

CARIBBEAN UTILITIES COMPANY, LTD.

ANNUAL INFORMATION FORM

FOR THE YEAR ENDED December 31, 2015



DATED: March 16, 2016

CARIBBEAN UTILITIES COMPANY, LTD.

**ANNUAL INFORMATION FORM FOR THE YEAR ENDED
DECEMBER 31, 2015**

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The following Annual Information Form should be read in conjunction with the consolidated financial statements of Caribbean Utilities Company, Ltd. (“CUC” or “the Company”) included in the Company’s 2015 Annual Report to shareholders for the year ended December 31, 2015. The information disclosed in this Annual Information Form is as of December 31, 2015 unless otherwise stated. The material has been prepared in accordance with National Instrument 51-102 - Continuous Disclosure Obligations (“NI 51-102”) and National Instrument – 52-110- Audit Committees (“NI 52-110”).

Additional information in this Annual Information Form has been prepared in accordance with United States generally accepted accounting principles (“US GAAP”), including certain accounting practices unique to rate-regulated entities. These accounting practices and their impact, which are disclosed in the notes to the Company’s annual consolidated financial statements, result in regulatory assets and liabilities which would not occur in the absence of rate regulation. In the absence of rate regulation, the amount and timing of recovery or refund by the Company of costs of providing services from customers through appropriate billing rates would not be subject to regulatory approval.

Certain statements in this Annual Information Form, other than statements of historical fact, are forward-looking statements concerning anticipated future events, results, circumstances, performance or expectations with respect to the Company and its operations, including its strategy and financial performance and condition. Forward-looking statements include statements that are predictive in nature, depend upon future events or conditions, or include words such as “expects”, “anticipates”, “plan”, “believes”, “estimates”, “intends”, “targets”, “projects”, “forecasts”, “schedule”, or negative versions thereof and other similar expressions, or future or conditional verbs such as “may”, “will”, “should”, “would” and “could”. Forward-looking statements are based on underlying assumptions and management’s beliefs, estimates and opinions, and are subject to inherent risks and uncertainties surrounding future expectations generally that may cause actual results to vary from plans, targets and estimates. Some of the important risks and uncertainties that could affect forward-looking statements are described in this Annual Information Form in the section labeled “Business Risks” and include, but are not limited to, operational, general economic, market and business conditions, regulatory developments and weather. CUC cautions readers that actual results may vary significantly from those expected should certain risks or uncertainties materialize, or should underlying assumptions prove incorrect. Forward-looking statements are provided for the purpose of providing information about management’s current expectations and plans relating to the future. Readers are cautioned that such information may not be appropriate for other purposes. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

Financial information is presented in United States dollars unless otherwise specified and references to “\$” are to United States dollars unless otherwise indicated. References to “Cdn \$” are to Canadian dollars and references to “CI\$” are to Cayman Islands dollars. The closing rate of exchange, as reported by the Bank of Canada, for conversion of US dollars into Canadian dollars was Cdn \$1.3840 per US\$1.00 on December 31, 2015. The official fixed exchange rate for conversion of CI\$ into US\$, as determined by the Cayman Islands Monetary Authority, has been fixed since April 1974 at US\$1.20 per CI\$1.00. Thus, the rate of exchange for conversion of Cayman Islands dollars into Canadian dollars was Cdn \$1.6608 per CI\$1.00 on December 31, 2015.

1.0 CORPORATE STRUCTURE

1.1 Name and Incorporation

Caribbean Utilities Company, Ltd. (“CUC” or “the Company”) was incorporated under the Companies Law of the Cayman Islands and commenced operations April 30, 1966. The Articles of Association of the Company (the “Articles”) have been amended since incorporation to reflect subsequent infusions of capital, share consolidations and share splits, which have resulted in the existing capitalization, as well as revisions to the composition of, and mandatory retirement age for, the Board of Directors of the Company (the “Board”). CUC’s head and registered offices are located at 457 North Sound Road, Grand Cayman, Cayman Islands. The mailing address of the

Company is P.O. Box 38, Grand Cayman KY1-1101, Cayman Islands, and its website address is www.cuc-cayman.com.

1.2 Inter-Corporate Relationships

CUC has one wholly-owned subsidiary company, DataLink, Ltd., (“DataLink”). DataLink was incorporated under the Companies Law of the Cayman Islands and commenced operations with the granting of its licence to provide information and communication technology services (the “ICT Licence”) from the Information & Communication Technology Authority (“ICTA”) on March 28, 2012.

2.0 GENERAL DEVELOPMENT OF THE BUSINESS

2.1 Three-Year History

Period-end information in this report reflects that of the twelve-month period ended December 31, 2015 (“Fiscal 2015” or “year ended December 31, 2015”).

A summary of operating revenue, earnings and kilowatt-hour (“kWh”) sales for the Company for Fiscal 2015, the twelve-month period ended December 31, 2014 (“Fiscal 2014” or “year ended December 31, 2014”) and the twelve-month period ended December 31, 2013 (“Fiscal 2013” or “year ended December 31, 2013”) appear below:

	Periods Ended December 31		
	2015	2014	2013
Operating Revenue (millions \$)	188.9	231.7	226.2
Earnings (millions \$)	22.8	20.8	20.4
Kilowatt-hour Sales (millions)	582.0	564.2	555.7

The increase in net earnings for Fiscal 2015 as compared to Fiscal 2014 is due to a 3% increase in kilowatt-hour sales, 1.5% and 0.9% base rate increases effective June 1, 2014 and June 1, 2015 respectively, lower finance charges and increased other income. These items were partially offset by higher depreciation, maintenance and general and administration costs.

Kilowatt-hour sales in Fiscal 2015 increased by 17.8 million kWh or 3% to 582.0 million when compared to 564.2 million for Fiscal 2014.

The two largest sectors of the Cayman Islands economy are tourism and offshore financial services. The tourist demographic is largely comprised of visitors from the U.S. For 2014 76% of air arrivals to the country were citizens of the US. As such, the state of the US economy has a large impact on that of the Cayman Islands. Air arrivals in 2015 were up 1% when compared to 2014 and cruise arrivals in 2015 increased by 7% when compared to 2014.

2.2 Outlook

See “Generating Capacity and Capital Expenditures” (Section 3.5).

3.0 NARRATIVE DESCRIPTION OF THE BUSINESS

The Company is the sole generator and supplier of electricity on Grand Cayman with a total installed capacity of 131.65 MW, in addition to 8.25 MW of temporary generation, eight transformer substations, approximately 441 miles of land-based high-voltage transmission and distribution (“T&D”) lines and 15 miles of high-voltage submarine cable. The Company uses diesel generation to produce electricity for Grand Cayman. The net book value of property, plant and equipment was \$447.7 million as of December 31, 2015.

The Company’s wholly-owned subsidiary, DataLink, was granted a licence in 2012 from the ICTA permitting DataLink to provide fibre optic infrastructure and other information and communication technology (“ICT”) services to the ICT industry. The term of the licence is 15 years and expires on March 27, 2027. CUC and DataLink have entered into three Electricity Regulation Authority (“ERA”) approved agreements:

- The Management and Maintenance agreement;
- The Pole Attachment agreement; and,
- The Fibre Optic agreement.

Several existing infrastructure sharing agreements between CUC and other telecommunication providers have been novated to DataLink as required by law.

3.1 The Cayman Islands

The Cayman Islands, a United Kingdom Overseas Territory with a population of approximately 54,000, are comprised of three islands: Grand Cayman, Cayman Brac and Little Cayman. Located approximately 150 miles south of Cuba, 460 miles south of Miami and 167 miles northwest of Jamaica, the largest island is Grand Cayman with an area of 76 square miles. Great Britain retains authority for the Cayman Islands’ defense, external affairs and internal security. The Cayman Islands is a parliamentary democracy with judicial, executive and legislative branches. The Cayman Islands legislature consists of a speaker of the house, 18 elected members and the Deputy Governor and the Attorney General (who are ex officio members). The Cabinet consists of seven Ministers (including the Premier) appointed by the Governor from among the elected members of the Legislative Assembly and the Deputy Governor and the Attorney General (who are ex officio members). The Governor is required to appoint as Premier the leader of the political party that has a majority of the seats of elected members of the legislature.

Grand Cayman enjoys one of the highest standards of living in the Caribbean. Per capita income in 2014, the most recent year for which this information is available, was estimated at \$53,154.

3.2 Regulation

CUC, a vertically integrated utility, operates the only electric utility on Grand Cayman, Cayman Islands pursuant to a 20-year exclusive Electricity Transmission and Distribution Licence (the “T&D Licence”) and a 25-year non-exclusive Electricity Generation Licence (the “Generation Licence”)(and, together with “T&D Licence”, the “Licences”) granted by the Cayman Islands Government (“Government”) through the ERA, which expire in April 2028 and November 2039, respectively. The Licences were signed in April 2008 and November 2014 respectively. The ERA has overall responsibility of regulating the electricity industry in the Cayman Islands in accordance with the ERA Law. The ERA oversees all licencees, establishes and enforces licence standards, enforces applicable environmental and performance standards, reviews the proposed RCAM, and set the rate adjustment factors as appropriate. The ERA also annually reviews and approves CUC’s capital investment plan (“CIP”). The terms include allowance for competition for future generating capacity and general promotion of the use of renewable sources of energy.

