment of a related party balance and payments of dividends for current and portion of prior years.

ICDU's future liquidity and capital needs will be predominately for working capital requirements and dividends.

Capital Expenditures

The Company's long-term investment, GBPC, incurs capital expenditures as a part of its operations. Capital expenditures for GBPC for the year ended December 31, 2016 were approximately \$16,000 thousand (2015 – \$8,000 thousand). This increase is a result of its LED project as well as assets capitalized as a result of Hurricane Matthew.

For 2017, forecasted gross capital expenditures for GBPC are as follows:

thousands of Bahamian dollars	Total	
Generation	\$	9,521
Distribution		3,270
Facilities, equipment, vehicles and other		4,173
	\$	16,964

Share Capital

As at December 31, 2016, ICDU had 10,000 thousand (2015 – 10,000 thousand) common shares issued and outstanding.

TRANSACTIONS WITH RELATED PARTIES

During the year Emera paid operating expenses on behalf of the Company in the amount of \$67 thousand (2015 – \$81 thousand). These transactions meet the definition of related party transactions and were made on substantially the same terms as for comparable transactions with third-party counterparties. There is no written agreement between the Company and Emera; however, the ICDU Board of Directors has approved the payment of these costs.

As at December 31, the following related party balances were included in the balance sheets:

thousands of Bahamian dollars	2016		2015	
Due to Emera Inc.	\$	37	\$	292

Enterprise Risk and Risk Management

ICDU's risk management activities are focused on those areas that most significantly impact profitability, quality of income and cash flow, and relate to its investment in GBPC. These risks include, but are not limited to, exposure to economic dependence, regulatory, weather and climate, capital management and liquidity, interest rate, credit, commercial relationships, commodity price, labour, information technology, operational, and cybersecurity risk.

In this section, the Company describes some of the principal risks management believes could materially affect its business, revenues, operating income, net income, net assets, or liquidity or capital resources. The nature of risk is such that no list is comprehensive, and other risks may arise or risks not currently considered material may become material in the future.

Economic Dependence Risk

ICDU's business is restricted to its investment in GBPC. Therefore, the Company's financial results are dependent on GBPC's financial results. The ability of GBPC to manage its business effectively has a material impact on the Company's operations.

The following are risks associated with GBPC and could impact ICDU's equity investment in the company:

Regulatory Risk

GBPC is subject to risk in the recovery of costs and investments in a timely manner. As a cost-of-service utility with an obligation to serve, GBPC must obtain regulatory approval from the GBPA to change electricity rates and/or riders. Costs and investments can be recovered upon GBPA approval of the recovery in adjustments to rates and/or riders, which normally requires a consultative process.

During the consultative processes, consultants and customer representatives scrutinize the costs, actions and plans to determine whether to allow recovery and to adjust rates based upon the Company's evidence and any contrary evidence from other parties.

The Company manages regulatory risk through transparent regulatory disclosure, ongoing stakeholder consultation and multi-party engagement on aspects such as utility operations, rate filings and capital plans.

Weather and Climate Risk

Shifts in weather patterns affect energy sales and associated revenues and costs. Extreme weather events generally result in increased operating costs associated with restoring service to customers as a result of unplanned outages. The Company responds to outages which occur as a result of significant weather events according to GBPC's respective emergency services restoration plan.

Capital Management and Liquidity Risk

The Company's main objective when managing its capital is to safeguard its ability to continue as a going concern so that it can continue to provide returns for its shareholders and benefits for other stakeholders. The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk, and interest rate risk.

Liquidity risk relates to the Company's ability to ensure sufficient funds are available to meet its financial obligations.

The Company manages this risk by forecasting cash requirements on a continuous basis to determine whether sufficient funds are available. Liquidity and capital needs will be financed through internally generated cash flows, short-term credit facilities. The Company reasonably expects liquidity sources to exceed ordinary course capital needs.

Interest Rate Risk

Exposure to interest rate risk arises when there is an imbalance between rate and non-rate sensitive assets and liabilities. Management is of the opinion that interest rate risk is not material in their operation. Due to the nature of GBPC's financial assets, if the interest rate had been 1.00 percent higher or lower during the year, its net income would have decreased or increased by approximately \$980, respectively (2015 – \$656).

Credit Risk

Credit risk is the risk of financial loss to the Company if a counterparty to the financial instruments fails to meet its obligation and arises principally from the Company's receivables and amounts due from customers. Management structures the level of credit risk by establishing credit limits, deposits for customers, and monitoring non- or slow-paying customers.

Commercial Relationships Risk

GBPC is exposed to commercial relationships risk in respect of its reliance on certain key partners, suppliers and customers. GBPC manages its commercial relationships risk by monitoring credit risk, as discussed above in Credit Risk, and monitoring any significant developments with its customers, partners and suppliers.

