

ICD UTILITIES LIMITED

SUITE 1, CHANCERY HOUSE, THE MALL
P. O. BOX F-40437, FREEPORT, GRAND BAHAMA

May 5, 2016

Re: Results for March 31, 2016

Dear Shareholders,

Attached are the unaudited financial statements for the quarter ended March 31, 2016. ICDU holds a 50 per cent interest in Grand Bahama Power Company Limited ("GBPC"). In Q1 2016, ICDU's share of GBPC's income was \$(113) thousand compared to \$1,465 thousand for the same period in 2015.

GBPC prepares its financial statements in accordance with United States Generally Accepted Accounting Principles (USGAAP), while ICD Utilities Limited prepares its financial statements in accordance with International Financial Reporting Standards (IFRS), as it is a requirement of being a Bahamian publicly traded company. There can be accounting differences between USGAAP and IFRS. As such, ICDU prepares supplemental unaudited information on a quarterly basis to highlight these accounting differences for shareholders.

In Q1 2016, there was an accounting difference between USGAAP and IFRS. As stated in previous communications, a major component of our 3 point turnaround plan is rate stability for customers, specifically, managing the fuel price volatility. As part of this focus, GBPC's regulator approved the deferral of the recovery of \$3 million of 2016 fuel costs to 2017. Under USGAAP, these deferred fuel costs are recognized as a regulatory asset in 2016 and expensed in 2017, which matches when the revenue is recognized. Under IFRS, these costs are expensed in 2016, while revenues are recognized when billed in 2017. The resulting timing difference between the two accounting methods has resulted in additional expenses in ICDU of \$1.5 million under IFRS in 2016. Adjusting for this accounting difference, the Q1 2016 results are comparable to Q1 2015. This accounting difference will not significantly affect GBPC's ongoing operations.

Sincerely,

ICD UTILITIES LIMITED



Sarah MacDonald
President & CEO

ICD Utilities Limited

**Unaudited Condensed Interim
Financial Statements**

March 31, 2016 and 2015

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

thousands of Bahamian dollars (except per share amounts)	2016	2015
Share of income (loss) of Grand Bahama Power Company Limited	\$ (113) \$	1,465
Cost of operations		
Operating and general	17	12
Registrar fees	11	11
Stock exchange listing fees	8	6
Foreign exchange gains (losses)	4	(51)
Total cost of operations	40	(22)
Net income (loss)	\$ (153) \$	1,487
Other comprehensive income		
Other comprehensive income of Grand Bahama Power Company Limited (note 4)	1,898	449
Comprehensive income	\$ 1,745 \$	1,936
Weighted average shares of common stock outstanding – basic	10,000	10,000
Earnings per share – basic	\$ (0.02) \$	0.15

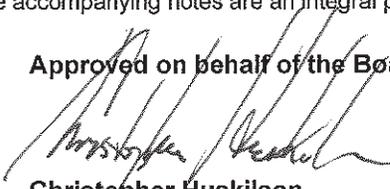
The accompanying notes are an integral part of these condensed financial statements.

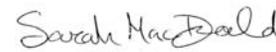
ICD Utilities Limited
Condensed Statements of Financial Position (Unaudited)

As at thousands of Bahamian dollars	March 31 2016	December 31 2015
Assets		
Current assets		
Cash and cash in trust	\$ 1	\$ 635
Prepaid expenses	5	-
Total current assets	6	635
Other assets		
Investment in Grand Bahama Power Company Limited (note 4)	44,693	42,908
Total assets	\$44,699	\$43,543
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 7	\$ 5
Due to related party (note 5)	5	292
Dividends payable	-	304
Total current liabilities	12	601
Equity		
Common stock	1,000	1,000
Additional paid-in capital	40,250	40,250
Retained earnings	15,107	15,260
Accumulated other comprehensive loss	(11,670)	(13,568)
Total equity	44,687	42,942
Total liabilities and equity	\$44,699	\$43,543

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

Approved on behalf of the Board of Directors


Christopher Huskilson
 Director


Sarah MacDonald
 Director

ICD Utilities Limited
Condensed Statements of Cash Flows (Unaudited)

