

ICD Utilities Limited

**Unaudited Condensed Interim
Financial Statements**

June 30, 2017 and 2016

ICD Utilities Limited
Condensed Statements of Comprehensive Income (Unaudited)

For the thousands of Bahamian dollars (except per share amounts)	Three months ended June 30		Six months ended June 30	
	2017	2016	2017	2016
Share of income of Grand Bahama Power Company Limited	\$2,260	\$2,917	\$2,619	\$2,804
Cost of operations				
Directors fees and annual report costs	37	12	55	12
Registrar fees	11	10	11	21
Stock exchange listing fees	4	2	6	10
Foreign exchange losses	1	-	1	4
Operating and general	(20)	7	(16)	24
Total cost of operations	33	31	57	71
Net income	\$2,227	\$2,886	\$2,562	\$2,733
Other comprehensive income				
Other comprehensive income of Grand Bahama Power Company Limited (note 4)	302	5,033	(824)	6,931
Comprehensive income	\$2,529	\$7,919	\$1,738	\$9,664
Weighted average shares of common stock outstanding - basic	10,000	10,000	10,000	10,000
Earnings per share – basic	\$0.223	\$0.289	\$0.256	\$0.273

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	June 30 2017	December 31 2016
Assets		
Current assets		
Cash and cash equivalents	\$ 11	\$ 84
Prepaid expenses	23	-
Total current assets	34	84
Other assets		
Investment in Grand Bahama Power Company Limited (note 4)	48,470	46,675
Total assets	\$48,504	\$46,759
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 22	\$ 120
Due to related party (note 5)	142	37
Total current liabilities	164	157
Equity		
Common stock	1,000	1,000
Additional paid-in capital	40,250	40,250
Retained earnings	9,914	7,352
Accumulated other comprehensive loss	(2,824)	(2,000)
Total equity	48,340	46,602
Total liabilities and equity	\$48,504	\$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
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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	Six months ended June 30	
	2017	2016
Operating activities		
Net income	\$ 2,562	\$ 2,733
Adjustments for non-cash items:		
Income from equity investments	(2,619)	(2,804)
Changes in non-cash working capital		
Prepaid expenses	(23)	(4)
Accounts payable and accrued liabilities	(98)	4
Due to related party	105	(258)
Net cash used in operating activities	\$ (73)	\$ (329)
Investing activities		
Dividends received	-	1,500
Net cash provided by investing activities	\$ -	\$ 1,500
Financing activities		
Dividends paid	-	(304)
Net cash used in financing activities	\$ -	\$ (304)
Net (decrease) increase in cash and cash in trust	(73)	867
Cash at beginning of period	84	635
Cash at end of period	\$ 11	\$ 1,502

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 (Loss)	Total Equity
For the six months ended June 30, 2017					
Balance, December 31, 2016	\$ 1,000	\$ 40,250	\$ 7,352	\$ (2,000)	\$ 46,602
Net income	-	-	2,562	-	2,562
Other comprehensive income of Grand Bahama Power Company Limited	-	-	-	(824)	(824)
Balance, June 30, 2017	\$ 1,000	\$ 40,250	\$ 9,914	\$ (2,824)	\$ 48,340
For the six months ended June 30, 2016					
Balance, December 31, 2015	\$ 1,000	\$ 40,250	\$ 15,260	\$ (13,568)	\$ 42,942
Net income	-	-	2,733	-	2,733
Common dividends declared (\$0.14/share)	-	-	(1,400)	-	(1,400)
Other comprehensive income of Grand Bahama Power Company Limited	-	-	-	6,931	6,931
Balance, June 30, 2016	\$ 1,000	\$ 40,250	\$ 16,593	\$ (6,637)	\$ 51,206

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 June 30, 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 six months ended June 30, 2017 were authorized for issue in accordance with a resolution of the directors on August 11, 2017.

2. BASIS OF PREPERATION

These interim condensed financial statements for the six months ended June 30, 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 audited 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 audited 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. GBPC's principal business activity is power generation and distribution within Grand Bahama. The shares are not quoted or traded and have no readily determinable open-market value.