Commodity Price Risk

GBPC's fuel supply comes from international suppliers and is subject to commodity price risk. Fuel contracts may be exposed to broader global conditions which may include impacts on delivery reliability and price, despite contracted terms. In addition, GBPC is exposed to foreign currency risk from fuel purchases which are primarily denominated in foreign currencies. It seeks to manage this risk through the use of financial hedging instruments and physical contracts, and through contractual protection with counterparties, where applicable. Further to this, a fuel pass-through mechanism provides the opportunity to recover all prudently incurred fuel costs in a timely manner.

Labour Risk

Certain GBPC employees are subject to collective labour agreements. Approximately 82 percent of the full-time and term employees at GBPC are represented by local unions, and it seeks to manage this risk through ongoing discussions with local unions. GBPC maintains contingency plans to manage and reduce the effect of any potential labour disruption.

Information Technology Risk

GBPC relies on various information technology systems to manage operations. This subjects it to inherent costs and risks associated with maintaining, upgrading, replacing and changing these systems. This includes impairment of its information technology, potential disruption of internal control systems, capital expenditures, demands on management time and other risks of delays, difficulties in upgrading existing systems, transitioning to new systems or integrating new systems into its current systems. GBPC manages this risk through regular IT asset lifecycle management. Formal back up and critical incident response practices ensure that continuity is maintained in the event of any disruptions or incidents.

Operational Risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. GBPC cannot expect to eliminate all operational risks but, through a control framework and by monitoring and responding to potential risk, it is able to manage the risks. The identification and control of these risks is the responsibility of executives of GBPC. Controls over these risks include effective segregation of duties, access, authorization and reconciliation procedures, staff education, and assessment processes. GBPC's officers carry out a regular review of all operational areas to ensure operational risks are being properly controlled and reported to the Board of Directors.

Cybersecurity Risk

GBPC relies on information technology to manage its business. Information technology exposes the Company to potential risks related to cybersecurity attacks and unauthorized access to its customer', suppliers', counterparties' and employees' sensitive or confidential information (which may include personally identifiable information and credit information) through hacking, viruses and otherwise (collectively "cybersecurity threats"). GBPC uses information technology systems and network infrastructure which include controls for interconnected systems of generation, distribution and transmission, some of which is shared with third parties for operating purposes. Through the normal course of business, GBPC also collects, processes and retains sensitive and confidential customer, supplier, counterparty and employee information.

Despite the security measures in place, GBPC's systems, assets and information could be vulnerable to cybersecurity attacks and other data security breaches that could cause system failures, disrupt operations, adversely affect safety, result in loss of service to customers and release of sensitive or confidential information. Should such cybersecurity threats materialize, GBPC could suffer costs, losses and damages, all or some of which may not be recoverable through regulatory processes or otherwise.

CRITICAL ACCOUNTING ESTIMATES AND SIGNIFICANT ACCOUNTING POLICIES

The preparation of financial statements in accordance with international financial reporting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Management evaluates the Company's estimates on an ongoing basis based upon historical experience, current conditions and assumptions believed to be reasonable at the time the assumption is made. The significant area requiring the use of management estimates relates to ICDU's long-term investment in GBPC. Actual results may differ significantly from these estimates.

Long-Term Investment

The Company holds a 50 percent interest (2015 – 50 percent) in GBPC and accounts for this long-term investment using the equity method of accounting as the Company determined it maintains significant influence over the investment, but not control. The amount is adjusted annually for the Company's pro-rata share of the net earnings or losses of the investment and reduced by the amount of dividends received.

After application of the equity method, the Company determines whether it is necessary to recognize an additional impairment loss on its investment in the associate. The Company determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and recognizes the amount in the "Equity income (loss)" in the Statements of Comprehensive Income. No impairment loss has been recognized in 2016 and 2015.

Significant estimates are required in determining the recoverability of the investment based on the underlying fair value of the investment relying on third party evidence, as the shares of the investment are not quoted or traded as securities and have no readily determinable open-market value.

Future Accounting Pronouncements

Certain new standards, interpretations and amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after January 1, 2016, or later periods, and which the Company has not adopted are described below:

IAS 7 Statement of Cash Flows

In January 2016, this standard was amended to clarify that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. This amendment was effective for annual periods beginning on or after January 1, 2017, with earlier application being permitted. The amendment is not expected to have an effect on the Company's financial position, performance or disclosures.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement, and all previous version of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. The adoption of IFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but no impact on the classification and measurement of the Company's financial liabilities.

The adoption of these standards will not change the Company's conclusion that it exercises significant influence over the investee rather than control or joint control. Due to the Company's limited financial instruments, the adoption of this standard will not have an impact to the Company's financial statements.