The November 2014 Generation Licence replaced the Generation Licence granted to the Company in April 2008 following the ERA announcement in October 2014 that CUC was selected to provide 39.7 MW of additional generation capacity subsequent to an open and competitive bid process (see “Generating Capacity and Capital Expenditures” section). The terms and conditions of the new Generation Licence are not materially different from the terms and conditions of the 2008 Generation Licence.

The Licences set out a return-on-rate base (“RORB”) formula, with a rate cap and adjustment mechanism (“RCAM”) based on published consumer price indices. Rate base is the value of capital upon which the Company is permitted an opportunity to earn a return. The value of this capital is the average of the beginning and ending values for the applicable financial year of: fixed assets less accumulated depreciation, plus the allowance for working capital, plus regulatory assets less regulatory liabilities. Rates are subject to an annual review and adjustment each June through the RCAM. A price cap mechanism is used to adjust the base rates in accordance with a formula that takes into account inflation and CUC’s RORB. CUC’s annual target range is adjusted annually based on movements in the average yield of the 10-year US Treasury Notes. CUC’s RORB for 2015 was 7.4% as compared to 7.4% in 2014. CUC’s RORB for 2016 is targeted in the 6.75% to 8.75% range (2015: 7.25% to 9.25%).

CUC’s base rates are designed to recover all non-fuel and non-regulatory costs and include per kilowatt-hour (“kWh”) electricity charges and fixed facilities charges. Fuel cost charges and regulatory fees are billed as separate line items. Licence fees of 1% of electricity revenues, payable to the government, apply to individual customer billings for consumption over 1,000 kWh per month as a pass-through charge on a per kWh basis. In addition to the licence fee, a regulatory fee of ½ of 1% of electricity revenues applies to individual customer billings for consumption over 1,000 kWh per month as a pass-through charge on a per kWh basis. In June 2015 rates were adjusted by 0.9%, or 80% of the increase in Price Level Index as defined in the T&D Licence.

The Company is exempt for the full term of the Licences from all Cayman Islands taxes other than import duties as specified in the Licences and is able to transfer funds free from any exchange controls under the terms of the Licences. There is no income or withholding tax applicable to holders of the Company’s shares under the existing laws of the Cayman Islands.

All imported assets (except diesel fuel) attract import duty at a current rate of 15% under the terms of the Licences. The rate of import duty on diesel fuel is set by Government from time to time. Effective January 1, 2016, the import duty rate on diesel fuel oil was reduced from CI\$0.50 (\$0.60) per Imperial Gallon (“IG”) to CI\$0.25 (\$0.30) per IG.

In the event of a natural disaster as defined in the T&D licence, the actual increase in base rates will be capped for the year at 60% of the change in the Price Level Index and the difference between the calculated rate increase and the actual increase, expressed as a percentage, shall be carried over and applied in addition to the normal RCAM adjustment in either of the two following years if the Company’s RORB is below the target range. In the event of a disaster the Company would also write-off destroyed assets over the remaining life of the asset that existed at the time of destruction. Z Factor rate changes will be instituted for insurance deductibles and other extraordinary expenses. The Z Factor is the amount, expressed in a charge per kWh, approved by the ERA to recover the costs of items deemed to be outside of the constraints of the RCAM.

The ICTA has the overall responsibility for regulating the information and communication technology industry in the Cayman Islands in accordance with the Information and Communication Technology Authority Law (2011 Revision). DataLink is subject to regulation by the ICTA in accordance with the terms and conditions of its Licence granted in March 2012 and expiring March 2027.

3.3 Market

The following tables present customers, sales and operating revenues by segment for Fiscal 2015 and Fiscal 2014. The information presented does not include customers, sales and operating revenues related to DataLink as they are not considered to be material for the Company:

Customers (#)	Dec-2015	Dec-2014	Change %
Residential	24,007	23,685	1%
Commercial	4,197	4,099	2%
Total Customers	28,204	27,784	2%

Sales (thousands kWh)	Dec-2015	Dec-2014	Change %
Residential	276,944	266,742	4%
Commercial	298,285	290,745	3%
Other (street lighting, etc.)	6,748	6,740	0%
Total Sales	581,977	564,227	3%

Operating Revenues (thousands \$)	Dec-2015	Dec-2014	Change %
Residential	35,948	34,910	3%
Commercial	40,060	37,981	5%

Other (street lighting, etc.)	739	517	43%
Fuel Adjustments	112,134	158,297	-29%
Total Operating Revenues	188,881	231,705	-18%

Sales were positively impacted by large commercial development, growth in customer numbers and warmer weather conditions that affected customer air conditioning usage.

Fuel factor revenues decreased due to a reduction in global oil prices and a reduction in custom duties levied on diesel fuel imports by the Government. The average Fuel Cost Charge rate per kWh charged to consumers for the year ended December 31, 2015 was \$0.19 compared to the Fuel Cost Charge rate of \$0.27 per kWh for the year ended December 31, 2014. CUC passes through 100% of fuel costs, including import duties, to consumers on a two-month lag basis without mark up.

The demand for electricity on Grand Cayman is generally higher in the summer months, when the air conditioning load is the greatest. Peaks in demand occasionally occur at other times during the year when new major customers are connected. The Fiscal 2015 peak load was 100.7 MW compared with the Fiscal 2014 peak load of 99.7 MW.

3.4 Transmission and Distribution System

The Company's system is comprised of eight transformer substations, approximately 441 miles of land-based high-voltage (69 kiloVolt and 13 kiloVolt) T&D lines and 15 miles of high-voltage submarine cable in Grand Cayman. The 69 kiloVolt East Transmission Loop was completed and energized in 2012 and provides dual transmission sources to the Company's substations on the Eastern part of the Island. The addition of the East Loop to the existing West Loop completed a long term project of installing a double loop transmission system for high reliability of service. The T&D lines and substations are designed for high winds and flooding that might result from a hurricane. The T&D assets have an original cost of \$310.3 million and a net book value of \$198.5 million as of December 31, 2015.

3.5 Generating Capacity and Capital Expenditures

CUC's installed generating capacity on December 31, 2015 was 131.65 MW. In addition to the installed generating capacity, the Company is also currently utilizing 7.25 MW of temporary generation and, as discussed further below, is expected to utilize 39.7 MW of further generating capacity by June 2016. This temporary generation complements the existing installed generation and helps to ensure continuity of supply until the installation of the firm capacity. CUC understands that reliability of service is critical to Grand Cayman's continued growth and development.

The Company is reliant on diesel generation units and related equipment with long useful lives to meet customer demand. Accordingly, to ensure the continued performance of the physical assets and reliable customer service, the Company determines expenditures that must be made to

maintain and replace the assets in accordance with manufacturer's specifications as well as industry standards.

The Company bases its generation expansion planning primarily on historical growth trends and planned major commercial developments. Furthermore, limits prescribed under its exclusive T&D Licence dictate reserve generating capacity, consisting of a minimum of 35% and maximum of 55% of projected demand, that the Company must maintain to ensure a reliable supply of electricity after allowance for breakdowns and scheduled maintenance. Under the T&D Licence, CUC must submit a Certificate of Need ("CON") to the ERA documenting the size and timing of future generation requirements for firm capacity, which shall be subject to competitive solicitation. The CON shall take into account projected growth in electric peak load, availability of existing capacity, including retirement of existing generation units, projected reserve requirements and safety and environmental requirements.

In October 2013 the Company issued a CON for generation capacity and in November 2013 the ERA issued a solicitation for Statements of Qualifications from prospective bidders. In January 2014 the ERA announced the parties selected as qualified bidders and released the request for proposal document to all qualified bidders. The Company submitted a bid in May 2014. In October 2014 the ERA announced that CUC was the successful participant in the competitive bid process for the supply of new generation capacity and in November 2014 the Company was granted a new and extended Generation Licence. The Company entered into a design-build contract agreement for the 39.7 MW generation project with the consortium of Burmeister & Wain Scandinavian Contractor A/S ("BWSC") of Denmark and MAN Diesel & Turbo SE ("MAN") of Germany. The agreement covers the purchase and turnkey installation of two 18.5 MW diesel generating units and a 2.7 MW waste heat recovery steam turbine. The project cost is estimated at \$85 million and it is expected that the power plant will be commissioned no later than June 2016.

