ICD Utilities Limited

Financial Statements

December 31, 2011

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Independent Auditors' Report

The Shareholders
ICD Utilities Limited

We have audited the accompanying consolidated financial statements of ICD Utilities Limited, which comprise the consolidated balance sheet as at December 31, 2011, and the consolidated statement of comprehensive income and retained earnings, and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information. The consolidated financial statements of the Company as of December 31, 2010, were audited by another auditor, whose opinion dated April 14, 2011, was unqualified.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of ICD Utilities Limited as at December 31, 2011, and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst + Young

April 17, 2012

ICD Utilities Limited
Statements of Comprehensive Loss
Year Ended December 31

	2011	2010
Revenue		
Equity loss	$(166,000)	$(1,038,000)
Interest income	-	1,040
	(166,000)	(1,036,960)
Cost of operations		
Corporate support charges	106,431	23,812
Registrar fees	39,800	39,800
Annual general meeting and annual report costs	37,183	77,824
Directors' fees	10,000	10,000
Foreign exchange gain	(7,353)	-
Legal fees	7,891	19,963
Stock exchange listing expenses	5,000	5,000
Audit fees	3,639	3,500
Other	3,470	3,306
	206,061	183,205
Net Comprehensive Loss	$(372,062)	$(1,220,165)

See accompanying notes to the financial statements.

Weighted average shares of common stock outstanding – basic	10,000,000	10,000,000
Earnings per common share - basic	$(0.0372)	$(0.1220)

ICD Utilities Limited
Balance Sheets
As at December 31

	2011	2010
Assets		
Current Assets		
Cash	**$7,238**	$61,575
Accrued interest	-	150
Long-term investment (note 4)	**53,866,430**	54,032,430
	$53,873,668	$54,094,155
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable and accrued liabilities	**$8,683**	$11,064
Due to related parties (note 6)	**329,195**	175,239
Shareholders' equity		
Common shares (note 5)	**1,000,000**	1,000,000
Additional paid in capital	**40,250,000**	40,250,000
Retained earnings	**12,285,790**	12,657,852
	53,535,790	53,907,852
	$53,873,668	$54,094,155

See accompanying notes to the financial statements.

On behalf of the Board of Directors

Director

Sarah MacDonald

Director

ICD Utilities Limited
Statements of Cash Flows
Year Ended December 31

	2011	2010
Operating activities		
Net comprehensive loss	**$(372,062)**	$(1,220,165)
Non-cash items:		
Equity loss	**166,000**	1,038,000
Decrease (increase) in accrued interest and prepayments	**150**	(150)
(Decrease) increase in accounts payable and accrued liabilities	**(2,381)**	2,364
Increase in amounts due to related parties	**153,956**	120,711
Net cash used in operating activities	**(54,337)**	(59,240)
Financing activities		
Payment of dividends on common shares	**-**	(1,400,000)
Net cash used in financing activities	**-**	(1,400,000)
Decrease in cash	**(54,337)**	(1,459,240)
Cash, beginning of year	**61,575**	1,520,815
Cash, end of year	**$7,238**	$61,575

See accompanying notes to the financial statements.

ICD Utilities Limited
Statements of Changes in Shareholders' Equity
Year Ended December 31

For the year ended December 31, 2011	Common Shares	Additional Paid-in Capital	Retained Earnings	Total
Balance, December 31, 2010	$1,000,000	$40,250,000	$12,657,852	$53,907,852
Net comprehensive loss	-	-	(372,062)	(372,062)
Dividends declared on common shares	-	-	-	-
Balance, December 31, 2011	$1,000,000	$40,250,000	$12,285,790	$53,535,790

For the year ended December 31, 2010	Common Shares	Additional Paid-in Capital	Retained Earnings	Total
Balance, December 31, 2009	$1,000,000	$40,250,000	$15,278,017	$56,528,017
Net comprehensive loss	-	-	(1,220,165)	(1,220,165)
Dividends declared on common shares	-	-	(1,400,000)	(1,400,000)
Balance, December 31, 2010	$1,000,000	$40,250,000	$12,657,852	$53,907,852

See accompanying notes to the financial statements.