SUMMARY OF QUARTERLY RESULTS

For the quarter ended
thousands of Bahamian dollars
(except per share amounts)

	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015
Equity income (loss)	\$ (12,124)	\$ 3,019	\$ 2,917	\$ (113)	\$ 371	\$ 3,216	\$ 2,223	\$ 1,465
Total net income (loss)	(12,181)	2,940	2,886	(153)	318	3,196	2,167	1,493
Earnings (loss) per common share – basic	(1.22)	0.29	0.29	(0.02)	0.03	0.32	0.22	0.15

Quarterly operating revenues and net income attributable to common shareholders are affected by seasonality. The third quarter is generally the strongest. As the energy industry is seasonal in nature for companies like ICDU's investment in GBPC, seasonal and unseasonal weather patterns, as well as the number and severity of storms, can affect the demand for energy and the cost of service. Q4 2016 results were negatively impacted due to operating expenses related to Hurricane Matthew restoration costs.

THREE-YEAR FINANCIAL SUMMARY

For the year ended December 31 (thousands of Bahamian dollars except per share amounts)

	2016	2015	2014
Statements of Net Income			
Equity income (loss)	\$ (6,301)	\$ 7,275	\$ 5,602
Operating expenses			
Operating and general	69	69	59
Directors' fees and annual report costs	63	68	52
Registrar fees	60	43	40
Stock exchange listing fees	10	8	6
Foreign exchange (gains) losses	5	(87)	(56)
Net income (loss)	(6,508)	7,174	5,501
Balance Sheets Information			
Current assets			
Cash and cash in trust	84	635	1,517
Prepaid expenses	-	-	1
Long-term investment	46,675	42,908	39,608
Total assets	46,759	43,543	41,126
Current liabilities			
Accounts payable and accrued liabilities	120	5	6
Due to related party	37	292	570
Dividends payable	-	304	1,457
Equity			
Common stock	1,000	1,000	1,000
Additional paid-in capital	40,250	40,250	40,250
Retained earnings	7,352	15,260	9,286
Accumulated other comprehensive loss	(2,000)	(13,568)	(11,443)
Total equity	46,602	42,942	39,093
Total liabilities and equity	46,759	43,543	41,126
Statements of Cash Flow Information			
Cash used in operating activities	(347)	(379)	(77)
Financial ratios (\$ per share)			
Earnings per share	\$ (0.65)	\$ 0.72	\$ 0.55

GBPC OPERATING STATISTICS

Year ended December 31	2016	2015	2014
Electric energy sales (GWH)			
Residential	98	103	97
Commercial	102	115	113
Industrial	89	104	102
Other	7	12	14
Total electric energy sales	296	334	326
Sources of energy (GWH)			
Oil	333	334	362
Total generation and purchases	333	372	362
Electric customers			
Residential	15,650	15,600	15,315
Commercial	2,499	2,480	2,459
Industrial	14	12	12
Other	1,013	1,012	983
Total electric customers	19,176	19,104	18,769
Capacity			
Generating nameplate capacity (MW)			
Diesel	98	98	98
Total number of employees	219	205	153
km of transmission lines	138	138	138
km of distribution lines	860	860	860

Independent Auditor's Report

To the Directors and Shareholders of ICD Utilities Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of ICD Utilities Limited (the "Company"), which comprise the statement of financial position as at December 31 2016, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2016 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the Commonwealth of the Bahamas, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to this matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying financial statements.

Investment in Grand Bahama Power Company Limited

ICD Utilities Limited has a long term investment which represents a 50% ownership interest in the shares of Grand Bahama Power Company Ltd. ("GBPC"), a private company. This investment is accounted for under the equity method and at each reporting date the Company makes a determination as to whether there is any objective evidence that the investment is impaired. As at December 31, 2016 the investment in GBPC represents 99.8% of the Company's total assets and 97% of its comprehensive income for the year then ended. Goodwill represents 18% of total assets and 56% of total equity of GBPC and is subject to an annual impairment test which involves a high degree of subjective estimation by management, therefore we consider the annual impairment assessment of GBPC's goodwill to be a key audit matter.

We evaluated management's considerations of the goodwill impairment testing model at the GBPC level and performed the following procedures:

- We involved a specialist in our evaluation of the goodwill impairment testing model used by management which included assessing management's methodology for determining the appropriate discount rate, and evaluated the sensitivity of the model to key inputs such as the discount rate, terminal regulated rate of return and growth rate
- We considered the trends in cash flows and earnings of GBPC
- We evaluated management's assumptions including those for revenue and expense growth rates, terminal regulated rate of return, and future capital expenditures and the impact of Hurricane Matthew on cash flows, which included reductions in load and recovery of hurricane costs through rates
- We also assessed the adequacy of the Company's disclosure in Note 5, Long-term investment.

Other information included in The Company's 2016 Annual Report

Other information consists of the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information. The Company's 2016 Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Responsibilities of management and the Board of Directors for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

The partner in charge of the audit resulting in this independent auditor's report is Tiffany Norris-Pilcher.



