Caribbean Utilities Company, Ltd.

2014 Annual Report

Building a Strong Foundation for New Generation

General Data

About the Company

Caribbean Utilities Company, Ltd., known locally as "CUC", commenced operations as the only electric utility in Grand Cayman on May 10, 1966. The Company currently has an installed generating capacity of 131.65 megawatts (MW), in addition to 8.25 MW of temporary generation and the record peak load of 102.086 MW was experienced on June 3, 2010. CUC is committed to providing a safe and reliable supply of electricity to over 27,000 customers. The Company has been through many challenging and exciting periods but has kept pace with Grand Cayman's development for over 45 years.

About 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.

A Governor, presently Her Excellency Mrs. Helen Kilpatrick, is appointed by her Majesty the Queen. A democratic society, the Cayman Islands have a Legislative Assembly comprised of representatives elected from each of Grand Cayman's five districts as well as representatives from the Sister Islands of Cayman Brac and Little Cayman.

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Front Cover: Ground breaking ceremony for the construction of the new US$85m power generation project at the CUC North Sound Road Power Plant on March 5, 2015. CUC's President & Chief Executive Officer, Mr. Richard Hew (left) was joined by Mr. Ian Pairaudeau of McAlpine (Cayman) Ltd., Mr. Chris Walker of BWSC and Mr. Timothy Meyers of MAN Diesel Turbine.

Readers should review the Note further in this Annual Report, in the Management's Discussion and Analysis section, concerning the use of forward-looking statements, which applies to the entirety of this Annual Report to shareholders.

Highlights

Financial Results in Brief

(Expressed in thousands of United States dollars unless stated otherwise)

	Year ended December 31, 2014	Year ended December 31, 2013	Change %
Operating revenue	231,705	226,220	2%
Electricity sales	73,408	71,131	3%
Fuel Factor	158,297	155,089	2%
Total operating expenses	206,377	201,080	3%
Finance Charges	9,115	9,018	1%
Earnings for the year	20,815	20,422	2%
Total assets	465,400	435,750	7%
Total shareholder's equity	179,835	178,292	1%
Cash from operations	46,780	49,940	-6%
Earnings per Class A Ordinary Share	0.68	0.68	0%
Dividends per Class A Ordinary Share (paid and declared)	0.66	0.66	0%
Book value per Class A Ordinary Share	6.14	6.13	0%
Class A Ordinary Shares			
Market Price: High	11.33	11.80	-4%
Low	10.05	9.35	7%
Year-end	10.65	10.96	-3%

Performance

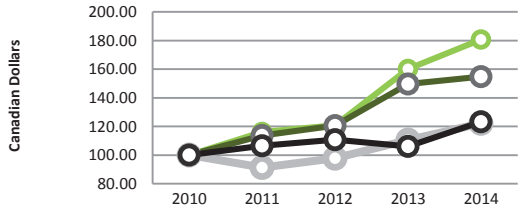
Net earnings for the year ended December 31, 2014 were $20.8 million. A 2% increase in kilowatt-hour (kWh) sales, 1.5% and 1.8% base rate increases effective June 1, 2014 and June 1, 2013 respectively, lower depreciation and maintenance expenses and increased other income resulted in an increase year-over-year from $20.4 million for the year ended December 31, 2013. Dividends paid and declared on Class A Ordinary Shares were $0.66 per share. The Class A Ordinary Shares (CUP.U) traded on the Toronto Stock Exchange at a high of $11.33 per share in 2014.

Rate of Exchange

The closing rate of exchange on December 31, 2014 as reported by the Bank of Canada for the conversion of United States dollars into Canadian dollars was Cdn$1.1601 per US$1.00. The official exchange rate for the conversion of Cayman Islands dollars into United States dollars as determined by the Cayman Islands Monetary Authority is fixed at CI$1.00 per US$1.20. Thus, the rate of exchange as of December 31, 2014 for conversion of Cayman Islands dollars into Canadian dollars was Cdn$1.3921 per CI$1.00 (December 31 2013: Cdn$1.2763).

Share Performance

Comparison of five-year cumulative total returns between Cdn$100.00 and US$100.00 invested in CUC Class A Ordinary Shares and the S&P/TSX Composite Index - Utilities and S&P/TSX Composite Index.



	2010	2011	2012	2013	2014
CUC INDEX (CAN$)	100.00	116.18	120.73	160.11	180.59
CUC INDEX (US$)	100.00	113.62	120.69	149.72	154.83
S&P/TSX Composite Index	100.00	91.29	97.85	110.56	122.23
S&P/TSX Composite Index- Utilities (Sector)	100.00	106.47	110.71	106.13	123.20

Information reflected in this Highlights section should be read in conjunction with the disclosure contained in the following Management's Discussion and Analysis and its associated cautions beginning on page ten. All dollar amounts in this 2014 Annual Report are stated in United States dollars unless otherwise indicated.

Letter to our Fellow Shareholders

David E. Ritch , OBE, JP
Chairman of the Board of Directors

J.F. Richard Hew
President & Chief Executive Officer

It is our pleasure to report the financial performance and operational progress of Caribbean Utilities Company, Ltd. ("CUC" or "the Company") for the year ended December 31, 2014 ("Fiscal 2014").

Financial Performance

Net earnings for Fiscal 2014 were $20.8 million. A 2% increase in kilowatt-hour ("kWh") sales, 1.5% and 1.8% base rate increases effective June 1, 2014 and June 1, 2013 respectively, lower depreciation and maintenance expenses and increased other income resulted in an increase year-over-year when compared to earnings of $20.4 million for the year ended December 31, 2013 ("Fiscal 2013").

After the adjustment for dividends on the preference shares of the Company, earnings on Class A Ordinary Shares for Fiscal 2014 were $19.9 million, or $0.68 per Class A Ordinary Share as compared to $19.5 million, or $0.68 per Class A Ordinary Share for Fiscal 2013.

Dividends paid and declared on Class A Ordinary Shares were $0.66 per share. The Class A Ordinary Shares traded on the Toronto Stock Exchange at a high of $11.33 per share in 2014.

Kilowatt-hour sales for Fiscal 2014 were 564.2 million kWh, an increase of 8.5 million kWh or 2% when compared to 555.7 million for Fiscal 2013. Sales were positively impacted by a 2% growth in customer numbers. Total customers as at December 31, 2014 were 27,784, compared to 27,364 customers as at December 31, 2013.

Electricity sales revenue increased $2.3 million in Fiscal 2014 to $73.4 million when compared to electricity sales revenues of $71.1 million for Fiscal 2013. This increase is attributable to a 2% increase in kWh sales and the 1.5% and 1.8% base rate increases effective June 1, 2014 and June 1, 2013 respectively.

The Company's average price per imperial gallon ("IG") of fuel for Fiscal 2014 decreased to $4.56 from $4.74 for Fiscal 2013. The Company's average price per IG of lubricating oil for Fiscal 2014 decreased to $12.59 from $12.65 for Fiscal 2013.

Safety and the Environment

The safety of all of our employees as well as that of contractors and members of the public remained the number one priority for the Company during 2014. Improvements continued on work methods and practices to ensure that jobs were being performed safely. Numerous training programmes which focused specifically on safety were provided to employees in an effort to keep the workforce safe. Employees took part in two Safety Time-Outs throughout the year. These were aimed at refocusing and reminding employees of the steps they need to take to stay safe on the job. Upgrades were also made to the Company's Environmental Health and Safety ("EHS") data management software.

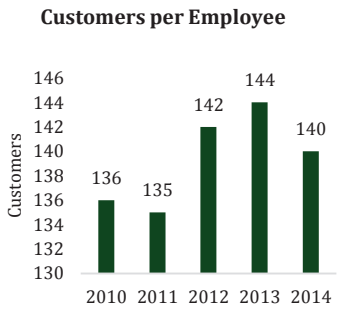
A newly created Contractor's Handbook was well received by contractors working with or on behalf of the Company. This handbook details the necessary safety and environmental procedures which contractors are required to follow while working within CUC's facility, or working on behalf of the Company.

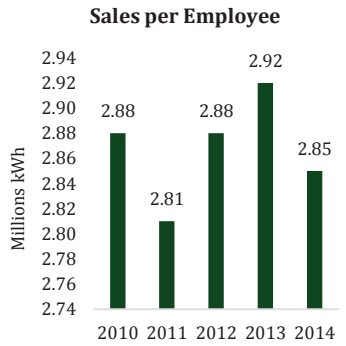
The Company hosted its first Contractor's Workshop. This workshop provided an opportunity for contractors who work around electrical equipment or within CUC's facility to learn first-hand what safety procedures are required. The workshop also hosted vendors to showcase safety products that were available on Grand Cayman as well as overseas. The Company plans to host this workshop annually. The Contractor's Handbook is available for all to view on the newly created Safety tab on the CUC website.

The successful launch of the Contractor's Handbook led to the creation of a similar document for telecommunication workers. This handbook, which has been adopted by the Information and Communications Technology Authority (ICTA), focuses on what telecommunications workers need to be aware of and adhere to when working on electrical poles or near electrical lines or other CUC assets.

In early 2014, CUC held training for first responders on how to remain safe when dealing with accidents involving electrical components. Members from Hazard Management, 911 Emergency Services, Police Services and the Red Cross attended the training.

The Company's Environmental Management System ("EMS") successfully passed the surveillance audit of the system in 2014. CUC's EMS is registered to the International Organization for Standardization ("ISO") environmental standard (ISO 14001:2004) which requires that an external audit of the system be conducted on an annual basis. The 2014 external audit showed that the system was in compliance with the standard.





CUC was a runner-up for the 2014 Governor's Conservation Award in the category of Corporate Conservation. This category recognised organizations that have made major strides in their efforts to reduce their environmental impact and carbon footprint in the Cayman Islands.

Capital Projects

In October 2014, the Electricity Regulatory Authority ("ERA") announced that the Company won the bid to provide new generation capacity. The bid was submitted in response to the ERA's request for proposals issued on January 31, 2014. As a result, CUC will develop and operate a new 39.7 megawatt ("MW") diesel power plant including a 2.7 MW waste heat recovery steam turbine. The project cost is estimated at $85 million and the plant will be commissioned no later than June 2016.

The Company has since entered a design-build contract agreement for the generation expansion 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 V48/60 medium-speed diesel generating units, one 2.7 MW steam turbine, and associated auxiliary equipment. This contract is valued at approximately $55 million; the total project cost is estimated at $85 million to complete. The generating units will be housed in a new purpose built power house at the Company's North Sound Road Power Plant and will be commissioned in June 2016.

Representatives of CUC, BWSC and MAN at the signing of the contract agreement on December 8, 2014.

As a result of the Company's successful bid to supply additional generation, in November 2014, the ERA issued a new Generation Licence to the Company which replaces the Generation Licence granted in April 2008. The 2014 Generation Licence will expire in November 2039. The terms and conditions of the new Generation Licence are not materially different from the terms and conditions of the 2008 Generation Licence.

Due to the delay in the bid process to secure firm generation capacity, the Company secured 8.25 MW of temporary mobile generation to complement existing generation. Until the new firm capacity is available in 2016, the Company will have to rely on temporary generation. Reliability of CUC's electricity service is critical to the continuing growth of Grand Cayman ("the Island") and the Company remains committed to meeting the challenges which come with providing a highly reliable service on a small island system such as that which operates in Grand Cayman. At the end of December 2014, reliability of service as measured by the Average Service Availability Index, was 99.96%.

Capital expenditures for Fiscal 2014 were $39.5 million, a $10.2 million, or 35% increase from $29.3 million in capital expenditures for the same period of the previous year.

Customer Updates

With the use of technology the Company continues to improve efficiencies and enhance its service offerings to its customers. The Company has introduced a number of options for customers to pay their bills outside of the CUC headquarters, for example at gas stations, as well as Online Payment Options.

During the Fourth Quarter 2014, the ERA approved CUC's 2015-2019 Capital Investment Plan (CIP) in the amount of $234 million, including generation expansion costs, and the Company' s new Customer Service Code ("CSC"). The CSC sets out the terms and conditions of the supply of electricity to the Company's customers, as well as the standards for the level of service which CUC is required to provide to its customers. The new CSC also provides for an increase in various customer service fees and the application of a Finance Charge which will be levied on overdue customer accounts beyond 60 days. This charge took effect on January 1, 2015.

Fuel Price

The Company' s average price per imperial gallon of fuel for Fiscal 2014 decreased to $4.56 from $4.74 for Fiscal 2013. With the price of fuel continuing to trend downwards, customers are expected to see a reduction in their utility bills. Further reductions to the fuel cost charge rate per kWh are expected to occur due to a 33% decrease in the customs duties levied on diesel fuel imports by the Government which went into effect on January 1, 2015. CUC passes through 100% of fuel costs to consumers on a two-month lag basis without mark-up.

Advanced Metering Infrastructure (AMI)

Work progressed on the Company's Advanced Metering Infrastructure (AMI) project and at the end of 2014, 50% of the project was completed. The project has been delayed to allow for manufacturer software and hardware upgrades. However, customers who already have the new AMI meters are benefitting from the ability to monitor their consumption and manage their usage.

The AMI project brings efficiencies in meter reading and provides real time electricity consumption information. A "Pay As You Go" payment option, which is a value added part of the AMI project, will also assist customers with the monitoring and controlling of their electricity consumption.

Renewable Energy

The Company continues to explore large-scale alternative energy options. During 2014, one of the renewable energy providers which is currently working with the Company applied for and received Planning Department permission to start the development of a 5 MW solar facility in Bodden Town. A Power Purchase Agreement ("PPA") has also been submitted to the ERA for review. The Company believes that there are economic and environmental benefits to be derived from renewable energy sources. These renewable energy sources will replace some of the diesel fuel presently used in our generators.