As an incentive to adopt renewable energy, with the ERA's approval, the Company provides a customer owned renewable energy ("CORE") program. The program's rates are higher than the full retail rate for electricity generated by CUC and are currently set at CI 32 cents for residential customers and CI 28 cents for commercial customers. The program is cost-neutral to CUC as the cost is passed through to customers without mark-up. CUC must maintain sufficient reserve generation capacity and T&D infrastructure to provide reliable back up service to CORE customers who will remain connected to the T&D grid. CORE generation is not expected to offset significant additional capacity requirements in the near term, is considered non-firm supply and is subject to a total limitation on installed, participating capacity. By December 31, 2015 there were one hundred and thirty (130) CORE customers with a total installed capacity of 1,895.5 kilowatts ("kW"). Additionally, there were 77 applicants approved for 938.4 kW of generating capacity and a further 35 applicants with a total capacity of 1,111.4 kW under review for approval. The CORE programme is reviewed by the ERA from time-to-time including the limitation on the generation capacity. In February 2014, CUC and the ERA agreed to increase the total limitation from 2 MW to 3 MW and in April 2015 further increased the programme capacity to 4MW.

CUC is proposing to add utility scale renewable energy ("RE") to its portfolio of renewable energy services. An independent power producer, chosen through a competitive RFP process, has

executed a Power Purchase Agreement (“PPA”) for a 5MW solar photovoltaic power plant with CUC and has been issued a Generation Licence by the ERA. This project is scheduled to come online at the end of 2017.

Net generation of 623.7 million kWh for the year ended December 31, 2015, increased 19 million kWh, or 3%, from net generation of 604.7 million kWh for the year ended December 31, 2014.

Capital expenditures for the twelve months ended December 31, 2015 were \$77.9 million, a \$38.4 million, or 97% increase from \$39.5 million in capital expenditures for the twelve months ended December 31, 2014, due primarily to the cost of the new generation project.

The Company’s CIP for the period 2015 to 2019 in the amount of \$234.0 million was approved by the ERA in December 2014. In December 2015 the ERA approved CUC’s 2016-2020 CIP in the amount of \$204.0 million.

CUC expects to finance capital investment with a combination of equity, long-term and short-term debt and funds from operations.

3.6 Fuel and Lubricating Oil Supply

CUC relies exclusively upon diesel generation to produce electricity for Grand Cayman. The island has neither hydroelectric potential nor inherent thermal resources, and CUC must rely upon diesel fuel imported to Grand Cayman primarily from refineries in the Caribbean and the Gulf of Mexico. The fuel is purchased from the Company’s two fuel suppliers, Rubis Cayman Limited (“Rubis”) and Sol Petroleum Cayman Limited (“Sol”), and transported via pipeline from the suppliers’ coastal terminals to CUC’s centralized generating plant located in the capital of George Town.

CUC has 18-month primary and secondary fuel supply contracts with Rubis and Sol entered into in 2012, which were renewed in September 2014 and are under negotiation for renewal in March 2016. Rubis was awarded a 60% share of the total fuel volume required and Sol was awarded the remaining 40% share. Each contract has the option to renew for an additional 18 month term. Renewal cannot occur earlier than 6 months before the current contract expiry date.

CUC also has a five year contract for the supply of lubricating oil with Automotive Art Limited (“Automotive Art”), the Chevron authorized distributor of lubricants in the Cayman Islands. Prior to the June 2015 expiry of the original lube oil contract with Automotive Art the Company conducted an open bid process to select a supplier to ensure continued supply at the most competitive rate. Automotive Art won the bid, and the new five year contract was executed in February 2016.

These contracts enable the Company to purchase fuel and lubricating oil from the suppliers on what the Company believes to be competitive terms and pricing. Both fuel and lubricating oil contracts include disaster recovery and business continuity plans in the event of foreseeable disruptions to supplies to reduce the impact on the Company’s operations.

3.7 Properties

The Company's generating plant, two of its eight transformer substations, office building, hurricane centre, warehouse, fuel tanks and garage are all located on approximately 44.3 acres of land owned by the Company and located on North Sound Road, Grand Cayman. The Company owns six additional transformer substation sites, located on approximately seven acres of land also on Grand Cayman.

3.8 Employees

As of December 31, 2015, CUC had 201 full-time employees, approximately 90% of whom are Caymanian. The Company's work force is non-unionized and management believes that employee relations are good.

CUC has developed a strong specialized skills and knowledge base among its work force with a particular emphasis on engineering technical expertise, which has been achieved through the Company's comprehensive training, employee development and scholarship programmes. CUC focuses on hiring and promoting Caymanian employees while attracting offshore experience and knowledge as necessary. CUC participates in the Investors In People Programme ("IIP"), a continuous business improvement framework and international quality standard. CUC has maintained the IIP standard certification since 2006 and was awarded the higher silver level certification in 2014. The achievement of the IIP silver certification demonstrates strong leadership, a compelling vision, and a culture of improvement in order to achieve higher performance.

Approximately 50% of employees are currently shareholders in the Company, and an Employee Share Purchase Plan exists to encourage employee ownership of Class A Ordinary Shares.

3.9 Insurance

The Company has property, machinery breakdown and business interruption ("BI") insurance on its generation assets, property and substations. Terms and coverages include a maximum limit per single occurrence of \$100 million. In addition to this coverage, the Company holds an excess layer of insurance for an additional \$100 million limit on property, machinery breakdown and BI (excluding windstorm, earth movement and flood). BI insurance includes all gross profits up to a 24-month indemnity period with a 45-day deductible waiting period for Named Windstorm, Earthquake and Flood (as defined in the BI insurance agreement) and 60 days otherwise. All T&D assets outside of 1,000 feet from the boundaries of the main plant and substations are excluded, as the cost of such coverage is not considered economical. Each "loss occurrence" is subject to a deductible of \$1.0 million, except for windstorm and earth movement (including hurricane) for which the deductible is 2% of the value of each location that suffers loss, but subject to a minimum deductible of \$1.0 million and maximum deductible of \$4.0 million. The Company maintains

insurance coverage to cover weather risks that management believes is proper and consistent with insurance policies obtained by similar companies.

3.10 Environmental Matters

CUC's operations are subject to local environmental protection laws concerning emissions to the air, discharges to surface and subsurface waters, land use activities and the handling, storage, process, use, emission and disposal of materials and waste products.

CUC received International Organization for Standardization ("ISO") 14001 certification of its electric power generation and other activities, products and services at the North Sound Road site in July 2004. The required re-registration audit conducted in 2013 confirmed the Company's conformity to the ISO 14001 standard. A successful surveillance audit was conducted in March 2015. ISO 14001 is an internationally recognized environmental standard developed by the ISO and confirmed to the Company by QMI/SAI Global, a globally recognized and accredited third party registrar.

The Company's ISO certification initiative was undertaken in 2002 as part of its commitment to environmental responsibility and community leadership. CUC is the only organization in the Cayman Islands to receive ISO 14001 certification.

The Company launched several major environmental initiatives throughout the ISO 14001 certification process, including the implementation of an environmental management system ("EMS") as required by the standard. As part of the Standard, an internal audit of the EMS was successfully conducted in October 2015. During 2015, EMS activities included: (i) the ongoing segregation of scrap metals consisting mainly of aluminum conductor and damaged transformers for recycling overseas, (ii) recycling of used oil, (iii) ongoing emergency preparedness planning, (iv) continuous employee, contractor and public education programmes and (v) stringent environmental and structural design standards, air quality, fuel and lubricating oil monitoring and control operating standards, process water cooling monitoring and control operating standards.

The Company complies in all material respects with all Cayman Islands planning and environmental regulations and the financial and operational effects on capital expenditures is negligible. Although environmental regulations in the Cayman Islands are less onerous than those in North America, the Company acts responsibly in environmental matters and in compliance with all material aspects of the environmental regulations of the Cayman Islands, while continuing to monitor its operations in this regard.

None of the existing transformers used in the T&D system use polychlorinated biphenyls. An underground fuel pipeline eliminates the need for trucking fuel to the Company's generating plant and reduces the potential damage to the Island's coral reefs and beaches from a fuel oil spill. CUC is responsible for the piping of the fuel from the vendors' distribution terminals on the coast of Grand Cayman to the day tank holding facilities at the Company's generating plant. The Company continues to burn diesel fuel oil that results in significantly lower levels of exhaust emissions than that produced through the burning of heavy fuel oil. More recently installed diesel generators

incorporate improvements to provide electricity in a more efficient and environmentally friendly manner and are designed to provide an increased kWh output per gallon consumed than the older generators. Overall, the company's exhaust stacks have been designed and installed of sufficient height to optimize exhaust plume dispersion and with a resulting impact on air quality to meet best industry practice.

The Company's efforts to reduce transmission, distribution and station losses also improve energy efficiencies. The Company continues to promote its Energy Smart programme with the objective of educating its customers about energy efficiency and conservation at home and in the workplace. The Company is working with the Government and the ERA to increase the amount of power generation from renewable sources through various means including the CORE program. See section entitled "Generating Capacity and Capital Expenditures", commencing on page 10.

In March 2007 the United Kingdom's ratification of the United Nations Framework Convention on Climate Change ("UNFCCC") and its Kyoto Protocol were extended to the Cayman Islands Government. This framework aims to reduce greenhouse gas emissions produced by certain industries. Specific details on the regulations implementing the protocol have yet to be released by the Government and, accordingly, CUC is not in a position to assess the financial impact of compliance with the framework.