Nassau, Bahamas

March 21, 2017

Statements of Comprehensive Income

ICD Utilities Limited

For the Year Ended December 31

thousands of Bahamian dollars (except per share amounts)

	2016	2015
Equity (loss) income (note 4)	\$ (6,301)	\$ 7,275
Cost of operations		
Operating and general	69	69
Directors' fees and annual report costs	63	68
Registrar fees	60	43
Stock exchange listing fees	10	8
Foreign exchange losses (gains) and losses	5	(87)
Total cost of operations	207	101
Net income (loss)	\$ (6,508)	\$ 7,174
Other comprehensive income (loss)		
Share of investment accounted for using the equity method (note 4)	11,568	(2,125)
Comprehensive income	\$ 5,060	\$ 5,049
Weighted average shares of common stock outstanding – basic	10,000	10,000
(Loss) earnings per common share – basic (note 7)	\$ (0.65)	\$ 0.72

The accompanying notes are an integral part of these financial statements.

Statements of Financial Position

ICD Utilities Limited

As at December 31

thousands of Bahamian dollars

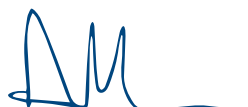
	2016	2015
Assets		
Current assets		
Cash	\$ 84	\$ 635
Total current assets	84	635
Other assets		
Long-term investment (note 4)	46,675	42,908
Total assets	\$ 46,759	\$ 43,543
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 120	\$ 5
Due to related party (note 6)	37	292
Dividends payable (note 9)	-	304
Total current liabilities	157	601
Equity		
Common stock (note 5)	1,000	1,000
Additional paid-in-capital	40,250	40,250
Retained earnings	7,352	15,260
Accumulated other comprehensive loss	(2,000)	(13,568)
Total equity	46,602	42,942
Total liabilities and equity	\$ 46,759	\$ 43,543

The accompanying notes are an integral part of these financial statements.

Approved on behalf of the Board of Directors



Scott Balfour
Director



Archibald Collins
Director

Statements of Cash Flows

ICD Utilities Limited

For the Year Ended December 31
thousands of Bahamian dollars

	2016	2015
Operating activities		
Net (loss) income	\$ (6,508)	\$ 7,174
Adjustment for non-cash items:		
Loss (income) from equity investments	6,301	(7,275)
Changes in non-cash working capital		
Prepaid expenses	-	1
Accounts payable and accrued liabilities	115	(1)
Due to related party	(255)	(278)
Net cash used in operating activities	(347)	(379)
Investing activities		
Dividends received	1,500	1,850
Net cash provided by investing activities	1,500	1,850
Financing activities		
Dividends paid	(1,704)	(2,353)
Net cash used in financing activities	(1,704)	(2,353)
Net decrease in cash	(551)	(882)
Cash beginning of year	635	1,517
Cash end of year	\$ 84	\$ 635

The accompanying notes are an integral part of these financial statements.

Statements of Changes in Equity

ICD Utilities Limited

thousands of Bahamian dollars	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Equity
2016					
Balance, December 31, 2015	\$ 1,000	\$ 40,250	\$ 15,260	\$ (13,568)	\$ 42,942
Net loss	-	-	(6,508)	-	(6,508)
Share of other comprehensive income of investment accounted for under the equity method	-	-	-	11,568	11,568
Dividends declared on common shares (\$0.14/share)	-	-	(1,400)	-	(1,400)
Balance, December 31, 2016	\$ 1,000	\$ 40,250	\$ 7,352	\$ (2,000)	\$ 46,602
2015					
Balance, December 31, 2014	\$ 1,000	\$ 40,250	\$ 9,286	\$ (11,443)	\$ 39,093
Net income	-	-	7,174	-	7,174
Share of other comprehensive loss of investment accounted for under the equity method	-	-	-	(2,125)	(2,125)
Dividends declared on common shares (\$0.12/share)	-	-	(1,200)	-	(1,200)
Balance, December 31, 2015	\$ 1,000	\$ 40,250	\$ 15,260	\$ (13,568)	\$ 42,942

The accompanying notes are an integral part of these financial statements.

Notes to the Financial Statements

ICD Utilities Limited
As at December 31, 2016

1. General Information

ICD Utilities Limited (“ICDU” or “the Company”) was incorporated under the laws of the Commonwealth of The Bahamas on April 15, 1993 for the purpose of holding a 50 percent interest in Grand Bahama Power Company Limited (“GBPC”).

The financial statements for the year ended December 31, 2016 were authorized for issue in accordance with a resolution of the Directors on March 21, 2017. The registered office of the Company is Suite 1, Chancery House, The Mall, P.O. Box F-40437, Freeport, Grand Bahama, The Bahamas.

In September 2008, Emera Inc. (“Emera”) purchased a 50 percent interest in ICDU and in December 2010, through one of its subsidiaries, Emera Caribbean Holdings Limited, purchased the remaining 50 percent interest in GBPC and an additional 10.7 percent interest in ICDU.

2. Summary of Significant Accounting Policies

A. Basis of Accounting

The accompanying financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and expressed in Bahamian dollars.

The financial statements of the Company have been prepared on a historical cost basis.

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. Significant estimates are included in the assessment of the Company’s long-term investment, as discussed in Note 2F below. Actual results could differ from these estimates.