The Customer Owned Renewable Energy ("CORE") programme, which was revised and approved by the ERA in 2011 has proven very popular with residential and commercial customers connecting their solar panels or wind turbines to the CUC grid. The programme provides the opportunity to have clean energy while taking advantage of the reliability of CUC's grid. During the year under review, there has been a significant increase in customer participation and the resulting increase in renewable and alternative energy available to the CUC system. At December 31, 2014, there were 65 customers connected with total capacity of 719.40 kilowatts ("kW").

The CORE programme allows customers to connect renewable and/or alternative energy systems, such as small scale solar systems or wind turbines to CUC's distribution system and to reduce their monthly energy bills by generating their own electricity while remaining connected to the CUC grid.

Human Resources and Training

The Company' s continued commitment to improving safety and efficiency was evident in 2014. Over 5,300 man hours were devoted to the training of staff to perform their jobs in a safe and efficient manner as well as to improve skills. The majority of this training took place within the Company, allowing it to reach the maximum amount of staff while being cost effective. Employees also attended numerous conferences and workshops in order to keep abreast of current industry best practices and technology.

Throughout 2014, the Company remained committed to retaining its qualified employee complement. It provided Caymanians with the training necessary to excel in their respective fields and to ensure that they are afforded the opportunity to advance within the organization. This commitment and training resulted in the promotion of 28 employees to positions of increased responsibility. In addition, the Company hired 24 employees; 17 permanent employees and seven temporary employees in roles ranging from Systems Operations Helper to Senior Transmission & Distribution Standards Engineer. In order to strengthen the quality of new employees, a new on-line assessment has been introduced to ensure that new employees are properly matched with the Company's core values.

CUC's summer programme forms part of the Company's continued commitment to the development of the young people of the Cayman Islands. During the 2014 summer period, the Company hosted17 students, ranging from high school to university level. The students received hands-on training under the guidance of professionals within their assigned fields. In addition to the technical training they received, students also had the opportunity to participate in lunch- and-learn sessions where they gained knowledge in areas such as financial planning, resume writing and workplace etiquette.

The Company has maintained the Investors in People ("IIP") standard certification since 2006, and was awarded the higher Silver level certification in 2014. In achieving the IIP Silver certification, CUC demonstrated strong leadership, a compelling vision, and a culture of improvement in order to achieve higher performance.

The Company also focused on strengthening its performance management system, ensuring that goals and objectives were set for each employee and that two performance reviews were conducted for each employee during the year.
In April 2014, the Company celebrated with 25 employees who received their long service awards for 10 to 40 years of service. Together, this group recorded 490 years of service and over these many years witnessed the growth of the Company as well as the many changes that have taken place within CUC. We thank them for their continued loyalty and support.

During the year under review, CUC won the top award at the Caribbean Electric Utility Services Corporation (CARILEC) 2013 Benchmarking Awards. The Company received the top prize for Best performance in Transmission and Distribution Services. The award was given based on efficiency, productivity, reliability and cost effectiveness. Companies were evaluated for these awards based on their performances in the 2013 Traditional Benchmark Study.

Community Involvement

The Community Involvement Programme provides the opportunity for a wide cross section of the Company's employees to give of their time and talent to the Cayman Community through volunteerism.

At the end of December, employees had volunteered over 1,500 hours participating in a number of the Company's Community Involvement projects. These included Meals on Wheels, CUC's Primary Football League, the Junior Achievement Programme, the Cayman Islands Scout Association and Positive Intervention Now, an afterschool programme. The Company continues to sponsor an Environmental Education Programme, which exposes primary school children to the Island's marine environment. The Company also provides support to the Lighthouse School and the Sunrise Adult Training Centre, two facilities which cater to adults and children with special needs. CUC remains committed to the ongoing development of the community in which we live and work.

Summary

In October 2014, the Cayman Islands Economics and Statistics Office ("ESO") issued 2014 Semi-Annual Economic Report. The report indicated that the Cayman Islands Gross Domestic Product ("GDP") was estimated to have expanded at an annualised rate of 2.2% in the first half of 2014. Economic expansion in the second quarter of 2014 was the strongest seen by the Cayman Islands since 2011. The ESO is forecasting Annual GDP growth in 2014 of 1.9%.

As the local economy continues to emerge from the recent recession, the Company stands ready to meet the demands of any accompanying growth in our customer base.

In October 2014, five linemen from CUC went to Bermuda to assist with the restoration process as part of the CARILEC contingent following the aftermath of Hurricane Gonzalo, which affected that island on October 17. The Category 2 hurricane tore through Bermuda downing trees and power lines and damaging a number of buildings.

The Company appointed two Caymanians to its Board of Directors in 2014. Ms. Sheree Ebanks and Mr. Woodrow Foster were elected to the CUC Board at the Company's Annual General Meeting held on May 27, increasing the number of board members to 12. Ms. Ebanks and Mr. Foster were elected as part of the Company's director succession planning.

At the end of 2014, member of the CUC Board of Directors and President and Chief Executive Officer of Fortis Inc. Mr. Stanley Marshall retired. In addition, long-standing Director and former Vice Chairman of the Board, Mr. Frank Crothers, will be retiring at the Company's upcoming Annual General Meeting in May 2015. Mr. Crothers and Mr. Marshall have been members of the Board since 1982 and 2000 respectively and we thank them for their many years of dedicated service to the Company. The Board of Directors continue to provide guidance and support and we thank them all for their ongoing contributions.

The Company will look to the future with optimism and focus. We will continue to deliver a safe and reliable service to our customers and at the same time aim to manage costs and improve efficiencies.

We are thankful to our loyal and dedicated employees who remain committed to our mission which is "To be a leader in the growth of our community by delivering safe and reliable energy service at competitive costs and with respect to the environment while remaining a model corporate citizen and providing a fair return to our shareholders."

David E. Ritch, OBE, JP
Chairman of the Board of Directors

J.F. Richard Hew
President & Chief Executive Officer

March 6, 2015

Management's Discussion and Analysis

The following management's discussion and analysis ("MD&A") should be read in conjunction with the Caribbean Utilities Company, Ltd. ("CUC" or "the Company") consolidated financial statements for the twelve months ended December 31, 2014 ("Fiscal 2014"). The material has been prepared in accordance with National Instrument 51-102 - Continuous Disclosure Obligations ("NI 51-102") relating to Management's Discussion and Analysis.

Additional information in this MD&A has been prepared in accordance with accounting principles generally accepted in the United States ("US GAAP"), including certain accounting practices unique to rate-regulated entities. These accounting practices, which are disclosed in the notes to the Company's 2014 annual 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, including a fair return on rate base assets, from customers through appropriate billing rates would not be subject to regulatory approval.

Certain statements in this MD&A, 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 the MD&A in the section labelled "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. The consolidated financial statements and MD&A in this annual report were approved by the Board of Directors.

Financial and Operational Highlights

($ thousands, except basic earnings per ordinary share, dividends paid per ordinary share and where otherwise indicated)

	Year Ended December 31, 2014	Year Ended December 31, 2013	Change	% Change
Electricity Sales Revenues	**73,408**	71,131	**2,277**	3%
Fuel Factor Revenues	**158,297**	155,089	**3,208**	2%
Operating Revenues	**231,705**	226,220	**5,485**	2%
Fuel and Lube Costs	**158,297**	155,089	**3,208**	2%
Other Operating Expenses	**48,080**	45,991	**2,089**	5%
Total Operating Expenses	**206,377**	201,080	**5,297**	3%
Earnings for the Period	**20,815**	20,422	**393**	2%
Cash Flow from Operating Activities	**46,780**	49,940	**(3,160)**	-6%
Per Class A Ordinary Share:				
Basic Earnings	**0.68**	0.68	**-**	0%
Dividends Paid	**0.660**	0.660	**-**	0%
Total Customers (#)	**27,784**	27,364	**420**	2%
Total Employees (#) *	**198**	190	**8**	4%
Customers per Employee (#)	**140**	144	**(4)**	-3%
System Availability (%)	**99.96**	99.96	**-**	0%
Peak Load Gross (MW)	**99.7**	97.4	**2.3**	2%
Millions of kWh:				
Net Generation	**604.7**	595.6	**9.1**	2%
Kilowatt-hour Sales	**564.2**	555.7	**8.5**	2%
Sales Per Employee	**2.85**	2.92	**(0.07)**	-2%

* Total full time CUC employees

Corporate and Regulatory Overview

The principal activity of the Company is to generate, transmit and distribute electricity in its licence area of Grand Cayman, Cayman Islands pursuant to a 20-year exclusive Transmission & Distribution ("T&D") Licence and a 25 year non-exclusive Generation Licence ("the Licences") granted by the Cayman Islands Government ("Government"), which expire in April 2028 and November 2039, respectively. The Generation Licence includes a provision which states that if awarded the right to supply additional generation, a new generation licence will be issued for a term that corresponds with the period required for installation of the generating unit, together with the lifetime of the generating unit. As a result of the Company's successful bid to supply additional generation, the Electricity Regulatory Authority ("ERA") has issued a new Generation licence to the Company with an expiration date of November 2039 as compared to the previous licences expiration of September 2029. 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 contain the provision for a rate cap and adjustment mechanism ("RCAM") based on published consumer price indices. CUC's return on rate base ("RORB") for 2014 was 7.4% (2013: 7.6%). CUC's RORB for 2015 is targetted in the 7.00% to 9.00% range (2014: 7.00% to 9.00%).

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. Base rates are subject to an annual review and adjustment each June through the RCAM. In June 2014, following review and approval by the ERA, the Company increased its base rates by 1.5%. This increase is a result of the 2013 RORB and the increase in the applicable United States ("US") and Cayman Islands consumer price indices, adjusted to exclude food and fuel, for calendar year 2013. The change in the base rates as a percentage of the US and Cayman Islands consumer price indices was 80% based on the range of the RORB values. The required rate adjustment of 1.5% can be calculated by applying 80% to the total price level index (60% of the Cayman Islands CPI and 40% of the US CPI) of 1.9%. All fuel and lubricating oil costs are passed through to customers without mark-up as a per kWh charge.

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.

In addition to the RORB requirements of the T&D Licence, CUC may periodically (but at least every five years) propose re-balanced and restructured rates, taking into account the results of any cost of service study ("COSS") completed in advance of the proposed rate adjustment. Any such adjustments must be revenue neutral to the base rate adjustment as determined by the RCAM. An independent, comprehensive, allocated COSS was completed and submitted to the ERA for review in April 2014. The last COSS conducted by an independent consultant was completed in April 2009.An allocated COSS assigns cost responsibility between rate classes based on various relative characteristics – specifically, number of customers, energy sales, impact on peak demands and revenues. For the demand allocation factors in particular, extensive analysis of customer load data was performed based on interval usage readings collected from CUC's advanced metering infrastructure meters. The sum of all allocated revenue requirements represents the allocated cost of service, or the net revenue requirement for the Base Rates of each of the rate classes. As a result of the 2014 COSS, the Company adjusted its base rates for a 1% reduction to the residential customer category, a 2.8% increase to the general commercial customer category and a 1.1% increase to the large commercial customer category. Any adjustments must be revenue neutral, that is, the total revenue from all classes must be the same before and after any rebalancing and equivalent to the overall 1.5% base rate increase allowed under the RCAM.

The ERA has the overall responsibility for 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 sets the rate adjustment factors as appropriate.

In December 2014 the ERA approved CUC's 2015-2019 Capital Investment Plan in the amount of $234 million. Generation expansion costs related to the recent bid award are included in the approved CIP in the amount of CUC's competitive bid. The Company issued a Certificate of Need ("CON") in October 2013 for additional generation capacity. The CON listed a requirement of approximately 36 megawatts ("MW") of generating capacity, in two 18 MW instalments to be operational by summer 2016.

In November 2013, the ERA issued a solicitation for Statements of Qualifications from prospective bidders for the supply of new generation capacity. In January 2014 the ERA announced the parties selected as qualified bidders and released

the request for proposal document to all such qualified bidders. The Company submitted a bid in May 2014. In October 2014 the ERA announced that CUC was the successful bidder for the supply of new generation capacity and in November 2014 the Company was granted a new and extended Generation Licence, expiring in November 2039.

The Company has since entered a design-build contract agreement for the generation expansion 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 V48/60 medium-speed diesel generating units, one 2.7 MW steam turbine, and associated auxiliary equipment. This contract is valued at approximately $55 million; the total project cost is estimated at $85 million to complete. In the Fourth Quarter 2014, the Company made the first payment towards the construction of the new power plant. The Company will make additional payments towards the construction of the new power plant in 2015. The generating units will be housed in a new purpose built power house at the Company's North Sound Road Power Plant and will be commissioned in June 2016.

CUC has secured the supply of 8.25 MW of temporary mobile generation following the retirement of 17.5 MW of generation in early 2014. This retirement relates to units 14 and 16; which exhausted their useful lives in accordance with the Company's Generation Licence. This temporary generation will complement existing generation and help 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 continues to focus on maintaining and improving the level of service we offer to our customers.

A licence fee of 1%, payable to the Government, is charged on gross revenues, then prorated and applied only to customer billings with consumption over 1,000 kilowatt-hours ("kWh") per month as a pass-through charge. In addition to the licence fee, a regulatory fee of ½ of 1% is charged on gross revenues, then prorated and applied only to customer billings with consumption over 1,000 kWh per month.

