

ICD Utilities Limited

**Unaudited Condensed Interim
Financial Statements**

March 31, 2017 and 2016

ICD Utilities Limited
Condensed Statements of Comprehensive Income (Unaudited)
For the three months ended March 31

thousands of Bahamian dollars (except per share amounts)	2017	2016
Share of income (loss) of Grand Bahama Power Company Limited	\$ 359	\$ (113)
Cost of operations		
Directors fees and annual report	18	-
Operating and general	4	17
Stock exchange listing fees	2	8
Foreign exchange losses	-	4
Registrar fees	-	11
Total cost of operations	24	40
Net income (loss)	\$ 335	\$ (153)
Other comprehensive income		
Other comprehensive income (loss) of Grand Bahama Power Company Limited (note 4)	(1,127)	1,898
Comprehensive (loss) income	\$ (792)	\$ 1,745
Weighted average shares of common stock outstanding – basic	10,000	10,000
Earnings per share – basic	\$ 0.03	\$ (0.02)

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

ICD Utilities Limited
Condensed Statements of Financial Position (Unaudited)

As at thousands of Bahamian dollars	March 31 2017	December 31 2016
Assets		
Current assets		
Cash	\$ 24	\$ 84
Prepaid expenses	5	-
Total current assets	29	84
Other assets		
Investment in Grand Bahama Power Company Limited (note 4)	45,907	46,675
Total assets	\$45,936	\$46,759
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 87	\$ 120
Due to related party (note 5)	39	37
Total current liabilities	126	157
Equity		
Common stock	1,000	1,000
Additional paid-in capital	40,250	40,250
Retained earnings	7,687	7,352
Accumulated other comprehensive loss	(3,127)	(2,000)
Total equity	45,810	46,602
Total liabilities and equity	\$45,936	\$46,759

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

Approved on behalf of the Board of Directors


Scott Balfour
 Director


Archibald Collins
 Director

ICD Utilities Limited
Condensed Statements of Cash Flows (Unaudited)

For the thousands of Bahamian dollars	Three months ended March 31	
	2017	2016
Operating activities		
Net income (loss)	\$ 335	\$ (153)
Adjustments for non-cash items:		
Income from equity investments	(359)	113
Changes in non-cash working capital		
Prepaid expenses	(5)	(5)
Accounts payable and accrued liabilities	(33)	2
Due to related party	2	(287)
Net cash used in operating activities	\$ (60)	\$ (330)
Financing activities		
Dividends paid	-	(304)
Net cash used in financing activities	\$ -	\$ (304)
Net decrease in cash	(60)	(634)
Cash beginning of period	84	635
Cash end of period	\$ 24	\$ 1

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

ICD Utilities Limited
Condensed Statements of Changes in Equity (Unaudited)

thousands of Bahamian dollars	Common Stock	Additional Paid-in Capital	Retained Earnings	Other Comprehensive Income (Loss)	Total Equity
For the three months ended March 31, 2017					
Balance, December 31, 2016	\$ 1,000	\$ 40,250	\$ 7,352	\$ (2,000)	\$ 46,602
Net income	-	-	335	-	335
Other comprehensive loss of Grand Bahama Power Company Limited	-	-	-	(1,127)	(1,127)
Balance, March 31, 2017	\$ 1,000	\$ 40,250	\$ 7,687	\$ (3,127)	\$ 45,810
For the three months ended March 31, 2016					
Balance, December 31, 2015	\$ 1,000	\$ 40,250	\$ 15,260	\$ (13,568)	\$ 42,942
Net loss	-	-	(153)	-	(153)
Other comprehensive income of Grand Bahama Power Company Limited	-	-	-	1,898	1,898
Balance, March 31, 2016	\$ 1,000	\$ 40,250	\$ 15,107	\$ (11,670)	\$ 44,687

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

ICD Utilities Limited
Notes to the Condensed Interim Financial Statements (Unaudited)
As at March 31, 2017 and 2016

1. CORPORATE 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 per cent interest in Grand Bahama Power Company Limited ("GBPC").