B. Going Concern

The Company’s management has made an assessment of the Company’s ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company’s ability to continue on a going concern basis.

C. Economic Dependence

ICDU is economically dependent on net income of GBPC for its continued existence and ability to carry out its normal activities, as 100 percent (2015 – 100 percent) of ICDU’s equity income is derived from its investment in GBPC.

D. Cash

Cash in the statement of financial position is comprised of cash at banks.

E. Foreign Currency Transactions

These financial statements are expressed in Bahamian dollars, which is the Company’s functional and presentation currency. Monetary assets and liabilities denominated in currencies other than the Bahamian dollar are translated into Bahamian dollars at the rate of exchange in effect at the reporting date. Income and expenses transacted in currencies other than Bahamian dollars are translated into Bahamian dollars at the rates of exchange prevailing at the transaction dates.

F. Long-term Investment

The Company accounts for its investment in GBPC using the equity method of accounting as the Company determined it maintains significant influence over the investment, but not control. The amount is adjusted annually for the Company's pro-rata share of the net earnings or losses of the investment and reduced by the amount of dividends received.

The statement of comprehensive income reflects the Company's share of the results of operations of GBPC. Any change in the Company's interest in the Other Comprehensive Income ("OCI") of GBPC is presented as part of the Company's OCI. In addition, when there has been a change recognized directly in the equity of GBPC, the Company recognizes its share of any changes, when applicable, in the statement of changes in equity. Unrealized gains and losses resulting from transactions between the Company and GBPC are eliminated to the extent of GBPC's interest. GBPC prepares its financial statements in accordance with US GAAP and makes the necessary adjustments to convert the results of GBPC to IFRS for the purposes of ICDU's equity accounting of its investment.

After application of the equity method, the Company determines whether it is necessary to recognize an additional impairment loss on its investment in its associate. The Company determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and recognizes the amount in the "Equity (loss) income" in the Statements of Comprehensive Income. No impairment loss has been recognized in 2016 and 2015.

G. Income Taxes

There are no income taxes currently imposed on the Company in the Commonwealth of the Bahamas.

H. Cash Dividend to Equity Holders

The Company recognizes a liability to make cash distributions to equity holders when the distribution is authorized and the distribution is no longer at the discretion of the Company. A distribution is authorized when it is approved by ICDU's Board of Directors. A corresponding amount is recognized directly in "Retained earnings" in the Statement of Financial Position.

3. Future Accounting Pronouncements

IAS 7 Statement of Cash Flows

In January 2016, this standard was amended to clarify that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. This amendment was effective for annual periods beginning on or after January 1, 2017, with earlier application being permitted. The amendment is not expected to have an effect on the company's financial position, performance or disclosures.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement, and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required but comparative information is not compulsory. Early application of previous version of IFRS 9 (2009, 2010 and 2014) is permitted if the date of initial application is before February 1, 2015.

The adoption of these standards would not change the Company's conclusion that it exercises significant influence over the investee rather than control or joint control. Due to the Company's limited financial instruments, there would be no impact to the Company's financial position or performance.

4. Long-Term Investment

This investment represents a 50 percent interest in GBPC. GBPC was incorporated under the laws of the Commonwealth of The Bahamas and this is the principal place of business. GBPC's principal business activity is power generation and distribution within Grand Bahama. The shares are not quoted or traded as securities and have no readily determinable open-market value.

The investment in GBPC as at December 31 is as follows:

thousands of Bahamian dollars	2016	2015
Opening balance	\$ 42,908	\$ 39,608
Equity (loss) income	(6,301)	7,275
Other comprehensive income (loss)	11,568	(2,125)
Dividends on common shares	(1,500)	(1,850)
Closing balance	\$ 46,675	\$ 42,908

Financial data of the Company's equity method investment in GBPC determined in accordance with IFRS is included in the following table:

thousands of Bahamian dollars	2016	2015
Statement of financial position		
Current assets	\$ 38,263	\$ 36,701
Other assets	193,010	193,649
Goodwill	51,763	51,763
Total assets	\$ 283,036	\$ 282,113
Current liabilities	\$ 53,130	\$ 39,657
Long-term liabilities	102,690	122,775
Total liabilities	\$ 155,821	\$ 162,432
Preferred stock	\$ 33,865	\$ 33,865
Net assets attributable to common shareholders	\$ 93,350	\$ 85,816
ICDU's investment	\$ 46,675	\$ 42,908
Statement of comprehensive income		
Operating revenues	\$ 91,224	\$ 108,791
Operating expenses	(65,566)	(84,193)
Income from operations	25,658	24,598
Other expenses, net	(35,719)	(7,505)
Net (loss) income	(10,061)	17,093
Preferred dividends	(2,541)	(2,544)
Net (loss) income attributable to common shareholders	\$ (12,602)	\$ 14,549
ICDU's share of net (loss) income attributable to common shareholders	(6,301)	7,245
Other comprehensive income (loss)	\$ 23,136	\$ (4,250)
ICDU's share of other comprehensive income (loss)	\$ 11,568	\$ (2,125)

Other Expense, Net

On October 6, 2016, the island of Grand Bahama took a direct hit from Hurricane Matthew. Property damage on the island was extensive. GBPC's generation and substation infrastructure weathered the storm well. However, over 2,100 transmission and distribution poles and related conduit were damaged or destroyed, as were many connections to customers' homes. Post hurricane load is down approximately 10 percent as compared to normal expectations. Restoration efforts have been completed and power restored to customers able to take power.