A committee to establish a National Energy Policy ("NEP") was appointed by the Government in 2010. The goal of the policy is to ensure security, reliability and affordability of energy supplies in the Cayman Islands, as well as to reduce the Islands' carbon footprint and diversify power sources. A draft NEP was issued for discussion in 2013 but was not legislated. In January 2016, the Government appointed a new NEP Review Committee which includes representation by CUC.

4.0 BUSINESS RISKS

The following is a summary of the Company's significant business risks:

Operational Risks

Operational risks are those risks normally inherent in the operation of generation, transmission and distribution facilities. The Company's facilities are subject to the risk of equipment failure due to deterioration of the asset from use or age, latent defects and design or operator error, among other things. These risks could lead to longer-than-forecast equipment downtimes for maintenance and repair, disruptions of power generation, customer service interruptions, or could result in injury to employees and the public. Accordingly, to ensure the continued performance of the physical assets, the Company determines expenditures that must be made to maintain and replace the assets.

Economic Conditions

As with most utility companies, the general economic condition of CUC's service area, Grand Cayman, influences electricity sales. Changes in consumer demographic, income, employment and housing are all factors in the amount of sales generated. As the Company supplies electricity to all

hotels and large properties, its sales are therefore partially based on tourism and related industry fluctuations. World economic conditions, particularly those in North America, directly impact Grand Cayman's tourism industry, as approximately 76% of the island's stay-over visitors arrive from the U.S. annually, which affects electricity sales.

Regulation

The Company operates within a regulated environment and the operations of the Company are subject to the normal uncertainties faced by regulated companies. Such uncertainties include approval by the ERA of adjustments to billing rates that allow a reasonable opportunity to recover on a timely basis the estimated costs of providing services, including a fair return on rate base assets. The cost of expansion to existing generating facilities requires regulatory approval. There is no assurance that capital projects perceived as required by management of the Company will be approved. In addition, in the event of a large uninsurable loss the Company would apply to the ERA for recovery of these costs through higher rates. However, there is no assurance that the ERA would approve such application.

Weather

CUC's facilities are subject to the effects of severe weather conditions, principally during the hurricane season months of June through November. Despite preparations for disasters such as hurricanes, adverse conditions will always remain a risk. In order to mitigate some of this risk, the Company maintains insurance coverage appropriate and consistent with insurance policies obtained by similar companies.

Environmental Matters

CUC's operations are subject to local environmental laws concerning air emissions, discharges to surface and subsurface waters, land use activities, and the handling, storage, processing, use, emission and disposal of materials and waste products.

CUC's Environmental Management System ("EMS") is registered to the ISO 14001 Environmental Standard. The Company was initially registered in 2004, pursuant to an audit by a third party of the Company's EMS to ensure that the Company was meeting requirements put in place by the Government as well as self-imposed requirements. Under the ISO 14001 standard companies are required to establish, document, implement, maintain and continually improve their environmental performance with an aim of prevention of pollution. In order to maintain the Company's registration to this standard an external surveillance audit is conducted annually, and an external audit is conducted every three years for re-certification. Internal audits of the system must also be conducted on an annual basis. CUC has most recently conducted, and passed, its re-registration audit in June 2013.

In May 2002, the United Kingdom ("UK") ratified the Kyoto Protocol, which sets targets and timetables for the reduction of greenhouse gas ("GHG") emissions, which was later extended to the Cayman Islands in March 2007. Under the Kyoto Protocol, the UK is legally bound to reduce

its GHG emissions, but Cayman has no emissions reduction target. As an overseas territory, the Cayman Islands are required to give available national statistics on an annual basis to the UK which will be added to its inventory and reported to the UNFCCC Secretariat. Under the Convention governments are obligated to gather and report information on GHG emissions through the preparation of a national greenhouse gas inventory. The inventory primarily requires the Cayman Islands to quantify as best as possible the country's fuel consumption across a variety of sectors, production processes and distribution means. CUC continues to supply the Department of Environment with data for Cayman's GHG inventory.

Through the EMS, CUC has determined that its exposure to environmental risks is not significant and does not have an impact on its financial reporting including the recording of any Asset Retirement Obligations ("ARO's").

5.0 GENERAL DESCRIPTION OF CAPITAL STRUCTURE

5.1 Share Capital

The authorized share capital of the Company consists of CI\$3,562,520 divided into:

- a) 60,000,000 Class A Ordinary Shares of nominal or par value of CI\$0.05 each, 32,381,631 of which were issued and outstanding as of December 31, 2015 and each of which is entitled as such to one vote on each matter at the Annual General Meeting ("AGM") of Shareholders. The holders of Class A Ordinary Shares are entitled to dividends after payment of all dividends to which the holders of the Class B, Class C and Class D Preference Shares are entitled, including any arrears of dividends, in proportion to the amounts paid up on the Class A Ordinary Shares held by them, provided that, in the event that the dividend payable to the holders of each Class A Ordinary Share in any year exceeds CI \$0.15, the Company shall pay an amount equivalent to such excess multiplied by four to the holders of each Class B and Class D Preference Share contemporaneously with such payment. The Class A Ordinary Shares may be issued by the Company for an issue price to be determined by the Company from time to time;
- b) 250,000 9% Class B Cumulative Participating Preference Shares ("Class B Preference Shares") of nominal or par value of \$1.00 (CI\$0.84) each, 250,000 of which were issued and outstanding as of December 31, 2015. The Class B Preference Shares entitle the holders to a fixed cumulative preferential dividend at the rate of 9% per annum as well as the participating dividend noted above.

The Class B Preference Shares do not carry the right to vote except (i) in the event the Company is in arrears in the payment of dividends on the Class B Preference Shares, or (ii) as otherwise prescribed by the Articles. Class B Preference Shares may be issued at any time and from time to time by the Company in one or more series. In the event the Company fails to pay such dividend, the holders of Class B and Class D Preference Shares shall have four votes for each Preference Share held by them at any general meeting of the Company. In the event that holders of Class C Preference Shares become entitled to vote for the election of a director, the holders of the Class B Preference Shares acting together with the holders of the Class C Preference

Shares will be entitled to elect one director on the basis of one vote for each Class B Preference held.

Subject to the Companies Law of the Cayman Islands, Class B Preference Shares are redeemable at the sole option of the Company at any time upon receipt by the Company of a written request to redeem such shares from the holder or holders of the Class B Preference Shares to be redeemed at such price (not exceeding \$20.00 per share) as may be negotiated between the Company and the holders;

- c) 419,666 Class C Preference Shares of nominal or par value of \$1.00 (CI\$0.84) each, all of which have been issued and subsequently redeemed but still form part of the authorized capital. Class C Preference Shares may be issued at any time and from time to time by the Company in one or more series.

Subject to the Articles and the Companies Law of the Cayman Islands, the Board may fix the number of Class C Preference Shares in each series, the designation, rights, privileges, restrictions and conditions attached to the Class C Preference Shares in each series, including without any limitation any voting rights, any right to receive dividends, any terms and conditions of redemption or purchase, any conversion rights and any rights on liquidation, dissolution or winding up of the Company.

In the event that holders of the Class B Preference Shares become entitled to vote for the election of a director, the holders of the Class C Preference Shares acting together with the holders of the Class B Preference Shares will be entitled to elect one director on the basis of five votes for each Class C Preference Share held; and

- d) One unissued Class D Cumulative Participating Preference Share (the “Class D Preference Share”) of nominal or par value of \$0.67 (CI\$0.56) which may at any time be issued by the Company. The Class D Preference Share entitles the holder thereof to a fixed cumulative preferential dividend at a rate to be determined in the sole discretion of the Board. The Class D Preference Share does not carry the right to vote except (i) in the event the Company is in arrears in the payment of dividends, or (ii) as otherwise prescribed in the Articles.

The holders of the Class B and Class D Preference Shares are entitled to notice of, and to be present at, any general meeting of the Company but have no right to speak at or vote at such meeting, except as discussed above.

On a return of assets on liquidation or otherwise, holders of the Class B Preference Shares, Class C Preference Shares and the Class D Preference Share (collectively, the “Preference Shares”) will be paid the amount of the par value and premium of each share together with any accrued and unpaid dividend to the date of payment on such share in preference to such payments to be made to the holders of Class A Ordinary Shares and on parity with payments to be made to the other holders of Preference Shares.

In the event any of the Preference Shares or the Class A Ordinary Shares are subdivided, consolidated or changed into a greater or lesser number of shares, an appropriate adjustment will be made in the rights and conditions attached to the other Preference Shares so as to maintain the relative rights of the holders of such shares.

Subject to the restrictions prescribed by the Articles and in the Companies Law of the Cayman Islands, the Company may fix, before the issue thereof, the designation, rights, privileges, restrictions and conditions attaching to the Class B Preference Shares and the Class D Preference Shares.