1. DESCRIPTION OF BUSINESS

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% interest in Grand Bahama Power Company Limited" ("GBPC"), formerly Freeport Power Company Limited. The shares were transferred from a related company on April 30, 1993.

In September 2008, Emera Inc. ("Emera") purchased 50% interest in ICDU and in December 2010, through one of its subsidiaries, purchased the remaining 50% interest in GBPC and an additional 10.7% interest in ICDU.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Accounting

The accompanying financial statements have been prepared in accordance with applicable International Financial Reporting Standards ("IFRS") and are 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 assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from the estimates.

b) Long-term Investment

The Company accounts for its 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 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 income (loss)' in the income statement.

c) Income Taxes

The Company is a Bahamian corporation and accordingly, is not subject to income taxes.

3. FUTURE ACCOUNTING PRONOUNCEMENTS

<u>IAS 1 *Financial Statement Presentation – Presentation of Items of Other Comprehensive Income*</u>

The amendments to IAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has no impact on the Company's financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 July 2012.

IFRS 7 *Financial Instruments: Disclosures — Enhanced Derecognition Disclosure Requirements*

The amendment requires additional disclosure about financial assets that have been transferred but not derecognized to enable the user of the Company's financial statements to understand the relationship with those assets that have not been derecognized and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognized assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognized assets. The amendment becomes effective for annual periods beginning on or after 1 July 2011. The amendment affects disclosure only and has no impact on the Company's financial position or performance.

IFRS 9 *Financial Instruments: Classification and Measurement*

IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard is effective for annual periods beginning on or after 1 January 2013. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The completion of this project is expected over the course of 2011 or the first half of 2012. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but will potentially have no impact on classification and measurements of financial liabilities. The Company will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

IFRS 12 *Disclosure of Involvement with Other Entities*

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 13 *Fair Value Measurement*

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The Company is currently assessing the impact that this standard will have on the financial position and performance. This standard becomes effective for annual periods beginning on or after 1 January 2013.

4. LONG-TERM INVESTMENT

This investment represents a 50% interest in GBPC. 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, 2011 and 2010 is as follows:

	2011	2010
Opening balance	**$54,032,430**	$55,070,430
Equity loss	**(166,000)**	(1,038,000)
Closing balance	**$53,866,430**	$54,032,430

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

thousands of Bahamian dollars	2011	2010
Balance sheet data		
Current assets	**$46,729**	$39,187
Other assets	**185,193**	141,722
Goodwill	**51,763**	51,763
Total assets	**$283,685**	$232,672
Current liabilities	**$79,203**	$25,376
Long-term liabilities	**96,750**	99,232
Total liabilities	**$175,953**	$124,608
Net assets	**$107,732**	$108,064
ICDU's investment	**$53,866**	$54,032
Income statement data		
Operating revenues	**$128,622**	$107,208
Operating expenses	**124,123**	103,929
Income from operations	**4,499**	3,279
Other expenses, net	**4,831**	5,355
Net loss from operations	**$(332)**	$(2,076)

5. COMMON SHARES

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 each. On this date, two ordinary shares with a par value of $1 each were issued and outstanding.

On April 16, 1996, the authorized share capital was increased to $1,000,000 consisting of 10,000,000 common shares with a par value of $0.10 each. On the same date, 5,000,000 ordinary shares were issued to each of the shareholders of the Company, for a total of 10,000,000 common shares. The increase in the issued share capital was accounted for by a transfer from additional paid-in-capital.

6. RELATED PARTY TRANSACTIONS

During the year Emera paid expenses on behalf of the Company in the amount of $153,956 (2010 - $117,441) and is measured at the exchange amount. There is no written agreement between the Company and Emera for the allocation of the above expenses, however, the ICDU Board of Directors has approved the above allocation.

As at year end, the following related party balances were included in the balance sheets:

	2011	2010
Due to Emera Inc.	**$329,195**	$175,239

7. EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Net comprehensive loss	**$(372,062)**	$(1,220,165)
Weighted average number of ordinary shares	**10,000,000**	10,000,000
Earnings per Share	**$(0.0372)**	$(0.1220)

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 31 December 2011 and 31 December 2010.