GBPC recorded \$27.5 million in restoration costs associated with Hurricane Matthew along with \$2.5 million in write-offs related to net book value of damaged assets in the network. Approximately \$6.9 million of restoration costs were capitalized as property, plant and equipment depreciating at an average life of 27 years, and the remaining \$20.6 million in restoration costs were directly charged as an expense in the income statement, whereas, under US GAAP, GBPC recorded these charges as a regulatory asset. In December 2016, the Grand Bahama Port Authority ("GBPA") approved recovery of hurricane costs from customers over a five year period (2017-2021).

As a 50 percent shareholder of GBPC, 50% of the above items were recognized in the ICDU financial statements for the year ended December 31, 2016.

Group Information

ICDU is indirectly controlled, through Emera Caribbean Holdings Limited, by Emera Inc. which is the ultimate parent of the group. Emera Inc. is based in Halifax, Nova Scotia, Canada and its common and preferred shares are listed on the Toronto Stock Exchange.

5. Common Stock

Authorized and issued: 10,000,000 common shares with a par value of \$0.10 each.

On incorporation, the authorized share capital was \$10,000 consisting of 10,000 ordinary shares with a par value of \$1.00 each. On this date, two ordinary shares with a par value of \$1.00 each were issued and outstanding.

6. Related Party Transactions

During the year Emera paid operating expenses on behalf of the Company in the amount of \$67 thousand (2015 – \$81 thousand). These transactions meet the definition of related party transactions and were made on substantially the same terms as for comparable transactions with third-party counterparties. There is no written agreement between the Company and Emera; however, the ICDU Board of Directors has approved the payment of these costs.

As at December 31, the following related party balances were included in the balance sheets:

thousands of Bahamian dollars	2016	2015
Due to Emera Inc.	\$ 37	\$ 292

7. (Loss) Earnings Per Share

Basic (loss) earnings per share amounts are calculated by dividing net (loss) income for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year. There are no potentially dilutive instruments outstanding that would affect (loss) earnings per share.

For the year ended December 31, the basic (loss) earnings per share were as follows:

thousands of Bahamian dollars	2016	2015
Net (loss) income	\$ (6,508)	\$ 7,174
Weighted average number of shares	10,000	10,000
(Loss) earnings per common share	\$ (0.65)	\$ 0.72

8. Capital Management

Capital includes equity attributable to the equity holders of the Company. The primary objective of the Company's capital management is to ensure that it maintains sufficient capital to support its business and maximize shareholder value. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

No changes were made in the objectives, policies or processes for managing capital during the years ended December 31, 2016 and 2015.

9. Dividends

During the year, the Board of Directors approved a payment of \$0.14 per common share totaling \$1,400 thousand (2015 - \$0.12 per common share totaling \$1,200 thousand). During the year ended December 31, 2016, the Company paid \$1,704 thousand in dividends (2015 - \$2,353 thousand) which included \$304 thousand related to the 2015 dividend declared.

10. Subsequent Events

The Company has evaluated the impact of events subsequent to the end of the year to identify any events requiring adjustments and/or disclosure. Events were reviewed up to March 21, 2017, the date the financial statements were issued.

Supplemental Information (unaudited)

ICD Utilities Limited As at December 31, 2016

The timing of recognition of certain regulated revenues and expenses may differ from otherwise expected under generally accepted accounting principles for non-rate regulated entities. These timing differences create regulatory assets or liabilities representing amounts that GBPC is expected to collect from or return to customers in future rates. GBPC reports under the United States Generally Accepted Accounting Principles framework, where guidance allows for the recognition of regulatory assets and liabilities.

Under IFRS there is no specific guidance for regulated entities and, in particular, for the recognition of regulated assets and liabilities. In order to provide users of the Company's financial statements with a clear and complete understanding of GBPC's economic position, as a regulated entity a reconciliation of the balance sheets and statement of comprehensive income between IFRS and US GAAP has been provided.