Class A Ordinary Share Rights Offering

On March 16, 2015, the Company commenced a rights offering (the "Offering"). Under the Offering, the Company issued rights ("Rights") to eligible holders of record ("Shareholders") of outstanding Class A Ordinary Shares of the Company at the close of business on March 27, 2015 (the "Record Date") to subscribe for additional Class A Ordinary Shares. Each Shareholder was entitled to receive one Right for each Class A Ordinary Share held on the Record Date. Each 10 Rights entitled the holder to acquire one Class A Ordinary Share of the Company upon payment of the subscription price of US\$10.77 per share prior to the expiration of the Rights on April 30, 2015. Shareholders who exercised all of their Rights were entitled to acquire additional Class A Ordinary Shares, if any, which were not subscribed for by other holders of Rights pursuant to an additional subscription privilege. Fortis Energy (Bermuda) Ltd. ("FEBL"), the Company's largest shareholder, entered into a standby agreement with the Company pursuant to which FEBL agreed, subject to the terms and conditions of such agreement, to purchase all Class A Ordinary Shares issuable on the exercise of Rights which were not acquired by other holders of Rights or pursuant to the additional subscription privilege. The Company raised gross proceeds of \$31,563,639 through the issuance of a total of 2,930,700 Class A Ordinary Shares and FEBL purchased 2,169,682 Class A Ordinary Shares under the Offering and stand-by agreement. The proceeds of the Offering were used in part to fund the 39.7 MW diesel power plant and for other on-going capital expenditures.

5.2 Debt

CUC's principal activity as the sole provider of electricity to Grand Cayman requires the Company to have ongoing access to capital to build and maintain the electricity system for the community it serves.

Long-Term Debt

3.65%, 3.85% and 4.53% Senior Unsecured Notes Issuance

On November 25, 2014, the Company completed a private placement of \$50 million aggregate principal amount of 3.65%, 3.85% and 4.53% Senior Unsecured Notes due November 25, 2029, November 25, 2034 and November 25, 2046, respectively. The debt offering was privately placed with institutional investors in the U.S. Proceeds from long term debt were used in part to finance the development of the 39.7 MW diesel power plant and other capital expenditures.

The following table sets out all of the Company's outstanding notes and the financial obligations, in U.S. dollars, of the Company pursuant to those offerings as at the years ended December 31, 2015 and December 31, 2014.

Senior Unsecured Loan Notes Outstanding (\$ thousands)

Description	2015	2014
6.67% Senior Unsecured Loan Notes due 2016	3,000	6,000
5.09% Senior Unsecured Loan Notes due 2018	12,000	16,000
5.96% Senior Unsecured Loan Notes due 2020	15,000	18,000
5.65% Senior Unsecured Loan Notes due 2022	28,000	32,000
7.50% Senior Unsecured Loan Notes due 2024	40,000	40,000
4.85% Senior Unsecured Loan Notes due 2026	15,000	15,000
3.34% Senior Unsecured Loan Notes due 2028	10,000	10,000
3.65% Senior Unsecured Loan Notes due 2029	30,000	30,000
5.10% Senior Unsecured Loan Notes due 2031	25,000	25,000
3.54% Senior Unsecured Loan Notes due 2033	40,000	40,000
3.85% Senior Unsecured Loan Notes due 2034	5,000	5,000
4.53% Senior Unsecured Loan Notes due 2046	15,000	15,000
	238,000	252,000
Less: Current portion of long-term debt	<u>(14,000)</u>	<u>(14,000)</u>
	<u>224,000</u>	<u>238,000</u>

Long-term debt repayments on the Senior Notes per fiscal year are as follows:

Year	\$
2016	14,000
2017	11,000
2018	16,714
2019	12,714
2020	14,857
2021 and later	168,715

All long-term debt is denominated in U.S. dollars.

Certain of the Company's short-term and long-term debt obligations have covenants restricting the issuance of additional debt such that consolidated debt cannot exceed 60 per cent of the Company's consolidated capital structure. As at December 31, 2015, the Company was in compliance with all debt covenants.

To help ensure access to capital, the Company targets a long-term capital structure containing approximately 45% equity, including preference shares, and 55% debt. The Company's objective is to maintain investment-grade credit ratings.

The Company sets the amount of capital in proportion to risk. The debt to equity ratio is managed through various methods such as the Offering of Rights that occurred in 2015 and the Company's share purchase plans.

The Company's capital structure as of December 31, 2015 compared to December 31, 2014 is shown in the table below:

	2015 (millions \$)	%	2014 (millions \$)	%
Total Debt	238.0	53	252.0	58
Shareholders' Equity	214.4	47	179.8	42
Total	452.4	100	431.8	100

The Company repaid \$11.0 million in current portion of long term debt in June 2015 and in December 2015, the Company repaid \$3.0 million in current portion of long term debt.

The Company has \$47 million of unsecured credit facilities with the Royal Bank of Canada ("RBC") comprised of:

Description	Thousands \$
Capital Expenditures Line of Credit	31,000
Operating Line of Credit	7,500
Catastrophe Standby Loan	7,500
Letters of Credit	500
Corporate Credit Card Line	500
Total	47,000

As of December 31, 2015, \$44.3 million of the above credit facilities were available (\$46.0 million at December 31, 2014). Management constantly reviews its level of credit facilities based on liquidity needs.

6.0 DIVIDEND POLICY

Class A Ordinary Share dividends are normally paid, at the discretion of the Board, in March, June, September and December. The most recent Class A Ordinary Share dividend was paid in December 2015 at the rate of \$0.165 per share. Dividends have been paid on the Class A Ordinary Shares each quarter since 1984 with the exception of December 2004, when the Board elected not to declare a dividend in consideration of the impact of Hurricane Ivan on the cash flow of the Company. Regular quarterly dividend payments on the Class A Ordinary Shares resumed in March 2005.

Holders of the Class A Ordinary Shares are entitled to dividends if, as and when declared by the Board, whereas holders of the Class B Preference Shares are entitled to receive fixed annual dividends at a rate of \$1.80 per share. Regular dividends on the Class B Preference Shares are normally paid in January, April, July and October of each year. Regular dividends have been paid at the prescribed rate on all outstanding preference shares of the Company in accordance with the Articles. Holders of the Class B Preference Shares are also entitled to receive on an annual basis, in accordance with the Articles, a participating dividend in the event that the total Class A Ordinary Share dividend paid in any financial year exceeds \$0.18, with the participating dividend to be calculated by multiplying the amount of the excess by four.

A Class B Preference Share participating dividend of \$1.92 was paid on March 15, 2015. The Company has historically paid Class B Preference Share participating dividends together with regular dividends in March of each year.

The following table sets forth a summary of dividends paid per Class A Ordinary Share and Class B Preference Share for the financial years ended December 31, 2013, December 31, 2014 and December 31, 2015:

	2015 (\$)	2014(\$)	2013 (\$)
Class A Ordinary Shares	0.66	0.66	0.66
9% Class B Preference Shares	3.72	3.72	3.72

7.0 CREDIT RATINGS

Debt securities issued by CUC are rated by Standard and Poor's ("S&P") and Dominion Bond Rating Service ("DBRS") as set out below. The ratings assigned to CUC's securities are reviewed by these agencies on an ongoing basis. Credit ratings are intended to provide investors with an independent measure of credit quality of an issue of securities and are not recommendations to buy, sell or hold securities. Ratings may be subject to revision or withdrawal at any time by the credit rating organization. CUC's credit ratings were as follows as at December 31, 2015:

Agency	Rating
Standard and Poor's	A-/Stable: Senior Unsecured Debt and Long-Term Corporate Credit Rating
Dominion Bond Rating Service	A (low): Senior Unsecured Debt

The S&P rating is in relation to long-term corporate credit and unsecured debt while the DBRS rating relates to senior unsecured debt.

Following Fortis Inc.'s February 9, 2016 announcement of a proposed \$11.3 billion acquisition of ITC Holdings Corporation, a Michigan based Company that operates electricity transmission facilities in the U.S., S&P affirmed the Company's A- rating but revised its outlook on the Company from stable to negative. The negative outlook on CUC reflects the application of S&P's group rating methodology and an expectation of the execution risks associated with the transaction.

The A- rating reflects S&P's positive view of the Company's current position as the sole provider of generation services, and the Company's licensed position as the sole provider of T&D services in Grand Cayman. The rating also reflects S&P's positive view of regulatory support and stable cash flows offset by the economic uncertainty and the limited history of the regulator.

In March 2016 DBRS affirmed the Company's 'A' credit rating while maintaining the categorisation of low with a Stable trend. Considerations for the rating were a supportive regulatory regime, solid credit metrics, a stable island economy and demand for electricity. Impacting the rating were such factors as hurricane event risk and small size of customer base.

S&P long-term debt ratings are on a scale that ranges from AAA to C, which represents the range from highest to lowest quality of such securities. S&P uses "+" or "-" designations to indicate the relative standing of securities within a particular rating category. S&P credit ratings are current opinions of the financial security characteristics with respect to the ability to pay under contracts in accordance with their terms. This opinion is not specific to any particular contract, nor does it address the suitability of a particular contract for a specific purpose or purchaser. An issuer rated BBB or higher is regarded by S&P as having financial security characteristics that outweigh any vulnerabilities and is highly likely to have the ability to meet financial commitments.