The investment in GBPC is as follows:

As at thousands of Bahamian dollars	June 30 2017	December 31 2016
Opening balance	\$ 46,675	\$ 42,908
Equity income (loss)	2,619	(6,301)
Other comprehensive (loss) income	(824)	11,568
Dividends on common shares	-	(1,500)
Closing balance	\$ 48,470	\$ 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	June 30 2017	December 31 2016
Current assets	\$ 39,702	\$ 38,263
Other assets	191,500	193,010
Goodwill	51,763	51,763
Total assets	\$ 282,965	\$ 283,036
Current liabilities	\$ 24,835	\$ 53,130
Long-term liabilities	127,327	102,690
Total liabilities	\$ 152,162	\$ 155,821
Preferred stock	\$ 33,865	\$ 33,865
Net assets attributable to common shareholders	\$ 96,938	\$ 93,350
ICDU's investment	\$ 48,470	\$ 46,675

Statement of Comprehensive Income

For the six months ended thousands of Bahamian dollars	June 30 2017	June 30 2016
Operating revenues	\$ 42,747	\$ 46,115
Operating expenses	(32,773)	(32,507)
Income from operations	9,974	13,608
Other expenses, net	(3,452)	(6,728)
Net income	6,522	6,880
Preferred dividends	(1,284)	(1,272)
Net income attributable to common shareholders	5,238	5,608
ICDU's share of net income attributable to common shareholders	\$ 2,619	\$ 2,804
Other comprehensive income	\$ 1,649	\$ 13,862
ICDU's share of other comprehensive income	\$ 824	\$ 6,931

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 Utility Holdings Ltd. (formerly Emera Caribbean Holdings Limited), by Emera Incorporated ("Emera"), which is the ultimate parent of the group. Emera is based in Halifax, Nova Scotia, Canada and its common and preferred shares are listed on the Toronto Stock Exchange.

5. RELATED PARTY TRANSACTIONS

As at June 30, 2017, ICDU had amounts payable to Emera and its subsidiaries totally \$142 thousand (2016 - \$37 thousand). During the year Emera and its subsidiaries paid operating expenses on behalf of the Company in the amount of \$133 thousand (2016 - \$6 thousand), and \$135 thousand (2016 - \$12 thousand) for the three months and six months ended June 30, 2017, respectively. These transactions meet the definition of related party transactions and were made on substantially the same terms as 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.

6. DIVIDENDS

There were no dividends paid to its shareholders during the three months ended June 30, 2017 (2016 - nil). Year-to-date there were no dividends paid to its shareholders (2016 - \$304 thousand).

There were no dividends declared in during the six months ended June 30, 2017 (2016 - \$nil).

ICD Utilities Limited
Supplemental Information (Unaudited)
As at June 30, 2017

GBPC reports under the United States Generally Accepted Accounting Principles (“US GAAP”) 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	Adjustments	US GAAP
As at June 30, 2017			
Regulatory assets	\$ -	\$ 61,090	\$ 61,090
As at December 31, 2016			
Regulatory assets	\$ -	\$ 60,639	\$ 60,639

For the six months ended June 30, the effect on the Statements of Comprehensive Income is as follows:

thousands of Bahamian dollars	IFRS	Adjustments	US GAAP
2017			
Net income per GBPC	\$ 5,238	\$ (628)	\$ 4,610
Net income per ICPU	\$ 2,619	\$ (314)	\$ 2,305
Other comprehensive income (loss) per GBPC	\$ (1,649)	\$ 1,209	\$ (440)
Other comprehensive income (loss) per ICPU	\$ (824)	\$ 605	\$ (219)
2016			
Net income per GBPC	\$ 5,608	\$ 2,451	\$ 8,059
Net income per ICPU	\$ 2,804	\$ 1,225	\$ 4,029
Other comprehensive income (loss) per GBPC	\$ 13,862	\$ (13,362)	\$ 500
Other comprehensive income (loss) per ICPU	\$ 6,931	\$ (6,681)	\$ 250