IFRS differences

The reconciliation of the Balance Sheets of GBPC from IFRS to US GAAP is as follows:

thousands of Bahamian dollars	IFRS	Effect of IFRS	US GAAP
As at December 31, 2016			
Regulatory assets	\$ -	\$ 60,639	\$ 60,639
Accumulated other comprehensive income (loss)	\$ (4,000)	\$ 3,500	\$ (500)
As at December 31, 2015			
Regulatory assets	\$ -	\$ 58,980	\$ 58,980
Accumulated other comprehensive income (loss)	\$ (27,141)	\$ 26,772	\$ (369)

For the year ended, the effect on the Statements of Comprehensive Income is as follows:

thousands of Bahamian dollars	IFRS	Effect of IFRS	US GAAP
2016			
Net income (loss) per GBPC	\$ (12,602)	\$ 27,787	\$ 15,185
Net income (loss) per ICDU	\$ (6,301)	\$ 13,894	\$ 7,593
Other comprehensive income (loss) per GBPC	\$ 23,136	\$ (23,267)	\$ (131)
Other comprehensive income (loss) per ICDU	\$ 11,568	\$ (11,634)	\$ (66)
2015			
Net income (loss) per GBPC	\$ 14,549	\$ (549)	\$ 14,000
Net income (loss) per ICDU	\$ 7,275	\$ 997	\$ 7,000
Other comprehensive income (loss) per GBPC	\$ (4,250)	\$ 4,790	\$ 540
Other comprehensive income (loss) per ICDU	\$ (2,125)	\$ 2,395	\$ 270

Minutes of the 2016 Annual General Meeting

ICD Utilities Limited

Minutes of the Annual General Meeting of the Members of ICD Utilities Limited (the “Company”) held at the Pelican Bay Hotel, Freeport, Grand Bahama Island, The Bahamas at 6:00 p.m. on Wednesday, the 30th day of November, 2016.

Call to Order

The Annual General Meeting of the Shareholders of the Company was called to order by Mr. Scott C. Balfour, Chairman of the Board of Directors of the Company, who acted as Chairman of the meeting. The Chairman introduced Ms. Sarah R. MacDonald, President and Chief Executive Officer and a Director of the Company, and President and Chief Executive Officer of Grand Bahama Power Company Limited. Stephen D. Aftanas, Secretary of the Company, kept minutes of the meeting.

The Chairman welcomed shareholders of the Company to the meeting and thanked those who could not attend but had submitted proxies.

The Chairman commended the employees of Grand Bahama Power Company, and their colleagues from other Emera owned utilities, for their efforts to restore power to customers following the widespread damage caused by Hurricane Matthew.

The Chairman introduced the Director nominees present at the meeting, namely: Mr. Brenford A.V. Christie, Mr. Randy Thompson, Mr. Michael Moss, Mr. Rob Bennett, Mr. Robert Adams, and Mr. Archie Collins.

Appointment of Scrutineer

The Chairman appointed Alson Ferguson of Bahamas Central Securities Depository to act as Scrutineer of the meeting. He requested that the Secretary table the Certificate of the Company's Registrar and Transfer Agent, Bahamas Central Securities Depository, as to the due mailing of the notice and accompanying materials for the meeting. He directed that a copy of the notice and accompanying materials be kept by the Secretary as part of the record of the meeting.

The Chairman advised that a quorum of shareholders was present. He declared that notice had been duly provided and that the meeting was properly constituted for the transaction of business.

Confirmation of Minutes

The Chairman presented the minutes of the previous Annual General Meeting held on September 14, 2015 and advised that they were available for inspection. He noted that the minutes were incorporated into the Annual Report, previously distributed to shareholders.

On motion duly made, seconded and carried, the minutes were approved as presented.

President's Report

The Chairman asked Ms. Sarah R. MacDonald, President and Chief Executive Officer of the Company, to provide her report.

Ms. MacDonald provided the President's Report.

Financial Statements and Reports of Auditors

The Chairman advised that a copy of the Financial Statements for the financial year ended December 31, 2015 had previously been distributed to each of the shareholders of the Company. The Chairman invited Mr. Tony Lopez, Vice President Administrative Services and Chief Financial Officer of Grand Bahama Power Company, to provide a presentation with respect to the finances of the Company.

Mr. Lopez provided a presentation to shareholders on the finances of the Company and referred to the report of Ernst & Young LLP in respect of the Company's 2015 audited financial statements.

On motion duly made, seconded and carried, it was:

RESOLVED THAT the financial statements of ICD Utilities Limited, as of the 31st of December 2015, and the Report of the Auditors thereon be accepted as presented to the meeting.

Special Business: To Amend the Company's Articles of Association (Article 83) to Increase the Maximum Number of Directors Allowed From Eight (8) To Eleven (11)

The Chairman discussed the proposed amendment to the Company's Articles of Association which would increase the maximum number of Directors from eight to eleven.

On motion duly made, seconded and carried, it was:

RESOLVED THAT Article 83 of the Articles of Association of ICD Utilities Limited be amended by replacing the number "eight" with "eleven", to read as follows:

Directors

83. The first Directors shall be elected by the subscribers to the Memorandum of Association, or by a majority of them, at the first general meeting of the members of the Company after incorporation. At the annual general meeting of the members to be held in each subsequent year, the Directors holding office shall retire and the members shall elect Directors who shall hold office until the next annual general meeting. The Directors shall be not less than four (4) nor more than ~~eight (8)~~ eleven (11) in number.

