

ICD Utilities Limited

**Unaudited Condensed Interim
Financial Statements**

June 30, 2016 and 2015

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 | |
|--|-------------------------------|----------------|-----------------------------|----------------|
| | 2016 | 2015 | 2016 | 2015 |
| Share of income of Grand Bahama Power Company Limited | \$2,917 | \$2,223 | \$2,804 | \$3,688 |
| Cost of operations | | | | |
| Operating and general | 7 | 13 | 24 | 25 |
| Registrar fees | 10 | 11 | 21 | 21 |
| Directors fees and annual report costs | 12 | 24 | 12 | 24 |
| Stock exchange listing fees | 2 | - | 10 | - |
| Foreign exchange (gains) losses | - | 8 | 4 | (42) |
| Total cost of operations | 31 | 56 | 71 | 28 |
| Net income | \$2,886 | \$2,167 | \$2,733 | \$3,660 |
| Other comprehensive income | | | | |
| Other comprehensive income of Grand Bahama Power Company Limited (note 4) | 5,033 | 2,867 | 6,931 | 3,279 |
| Comprehensive income | \$7,919 | \$5,034 | \$9,664 | \$6,939 |
| Weighted average shares of common stock outstanding - basic | 10,000 | 10,000 | 10,000 | 10,000 |
| Earnings per share – basic | \$0.289 | \$0.216 | \$0.273 | \$0.366 |

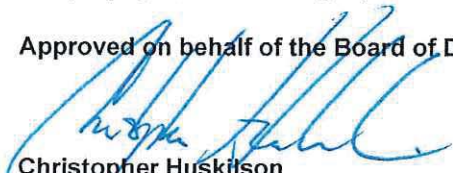
The accompanying notes are an integral part of these condensed financial statements.

ICD Utilities Limited
Condensed Statements of Financial Position (Unaudited)

| As at thousands of Bahamian dollars | June 30 2016 | December 31 2015 |
|---|-----------------|---------------------|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | \$ 1,502 | \$ 635 |
| Prepaid expenses | 4 | - |
| Total current assets | 1,506 | 635 |
| Other assets | | |
| Investment in Grand Bahama Power Company Limited (note 4) | 51,143 | 42,908 |
| Total assets | \$52,649 | \$43,543 |
| Liabilities | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities | \$ 9 | \$ 5 |
| Due to related party (note 5) | 34 | 292 |
| Dividends payable (note 6) | 1,400 | 304 |
| Total current liabilities | 1,443 | 601 |
| Equity | | |
| Common stock | 1,000 | 1,000 |
| Additional paid-in capital | 40,250 | 40,250 |
| Retained earnings | 16,593 | 15,260 |
| Accumulated other comprehensive loss | (6,637) | (13,568) |
| Total equity | 51,206 | 42,942 |
| Total liabilities and equity | \$52,649 | \$43,543 |

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

Approved on behalf of the Board of Directors


Christopher Huskisson
 Director


Sarah MacDonald
 Director

ICD Utilities Limited
Condensed Statements of Cash Flows (Unaudited)

| For the thousands of Bahamian dollars | Six months ended June 30 | |
|--|--------------------------|-------------------|
| | 2016 | 2015 |
| Operating activities | | |
| Net income | \$ 2,733 | \$ 3,660 |
| Adjustments for non-cash items: | | |
| Income from equity investments | (2,804) | (3,089) |
| Changes in non-cash working capital | | |
| Prepaid expenses | (4) | - |
| Accounts payable and accrued liabilities | 4 | 5 |
| Due to related party | (258) | 9 |
| Net cash provided (used in) operating activities | \$ (329) | \$ 585 |
| Investing activities | | |
| Dividends received | 1,500 | - |
| Net cash provided by investing activities | \$ 1,500 | \$ - |
| Financing activities | | |
| Dividends paid | (304) | (1,457) |
| Net cash used in financing activities | \$ (304) | \$ (1,457) |
| Net increase (decrease) in cash and cash in trust | 867 | (872) |
| Cash and cash in trust, beginning of period | 635 | 1,517 |
| Cash and cash in trust, end of period | \$ 1,502 | \$ 645 |

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, 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 |
| For the six months ended June 30, 2015 | | | | | |
| Balance, December 31, 2014 | \$ 1,000 | \$ 40,250 | \$ 9,286 | \$ (11,443) | \$ 39,093 |
| Net income | - | - | 3,660 | - | 3,660 |
| Other comprehensive income of Grand Bahama Power Company Limited | - | - | - | 3,279 | 3,279 |
| Balance, June 30, 2015 | \$ 1,000 | \$ 40,250 | \$ 12,946 | \$ (8,165) | \$ 46,031 |

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, 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 six months ended June 30, 2016 were authorized for issue in accordance with a resolution of the directors on August 5, 2016.