DBRS rates debt instruments by rating categories ranging from AAA to D, which represents the range from highest to lowest quality of such securities. DBRS states that its long-term debt ratings are meant to give an indication of the risk that the borrower will not fulfill its obligations in a timely manner with respect to both interest and principal commitments. DBRS ratings do not take factors such as pricing or market risk into consideration and are expected to be used by purchasers as one part of their investment decision. Every DBRS rating is based on quantitative and qualitative considerations that are relevant for the borrowing entity. According to DBRS, a rating of A by DBRS is in the middle of three subcategories within the third highest of nine major categories, and such rating is assigned to debt instruments considered to be of satisfactory credit quality and for which protection of interest and principal is still substantial, but the degree of strength is less than with AA rated entities. Entities in the A category are considered by DBRS to be more susceptible to adverse economic conditions and have greater cyclical tendencies than higher-rated entities. The assignment of a "(high)" or "(low)" modified within each rating category indicates relative standing within such category.

The Company has paid customary rating fees to DBRS and S&P in connection with the ratings. In the past two years, the Company did not make any payments to either DBRS or S&P in respect of any other services provided by either DBRS or S&P.

8.0 MANAGEMENT'S DISCUSSION AND ANALYSIS

Reference is made to the Management's Discussion and Analysis ("MD&A") on pages 10 through 37 of CUC's Annual Report to Shareholders for the year ended December 31, 2015, which pages are incorporated herein by reference. The Company's MD&A can be located on SEDAR at www.sedar.com.

9.0 MARKET FOR SECURITIES

The Class A Ordinary Shares are listed in United States dollars on the Toronto Stock Exchange (“TSX”) under the trading symbol “CUP.U”. The following table sets forth the reported high and low trading prices and trading volumes for the Class A Ordinary Shares for the one year period ended December 31, 2015. The closing price of the Class A Ordinary Shares on the TSX as of December 31, 2015 was \$11.20 per share.

	High (\$)	Low (\$)	Volume (shares)
January 2015	11.30	10.58	55,688
February 2015	10.50	10.86	52,768
March 2015	11.99	11.01	105,567
April 2015	11.48	10.75	136,414
May 2015	10.99	10.74	87,495
June 2015	10.85	10.49	60,792
July 2015	10.81	10.60	44,202
August 2015	10.80	10.20	131,517
September 2015	10.55	10.25	90,251
October 2015	11.15	10.50	38,719
November 2015	11.55	10.45	156,384
December 2015	11.20	10.70	70,729
Fiscal 2015	11.99	10.20	1,030,526

Fortis Energy (Bermuda) Ltd. (“FEBL”), a wholly-owned subsidiary of Fortis Inc., is the controlling shareholder of the Company and held approximately 60.1% of the issued and outstanding Class A Ordinary Shares as of December 31, 2015. No person or entity other than FEBL owns beneficially or of record, directly or indirectly, more than 10% of the issued and outstanding Class A Ordinary Shares of the Company, to the knowledge of the Company.

10.0 DIRECTORS AND OFFICERS

The following table discloses the name, place of residence and office of each member of the Board as of December 31, 2015. All directors have been elected to serve until the next Annual General Meeting of shareholders, scheduled to be held on May 12, 2016, or until their successors are elected or appointed in accordance with applicable laws.

Name and Residence	Position with the Company or Principal Occupation	Director Since
J. Bryan Bothwell, MBE (2) Grand Cayman, Cayman Islands	Retired Banking Executive	2004
Sheree L. Ebanks (2) Grand Cayman, Cayman Islands	Chief Executive Officer, Cayman Islands Society of Professional Accountants, a non-profit professional society and regulatory body.	2014
Woodrow Foster (3) Grand Cayman, Cayman Islands	Managing Director, Fosters Food Fair, an independent grocery store chain	2014
J.F. Richard Hew (1) Grand Cayman, Cayman Islands	President and Chief Executive Officer, Caribbean Utilities Company, Ltd.	2003

Joseph A. Imparato Grand Cayman, Cayman Islands	Retired Chairman, Caribbean Utilities Company, Ltd.	1982
Earl A. Ludlow (3) Newfoundland and Labrador, Canada	Executive Vice-President, Eastern Canadian & Caribbean Operations, Fortis Inc., a diversified utility holding company.	2011
Frederick J. O'Brien Prince Edward Island, Canada	President and Chief Executive Officer, Maritime Electric Company Limited, an integrated electrical utility company.	2015
Eddinton M. Powell, JP (2) Providenciales, Turks and Caicos	President and Chief Executive Officer, FortisTCL, an integrated electrical utility company	2007
David E. Ritch, OBE, JP (2) (3) Grand Cayman, Cayman Islands	Attorney-at-Law, Ritch and Conolly; Chairman of the Board of Directors, Caribbean Utilities Company, Ltd. (non-executive position)	1988
Peter A. Thomson Grand Cayman, Cayman Islands	Retired Executive, Caribbean Utilities Company, Ltd.	1986
Lynn R. Young Ladyville, Belize	President and Chief Executive Officer, Belize Electric Company Limited (BECOL), an independent power production company.	2011

Notes:

1. Executive officer of the Company. The Chairman of the Board is a non-executive position in the Company.
2. Member of the Audit Committee. Mr. Bothwell is Chairman of the committee.
3. Member of the Nominating and Corporate Governance Committee. Mr. Ritch is Chairman of the committee.

All of the above directors have held their principal occupations or held executive positions with the same or associated firms for the past five years, except as indicated below:

1. Lynn R. Young: Served as President and Chief Executive Officer of Belize Electricity Limited prior to June 2011.
2. Sheree L. Ebanks: Served as Director and Head of Wealth Management and Fiduciary Services at Butterfield Bank (Cayman) Limited prior to April 2013.
3. Earl Ludlow: Served as President and Chief Executive Officer, Newfoundland Power Inc., prior to August 2014.

The Articles provide for a mandatory retirement age of 70 years for directors of the Company pursuant to special resolutions passed at the 2003 Annual General and Special Meeting of Shareholders. Directors will be required to vacate the office of director and any officer's position at the first general meeting after reaching such age. All of the directors are below age 70 with the exception of Mr. Joseph Imparato, who will vacate his office of director at the Annual General Meeting to be held on May 12, 2016.

The following table discloses the name, place of residence and office of each officer of CUC as of December 31, 2015. Each executive officer has held the office indicated opposite his/her respective name as noted below:

Name and Residence	Office
J.F. Richard Hew, Grand Cayman, Cayman Islands	President & Chief Executive Officer
Letitia T. Lawrence , Grand Cayman, Cayman Islands	Vice-President Finance & Chief Financial Officer and Company Secretary (1)
David C. Watler, Grand Cayman, Cayman Islands	Vice-President Transmission & Distribution (2)

Notes: The above officers of the Company have held the same or similar positions for the past five years with the exception of the following:

1. Ms. Lawrence was appointed as Company Secretary in November 2011.
2. Mr. Watler was appointed to his present position in January 2014 and prior to that time served as Vice-President Production.

To the knowledge of the Company, the directors and executive officers of the Company as a group beneficially owned, directly or indirectly, or controlled or directed 155,060 Class A Ordinary Shares, representing 0.48% of all Class A Ordinary Shares of the Company outstanding as of December 31, 2015.

11.0 AUDIT COMMITTEE

11.1 Education and Experience

The Audit Committee is comprised of four individuals as of December 31, 2015. The education and experience of each committee member that is relevant to his or her responsibilities as a member of the Audit Committee are described below.

Name	Relevant Education and Experience
J. Bryan Bothwell, MBE (Chairman) Grand Cayman, Cayman Islands	Mr. Bothwell is the retired Chief Executive Officer (Managing Director) of Ansbacher (Cayman) Limited and was employed in the banking and trust industry in the Cayman Islands for 35 years prior to retirement. He is an Associate of the Chartered Institute of Bankers.
Sheree L. Ebanks Grand Cayman, Cayman Islands	Mrs. Ebanks is the Chief Executive Officer of the Cayman Islands Society of Professional Accountants, a non-profit professional society and regulatory body. She holds an MBA from Liverpool University and previously served as Director and Head of Wealth Management and Fiduciary Services at Butterfield Bank (Cayman) Limited.
Eddinton Powell, JP Providenciales, Turks and Caicos Islands	Mr. Powell is the President and Chief Executive Officer of FortisTCI (formerly PPC Limited) and Atlantic Equipment & Power. He holds a Bachelor of Science Degree in Accounting from the International College, Cayman Islands and a Master's Degree in Accounting & Business from Nova Southeastern University. Mr. Powell previously served as Senior Vice President and Chief Financial Officer of Caribbean

	Utilities Company Ltd, on the Board of Directors of Belize Electricity Ltd, and as Chairman of Cayman Islands Development Bank.
David E. Ritch, OBE, JP Grand Cayman, Cayman Islands	Mr. Ritch is the senior partner of Ritch & Conolly, a Cayman Islands law firm practising, inter alia, banking, general corporate and insolvency law. He holds an LL.B Degree with Honours from the University of the West Indies and attended the Inns of Court School of Law in London, England, where he completed the Bar Final exams as an Honours student. He was called to the Bar of England and Wales by the Honourable Society of the Inner Temple and is also admitted as an Attorney-at-Law in the Cayman Islands. Mr. Ritch currently serves as non-executive Chairman on the Board of Directors of FirstCaribbean International Bank Limited and on the Board of Directors of FirstCaribbean International Bank (Cayman) Limited. He is also a member of the Audit and Governance Committee, the Finance, Risk and Conduct Review Committee and the Change, Operations, Technology and Human Resources Committee of FirstCaribbean International Bank.