For the thousands of Bahamian dollars	Three months ended March 31	
	2016	2015
Operating activities		
Net income (loss)	\$ (153)	\$ 1,487
Adjustments for non-cash items:		
Income from equity investments	113	(1,465)
Changes in non-cash working capital		
Prepaid expenses	(5)	(1)
Accounts payable and accrued liabilities	2	8
Due to related party	(287)	(39)
Net cash used in operating activities	\$ (330)	\$ (10)
Financing activities		
Dividends paid	(304)	-
Net cash used in financing activities	\$ (304)	\$ -
Net decrease in cash and cash in trust	(634)	(10)
Cash and cash in trust, beginning of period	635	1,517
Cash and cash in trust, end of period	\$ 1	\$ 1,507

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, 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
For the three months ended March 31, 2015					
Balance, December 31, 2014	\$ 1,000	\$ 40,250	\$ 9,286	\$ (11,443)	\$ 39,093
Net income	-	-	1,487	-	1,487
Other comprehensive income of Grand Bahama Power Company Limited	-	-	-	449	449
Balance, March 31, 2015	\$ 1,000	\$ 40,250	\$ 10,773	\$ (10,994)	\$ 41,029

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, 2016 and 2015

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, 2016 were authorized for issue in accordance with a resolution of the directors on May 9, 2016.

2. BASIS OF PREPERATION

These interim condensed financial statements for the three months ended March 31, 2016 have been prepared in accordance with IAS 34 *Interim Financial Reporting* and 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, 2015.

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

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 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 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 2016	December 31 2015
Opening balance	\$ 42,908	\$ 39,608
Equity income(loss)	(113)	7,275
Other comprehensive income (loss)	1,898	(2,125)
Dividends on common shares	-	(1,850)
Closing balance	\$ 44,693	\$ 42,908

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 2016	December 31 2015
Current assets	\$ 31,786	\$ 36,701
Other assets	190,519	193,649
Goodwill	51,763	51,763
Total assets	\$ 274,068	\$ 282,113
Current liabilities	\$ 34,669	\$ 39,657
Long-term liabilities	116,149	122,775
Total liabilities	\$ 150,818	\$ 162,432
Preferred stock	\$ 33,865	\$ 33,865
Net assets attributable to common shareholders	\$ 89,385	\$ 85,816
ICDU's investment	\$ 44,693	\$ 42,908

Statement of Comprehensive Income

For the three months ended thousands of Bahamian dollars	2016	March 31 2015
Operating revenues	\$ 22,316	\$ 25,941
Operating expenses	16,521	20,683
Income from operations	5,795	5,258
Other expenses, net	4,748	1,048
Net income	1,047	4,210
Preferred dividends	1,272	1,280
Net income (loss) attributable to common shareholders	(225)	2,930
ICDU's share of net income (loss) attributable to common shareholders	\$ (113)	\$ 1,465
Other comprehensive income	\$ 3,796	\$ 898
ICDU's share of other comprehensive income	\$ 1,898	\$ 449

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, 2016 Emera paid operating expenses of \$6 thousand (2015 – \$11 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	December
thousands of Bahamian dollars	31	31
	2016	2015
Due to Emera Inc.	5	292

6. DIVIDENDS

During the three months ended March 31, 2016, the Company paid \$304 thousand (2015 - \$nil) in dividends which included the balance related to 2015 dividends declared to its shareholders.

There were no dividends declared in Q1 2016.

ICD Utilities Limited
Supplemental Information (Unaudited)
As at March 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 March 31, 2016			
Regulatory assets	\$ -	\$ 57,751	\$ 57,751
As at December 31, 2015			
Regulatory assets	\$ -	\$ 58,980	\$ 58,980

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
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
2015			
Net income per GBPC	\$ 2,930	\$ (258)	\$ 2,672
Net income per ICDU	\$ 1,465	\$ (129)	\$ 1,336
Other comprehensive income (loss) per GBPC	\$ 898	\$ 84	\$ 982
Other comprehensive income (loss) per ICDU	\$ 449	\$ 42	\$ 491