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 time of destruction. Z Factor rate changes will be required for insurance deductibles and other extraordinary expenses. The Z Factor is the amount, expressed in cents per kWh, approved by the ERA to recover the costs of items deemed to be outside of the constraints of the RCAM.

CUC's wholly owned subsidiary, DataLink, Ltd. ("DataLink"), was granted a licence in 2012 from the Information and Communications Technology Authority ("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 agreements;

1. The Management and Maintenance agreement:
2. The Pole Attachment agreement: and
3. The Fibre Optic agreement

All three agreements have been approved by the ERA.

Consolidation Accounting Policy

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary DataLink. All significant intercompany balances and transactions have been eliminated on consolidation.

Earnings

Net earnings for the year ended December 31, 2014 ("Fiscal 2014") were $20.8 million, a $0.4 million increase from net earnings of $20.4 million for the year ended December 31, 2013 ("Fiscal 2013'). This increase is attributable to a 2% increase in kWh sales, 1.5% and 1.8% base rate increases effective June 1, 2014 and June 1, 2013, respectively, lower depreciation and maintenance expenses and increased other income. These items were partially offset by higher consumer service expenses, driven by an adjustment to increase the Company's allowance for doubtful accounts.

After the adjustment for dividends on the Class B preference shares of the Company, earnings on Class A Ordinary Shares for Fiscal 2014 were $19.9 million, or $0.68 per Class A Ordinary Share as compared to $19.5 million, or $0.68 per Class A Ordinary Share for Fiscal 2013. The Company calculates earnings per share on the weighted average number of Class A Ordinary Shares outstanding. The weighted average Class A Ordinary Shares outstanding were 29,130,536 and 28,891,552 for Fiscal 2014 and Fiscal 2013, respectively.

Sales

Kilowatt-hour sales for the year ended December 31, 2014 were 564.2 million kWh, an increase of 8.5 million kWh or 2% when compared to 555.7 million for the year ended December 31, 2013. Sales were positively impacted by a 2% growth in customer numbers.

Total customers as at December 31, 2014 were 27,784, an increase of 2% compared to 27,364 customers as at December 31, 2013.

Operating Revenues

Operating revenues increased by 2%, or $5.5 million, to $231.7 million for the year ended December 31, 2014 from $226.2 million for the year ended December 31, 2013.

This increase was the result of higher electricity sales revenues and higher fuel factor revenues.

Electricity sales revenues increased by $2.3 million in Fiscal 2014 to $73.4 million when compared to electricity sales revenues of $71.1 million for Fiscal 2013. This increase is attributable to a 2% increase in kWh sales and the 1.5% and 1.8% base rate increases effective June 1, 2014 and June 1, 2013, respectively.

Fuel factor revenues for Fiscal 2014 totalled $158.3 million, a $3.2 million increase from the $155.1 million in fuel factor revenues for Fiscal 2013. Fuel factor revenues increased due to higher generation in 2014 (*see "Power Generation" section for further details*). The average Fuel Cost Charge rate per kWh charged to consumers for Fiscal 2014 was $0.27, comparable to the Fuel Cost Charge rate per kWh for Fiscal 2013. Reductions to the fuel cost charge rate per kWh are expected to occur in 2015 due to a decrease in customs duties levied on diesel fuel imports by the Government.

The Government has announced a decrease totalling $0.30 per imperial gallon ("IG").

Operating Expenses

Total operating expenses for Fiscal 2014 increased by $5.3 million to $206.4 million from $201.1 million for Fiscal 2013.

The main contributing factors to the increase in operating expenses were higher power generation and consumer service expenses, partially offset by lower depreciation and maintenance expenses.

Sales and Customer Highlights

	Year Ended December 31, 2014	Year Ended December 31, 2013	Change %
Customers (number)			
Residential	**23,685**	23,358	1%
Commercial	**4,099**	4,006	2%
Total Customers *	**27,784**	27,364	2%
Sales (in thousands kWh)			
Residential	**266,742**	261,002	2%
Commercial	**290,745**	288,114	1%
Other	**6,740**	6,596	2%
Total Sales	**564,227**	555,712	2%
Revenues (in thousands of $)			
Residential	**34,910**	34,592	1%
Commercial	**37,981**	36,067	5%
Other (street lights etc.)	**517**	472	10%
Fuel Factor	**158,297**	155,089	2%
Total Operating Revenues *	**231,705**	226,220	2%

* Total CUC Customers and Revenue only

Operating Expenses

($ thousands)

	Year Ended December 31, 2014	Year Ended December 31, 2013	Change	% Change
Power Generation Expenses	**161,832**	158,090	**3,742**	2%
General and Administration	**8,796**	8,851	**(55)**	-1%
Consumer Service	**3,357**	1,672	**1,685**	101%
Transmission and Distribution	**2,619**	2,200	**419**	19%
Depreciation	**24,030**	24,351	**(321)**	-1%
Maintenance	**5,406**	5,610	**(204)**	-4%
Amortization of Intangible Assets	**337**	306	**31**	10%
Total Operating Expenses	**206,377**	201,080	**5,297**	3%

Power Generation

Power generation costs for Fiscal 2014 increased by $3.7 million to $161.8 million when compared to $158.1 million for Fiscal 2013. This increase is due to a 2% increase in net generation.

Power generation expenses were as follows:

Power Generation

($ thousands)

	Year Ended December 31, 2014	Year Ended December 31, 2013	Change	% Change
Fuel costs (net of deferred fuel charges)	**155,955**	152,648	**3,307**	2%
Lubricating oil costs (net of deferred lubricating oil)	**2,342**	2,441	**(99)**	-4%
Temporary generation costs	**412**	-	**412**	n/a
Other generation expenses	**3,123**	3,001	**122**	4%
Total Power Generation Expenses	**161,832**	158,090	**3,742**	2%

The Company's average price per IG of fuel for Fiscal 2014 decreased to $4.56 from $4.74 for Fiscal 2013. The Company's average price per IG of lubricating oil for Fiscal 2014 decreased to $12.59 from $12.65 for Fiscal 2013. The Fuel Tracker Account *(see Note 5 of the Notes to Annual Consolidated Financial Statements for further details)* is comprised of total diesel fuel and lubricating oil costs to be recovered from consumers.

The objective of the Company's Fuel Price Volatility Management Programme as approved by the ERA is to reduce the impact of volatility in the Fuel Cost Charge paid by the Company's customers for the fuel that the Company must purchase in order to provide electric service. Contracts initiated in 2014 utilise call options and call spreads to promote transparency in pricing. The monthly hedging costs and returns are also included within the Fuel Tracker Account.

CUC has secured the supply of 8.25 MW of temporary mobile generation following the retirement of 17.5 MW of generation in early 2014 in accordance with the Generation Licence. Temporary generation expenses for Fiscal 2014 totalled $0.4 million. There were no temporary generation expenses for Fiscal 2013.

Other generation expenses for Fiscal 2014 totalled $3.1 million an increase of $0.1 million when compared to $3.0 million for Fiscal 2013.

General and Administration("G&A")

G&A expenses for Fiscal 2014 totalled $8.8 million, a decrease of $0.1 million, or 1%, from $8.9 million for Fiscal 2013. This was primarily due to increased General Expenses Capitalized ("GEC"), partially offset by the Company's Performance Share Unit ("PSU") plan *(see Note 14 of the Annual Consolidated Financial Statements for further details).*

The Company capitalizes certain overhead costs not directly attributable to specific capital assets but which do relate to the overall capital expenditure programme. GEC totalled $3.6 million for Fiscal 2014, $0.2 million higher than $3.4 million for Fiscal 2013.

Consumer Services ("CS")

CS expenses for Fiscal 2014 totalled $3.4 million, an increase of $1.7 million or 100% when compared to $1.7 million for Fiscal 2013. This increase is attributable to an adjustment to the Allowance for Doubtful Accounts ("AFDA") and increased expenses associated with additional human resources hired in this area to meet the needs of customers.

In accordance with its AFDA policy, the Company maintains an accumulated provision for uncollectible customer accounts receivable that is estimated based on known accounts, historical experience and other currently available information, including the economic environment. During 2014, the Company commenced a full review of its outstanding Accounts Receivables balance and the reasonableness of its methodology of applying a flat percentage to total receivables in calculating AFDA. This review is complete and has indicated an increase in days outstanding for receivable balances.

A 1.66 kilowatt solar panel system was erected in front of the Company's Administration Building in 2014, which is supplementing the supply to CUC's offices.

Consequently, management determined the estimation process related to the AFDA would be refined to include a risk element for aging of accounts receivable. The implementation of the new AFDA methodology is complete. The effect of this change of estimate for Fiscal 2014 was to increase the provision of AFDA by $1.2 million.

Trade and Other Accounts Receivable

($ thousands)

	As at December 31, 2014	As at December 31, 2013
Current	**9,224**	11,914
Past due 31-60 days	**1,628**	2,018
Past due 61-90 days	**516**	594
Past due over 90 days	**4,397**	4,314
Total Accounts Receivable	**15,765**	18,840
Less: Allowance for doubtful accounts	**(1,481)**	(195)
Less: Consumer Deposits	**(5,364)**	(4,998)
Net Exposure	**8,920**	13,647

Net Exposure as at December 31, 2014 totalled $8.9 million, a decrease of $4.7 million, or 35% when compared to the Net Exposure of $13.6 million as at December 31, 2013. This decrease was primarily related to an increase in the AFDA and a decrease in receivables in the current category. The current category of receivables decreased by $2.7 million, or 23% due to lower fuel factor billings, lower consumption in the month of December 2014 and improved efficiencies in the disconnection process due to the newly installed AMI meters. At the end of 2014, 50% of the planned AMI installations were completed. Customers who have had the AMI meters installed are benefiting from the ability to monitor their consumption and manage their usage.

Transmission & Distribution ("T&D")

T&D expenses for Fiscal 2014 totalled $2.6 million, an increase of $0.4 million, or 19%, when compared to T&D expenses of $2.2 million for Fiscal 2013. This increase was due primarily to the disposal of obsolete T&D inventory items totalling $0.4 million and additional tree trimming maintenance costs incurred during Fiscal 2014.

Depreciation of Property, Plant and Equipment ("PP&E")

Depreciation expenses for Fiscal 2014 totalled $24.0 million, a decrease of $0.4 million, or 1%, from $24.4 million for Fiscal 2013. This decrease in depreciation is related to the book retirement of a 7.59 MW generating unit that reached the end of its useful life during 2013 and a change in the estimates of useful lives for certain assets, partially offset by depreciation on new plant additions.

In accordance with its PP&E policy, the Company reviews the estimated useful lives of its fixed assets on an ongoing basis. A review concluded in 2014 indicated that the actual lives of certain T&D and Generation assets were longer than the estimated useful lives used for depreciation purposes in the Company's financial statements. As a result, effective January 1, 2014, the Company changed its estimates of the useful lives of these assets to better reflect the estimated periods during which these assets will remain in service. The previously averaged useful lives of the affected assets of 20 years were increased to an average of 25 to 35 years. The effect of this change in estimate was to reduce depreciation for Fiscal 2014 by $1.6 million.

Maintenance

Maintenance expenses for Fiscal 2014 totalled $5.4 million, a decrease of $0.2 million from $5.6 million for Fiscal 2013. Maintenance expenses for Fiscal 2014 were expected to be lower than those seen in 2013 due to the quantum of scheduled upgrade projects in 2014. These upgrades relate to the Company's generating units and are of a capital nature. Certain upgrades to generating units are considered capital in nature as the upgrades extend the life or increase the output of the unit.

Amortization

Amortization of intangible assets for Fiscal 2014 totalled $0.3 million, comparable to Fiscal 2013. Amortization represents the monthly recognition of the expense associated with software purchases as well as other intangible assets such as the costs associated with the licence negotiations. The negotiations for the Company's licences concluded in 2008 and the costs associated with the negotiations are being amortized over 20 years on a straight-line basis. The negotiations associated with DataLink's ICT licence ceased in 2012 and these costs are being amortized over 15 years on a straight-line basis.

Other Income and Expenses

Net Other Expenses for Fiscal 2014 totalled $4.5 million, a decrease of $0.2 million from $4.7 million for Fiscal 2013. This decrease is the result of higher Other Income for Fiscal 2014.

Other Income & Expenses

($ thousands)

	Year Ended December 31, 2014	Year Ended December 31, 2013	Change	% Change
Total interest costs	**(11,902)**	(12,228)	**326**	-3%
AFUDC	**2,787**	3,210	**(423)**	-13%
Total finance charges	**(9,115)**	(9,018)	**(97)**	1%
Foreign exchange gain	**1,917**	1,927	**(10)**	-1%
Other income	**2,685**	2,373	**312**	13%
Total Net Other Expense	**(4,513)**	(4,718)	**205**	-4%

Finance charges for Fiscal 2014 totalled $9.1 million, an increase of $0.1 million from $9.0 million for Fiscal 2013. This increase was driven by lower Allowance for Funds Used during Construction ("AFUDC") partially offset by a reduction in debt interest costs in Fiscal 2014.

Under the T&D Licence there is a provision for an AFUDC. This capitalisation of the Financing Cost is calculated by multiplying the Company's Cost of Capital rate by the average work in progress for each month. The cost of capital rate for 2014 was 8.0% as agreed with the ERA, in accordance with the T&D Licence, and is reviewed annually. The cost of capital rate for 2013 was 7.50%.

The AFUDC amount for Fiscal 2014 totalled $2.8 million, a $0.4 million decrease when compared to $3.2 million for Fiscal 2013. This decrease was attributable to lower average work in progress for most of 2014 when compared to 2013.