The unaudited condensed interim financial statements of ICDU for the three months ended March 31, 2017 were authorized for issue in accordance with a resolution of the directors on June 8, 2017.

2. BASIS OF PREPERATION

These interim condensed financial statements for the three months ended March 31, 2017 have been prepared in accordance with IAS 34 *Interim Financial Reporting* and are expressed in Bahamian dollars.

The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements as at December 31, 2016.

These unaudited interim condensed financial statements have been prepared following the same accounting policies used in the Company's most recent annual financial statements.

3. FUTURE ACCOUNTING CHANGES

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. 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 is as follows:

As at thousands of Bahamian dollars	March 31 2017	December 31 2016
Opening balance	\$ 46,675	\$ 42,908
Equity income(loss)	359	(6,301)
Other comprehensive income (loss)	(1,127)	11,568
Dividends on common shares	-	(1,500)
Closing balance	\$ 45,907	\$ 46,675

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

Statement of financial position

As at thousands of Bahamian dollars	March 2017	December 31 2016
Current assets	\$ 39,014	\$ 38,263
Other assets	191,959	193,010
Goodwill	51,763	51,763
Total assets	\$ 282,736	\$ 283,036
Current liabilities	\$ 26,768	\$ 53,130
Long-term liabilities	130,289	102,690
Total liabilities	\$ 157,057	\$ 155,821
Preferred stock	\$ 33,865	\$ 33,865
Net assets attributable to common shareholders	\$ 91,814	\$ 93,350
ICDU's investment	\$ 45,907	\$ 46,675

Statement of Comprehensive Income (loss)

For the three months ended thousands of Bahamian dollars	2017	March 31 2016
Operating revenues	\$ 19,582	\$ 22,316
Operating expenses	15,936	16,521
Income from operations	3,646	5,795
Other expenses, net	1,645	4,748
Net income	2,001	1,047
Preferred dividends	1,284	1,272
Net income (loss) attributable to common shareholders	717	(225)
ICDU's share of net income (loss) attributable to common shareholders	\$ 359	\$ (113)
Other comprehensive income (loss)	\$ (2,254)	\$ 3,796
ICDU's share of other comprehensive income (loss)	\$ (1,127)	\$ 1,898

ICDU's investment in GBPC is subject to other comprehensive income from unrealized gains (losses) related to GBPC's fuel hedging program.

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. RELATED PARTY TRANSACTIONS

During the three months ended March 31, 2017 Emera paid operating expenses of \$2 thousand (2016 – \$6 thousand) on behalf of the Company. 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.

The following table provides the balances included in the Condensed Statement of Financial Position.

As at	March 31	December 31
thousands of Bahamian dollars	2016	2016
Due to Emera Inc.	39	37

6. DIVIDENDS

There were no dividends paid to its shareholders during the three months ended March 31, 2017 (2016 - \$304 thousand).

There were no dividends declared in Q1 2017 (2016 - \$nil).

ICD Utilities Limited
Supplemental Information (Unaudited)
As at March 31, 2017

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 March 31, 2017			
Regulatory assets	\$ -	\$ 61,953	\$ 61,953
As at December 31, 2016			
Regulatory assets	\$ -	\$ 60,639	\$ 60,639

For the three months ended March 31, the effect on the Statements of Comprehensive Income is as follows:

thousands of Bahamian dollars	IFRS	Effect of IFRS	US GAAP
2017			
Net income per GBPC	\$ 717	\$ 448	\$ 269
Net income per ICDU	\$ 359	\$ 224	\$ 135
Other comprehensive income (loss) per GBPC	\$ 2,254	\$ (1,314)	\$ 940
Other comprehensive income (loss) per ICDU	\$ 1,127	\$ (657)	\$ 470
2016			
Net income per GBPC	\$ (225)	\$ 2,725	\$ 2,500
Net income per ICDU	\$ (113)	\$ 1,363	\$ 1,250
Other comprehensive income (loss) per GBPC	\$ 3,796	\$ (3,296)	\$ 500
Other comprehensive income (loss) per ICDU	\$ 1,898	\$ (1,648)	\$ 250