The Board has determined that each of the Audit Committee members is financially literate; that Messrs. Bothwell and Ritch and Mrs. Ebanks are all independent; and that Mr. Powell, although not independent on account of his role as an executive officer of an affiliate company, is exempt from the requirement to be independent under NI 52-110 pursuant to Section 3.3 (2) of that instrument. The Company has relied on this exemption in order that Mr. Powell may be a member of the Audit Committee in accordance with NI 52-110. The Board has determined in its reasonable judgment that Mr. Powell is able to exercise the impartial judgment necessary to fulfill his responsibilities as an Audit Committee member and that his appointment is required in the best interests of the Company and its shareholders.

Financially literate means having the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements. Independent means free from any direct or indirect material relationship with the Company that could, in the view of the Board, reasonably interfere with the exercise of a member's independent judgment as more particularly described in NI 52-110.

11.2 Audit Committee Mandate

The text of the Audit Committee mandate, which was amended in November 2014, is reproduced below.

A. DEFINITIONS

In this mandate:

1. "Board" means the board of directors of the Company;
2. "CICA" means the Canadian Institute of Chartered Accountants or any successor body;
3. "Committee" means the Audit Committee of the Board;

4. “Company” means Caribbean Utilities Company, Ltd. (CUC);
5. “Director” means a member of the Board;
6. “External Auditor” means the firm of chartered accountants appointed by the shareholders to act as External Auditor of the Company;
7. “Financially literate” means having the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected in the Company’s financial statement;
8. “Management” means the senior officers of the Company; and
9. “Member” means a member of the Committee.

B. STATEMENT OF POLICY

The Committee shall provide assistance to the Directors in fulfilling their duties related to the following oversight responsibilities:

1. Integrity of the Company’s financial statements,
2. Company’s compliance with legal and regulatory requirements, including assistance to the Board in compliance with the continuous disclosure obligations as required by the Canadian Securities Administrators (CSA) rules and policies.
3. External Auditor’s qualifications and independence, and
4. Performance of the Company’s internal audit function and External Auditors.

Caribbean Utilities Company, Ltd. Audit Committee focuses on ensuring integrity of financial information, the clarity in reporting and greater transparency in disclosure. In doing so, it is the responsibility of the Audit Committee to maintain free and open means of communication with the Directors, External Auditor, Internal Auditors and the senior Management of the Company.

C. AUTHORITY

The Audit Committee has authority to conduct or authorize investigations into any matters within its scope of responsibility. It is empowered to:

1. Pre-approve all auditing and permitted non-audit services performed by the Company’s external audit firm.
2. Retain independent counsel, accountants, or others to advise the Committee or assist in the conduct of an investigation.
3. Meet with Management, Internal Auditor, External Auditors, or outside counsel, as necessary.
4. The Committee may delegate authority to subcommittees, including the authority to preapprove all auditing and permitted non-audit services, providing that such decisions are presented to the full Committee at its next scheduled meeting.

D. ORGANIZATION & COMPOSITION

1. The Committee shall review and reassess the adequacy of the mandate annually and recommend any proposed changes to the Nominating and Corporate Governance Committee.
2. The Committee shall be appointed annually by the Board and shall be comprised of three (3) or more Directors:-
 - a) none of whom is a member of Management or an employee of the Company;

- b) all of whom are independent under Canadian Securities Administrator rules;
- c) the Chair and/or Vice Chair of the Board shall be a member of the Committee;
- d) every Audit Committee member must be financially literate.
- e) a member shall be appointed Chair of the Committee by the Board.

E. MEETINGS

1. The Committee will meet at least four times a year, with authority to convene additional meetings, as circumstances require.
2. Meetings of the Committee shall be held at the call (i) of the Chair of the Committee, or (ii) of any two (2) members, or (iii) of the External Auditor.
3. The President & Chief Executive Officer, the Vice President, Finance & Chief Financial Officer, External Auditor and Internal Auditor shall receive notice of, and (unless otherwise determined by the Chair of the Committee) shall be entitled to attend all meetings of the Committee.
4. A quorum at any meeting shall be a majority of the Members of the Committee.
5. The Committee will meet without Management present for a portion of each meeting.
6. The Committee shall meet separately with Management, with Internal Auditors and with External Auditors at least once in each year.
7. The Chair of the Committee shall act as chair of all meetings of the Committee at which the Chair is present. In the absence of the Chair from any meeting of the Committee, the Members present at the meeting shall appoint one of their members to act as chair of the meeting.
8. The Secretary of the Company shall act as secretary of all meetings of the Committee unless otherwise determined by the Chair of the Committee.
9. Meeting agendas will be prepared and provided in advance to members, along with appropriate briefing materials. Minutes will be prepared.

F. RESPONSIBILITIES

The Committee will carry out the following responsibilities:

1. Financial Statements

- 1.1 Review Management's and the External Auditor's reports of significant accounting and reporting issues and understand their impact on the financial statements. These issues include:
 - a) Complex or unusual transactions and highly judgmental areas.
 - b) Major issues regarding accounting principles and financial statement presentations, including any significant changes in the Company's selection or application of accounting principles.
 - c) The effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of the Company.
- 1.2 Review analyses prepared by Management and/or the External Auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative GAAP methods on the financial statements.
- 1.3 Review with Management and the External Auditors the results of the audit, including any difficulties encountered. This review will include any restrictions on the scope of the

External Auditor's activities or on access to requested information, and any significant disagreements with Management.

- 1.4 To use reasonable efforts to satisfy itself, at least annually, as to the adequacy of the Company's accounting personnel and senior financial Management responsible for financial reporting;
- 1.5 Review with Management and the External Auditor any correspondence with regulators and any employee complaints or published reports which raise material issues regarding the Company's financial statements or accounting policies;
- 1.6 To meet periodically with Management to review and understand the Company's structure, industry risks and major financial exposures of the Company. Use reasonable efforts to satisfy itself as to the adequacy and implementation of the Company's policies for the Management of the risk related to foreign currency transactions, interest rate fluctuations and the use of derivative financial instruments.
- 1.7 Review the annual audited financial statements and quarterly financial statements with Management and the External Auditors, including the Company's disclosures under MD&A, interim and annual earnings press releases and CEO/CFO certifications relating to the disclosure of the statements before the issuer publicly discloses this information.
- 1.8 The audit committee must be satisfied that adequate procedures are in place for the review of the Company's public disclosure of financial information extracted or derived from the Company's financial statement, other than the public disclosure referred to in 1.7 and must periodically assess the adequacy of those procedures.
- 1.9 Review disclosures made by CEO and CFO during the quarterly and annual disclosure certification process about significant deficiencies in the design or operation of internal controls or any fraud or untoward conduct that involves Management or other employees who may or may not have a significant role in the Company's internal controls. (CSA NI 52-109)

2. Internal Control

- 2.1 Consider the effectiveness of the Company's internal control system, including information technology security and control.
- 2.2 Understand the scope of Internal and External Auditors' review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with Management's responses.
- 2.3 Review and evaluate that management is setting the appropriate tone at the top by communicating the importance of internal controls and ensuring that all individuals understand their roles and responsibilities.

3. Internal Audit

- 3.1 Review with Management and the Internal Auditor the charter, plans, activities, staffing, internal audit reports and organizational structure of the internal audit function.
- 3.2 Ensure there are no unjustified restrictions or limitations on, and review and concur in the appointment, replacement, or dismissal of the Internal Auditor.
- 3.3 Review the assessment of the effectiveness of the internal audit function, including compliance with The Institute of Internal Auditors' Standards for the Professional Practice of Internal Auditing. Engage external quality assessment reviews of the internal audit

activity every five years in order for the audit activity to declare that it meets the Standards.

3.4 On a regular basis, meet separately with the Internal Auditor to discuss any matters that the committee or internal audit believes should be discussed privately.

4. *External Audit*

4.1 Review the External Auditors' proposed audit scope and approach, including coordination of audit effort with internal audit.

4.2 Review the performance of the External Auditors, and recommend approval of appointment or discharge of Auditors and External Auditor compensation. In performing this review, the Committee will:

- a) At least annually, obtain and review a report by the External Auditor describing (to assess the External Auditor's independence) all relationships between the External Auditor and the Company.
- b) Take into account the opinions of Management and Internal Auditor.
- c) Review and evaluate the lead partner of the External Auditor.
- d) Present its conclusions with respect to the External Auditor to the Board.