Foreign exchange gains and losses are the result of monetary assets and liabilities denominated in foreign currencies that are translated into United States dollars at the exchange rate prevailing on the Balance Sheet date. Revenue and

expense items denominated in foreign currencies are translated into United States ("US") dollars at the exchange rate prevailing on the transaction date.

Foreign exchange gains totalled $1.9 million for Fiscal 2014, comparable to foreign exchange gains for Fiscal 2013. Other income is comprised of income from the Company's wholly owned subsidiary DataLink, income from pipeline operations, sales of meter sockets, the sale of recyclable metals and other miscellaneous income.

Other income totalled $2.7 million for Fiscal 2014, an increase of $0.3 million, from $2.4 million for Fiscal 2013. Revenues from DataLink for Fiscal 2014 are recorded in Other Income in the amount of $0.9 million, an increase of $0.3 million, from $0.6 million for Fiscal 2013.

The Economy

In October 2014 the Cayman Islands Economics and Statistics Office ("ESO") issued the 2014 Semi-Annual Economic Report. The report indicated that the Cayman Islands Gross Domestic Product ("GDP") was estimated to have expanded at an annualised rate of 2.2% in the first half of 2014.

Economic expansion in the second quarter of 2014 was the strongest seen by the Cayman Islands since 2011. The ESO is forecasting Annual GDP growth in 2014 of 1.9% and 2.0% for 2015. The Company's annual sales growth and resource requirements, including numbers of employees, have historically been heavily influenced by changes in the level of economic activity in the country as illustrated by the GDP.

The Consumer Price Index ("CPI") inflation averaged 1.5% for the first six months of 2014. This change was driven by higher prices for several items led by restaurants and hotels, household equipment, education and transport. The ESO is forecasting 2014 annual inflation of 1.8%.

The value of building permits rose from $111.19 million for the six months ended June 30, 2013 to $322.86 million for the six months ended June 30, 2014 due in large part to the Kimpton Hotel & Residences development, which is currently under construction.

The Cayman Islands have two main industries; financial services and tourism. In relation to the finance industry, the country has a well-established offshore centre, one of the largest in the world. The Cayman Islands is one of the world's largest banking centres in terms of assets and one of the top jurisdictions for captive insurance companies. The 'Indicators for the Financial Services Industry' table itemises trends in some of the key financial areas.

Indicators for the Financial Services Industry

(for the years ending December 31)

	2014	2013	2012	2011	2010
Bank licences	**198**	213	222	234	246
Mutual funds *	**11,010**	11,379	10,841	9,258	9,438
Mutual fund administrators	**115**	121	124	129	134
Registered Companies	**99,459**	95,530	93,612	92,964	91,206
Captive insurance companies	**793**	788	768	739	738

* *The Cayman Islands Mutual Funds (Amendment) Law, 2011, dated December 22, 2011, amended the Mutual Funds Law (2009 Revision) to require all Master Funds, as defined therein, to become registered by the Cayman Islands Monetary Authority ("CIMA"). Registration for these funds was required for the first time in 2012. Previously registration of any such funds was voluntary in nature. As at December 31, 2014 there were 2,685 registered Master Mutual Funds (2013:2,635) and nil as at December 31, 2011 and prior periods.*

The country's continued growth in tourism is further demonstrated by the development of the Kimpton Hotel & Residences. The resort will consist of a pair of 10-story buildings, one housing a 265 room hotel and the other containing 61 condominiums. Six additional resort bungalows will be built along the beach. The resort will also house five restaurants. The hotel's developers plan for the hotel to be completed in 2016.

The Cayman Islands tourism demographic is largely comprised of visitors from the US. For 2014, 75% of air arrivals to the country were citizens of the US. As such, the US economy largely impacts that of the Cayman Islands.

2014 air arrivals were up 11% when compared to 2013 and cruise arrivals increased by 17% when compared to 2013. Air arrivals have a direct impact on the Company's sales growth as visitors traveling by air stay over and occupy the hotels. Cruise arrivals have an indirect impact as they affect the opening hours of the establishments operating for that market.

Tourist Arrivals to the Cayman Islands

(for the years ending December 31)

	2014	2013	2012	2011	2010
By air	**382,816**	345,387	321,650	309,091	288,272
By sea	**1,609,555**	1,375,872	1,507,370	1,401,495	1,597,838
Total	**1,992,371**	1,721,259	1,829,020	1,710,586	1,886,110

All data is sourced from the websites of:

- *The Cayman Islands Government; www.gov.ky*
- *The Cayman Islands Economics & Statistics Office; www.ESO.ky*
- *The Cayman Islands Monetary Authority; www.cimoney.com.ky*
- *Cayman Islands Department of Tourism; www.caymanislands.ky*
- *SB Architects; www.sb-architects.com*

A preliminary rendering of the Kimpton Hotel & Residences, which is currently being constructed on Grand Cayman.

Financial Position

The table "Significant Changes in Balance Sheets" is a summary of significant changes to the Company's Balance Sheet from December 31, 2013 to December 31, 2014.

Significant changes in Balance Sheets
(from December 31, 2013 to December 31, 2014)

Balance Sheet Account	Increase (Decrease) *($ millions)*	Explanation
Cash and Cash Equivalents	20.6	Increase due to cash provided by operating activities of $46.8 million and cash from financing activities of $13.6 million, partially offset by cash used in investing activities of $39.8 million.
Accounts Receivable	(4.4)	Increased allowance for doubtful accounts, lower fuel billings and enhanced collections efforts due to efficiencies seen with the AMI meters.
Regulatory Assets	(0.8)	Decrease attributable to lower fuel costs.
Inventories	(1.7)	Decrease in value of fuel inventory due to lower fuel costs.
Property, Plant and Equipment	15.4	Net increase is comprised of capital expenditures of (1) $39.5 million (2) depreciation expense of $24.0 million (3) $0.2 million in accrued capital expenditure (4) $0.3 million in contributions in aid of construction.
Bank Overdraft	(1.3)	Full repayment of bank overdraft.
Accounts Payable and Accrued Expenses	(5.3)	Decreased payable related to lower fuel costs.
Current Portion of Long-Term Debt	(3.0)	Decrease due to full repayment of Company's 7.64% Senior Unsecured Note Loan Note in June 2014.
Long-Term Debt	36.0	Increase due to $50.0 million in debt proceeds received in the Fourth Quarter 2014 partially offset by principal payments made on the Company's Senior Unsecured Notes.
Share Premium	2.0	The Company issued 200,359 shares through its share purchase plans.

Liquidity and Capital Resources

Operating Activities:

Cash flow provided by operations, after working capital adjustments, for Fiscal 2014, was $46.8 million, a decrease of $3.1 million from $49.9 million for Fiscal 2013. This decrease was primarily due to changes in non-cash working capital balances and changes in regulatory deferrals.

Investing Activities:

Cash used in investing activities for Fiscal 2014 totalled $39.8 million, an increase of $13.3 million from $26.5 for Fiscal 2013. This increase is due to higher capital expenditures during Fiscal 2014.

In the Fourth Quarter 2014, the Company made the first payment towards the construction of a new 39.7 MW diesel power plant, which is planned for completion in 2016.

Financing Activities:

Cash received from financing activities totalled $13.6 million for Fiscal 2014 compared to $22.9 million of cash utilised in financing activities for Fiscal 2013.

During Fiscal 2014, the Company received $65.0 million in debt proceeds comprised of$50 million in long-term debt and $15 million in short term debt, repaid $1.3 million of the overdraft facility and repaid debt of $32.0 million, compared to debt proceeds of $50.0 million, repayment of the overdraft facility totalling to $4.9 million, and debt payments of $50.5 million during Fiscal 2013.

Cash Flows

($ thousands)

	Year Ended December 31, 2014	Year Ended December 31, 2013	Change	% Change
Beginning cash	**1,215**	694	**521**	75%
Cash provided by/(used in):				
Operating activities	**46,780**	49,940	**(3,160)**	-6%
Investing activities	**(39,774)**	(26,484)	**(13,290)**	50%
Financing activities	**13,594**	(22,935)	**36,529**	-159%
Ending cash	**21,815**	1,215	**20,600**	1695%

Cash Flow Requirements:

The Company expects that operating expenses and interest costs will generally be paid from the Company's operating cash flows, with residual cash flows available for capital expenditures and dividend payments. Borrowings under credit facilities may be required from time to time to support seasonal working capital requirements. Cash flows required to complete planned capital expenditure is expected to be financed from a combination of proceeds from operating cash, debt and equity transactions. The Company expects to be able to source the cash required to fund its 2015 capital expenditure programme (*see the "Business Risks" section of this MD&A for Liquidity Risk details*).

Credit Facilities

The Company has $47.0 million of unsecured credit facilities with the Royal Bank of Canada ("RBC") which is shown in the short-term financing table (*see Note 11 of the Annual Consolidated Financial Statements for further details*). Of the total $47.0 million, $46.0 million was available at December 31, 2014.

Transactions with Related Parties

Miscellaneous receivables from Newfoundland Power, a subsidiary of Fortis Inc., totalling $300 were outstanding at December 31, 2014 (nil as at December 31, 2013). Miscellaneous payables to Fortis Inc., the Company's majority shareholder, totalling $16,100 were outstanding at December 31, 2014 ($9,800 as at December 31, 2013) for hurricane preparedness and travel expenses and are included within the Accounts Payable and Accrued Expenses on the Balance Sheet.

Contractual Obligations

The Company executed an 18 month primary fuel supply contract with Rubis Cayman Islands Limited ("Rubis") in September 2014 upon the expiration of its previous fuel supply contract with Rubis. Under the agreement the Company is committed to purchase approximately 60% of its diesel fuel requirements for its generating plant from Rubis. The approximate quantities under the contract on an annual basis are, by fiscal year in millions of IGs: 2015 – 19.9, 2016 – 10.1. The Company also has an 18 month secondary fuel supply contract with Sol Petroleum Cayman Limited ("Sol") (previously Esso Cayman Limited) executed in September 2014, and is committed to purchase approximately 40% of the Company's fuel requirements for its generating plant from Sol. The approximate quantities per the fuel contract on

an annual basis are, by fiscal year in millions of IGs: 2015 – 13.3, 2016 – 6.7. Each contract has the option to renew for an additional 18 month term. Renewal cannot occur more than 6 months in advance of the current contract expiry date. Both contracts qualify for the Normal Purchase Normal Sale exemption under ASC 815 and do not qualify as derivatives.

Contractual Obligations

($ millions)

	Total	< 1 year	1 to 3 years	4 to 5 years	> 5 years
Total debt [1]	252.0	14.0	25.0	29.4	183.6
Long-term debt interest	112.4	10.5	18.7	15.5	67.7
MAN/BWSC Generation Expansion Contract[2]	44.3	33.2	11.1		
Defined benefit pension[3]	0.3	0.3	-	-	-
Total	**409.0**	**58.0**	**54.8**	**44.9**	**251.3**

1. Relates to principal payments on long-term debt only.
2. In December 2014, the Company entered a design-build contracts with BWSC and MAN. This contract is valued at approximately $55 million. A down payment of $11.1 million was made in 2014.
3. The defined benefit pension funding contribution is based on an estimate provided under the latest completed actuarial valuation.

Capital Resources

The Company's principal activity of generation, transmission and distribution of electricity in Grand Cayman, requires CUC to have ongoing access to capital to build and maintain the electrical system for the community it serves To help ensure access to capital, the Company targets a long-term capital structure of 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 Class A Ordinary Share rights offering that occurred in 2008 and the Company's Share Purchase Plans.

Certain of the Company's long-term debt obligations have covenants restricting the issuance of additional debt such that consolidated debt cannot exceed 60% of the Company's consolidated capital structure, as defined by short-term and long-term debt agreements. As at December 31, 2014, the Company was in compliance with all debt covenants. The Company expects to remain compliant with all debt covenants in 2015.

Capital Structure

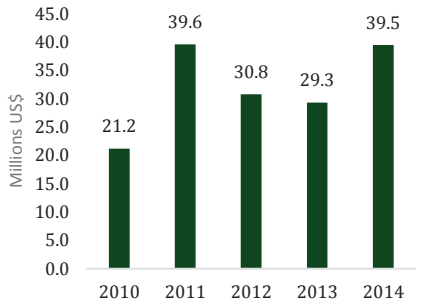
	December 31, 2014 ($ millions)	%	December 31, 2013 ($ millions)	%
Total debt	252.0	58	219.0	55
Shareholder's equity	179.8	42	178.3	45
Total	**431.8**	**100**	**397.3**	**100**

During Fiscal 2014, the Company's capital structure increased by $34.5 million to $431.8 million from$397.3 million at December 31, 2013. This increase is due to higher total debt, and an increase of $1.5 million in shareholder's equity.

During Fiscal 2014, the Company received $65.0 million in debt financing and repaid debt of $32.0 million. For Fiscal 2014, shareholders' equity increased by $1.5 million to $179.8 million when compared to $178.3 million for Fiscal 2013. This increase in shareholder's equity was primarily attributable to the issuance of 200,359 Class A Ordinary shares and an increase in retained earnings, partially offset by a decrease in accumulated other comprehensive income.

The Company's credit ratings under Standard & Poors ("S&P") and the Dominion Bond Rating System ("DBRS") are currently as follows:

S&P A-/Stable
DBRS A (low)



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

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 licenced position as the sole provider of T&D services. 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 October 2014, S&P revised its outlook on Fortis Inc. and its subsidiaries, including CUC to stable from negative. The outlook revision follows Fortis' announcement of the receipt of the final instalment of the convertible debentures that it used to finance the UNS Energy Corporation acquisition. The outlook revision on the subsidiaries reflects the application of the S&P's group rating methodology.