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 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

The standards and interpretations that have been issued, but that are not yet effective, up to the date of issuance of these Condensed Financial Statements are consistent with those disclosed in the Company's Audited Financial Statements for the year ended December 31, 2015.

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 2016 | December 31 2015 |
|--|-----------------|---------------------|
| Opening balance | \$ 42,908 | \$ 39,608 |
| Equity income | 2,804 | 7,275 |
| Other comprehensive income (loss) | 6,931 | (2,125) |
| Dividends on common shares | (1,500) | (1,850) |
| Closing balance | \$ 51,143 | \$ 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 | June 30 2016 | December 31 2015 |
|--|-----------------|---------------------|
| Current assets | \$ 34,013 | \$ 36,701 |
| Other assets | 192,405 | 193,649 |
| Goodwill | 51,763 | 51,763 |
| Total assets | \$ 278,181 | \$ 282,113 |
| Current liabilities | \$ 31,856 | \$ 39,657 |
| Long-term liabilities | 110,174 | 122,775 |
| Total liabilities | \$ 142,030 | \$ 162,432 |
| Preferred stock | \$ 33,865 | \$ 33,865 |
| Net assets attributable to common shareholders | \$ 102,286 | \$ 85,816 |
| ICDU's investment | \$ 51,143 | \$ 42,908 |

Statement of Comprehensive Income

| For the six months ended thousands of Bahamian dollars | June 30 2016 | June 30 2015 |
|--|-----------------|-----------------|
| Operating revenues | \$ 46,115 | \$ 51,931 |
| Operating expenses | (32,507) | (40,375) |
| Income from operations | 13,608 | 11,556 |
| Other expenses, net | (6,728) | (2,900) |
| Net income | 6,880 | 8,656 |
| Preferred dividends | (1,272) | (1,280) |
| Net income attributable to common shareholders | 5,608 | 7,376 |
| ICDU's share of net income attributable to common shareholders | \$ 2,804 | \$ 3,688 |
| Other comprehensive income | \$ 13,862 | \$ 6,558 |
| ICDU's share of other comprehensive income | \$ 6,931 | \$ 3,279 |

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 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

Emera paid operating expenses on behalf of the Company in the amount of \$6 thousand (2015 - \$52 thousand), and \$12 thousand (2015 - \$63 thousand) for the three months and six months ended June 30, 2016, 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.

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

| As at thousands of Bahamian dollars | June 30 2016 | December 31 2015 |
|--|-----------------|---------------------|
| Due to Emera Incorporated | 34 | 292 |

6. DIVIDENDS

In Q2 2016, the Board of Directors approved payment of dividends of \$0.14 per common share, totaling \$850 thousand (2015 - nil). Year to date, the company has paid dividends of \$304 thousand (2015 - \$1,457 thousand).

ICD Utilities Limited
Supplemental Information (Unaudited)
As at June 30, 2016

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, 2016 | | | |
| Regulatory assets | \$ - | \$ 47,282 | \$ 47,282 |
| As at December 31, 2015 | | | |
| Regulatory assets | \$ - | \$ 58,980 | \$ 58,980 |

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 |
|--|-----------|-------------|----------|
| 2016 | | | |
| Net income per GBPC | \$ 5,608 | \$ 2,451 | \$ 8,059 |
| Net income per ICDU | \$ 2,804 | \$ 1,225 | \$ 4,029 |
| Other comprehensive income (loss) per GBPC | \$ 13,862 | \$ (13,362) | \$ 500 |
| Other comprehensive income (loss) per ICDU | \$ 6,931 | \$ (6,681) | \$ 250 |
| 2015 | | | |
| Net income per GBPC | \$ 7,376 | \$ (960) | \$ 6,416 |
| Net income per ICDU | \$ 3,688 | \$ (480) | \$ 3,208 |
| Other comprehensive income (loss) per GBPC | \$ 6,558 | \$ (5,576) | \$ 982 |
| Other comprehensive income (loss) per ICDU | \$ 3,279 | \$ (2,788) | \$ 491 |