4.3 Ensure the rotation of the lead audit partner every five years and other audit partners every seven years, and consider whether there should be regular rotation of the audit firm itself.

4.4 Present its conclusions with respect to the External Auditor to the full board.

4.5 Approve hiring policies for employees or former employees of the External Auditors.

4.6 On a regular basis, meet separately with the External Auditors to discuss any matters that the committee or Auditors believe should be discussed privately.

4.7 The External Auditor should communicate the following with the Committee prior to the completion of the audit:

- a) the audit and non-audit services that the External Auditor is providing to the Company;
- b) the level of responsibility assumed by the External Auditor under generally accepted auditing standards; and
- c) a summary of the planned audit approach:
 - i. the general approach to the audit;
 - ii. areas of the financial statements identified by the Auditor, Management or the Committee as having a high risk of material misstatement and the Auditor's response thereto;
 - iii. the materiality and audit risk levels;
 - iv. the preliminary assessment of internal control, the planned extent of audit work related to internal control and the effect of any control reliance on year-end procedures;
 - v. how matters communicated with the Committee during the planning process affect the planned nature and scope of the audit;
 - vi. the effects of any new developments in accounting standards or regulatory requirements on the entity's financial reporting;
 - vii. planned reliance on other Auditors, how the expectations will be communicated to the other Auditors and how their findings will be communicated to the Committee;
 - viii. use of specialists, if any;

- ix. the timing of the audit;
 - x. the experience and qualifications of the senior members of the External Auditor team and the quality control procedures of the External Auditor;
 - xi. the External Auditor's engagement letter; and,
 - xii. the estimated External Auditor's fees.
- 4.8 The Committee shall discuss with the External Auditor matters arising out of the audit upon completion of the audit.
- The Committee shall be advised on at least the following:
- a) identification and discussion of audit assurance standards concerning:
 - i. knowledge of any fraud and misstatements arising from error (Section 5135);
 - ii. any illegal or possibly illegal acts (Section 5136);
 - iii. identification of any significant weaknesses in internal control identified by the Auditor (Section 5220); and
 - iv. related party transactions identified by the Auditor which are not in the normal course of operations and which involve significant judgments made by Management concerning measurement or disclosure (Section 6010).
 - b) matters that have a significant and material effect on the accounting principles used in the Company's financial reporting;
 - i. the selection of and changes in any significant accounting policies;
 - ii. the effect of significant accounting policies in controversial areas or those unique to the industry;
 - iii. the existence of acceptable alternative policies and methods, and the acceptability of the particular policy or method used by Management;
 - iv. the effect on the financial statements of significant unusual transactions;
 - v. the use of accruals, provisions or estimates that have a significant effect upon the financial statements, the reasonableness of significant adjustments and the clarity of the disclosures in the financial statements;
 - vi. the basis for the External Auditor's conclusions regarding the reasonableness of the estimates made by Management;
 - vii. factors affecting the asset and liability carry values and the Auditor's conclusion regarding reasonableness of assumptions made by Management.
 - c) Summary of all unadjusted differences and the effect on the financial statements.
 - d) Resolve any disagreements between Management and the External Auditor regarding financial reporting.
- 4.9. To use reasonable efforts to satisfy itself that any litigation, claim or other contingency, including tax assessments, that could have a material effect on the financial position or operating results of the Company have been appropriately disclosed in the Company's audited financial statements;
- 4.10. Approve the retention of the External Auditor for any non-audit service and the fee for such service;
- 4.11. Oversee the work of the External Auditor.

5. Compliance

- 5.1 Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of Management's investigation and follow-up (including disciplinary action) of any instances of noncompliance.

- 5.2 Establish procedures for:
- a) The receipt, retention, and treatment of complaints received by the listed issuer regarding accounting, internal accounting controls, or auditing matters; and
 - b) The confidential, anonymous submission by employees of the listed issuer of concerns regarding questionable accounting or auditing matters.
- 5.3 Review the findings of any examinations by regulatory agencies, and any Internal/External Auditor's observations.
- 5.4 Review the process for communicating the code of conduct to Company's personnel, and for monitoring compliance therewith.
- 5.5 Obtain regular updates from Management and corporate legal counsel regarding compliance matters.

6. Reporting Responsibilities

- 6.1 Regularly report to the Board of Directors about Committee activities and issues that arise with respect to the quality or integrity of the Company's financial statements, the Company's compliance with legal or regulatory requirements, the performance and independence of the Company's External Auditors, and the performance of the internal audit function.
- 6.2 Provide an open avenue of communication between Internal Auditor, the External Auditors, and the Board of Directors.
- 6.3 Review required disclosure to the shareholders, describing the Committee's composition, responsibilities and how they were discharged, and any other information required by rule, including fees for audit and non-audit services.
- 6.4 Review any other reports the Company issues that relate to Committee responsibilities.

7. Whistle-Blower Policy

- 7.1 The Chair of the Audit Committee shall have direction to call a meeting of the Committee to review suspected violations of the Whistle-Blower Policy of the Company, and shall have the authority to engage independent counsel before presenting such violations to the Committee.

8. Other Responsibilities

- 8.1 To review and report annually to the Board with respect to the expenses of the Chair of the Board and President of the Company; and
- 8.2 Discuss with Management the Company's major policies with respect to risk assessment and risk Management.
- 8.3 To review the Company's policy on insurance management and the preservation of assets generally.
- 8.4 To review the Company's objectives, policies and performance on issues related to the natural environment.
- 8.5 To review the Company's objectives, policies and performance on issues related to employee and public safety.
- 8.6 To review such other matters related to overall risk management by the Company that it deems necessary.
- 8.7 Perform other activities related to this mandate as requested by the Board of Directors.
- 8.8 Institute and oversee special investigations as needed.

- 8.9 Review and assess the adequacy of the Committee mandate annually, requesting Board approval for proposed changes, and ensure appropriate disclosure as may be required by law or regulation.
- 8.10 Confirm annually that all responsibilities outlined in this mandate have been carried out.
- 8.11 Evaluate the Committee's and individual members' performance at least annually.

11.3 Pre-Approval of Audit and Non-Audit Services

The Audit Committee requires written pre-approval of all audit and non-audit services provided to the Company by the Company's external auditor. Non-audit services have included performing certain procedures in relation to the Company's annual returns filed with the Government, continuous disclosure documents, quarterly financial statements and debt covenant certificates, as well as providing technical advice. The Audit Committee considers non-audit business advisory services to be in the context of auditor independence.

11.4 External Auditor Service Fees

The External Auditors of the Company for the one year period ended December 31, 2015 are Ernst & Young Ltd., Cayman Islands ("E&Y"), George Town, Grand Cayman, Cayman Islands. The Company has been advised that the partners and senior management of E&Y, together with each employee or consultant of E&Y who participated in and who was in a position to directly influence the preparation of E&Y's audit report on the audited consolidated financial statements of the Company for the year ended December 31, 2015, hold no interest in the securities of CUC and that E&Y is independent with respect to the Company in accordance with the independence requirements of The International Federation of Accountants.

Fees paid by CUC to E&Y and Ernst & Young LLP in Fiscal 2015 and Fiscal 2014 for audit, audit-related and non-audit services were as follows:

	December 31, 2015 (\$)	December 31, 2014 (\$)
CUC Audit fees	272,000	253,000
DataLink Special Report	8,500	8,500
Total	280,500	261,500

12.0 MATERIAL CONTRACTS

The following is a list of the "material contracts" of the Company required to be filed on SEDAR under NI 51-102 and that were entered within the most recently completed financial year or prior to the most recently completed financial year and that are still in effect:

- the T&D Licence and the Generation Licence, each of which is described above under Section 3.2 “Regulation”.

13.0 REGISTRAR AND TRANSFER AGENT

The registrar and transfer agent for the Class A Ordinary Shares and Class B Preference Shares is CST Trust Company of Toronto, Ontario, Canada. The registers of transfers of each of the Class A Ordinary shares and Class B Preference Shares are located in Toronto, Ontario, Canada.

14.0 ADDITIONAL INFORMATION

Additional information relating to the Company may be found on SEDAR at www.sedar.com. Further additional information, including directors’ and officers’ remuneration and indebtedness, principal holders of the Company’s securities and securities authorized for issuance under equity compensation plans is contained in the Company’s Management Information Circular for CUC’s annual meeting of shareholders to be held on May 12, 2016. Additional financial information is provided in the Company’s comparative financial statements for the one year period ended December 31, 2015 and the MD&A thereof. Requests for copies of the aforementioned documents as well as this Annual Information Form should be directed to the Company Secretary, Caribbean Utilities Company, Ltd., P.O. Box 38, Grand Cayman KY1-1101, Cayman Islands (phone: (345) 949-5200; fax: (345) 949-4621; e-mail: investor@cuc.ky).