In March 2015, 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 and a stable island economy and the demand for electricity. Impacting the rating were such factors as hurricane event risk and the small size of the Company's customer base.

Capital Expenditures

Capital expenditures for Fiscal 2014 were $39.5 million, a $10.2 million, or 35% increase from $29.3 million in capital expenditures for the same period of the previous year. The Company recognised an amount of $2.8 million in AFUDC. The Company recognized an amount of $3.2 million for Fiscal 2013 under the provision for AFUDC.

The capital expenditures for Fiscal 2014 primarily relate to:

- Distribution system extension and upgrades - $11.8 million
- Generation expansion - $11.3 million
- Generation replacement cost - $11.8 million
- Facility and auxiliary asset replacement cost - $1.6 million
- Purchase of AMI meters and meter equipment - $0.3 million

Capital Expenditures

($ millions)

	Year Ended December 31, 2014	Year Ended December 31, 2013	Change	% Change	Forecast 2015
Transmission & Distribution	**11.6**	13.2	-1.6	-12%	12.3
Generation	**26.0**	14.9	11.1	74%	62.6
Other	**1.9**	1.2	0.7	58%	2.6
Total	**39.5**	29.3	10.2	35%	77.5

Off Balance-Sheet Arrangements

Disclosure is required of all off-balance sheet arrangements such as transactions, agreements or contractual arrangements with unconsolidated entities, structured finance entities, special purpose entities or variable interest entities that are reasonably likely to materially affect liquidity of or the availability of, or requirements for, capital resources. The Company has no such off-balance sheet arrangements as at December 31, 2014.

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 generating, 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, and 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.

The Company continually develops capital expenditure, safety management and risk controls programmes and assesses current and future operating and maintenance expenses that will be incurred in the ongoing operation of its systems. The Company also has an insurance programme that provides coverage for business interruption, liability and property damage, although the coverage offered by this programme is limited (*see the "Insurance" section for discussion of insurance terms and coverage*). 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 will approve any such application (*see the "Regulation" section for discussion of regulatory risk*).

Economic Conditions

The general economic condition of CUC's service area, Grand Cayman, influences electricity sales as with most utility companies. Changes in consumer 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.

Regulation

The Company operates within a regulated environment. As such, the operations of the Company are subject to the normal uncertainties faced by regulated companies. Such uncertainties include approval by the ERA of 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 Company's capital expenditure plan requires regulatory approval. There is no assurance that capital projects perceived as required by the management of the Company will be approved by the ERA.

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 which Management believes is appropriate and consistent with insurance policies obtained by similar companies.

Environmental Matters

CUC's operations are subject to local environmental protection laws concerning emissions to the air, discharges to surface and subsurface waters, noise, land use activities, and the handling, storage, processing, use, 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-certification 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 United Nations Framework Convention on Climate Change (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 CUC's financial reporting including the recording of any Asset Retirement Obligations ("ARO's").

Insurance - Terms and Coverage

The Company renewed its insurance policy as at July 1, 2014 for one year under similar terms and coverage as in prior years. Insurance terms and coverage include $100.0 million in property and machinery breakdown insurance and business interruption insurance per annum with a 24-month indemnity period and a waiting period on Non-Named Wind, Quake and Flood of 60-days. Any named Wind, Quake and Flood deductible has a 45-day waiting period. All T&D assets outside of 1,000 feet from the boundaries of the main power plant and substations are excluded, as the cost of such coverage is not considered economical. There is a single event cap of $100 million. Each "loss occurrence" is subject to a deductible of $1.0 million, except for windstorm (including hurricane) and earth movement 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 for all interests combined.

In accordance with the T&D Licence, when an asset is impaired or disposed of within its original estimated useful life, the cost of the asset is reduced and the net book value is charged to accumulated depreciation. This treatment is in accordance with rate regulated accounting and differs from the GAAP treatment of a loss being recognised on the statement of earnings. The amount charged to accumulated depreciation is net of any proceeds received in conjunction with the disposal of the asset. Insurance proceeds are included within the criteria.

In addition to the coverage discussed above, the Company has also purchased an excess layer of an additional $100.0 million limit on property and business interruption (excluding windstorm, earth movement and flood).

The Company's insurance policy includes business interruption which covers losses resulting from the necessary interruption of business caused by direct physical loss or damage to CUC's covered property and loss of revenues resulting from damage to customers' property.

Defined Benefit Pension Plan

The Company maintains a defined benefit pension plan, which provides a specified monthly benefit on retirement irrespective of individual investment returns. The assumed long-term rate of return on pension plan assets, for the purposes of estimating pension expense for 2014, is 5%. This compares to assumed long-term rates of return of 5% used during 2013. There is no assurance that the pension plan assets will be able to earn the assumed rate of returns. The gain on pension plan assets during 2014 was 3% (2013: gain of 6%).

Market driven changes impacting the performance of the pension plan assets may result in material variations in actual return on pension plan assets from the assumed return on the assets causing material changes in consolidated pension expense and funding requirements. Net pension expense is impacted by, among other things, the amortization of experience and actuarial gains or losses and expected return on plan assets. Market driven changes impacting other pension assumptions, including the assumed discount rate, may also result in future consolidated contributions to pension plans that differ significantly from current estimates as well as causing material changes in consolidated pension expense. The discount rate assumed for 2014 is 4.9% compared to the discount rate assumed during 2013 of 3.7%.

There is also measurement uncertainty associated with pension expense, future funding requirements, the accrued benefit asset, accrued benefit liability and benefit obligation due to measurement uncertainty inherent in the actuarial valuation process.

A discussion of the critical accounting estimates associated with pensions is provided in the "Critical Accounting Estimates" section of this MD&A.

Financial Instruments

The Company is primarily exposed to credit risk, liquidity risk and interest rate risk as a result of holding financial instruments in the normal course of business. Financial instruments of the Company consist mainly of cash and cash equivalents, accounts receivable, accounts payable and accrued expenses, consumers' deposits and advances for construction and long-term debt.

Credit Risk

The Company is exposed to credit risk in the event of non-performance by counterparties to derivative financial instruments which include fuel option contracts. If a counterparty fails to perform on its contractual obligation to deliver payment when the market price of fuel is greater than the strike price, the Company may find it necessary to purchase diesel at the market price, which will be higher than the contract price. The Company manages this credit risk associated with counterparties by conducting business with high credit-quality institutions. The Company does not expect any counterparties to fail to meet their obligations.

There is risk that the Company may not be able to collect all of its accounts receivable and other assets. This does not represent a significant concentration of risk. The requirements for security deposits for certain customers, which are

advance cash collections from customers to guarantee payment of electricity billings, reduces the exposure to credit risk. The Company manages credit risk primarily by executing its credit collection policy, including the requirement for security deposits, through the resources of its customer service department.

Liquidity Risk

The Company's financial position could be adversely affected if it failed to arrange sufficient and cost-effective financing to fund, among other things, capital expenditures and the repayment of maturing debt. The ability to arrange such financing is subject to numerous factors, including the results of operations and financial position of the Company, conditions in the capital and bank credit markets, ratings assigned by ratings agencies and general economic conditions. These factors are mitigated by the legal requirement per the Licences which requires rates be set to enable the Company to achieve and maintain a sound credit rating in the financial markets of the world. The Company has also secured committed credit facilities to support short-term financing of capital expenditures and seasonal working capital requirements. The cost of renewed and extended credit facilities could increase in the future; however, any increase in interest expense and fees is not expected to materially impact the Company's consolidated financial results in 2015.

Interest Rate Risk

Long-term debt is issued at fixed interest rates, thereby minimising cash flow and interest rate exposure. The Company is primarily exposed to risks associated with fluctuating interest rates on its short-term borrowings and other variable interest credit facilities. The current amount of short-term borrowings is nil.

Changes in Accounting Policies

Continued Reporting in Accordance with US GAAP:

In January 2014 the Ontario Securities Commission ("OSC") issued a relief order which permits the Company to continue to prepare its financial statements in accordance with US GAAP, until the earliest of: (i) January 1, 2019; (ii) the first day of the financial year that commences after the Company ceases to have activities subject to rate regulation; or (iii) the effective date prescribed by the International Accounting Standards Board for the mandatory application of a standard within International Financial Reporting Standards ("IFRS") specific to entities with activities subject to rate regulation. The OSC relief order effectively replaces and extends the OSC's previous relief order, which was due to expire effective January 1, 2015.

If the OSC relief does not continue as detailed above, the Company would be required to adopt IFRS, which does not appropriately reflect rate regulated entities at this time. Alternatively, the Company may become a U.S. Securities and Exchange Commission ("SEC") Issuer in order to continue reporting under US GAAP. The International Accounting Standards Board ("IASB") has recently released an interim, optional standard on Regulatory Deferral Accounts and continues to work on a project focusing on accounting specific to rate-regulated activities. It is not yet known when this project will be completed or whether IFRS will, as a result, include a permanent, mandatory standard to be applied by entities with activities subject to rate regulation. In the absence of a permanent standard for rate-regulated activities, the application of IFRS at that time could result in volatility in the Company's earnings and earnings per common share as compared to that which would otherwise be recognised under US GAAP.

Changes in Accounting Estimates

Property, Plant and Equipment ("PP&E)

In accordance with its PP&E policy, the Company reviews the estimated useful lives of its fixed assets on an ongoing basis. A review concluded during the first three months of 2014 indicated that the actual lives of certain T&D and Generation assets were longer than the estimated useful lives used for depreciation purposes in the Company's financial statements. As a result, effective January 1, 2014, the Company changed its estimates of the useful lives of these assets

to better reflect the estimated periods during which these assets will remain in service. The previously averaged useful lives of the affected assets of 20 years were increased to an average of 25 to 35 years.

The effect of this change in estimate for the twelve months ended December 31, 2014 was to reduce the depreciation expense by $1.6 million, increase net earnings by $1.6 million, and increase basic and diluted earnings per share by $0.04.

Allowance for Doubtful Accounts ("AFDA")

In accordance with its AFDA policy, the Company maintains an accumulated provision for uncollectible customer accounts receivable that is estimated based on known accounts, historical experience and other currently available information, including the economic environment. During 2014, the Company commenced a full review of its outstanding Accounts Receivables balance and the reasonableness of its methodology of applying a flat percentage to total receivables in calculating AFDA. This review is complete and has indicated an increase in days outstanding for receivable balances.

Consequently, management has determined the estimation process related to the AFDA would be refined to include a risk element for aging of accounts receivable.

The implementation of the new AFDA process is now complete. The effect of this change in estimate for the twelve months ended December 31, 2014 was to increase the provision of AFDA by $1.2 million, decrease net earnings by $1.2 million, and decrease basic and diluted earnings per share by $0.03.

Critical Accounting Estimates

The preparation of the Company's financial statements in accordance with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Estimates are based on historical experience, current conditions and various other assumptions believed to be reasonable under the circumstances. Due to changes in facts and circumstances and the inherent uncertainty involved in making estimates, actual results may differ significantly from the current estimates. Estimates are reviewed periodically and, as adjustments become necessary, are reported in earnings in the period in which they become known. The Company's critical accounting estimates relate to:

Revenue Recognition

Revenue derived from the sale of electricity is taken to income on a bills-rendered basis, adjusted for unbilled revenues. Customer bills are issued throughout the month based on meter readings that establish electricity consumption since the last meter reading. The unbilled revenue accrual for the period is based on estimated electricity sales to customers since the last meter reading. The estimation process for accrued unbilled electricity consumption will result in adjustments of electricity revenue in the periods they become known when actual results differ from the estimates. As at December 31, 2014, the amount of unbilled revenue recorded in Accounts Receivable - Trade was $2.3 million (December 31, 2013: $3.7 million). Consumers are billed at the beginning of each month leading to the accrual of approximately three weeks of unbilled revenue.

Kilowatt-Hour Sales

Kilowatt-hour sales throughout the month are based on meter readings that establish electricity consumption since the last meter reading. The kWh accrual for the period is based on estimated electricity sales to customers since the last

meter reading. The estimation process for electricity consumption will result in adjustments of kWh sales statistics in the periods they become known when actual results differ from the estimates.

As at December 31, 2014, the amount of estimated kWh sales was 18.5 million kWh's (December 31, 2013: 25.8 million kWh). As bills are generated at the beginning of each month it is necessary to accrue for kWh's for accurate reporting.

Employee Future Benefits

The Company's defined benefit pension plan is subject to judgments utilised in the actuarial determination of the expense and related obligation. There are currently two participants in the Company's defined benefit pension plan. The main assumptions utilized by Management in determining pension expense and obligations were the discount rate for the accrued benefit obligation, pension commencement date, inflation and the expected rate of return on plan assets. As at December 31, 2014, the Company had a long-term liability of $1.4 million (December 31, 2013: $0.3 million).

Property, Plant and Equipment Depreciation

Depreciation, by its very nature, is an estimate based primarily on the estimated useful life of an asset. Estimated useful lives are based on current facts and historical information and take into consideration the anticipated physical life of the assets. As at December 31, 2014, the net book value of the Company's PP&E was $394.7 million compared to $379.3 million as at December 31, 2013, increasing as a result of the Company's generation and T&D capital expenditures. Depreciation expense for Fiscal 2014 was $24.0 million and $24.4 million for Fiscal 2013. Due to the value of the Company's PP&E, changes in depreciation rates can have a significant impact on the Company's depreciation expense.

Selected Annual Financial Information

The "Selected Annual Financial Information" table shows the Annual Financial Information for the financial years ended December 31, 2014, 2013 and 2012.