Election of Directors

The Chairman advised that it was in order to proceed with the election of Directors. The following individuals were nominated to serve as Directors of the Company to hold office until the next annual meeting of the shareholders, or until their successors are elected:

**SCOTT C. BALFOUR
BRENFORD A.V. CHRISTIE
SARAH R. MACDONALD**

**ROBERT K. ADAMS
ARCHIBALD COLLINS
MICHAEL R. MOSS**

**ROBERT R. BENNETT
CHRISTOPHER G. HUSKILSON
RANDY S. THOMPSON**

On motion duly made, seconded and carried, it was:

RESOLVED THAT the following persons are elected Directors of the Company for the ensuing year:

**SCOTT C. BALFOUR
BRENFORD A.V. CHRISTIE
SARAH R. MACDONALD**

**ROBERT K. ADAMS
ARCHIBALD COLLINS
MICHAEL R. MOSS**

**ROBERT R. BENNETT
CHRISTOPHER G. HUSKILSON
RANDY S. THOMPSON**

Directors' Remuneration

The Chairman advised that it was in order to proceed to fix the remuneration of Directors for the ensuing year, effective January 1, 2017.

On motion duly made, seconded and carried, it was:

RESOLVED THAT Directors' remuneration be increased to B\$12,500 per annum, plus B\$1,500 per meeting, effective when the Company resumes the declaration of dividends, for each Director who is not a salaried employee of Emera Incorporated, Grand Bahama Power Company Limited or their affiliates.

Ratification of Directors' Acts

The Chairman then entertained a motion to ratify and confirm all acts, transactions and proceedings of the Directors and Officers of the Company for the financial year ended December 31, 2015.

On motion duly made, seconded and carried, it was:

RESOLVED THAT all acts, transactions and proceedings of Directors and Officers of the Company for the financial year ended December 31, 2015 are ratified and confirmed.

Appointment of Auditors

The Chairman entertained a motion that Ernst & Young LLP be appointed auditors of the Company to hold office until the next annual meeting of shareholders or until a successor is appointed, and that the Directors be authorized to fix their remuneration.

On motion duly made, seconded and carried, it was:

RESOLVED THAT Ernst & Young LLP be appointed auditors of the Company to hold office until the next annual meeting of shareholders or until a successor is appointed, and that the Directors be authorized to fix their remuneration.

Scrutineer's Report

The Chairman then requested that the Scrutineer read the Scrutineer's Report. The same read as follows:

Total shares represented at the meeting in person and by proxy were 8,002,133 shares, being 80.02% of the issued and outstanding shares.

Termination

There being no further business, on motion duly made, seconded and carried, the meeting was terminated.

The Chairman declared the meeting terminated and advised that the meeting would be opened to questions and comments from the shareholders. The Chairman, and the President and Chief Executive Officer of ICD Utilities Limited and Grand Bahama Power Company Limited responded to questions and comments on a variety of topics raised by shareholders.



Stephen D. Aftanas
Corporate Secretary

ICD UTILITIES LIMITED

Board Of Directors



Robert Adams
Partner,
Graham Thompson & Co.
Freeport, Grand Bahama



Christopher Huskison
President and CEO,
Emera Inc.
Wellington, Nova Scotia



Scott Balfour
Chief Operating Officer,
Emera Inc.
Halifax, Nova Scotia



Sarah MacDonald
President,
TECO Services Inc.;
President,
Emera (Caribbean) Inc.
Tampa, Florida



Rob Bennett
President and CEO,
Emera US Holdings
Tampa, Florida



Michael R. Moss
Director
Freeport, Grand Bahama



Brenford Christie
Consultant,
McKinney, Bancroft
& Hughes
Freeport, Grand Bahama



Randy Thompson
CEO,
Acquisition Company Ltd.
Freeport, Grand Bahama



Archie Collins
President and CEO,
Grand Bahama
Power Company;
Chief Operating Officer,
Emera (Caribbean) Inc.
Freeport, Grand Bahama

GRAND BAHAMA POWER COMPANY

Leadership Team



Archie Collins
President and CEO



Anthony Lopez
Vice President,
Administrative
Services and CFO



Evis Missick
Vice President,
Human Resources

Shareholder information

Corporate Secretary

David E. Schwartz

Head Office

Suite 1, Chancery House
The Mall
P.O. Box F-40437
Freeport, Grand Bahama
Bahamas

Registered Office

Suite 1, Chancery House
The Mall
P.O. Box F-40437
Freeport, Grand Bahama
Bahamas

Registrar and Transfer Agents

Bahamas Central Securities
Depository Limited
2nd Floor Fort Nassau Centre
British Colonial Hilton
Suite # 202
P.O. Box N-9307
Nassau, Bahamas

Auditors

Ernst & Young LLP
One Montague Place
3rd Floor
East Bay Street
P.O. Box N-3231
Nassau, Bahamas