Selected Annual Financial Information

(expressed in $ thousands except Basic Earnings per Class A Ordinary Share, dividends paid per Class A Ordinary Share and where otherwise indicated)

	Year ended December 31, 2014	Year ended December 31, 2013	Year ended December 31, 2012
Operating Revenues	**231,705**	226,220	223,549
Net Earnings	**20,815**	20,422	17,691
Net Earnings Applicable to common shares	**19,885**	19,492	16,762
Total Assets	**465,400**	435,750	434,972
Long-Term Debt (including current portion)	**252,000**	219,000	219,500
Preference shares	**250**	250	250
Total shareholder's equity	**179,835**	178,292	173,866
Earnings per Class A Ordinary Share	**0.68**	0.68	0.58
Diluted earnings per Class A Ordinary Share	**0.68**	0.68	0.58
Dividends declared per Class A Ordinary Share	**0.660**	0.660	0.660
Dividends declared per Class B Preference Share including bonus	**3.72**	3.72	3.72

Comparative Results 2014/2013

Operating revenues increased by 2%, or $5.5 million, to $231.7 million for Fiscal 2014 from $226.2 million for Fiscal 2013.

Net earnings for Fiscal 2014 were $20.8 million, a $0.4 million increase from net earnings of $20.4 million for Fiscal 2013. Net earnings applicable to common shares for Fiscal 2014 were $19.9 million, or $0.68 per Class A Ordinary Share as compared to $19.5 million, or $0.68 per Class A Ordinary Share for Fiscal 2013. For a discussion of the reasons for the changes in Operating Revenues, Net Earnings Applicable to common shares and Earnings per Class A Ordinary Share, refer to the "Operating Revenues" and "Earnings" sections of this MD&A.

The growth in total assets reflects the Company's continued investment in extension and upgrades of the distribution system, upgrades and generation asset upgrades. The Company also made a down payment towards the construction of a new 39.7MW power plant in 2014, which will be commissioned by June 2016. The increase in long-term debt was due primarily to the receipt of $50 million in debt proceeds in support of the generation expansion project. This was partially offset by debt repayments of $17 million.

Comparative Results 2013/2012

Operating Revenues increased 1%, or $2.7 million, to $226.2 million for Fiscal 2013 from $223.5 million for Fiscal 2012. This increase was the result of higher electricity sales revenues and higher fuel factor revenues. Electricity sales revenue increased $2.0 million in Fiscal 2013 to $71.1 million when compared to electricity sales revenues of $69.1 million for the year ended December 31, 2012 ("Fiscal 2012"). This increase is attributable to a 1% increase in kWh sales and the 0.7% and 1.8% base rate increases effective June 1, 2012 and June 1, 2013 respectively.

Fuel Factor revenues for Fiscal 2013 totalled $155.1 million, a $0.7 million increase from the $154.4 million in fuel factor revenues for Fiscal 2012. Fuel factor revenues increased due to an increase in kWh sales.

Net earnings for Fiscal 2013 were $20.4 million, a $2.7 million increase from net earnings of $17.7 million for Fiscal 2012. This increase is attributable to a 1% increase in kWh sales, 0.7% and 1.8% base rate increases effective June 1, 2012 and June 1, 2013 respectively, lower general and administration and maintenance charges and increased other income. These items were partially offset by higher depreciation.

Net earnings applicable to common shares for Fiscal 2013 were $19.5 million, or $0.68 per Class A Ordinary Share, as compared to $16.8 million, or $0.58 per Class A Ordinary Share for Fiscal 2012.

The growth in total assets reflects the Company's continued investment in distribution system extension and upgrades and generation asset upgrades.

2014 Fourth Quarter Results

Net earnings for the three months ended December 31, 2014 ("Fourth Quarter 2014") were $5.4 million, a $0.4 million decrease when compared to $5.8 million for the three months ended December 31, 2013 ("Fourth Quarter 2013"). This decrease is attributable to a 3% decrease in kWh sales, temporary generation costs and higher consumer services expenses. These items were partially offset by lower maintenance costs and higher other income for the Fourth Quarter 2014 when compared to the Fourth Quarter 2013.

After the adjustment for dividends on the Class B preference shares of the Company, earnings on Class A Ordinary Shares for the Fourth Quarter 2014 were $4.8 million, or $0.16 per Class A Ordinary Share, as compared to $5.2 million, or $0.18 per Class A Ordinary Share for the Fourth Quarter 2013.

Kilowatt-hour sales for the Fourth Quarter 2014 were 135.8 million a decrease of 4.5 million kWh when compared to 140.3 million for the Fourth Quarter 2013. Sales were negatively impacted by cooler weather conditions that affected customer air conditioning usage. The average monthly temperature for the Fourth Quarter 2014 was 3.3 degrees Fahrenheit lower than the average monthly temperature experienced during the Fourth Quarter 2013.

Total operating expenses for the Fourth Quarter 2014 decreased $0.2 million to $51.9 million from $52.1 million for the Fourth Quarter 2013.

Cash flow provided by operations, after working capital adjustments, for the Fourth Quarter 2014, was $9.9 million, a decrease of $1.5 million when compared to $11.4 million for the Fourth Quarter 2013. This decrease was primarily due to decreased earnings. Cash used in investing activities totalled $18.8 million for the Fourth Quarter 2014, an increase of $10.9 million from $7.9 million for the Fourth Quarter 2013. This increase is due to higher capital expenditures.

Cash received from financing activities totalled $27.2 million for the Fourth Quarter 2014, an increase when compared to $5.8 million used in financing activities for the Fourth Quarter 2013. The Company received $50.0 million in debt funding and repaid $18 million of debt during the Fourth Quarter 2014 compared to no debt proceeds and repayment of $3.0 million of debt during the Fourth Quarter 2013.

Capital expenditures for the Fourth Quarter 2014 were $18.4 million, a $10.9 million, or 145% increase from $7.5 million in capital expenditures for the Fourth Quarter 2013. The Company made a down payment totalling $11.4 million for the generation expansion project in the Fourth Quarter 2014.

Quarterly Results

The table "Quarterly Results" summarises unaudited quarterly information for each of the eight quarters ended March 31, 2013 through December 31, 2014. This information has been obtained from CUC's unaudited interim Financial Statements, which in the opinion of Management have been prepared in accordance with US GAAP. These operating results are not necessarily indicative of results for any future period and should not be relied upon to predict future performance.

Quarterly Results

($ thousands, except basic and diluted earnings per ordinary share)

	Operating Revenue	Net Earnings	Income applicable to Class A Ordinary Shares	Earnings per Class A Ordinary Share	Diluted Earnings per Class A Ordinary Share
December 31, 2014	58,192	5,397	4,806	0.16	0.16
September 30, 2014	63,437	6,221	6,108	0.21	0.21
June 30, 2014	56,571	5,749	5,636	0.20	0.20
March 31, 2014	53,505	3,448	3,335	0.11	0.11
December 31, 2013	58,801	5,760	5,169	0.18	0.18
September 30, 2013	59,547	6,048	5,935	0.21	0.21
June 30, 2013	55,346	5,716	5,603	0.19	0.19
March 31, 2013	52,525	2,898	2,785	0.10	0.10

December 2014/December 2013

Net earnings for the Fourth Quarter 2014 were $5.4 million, a $0.4 million decrease when compared to $5.8 million for the Fourth Quarter 2013. This decrease is attributable to a 3% decrease in kWh sales, increased consumer services and transmission and distribution expense, partially offset by a decrease in maintenance expense for Fourth Quarter 2014 when compared to the Fourth Quarter 2013.

After the adjustment for dividends on the Class B preference shares of the Company, earnings on Class A Ordinary Shares for the Fourth Quarter 2014 were $4.7 million, or $0.16 per Class A Ordinary Share, as compared to $5.2 million, or $0.18 per Class A Ordinary Share for the Fourth Quarter 2013.

September 2014/September 2013

Net earnings for the three months ended September 30, 2014 ("Third Quarter 2014") totalled $6.2 million, an increase of $0.2 million when compared to $6.0 million net earnings for the three months ended September 30, 2013 ("Third Quarter 2013"). Higher electricity sales revenues were offset primarily by higher consumer service and transmission and distribution costs, driven by Third Quarter 2014 adjustments to increase the Company's allowance for doubtful accounts and to dispose of certain obsolete inventory.

After the adjustment for dividends on the Class B preference shares of the Company, earnings on Class A Ordinary Shares for the Third Quarter 2014 were $6.1 million, or $0.21 per Class A Ordinary Share, an increase of $0.2 million from $5.9 million, or $0.21 per Class A Ordinary Share for the Third Quarter 2013.

June 2014/June 2013

Net earnings for the three months ended June 30, 2014 ("Second Quarter 2014") totalled $5.7 million, comparable to net earnings for the three months ended June 30, 2013 ("Second Quarter 2013"). Higher electricity sales revenues were offset primarily by higher consumer service and maintenance costs.

After the adjustment for dividends on the Class B preference shares of the Company, earnings on Class A Ordinary Shares for the Second Quarter 2014 were $5.6 million, or $0.20 per Class A Ordinary Share, compared to earnings on Class A Ordinary Shares of $5.6 million or $0.19 per Class A Ordinary Share for the Second Quarter 2013.

March 2014/March 2013

Net earnings for the three months ended March 31, 2014 ("First Quarter 2014") totalled $3.4 million, an increase of $0.5 million when compared to $2.9 million for the three months ended March 31, 2013 ("First Quarter 2013"). This increase was due primarily to higher electricity sales revenues and lower depreciation costs. These items were partially offset by higher consumer service costs and finance charges.

After the adjustment for dividends on the Class B preference shares of the Company, earnings on Class A Ordinary Shares for the First Quarter 2014 were $3.3 million, or $0.11 per Class A Ordinary Share, an increase of $0.5 million from the $2.8 million, or $0.10 per Class A Ordinary Share for the First Quarter 2013.

Disclosure Controls and Procedures

The President and Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"), together with Management, have evaluated the effectiveness of the Company's disclosure controls and procedures (DC&P).Based on this evaluation, the CEO and CFO conclude that the DC&P of CUC is adequately designed and operating effectively as of December 31, 2014.

Internal Controls Over Financial Reporting ("ICFR")

The CEO and CFO of the Company have established and maintained the Company's ICFR, as defined in Canadian Securities Administrators National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings,* to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with US GAAP.

The design of CUC's internal controls over financial reporting has been established and evaluated using the criteria set forth in the amended 2013 Internal Control-Integrated Framework by the Committee of Sponsoring Organizations of the Treadway Commission. Based on the assessment, it was concluded that CUC's internal controls over financial reporting are adequately designed and operating effectively as of December 31, 2014.

There has been no change in the Company's ICFR that occurred during the period beginning on October 1, 2014 and ended on December 31, 2014 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Outlook

On October 3, 2014 the ERA announced that CUC was the successful bidder for new generation capacity. CUC will develop and operate a new 39.7 MW diesel power plant including 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 the power plant will be commissioned no later than June 2016. In December 2014, the ERA approved CUC's 2015-2019 Capital Investment Plan in the amount of $234 million. Generation expansion costs related to the recent bid award are included in the approved CIP in the amount of CUC's competitive bid.

Subsequent Events: Outstanding Share Data

At March 6, 2015 the Company had issued and outstanding 29,260,121 Ordinary Shares and 250,000 9% cumulative Participating Class B Preference Shares.

Additional information relating to the Company, including CUC's Annual Information Form, is available on SEDAR at *www.sedar.com* and on the Company's website at *www.cuc-cayman.com*

Management's Responsibility for Financial Reporting

The accompanying Annual Consolidated Financial Statements of Caribbean Utilities Company, Ltd. and all information in the 2014 Annual Report have been prepared by management, who are responsible for the integrity of the information presented, including the amounts that must of necessity be based on estimates and informed judgements. These Annual Consolidated Financial Statements were prepared in accordance with accounting principles generally accepted in the United States. Financial information contained elsewhere in the 2014 Annual Report is consistent with that in the Annual Consolidated Financial Statements.

In meeting its responsibility for the reliability and integrity of the Annual Consolidated Financial Statements, management has developed and maintains a system of accounting and reporting which provides for the necessary internal controls to ensure transactions are properly authorised and recorded, assets are safeguarded and liabilities are recognised. The Company focuses on the need for training of qualified and professional staff, effective communication between management and staff and management guidelines and policies.

The Board of Directors oversees management's responsibilities for financial reporting through an Audit Committee that is composed entirely of outside directors. The Audit Committee meets with the external auditors, with and without management present, to discuss the results of the audit, the adequacy of the internal accounting controls and the quality and integrity of financial reporting. The Audit Committee reviews the Company's Annual Consolidated Financial Statements before the statements are recommended to the Board of Directors for approval. The external auditors have full and free access to the Audit Committee.

The Audit Committee has the duty to review the adoption of, and changes in, accounting principles and practices which have a material effect on the Annual Consolidated Financial Statements, to review financial reports requiring Board approval prior to submission to securities commissions or other regulatory authorities, to assess and review management's judgments material to reported financial information and to review the external auditors' fees.

The Annual Consolidated Financial Statements and Management's Discussion and Analysis contained in the 2014 Annual Report were reviewed by the Audit Committee and, on their recommendation, were approved by the Board of Directors of the Company. Ernst & Young, Ltd., independent auditors appointed by the shareholders of the Company upon recommendation of the Audit Committee, have performed an audit of the Annual Consolidated Financial Statements and their report follows.

Letitia T. Lawrence
Vice President Finance & Chief Financial Officer

Caribbean Utilities Company, Ltd.

J.F. Richard Hew
President & Chief Executive Officer

Caribbean Utilities Company, Ltd.

Auditors' Report

To the Shareholders of Caribbean Utilities Company, Ltd.

We have audited the accompanying consolidated financial statements of Caribbean Utilities Company, Ltd., which comprise the consolidated balance sheets as at December 31, 2014 and 2013, and the consolidated statements of earnings, comprehensive income, shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States, 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.

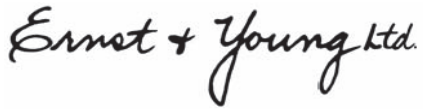
Auditors' Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and 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 control 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 audits 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 consolidated financial position of Caribbean Utilities Company, Ltd. as at December 31, 2014 and 2013 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States.



Ernst & Young, Ltd.
Grand Cayman, Cayman Islands

March 6, 2015

Consolidated Balance Sheets

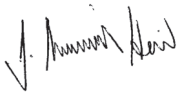
(expressed in thousands of United States dollars)

	Note	As at December 31, 2014	As at December 31, 2013
Assets			
Current Assets			
Cash and Cash Equivalents		**21,815**	1,215
Accounts Receivable	4	**14,284**	18,645
Regulatory Assets	5	**23,543**	24,373
Inventories	6	**3,517**	5,185
Prepayments		**2,793**	2,703
		65,952	52,121
Property, Plant and Equipment	7	**394,680**	379,329
Other Assets	8	**1,594**	1,509
Intangible Assets	9	**3,174**	2,791
Total Assets		**465,400**	435,750
Liabilities and Shareholders' Equity			
Current Liabilities			
Bank Overdraft		**-**	1,258
Accounts Payable and Accrued Expenses	10	**26,318**	31,633
Related Party Payables	21	**16**	10
Regulatory Liabilities	5	**145**	242
Current Portion of Long-Term Debt	12	**14,000**	17,000
Consumers' Deposits and Advances for Construction		**5,461**	4,998
		45,940	55,141
Defined Benefit Pension Liability	19	**1,415**	283
Long-Term Debt	12	**238,000**	202,000
Other Long-term Liabilities	14	**210**	34
Total Liabilities		**285,565**	257,458
Shareholders' Equity			
Share Capital		**1,992**	1,980
Share Premium		**83,044**	81,023
Additional Paid in Capital	14	**463**	479
Retained Earnings		**95,722**	95,064
Accumulated Other Comprehensive Loss		**(1,386)**	(254)
Total Shareholders' Equity		**179,835**	178,292
Total Liabilities and Shareholders' Equity		**465,400**	435,750

See accompanying Notes to Annual Consolidated Financial Statements

Approved on behalf of the Board of Directors by:

David E. Ritch, OBE, JP
Director



J.F. Richard Hew
Director

Consolidated Statements of Earnings

(expressed in thousands of United States dollars, except basic and diluted earnings per ordinary share and the Weighted Average of Class A Ordinary Shares issued and fully paid)

	Note	Year Ended December 31, 2014	Year Ended December 31, 2013
Operating Revenues			
Electricity Sales		**73,408**	71,131
Fuel Factor		**158,297**	155,089
Total Operating Revenues		**231,705**	226,220
Operating Expenses			
Power Generation		**161,832**	158,090
General and Administration		**8,796**	8,851
Consumer Services		**3,357**	1,672
Transmission and Distribution		**2,619**	2,200
Depreciation		**24,030**	24,351
Maintenance		**5,406**	5,610
Amortization of Intangible Assets		**337**	306
Total Operating Expenses		**206,377**	201,080
Operating Income		**25,328**	25,140
Other (Expenses)/Income:			
Finance Charges	18	**(9,115)**	(9,018)
Foreign Exchange Gain	20	**1,917**	1,927
Other Income		**2,685**	2,373
Total Net Other (Expenses)/Income		**(4,513)**	(4,718)
Earnings for the Period		**20,815**	20,422
Preference Dividends Paid- Class B		**(930)**	(930)
Earnings on Class A Ordinary Shares		**19,885**	19,492
Weighted-Average Number of Class A Ordinary Shares Issued and Fully Paid (in thousands)	15	**29,131**	28,892
Earnings per Class A Ordinary Share	15	**0.68**	0.68
Diluted Earnings per Class A Ordinary Share	15	**0.68**	0.68
Dividends Declared per Class A Ordinary Share		**0.660**	0.660

See accompanying Notes to Annual Consolidated Financial Statements

Consolidated Statements of Comprehensive Income

(expressed in thousands of United States dollars)

	Year Ended December 31, 2014	Year Ended December 31, 2013
Earnings for the Period	**20,815**	20,422
Other Comprehensive (Loss)/Income:		
Amounts arising during the period		
Defined Benefit Pension plans:		
Net actuarial (loss)/gain	**(1,214)**	1,085
Reclassification to net income		
Defined Benefit Pension plans:		
Amortization of prior service costs	**82**	248
Amortization of net actuarial loss	**-**	133
Total Other Comprehensive (Loss)/ Income	**(1,132)**	1,466
Comprehensive Income	**19,683**	21,888

See accompanying Notes to Annual Consolidated Financial Statements

Consolidated Statements of Shareholders' Equity

(expressed in thousands of United States dollars except Common Shares)

	Class A Ordinary Shares (in thousands)	Class A Ordinary Shares Value ($)	Preference Shares ($)	Share Premium ($)	Additional Paid-in Capital ($)	Accumulated Other Comprehensive Loss ($)	Retained Earnings ($)	Total Equity ($)
As at January 1, 2014	**29,060**	**1,730**	**250**	**81,023**	**479**	**(254)**	**95,064**	**178,292**
Net earnings	-	-	-	-	-	-	20,815	20,815
Common share issuance and stock options plans	200	12	-	2,021	(16)	-	-	2,017
Defined benefit plans	-	-	-	-	-	(1,132)	-	(1,132)
Dividends on common shares	-	-	-	-	-	-	(19,227)	(19,227)
Dividends on preference shares	-	-	-	-	-	-	(930)	(930)
As at December 31, 2014	**29,260**	**1,742**	**250**	**83,044**	**463**	**(1,386)**	**95,722**	**179,835**
As at January 1, 2013	**28,806**	**1,715**	**250**	**78,524**	**450**	**(1,720)**	**94,647**	**173,866**
Net earnings	-	-	-	-	-	-	20,422	20,422
Common share issuance and stock options plans	254	15	-	2,499	29	-	-	2,543
Defined benefit plans	-	-	-	-	-	1,466	-	1,466
Dividends on common shares	-	-	-	-	-	-	(19,075)	(19,075)
Dividends on preference shares	-	-	-	-	-	-	(930)	(930)
As at December 31, 2013	**29,060**	**1,730**	**250**	**81,023**	**479**	**(254)**	**95,064**	**178,292**

See accompanying Notes to Annual Consolidated Financial Statements

Consolidated Statements of Cash Flows

(expressed in thousands of United States dollars)

	Year Ended December 31, 2014	Year Ended December 31, 2013
Operating Activities		
Earnings for the period	**20,815**	20,422
Items not affecting cash:		
Depreciation	**24,030**	24,351
Amortization of Intangible Assets	**337**	306
Amortization of Deferred Financing Costs	**156**	194
Stock-based compensation	**(17)**	28
	45,321	45,301
Accounts Receivable	**4,361**	1,357
Other receivable-insurance	**-**	123
Inventory	**1,668**	(805)
Prepaid expenses	**(90)**	(145)
Accounts payable and accrued expenses	**(5,689)**	3,427
Net Change in Regulatory Deferrals	**733**	1,319
Other	**476**	(637)
Cash flow related to operating activities	**46,780**	49,940
Investing Activities		
Purchase of property, plant and equipment	**(39,472)**	(29,323)
Costs related to intangible assets	**(643)**	(200)
Insurance funds received	**-**	2,505
Contributions in Aid of Construction	**320**	498
Proceeds on sale of property, plant and equipment	**21**	36
Cash flow related to investing activities	**(39,774)**	(26,484)
Financing Activities		
Proceeds from debt financing	**65,000**	50,000
Repayment of debt	**(32,000)**	(50,500)
Decrease in bank overdraft	**(1,258)**	(4,942)
Dividends paid	**(20,184)**	(20,005)
Net proceeds from share issues	**2,036**	2,512
Cash flow related to financing activities	**13,594**	(22,935)
Increase in net cash and cash equivalents	**20,600**	521
Cash and cash equivalents - Beginning of period	**1,215**	694
Cash and cash equivalents - End of period	**21,815**	1,215
Supplemental disclosure of cash flow information:		
Interest paid during the period	**11,634**	11,990

See accompanying Notes to Annual Consolidated Financial Statements

Notes to Annual Consolidated Financial Statements

(expressed in thousands of United States dollars unless otherwise stated)

1. Nature of Operations and Consolidated Financial Statement Presentation

These consolidated financial statements have been prepared in accordance with United States Generally Accepted Accounting Principles ("US GAAP") and reflect the decisions of the Electricity Regulatory Authority ("ERA"). These decisions affect the timing of the recognition of certain transactions resulting in the recognition of regulatory assets and liabilities, which Caribbean Utilities Company Ltd. ("CUC" or "the Company"), considers it is probable to recover or settle subsequently through the rate-setting process. The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary DataLink, Ltd. ("DataLink").

The principal activity of the Company is to generate and distribute electricity in its licence area of Grand Cayman, Cayman Islands, pursuant to a 20-year exclusive Transmission & Distribution ("T&D") Licence and a 25 year non–exclusive Generation Licence (collectively the "Licences") with the Cayman Islands Government ("Government"), which expire in April 2028 and November 2039 respectively.

In March 2012, CUC's wholly owned subsidiary, DataLink received its licence from the Information and Communications Technology Authority ("ICTA") which permits DataLink to provide fibre optic infrastructure and other information and communication technology ("ICT") services to the ICT industry.

The ICTA is an independent statutory Authority which was created by the enactment of the Information and Communications Technology Authority Law on May 17, 2002 and is responsible for the regulation and licensing of telecommunications, broadcasting, and all forms of radio. The ICTA sets the standards by which ICT networks must be developed and operated under.

All significant intercompany balances and transactions have been eliminated on consolidation.

Rate Regulated Operations
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. Base rates are subject to an annual review and adjustment each June through the RCAM. In June 2014, following review and approval by the ERA, the Company increased its base rates by 1.5%. This increase is a result of the 2013 RORB and the increase in the applicable United States and Cayman Islands consumer price indices, adjusted to exclude food and fuel, for calendar year 2013. All fuel and lubricating oil costs are passed through to customers without mark-up as a per kWh charge.

For regulatory purposes fixed assets comprise the completed Property, Plant and Equipment ("PP&E") and intangible assets acquired or constructed by the Company as reported in the Company's consolidated financial statements. The original book value of these fixed assets include an Allowance for Funds Used During Construction ("AFUDC") (Note 7) and an allowance for General Expenses Capitalised ("GEC") (Note 7). GEC is calculated as a percentage of up to 10% of Non-Fuel Operating Expenses, varying annually depending on the level of capital activity.

2. Summary of Significant Accounting Policies

The preparation of financial statements in conformity with US GAAP 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 reporting period. Actual results could differ from those estimates. The Company's critical accounting estimates relate to:

Revenue Recognition
Revenue from the sale of electricity is recognised on an accrual basis. Electricity is metered upon delivery to customers and recognised as revenue when consumed using rates that are approved by the ERA. Billing rates are generally bundled to include service associated with generation, transmission and distribution. Meters are read periodically and bills are issued to customers based on these readings. At the end of each period, a certain amount of consumed electricity will not have been billed. Electricity consumed but not yet billed to customers are estimated and accrued as unbilled revenue at each period end.

Transmission is the conveyance of electricity at high voltages (generally at 69 kilovolts ("kV") and higher). Distribution networks convey electricity from transmission systems to end-use customers.

CUC passes through 100% of fuel costs to consumers on a two-month lag basis. This is recorded as Fuel Factor Revenues.

Consolidation Policy
The consolidated financial statements include the accounts of the Company, and its wholly owned subsidiary, DataLink. All significant intercompany balances and transactions have been eliminated in consolidation.

Kilowatt-Hour Sales
Kilowatt-hour ("kWh") sales throughout the month are based on meter readings that establish electricity consumption since the last meter reading. The kWh accrual for the period is based on estimated electricity sales to customers since the last meter reading.

Cash and Cash Equivalents
Cash and cash equivalents comprise cash on hand, bank demand deposits and bank fixed deposits maturing within three months of the date of acquisition. At December 31, 2014, cash and cash equivalents consisted of all cash.

Accounts Receivable
Accounts receivable are included in the balance sheet net of the allowance for doubtful accounts and are due within 21 days of billing. Insurance receivables are recorded when recovery becomes reasonably assured.

Allowance for Doubtful Accounts
The Company maintains an accumulated provision for uncollectible customer accounts receivable that is estimated based on known accounts, historical experience and other currently available information, including the economic environment. Accounts receivables are written-off in the period in which the receivable is deemed uncollectible; only inactive customers qualify for write-off. Inactive customers are customers who no longer have electricity service. Customers with past-due accounts are eligible for a short-term payment programme ("STPP"), in order to ensure that electricity service is not made inactive due to non-payment of past due amounts.

Inventories
Fuel and lube oil are carried at cost. Line inventory is carried at cost less provision for obsolescence. Inventories are consumed/utilized on an average cost basis. Inventories are valued at lower of cost and net realizable value.

Property, Plant and Equipment
Property, plant and equipment ("PP&E") are stated at cost.

The cost of additions to PP&E is the original cost of contracted services, direct labour and related overheads, materials, GEC and AFUDC. Line inventory that is foreseeable as capitalizable is included in PP&E less provision for obsolescence. Major spare parts and stand-by equipment to be used during more than one period qualify as PP&E. Similarly, if the spare parts and servicing equipment can be used only in connection with an item of PP&E, they are accounted for as PP&E. Damaged PP&E are written off, or appropriate provision made, where damage relates to assets that will be reconstructed.

The Company capitalizes GEC, which represents certain overhead costs not directly attributable to specific PP&E but which do relate to the overall capital expenditure programme. Additionally, the Company capitalizes an AFUDC, which represents the cost of debt and equity financing incurred during construction of PP&E.

Contributions in aid of construction represent amounts contributed by customers and the Government for the cost of utility capital assets. These contributions are recorded as a reduction in the cost of utility capital assets and are being amortized annually by an amount equal to the charge for depreciation on the related assets.

Upon disposition of PP&E the original cost will be removed from the capital asset accounts, that amount net of salvage proceeds, will also be removed from accumulated depreciation, as such, any resulting gain or loss will be charged to accumulated depreciation.

Depreciation is provided on the cost of PP&E (except for freehold land, capitalized projects in progress, line inventory and spare parts) on a straight-line basis over the estimated useful lives of the assets as follows:

	Years:
Transmission and distribution	20 to 50
Generation	20 to 50
Other: Buildings	20 to 50
Motor Vehicles	5 to 15
Equipment and computers	3 to 20

Property, Plant and Equipment Depreciation
Depreciation, by its very nature is an estimate based primarily on the estimated useful life of the asset. Estimated useful lives are based on current facts and historical information and take into consideration the anticipated physical life of the assets.

Intangible Assets
Intangible assets include deferred licence renewal costs, computer software, and trademark expenses. Intangible assets, excluding trademark expenses and assets in progress are being amortized on a straight-line basis over the life of the asset. Deferred licence renewal costs are being amortized over a range of 15 to 20 years on a straight-line basis. Computer software costs are being amortized over a range of 3 to 10 years on a straight-line basis.

Foreign Exchange
Monetary assets and liabilities denominated in foreign currencies are translated into United States dollars at the exchange rate prevailing on the Balance Sheet date. Revenue and expense items denominated in foreign currencies are translated into United States dollars at the exchange rate prevailing on the transaction date. Gains and losses on translation are included in the Statement of Earnings.

The Company translates its Cayman Islands dollars to United States dollars at a fixed rate of CI$0.84 to US$1.00.

Other Income
Other income is comprised of income from the Company's wholly-owned subsidiary DataLink, pole rental fees, income from pipeline operations, sale of meter sockets, sale of recyclable metals and other miscellaneous income.

Other Income is recognised when sales are delivered, services are rendered and rental fees are recognised on a linear basis on the period of the lease.

Segment Information
The Company operates in one business segment, electricity generation, transmission and distribution, in one geographic area, Grand Cayman, Cayman Islands.

Fair Values
The fair value of financial assets and liabilities has been determined from market values where available. Where fair values of financial instruments with an immediate or short-term maturity are considered to approximate cost, this fact is disclosed. Fair value of financial assets and liabilities for which no market value is readily available is determined by the Company using future cash flows discounted at an estimated market rate. In establishing an estimated market rate,

the Company has evaluated the existing transactions, as well as comparable industry and economic data and other relevant factors such as pending transactions.

Capital Stock

Dividend Reinvestment Plan

All dividends payable on Class A Ordinary Shares recorded for participation in the Plan, including Class A Ordinary Shares acquired and retained under the Plan, will be used by CUC to purchase additional Class A Ordinary Shares at the prevailing market price for the Participant's account on the Investment Date.

Customer Share Purchase Plan ("CSPP")

The CSPP provides an opportunity for customers resident in Grand Cayman to invest in CUC. Customers may make cash payments of not less than $30 per purchase and up to a total of $14,000 per year for the purchase of Class A Ordinary Shares of CUC; and retain the Class A Ordinary Shares in the Plan and have the cash dividends on such shares reinvested in additional Class A Ordinary Shares. In both instances, the Class A Ordinary Shares are acquired from CUC at not more than 100% of the average market price which is calculated using the daily closing prices of CUC Class A Ordinary Shares on the Toronto Stock Exchange over a specified period.

Employee Share Purchase Plan (ESPP")

The Company provides interest-free advances to employees to purchase Class A Ordinary Shares, with such advances recovered through payroll deductions over the next twelve months. The maximum semi-annual participation is 1,000 Class A Ordinary Shares per employee. The plan is non-compensatory as shares purchased by the employee are obtained at the prevailing market value at the time of purchase. The amount owing to the Company from employees is included as an offset to Share Capital and Share Premium on the Balance Sheets (2014:$0.13 million, 2013:$0.08 million).

Share Based Compensation Plans

The Company has a policy of measuring compensation expense upon the issuance of stock options. Using the fair value method, the compensation expense is amortised over the four-year vesting period of the options. Upon exercise, the proceeds of the option are credited to Share Capital at CI$0.05 and the difference from the exercise price to Share Premium. Therefore an exercise of options below the current market price has a dilutive effect on capital stock and Shareholders' Equity.

The Company also records the liabilities associated with its Performance Share Unit ("PSU") Plans at their fair value at each reporting date until settlement, recognising compensation expense over the vesting period. The fair value of the PSU liability is based on the Company's common share closing price at the end of each reporting period relative to the S&P/TSX Utilities Index over a three year period. The fair value of the PSU liability is also based on expected payout based on historical performance in accordance with defined metrics of each grant, where applicable, and management's best estimate.

Employee Benefit Plans

The Company maintains defined contribution pension plans for its employees and a defined benefit pension plan for the retired Chairman of the Company's Board of Directors as well as the retired President and Chief Executive Officer. The pension costs of the defined contribution plan are recorded as incurred.

The pension costs of the defined benefit plan are actuarially determined using the projected benefits method prorated on service and best estimate assumptions. Past service costs from plan initiation are amortized on a straight-line basis over the remaining service period of the employee active at the date of initiation. The excess of any cumulative net actuarial gain (loss) over 10% of the greater of the benefit obligation and the fair value of plan assets at the beginning of the year, are deferred and amortized over the remaining service period of the employee. The balance of any such actuarial gain (loss) is recognised in Accumulated Other Comprehensive Income. The Company's defined benefit pension plan is subject to judgments utilised in the actuarial determination of the expense and related obligation.

Financial Instruments

The Company designates its investments in debt and equity securities into one of the following three categories: (i) held for trading, (ii) available-for-sale, (iii) held to maturity. All financial instruments are initially measured at fair value.

Subsequent adjustment of held-to-maturity instruments are taken to the Statement of Earnings, whereas changes in fair value for available-for-sale instruments are recorded in other comprehensive income. Debt securities classified as held-to-maturity are recorded at amortized cost.

The Company's policy is to defer transaction costs associated with financial assets and liabilities. These transaction costs are amortized into earnings using the effective interest rate method over the life of the related financial instrument, outstanding balances are recognised as a separate asset on the balance sheet.

Derivatives

The Company uses derivatives to reduce the impact of volatility in the Fuel Cost Charge paid by the Company's customers for the fuel that the Company must purchase in order to provide electricity service. The programme utilises call options to promote transparency in pricing. The programme utilises call options creating a ceiling price for fuel costs at pre-determined contract premiums.

The derivatives entered into by the Company relate to regulated operations and all contracts are recognised as either regulatory assets or liabilities and are measured at fair value. Any resulting gains or losses and changes to fair value are recorded in the regulatory asset/regulatory liability accounts, subject to regulatory approval. Cash inflows and outflows associated with the settlement of all derivative instruments are included in operating cash flows on the Company's statements of cash flows.

3. Future Accounting Policies

Revenue from Contracts with Customers

In May 2014 FASB issued ASU No. 2014-09, Revenue from Contracts with Customers. The amendments in this update create ASC Topic 606, Revenue from Contracts with Customers, and supersede the revenue recognition requirements in ASC Topic 605, Revenue Recognition, including most industry-specific revenue recognition guidance throughout the codification. This standard completes a joint effort by FASB and the International Accounting Standards Board to improve financial reporting by creating common revenue recognition guidance for US GAAP and International Financial Reporting Standards that clarifies the principles for recognizing revenue and that can be applied consistently across various transactions, industries and capital markets. This standard is effective for annual and interim periods beginning on or after December 15, 2016 and is to be applied on a full retrospective or modified retrospective basis. Early adoption is not permitted. The Company is assessing the impact that the adoption of this standard will have on its consolidated financial statements. The Company in the process of identifying contracts with customers and performance obligations in the contracts.

4. Accounts Receivable

Accounts Receivable

($ thousands)

	As at December 31, 2014	As at December 31, 2013
Billings to consumers	**12,132**	12,979
Unbilled revenues	**2,343**	3,661
Other receivables	**1,290**	2,200
Allowance for doubtful accounts	**(1,481)**	(195)
Total accounts receivable	**14,284**	18,645

Unbilled Revenues
Revenue derived from the sale of electricity is taken to income on a bills-rendered basis, adjusted for unbilled revenues. Customer bills are issued throughout the month based on meter readings that establish electricity consumption since the last meter reading. The unbilled revenue accrual for the period is based on estimated electricity sales to customers since the last meter reading. The estimation process for accrued unbilled electricity consumption will result in adjustments of electricity revenue in the periods they become known when actual results differ from the estimates. Consumers are billed at the beginning of each month leading to the accrual of approximately three weeks of unbilled revenue.

Other Receivables
Other receivables relate to amounts due outside of the normal course of operations. Items in other accounts receivable include sale of inventory, machine break-down costs covered by warranties and amounts due from related parties. Other receivables at December 31, 2014 also include billing adjustments for commercial customers.

5. Regulatory Assets and Liabilities

Regulatory Assets and Liabilities

($ thousands)

Asset/Liability	Description	As at December 31, 2014	As at December 31, 2013
Regulatory Assets	Fuel Tracker Account (a)	**21,516**	22,867
Regulatory Assets	Derivative contract (b)	**247**	-
Regulatory Assets	Miscellaneous Regulatory Assets (c)	**299**	329
Regulatory Assets	Government & Regulatory Tracker Account (d)	**1,481**	1,177
Total Regulatory Assets		**23,543**	24,373
Regulatory Liabilities	Miscellaneous Regulatory Liabilities (e)	**(145)**	(242)

a) Fuel Tracker Account – The 2008 T&D Licence established a fuel tracker mechanism to ensure the Company and the consumers neither gain nor lose from the pass through of fuel costs. The purpose of the fuel tracker account is to accumulate actual fuel costs incurred less fuel factor revenues collected. This account represents deferred accumulated fuel costs to be recovered from or reimbursed to the consumers. The receivable or payable value represents a regulatory asset or liability. The net position of the fuel tracker accounts fluctuates monthly and is affected by fuel prices and electricity consumption.

b) Derivative contract - The Company's purpose of hedging is to reduce the impact of volatility in the Fuel Cost Charge paid by the Company's customers in the face of price volatility for the fuel that the Company must purchase in order to provide electric service. This account represents the fair value adjustments for the call options.

c) Miscellaneous regulatory assets represent costs incurred by the Company, other than fuel and the specifically itemised licence and regulatory fees, to be recovered through the Company's base rates on terms as agreed with the ERA.

d) Government and Regulatory Tracker Account - A licence fee of 1% of gross revenues applies to customer billings for consumption over 1,000 kWh per month as a pass-through charge on a per kWh basis. Additionally, a regulatory fee of ½ of 1% is charged on gross revenues then prorated and applied only to customer billings with consumption over 1,000 kWh per month. The government and regulatory tracker account is the actual fee

incurred less the amount of funds received from consumers. The per kWh charge is then adjusted quarterly for the balance of this account.

e) Miscellaneous regulatory liabilities represent costs owed by the Company, other than licence and regulatory fees, to be recovered through the Company's base rates on terms as agreed with the ERA.

6. Inventories

The composition of inventories is shown in the table below:

Inventories

($ thousands)

	As at December 31, 2014	As at December 31, 2013
Fuel	**2,616**	4,591
Lubricating Oil	**581**	499
Line spares	**75**	79
Datalink, Ltd.	**222**	-
Other	**23**	16
Total	**3,517**	5,185

7. Property, Plant and Equipment ("PP&E")

Property, Plant and Equipment

($ thousands)

	Cost	Accumulated Depreciation	Net Book Value December 31, 2014
Transmission & Distribution (T&D)	307,158	103,628	203,530
Generation	305,772	136,215	169,557
Other:			
Land	5,304	-	5,304
Buildings	19,945	10,577	9,368
Equipment, motor vehicles and computers	21,992	15,581	6,411
Total of T&D, Generation and Other	660,171	266,001	394,170
Datalink, Ltd.	510	-	510
Property, plant and equipment	**660,681**	**266,001**	**394,680**

	Cost	Accumulated Depreciation	Net Book Value December 31, 2013
Transmission & Distribution (T&D)	283,944	95,368	188,576
Generation	291,459	122,883	168,576
Other:			
Land	5,304	-	5,304
Buildings	19,993	10,068	9,925
Equipment, motor vehicles and computers	21,244	14,676	6,568
Total of T&D, Generation and Other	621,944	242,995	378,949
Datalink, Ltd.	380	-	380
Property, plant and equipment	**622,324**	**242,995**	**379,329**

Included in PP&E are a number of capital projects in progress with a total cost to date of $28.4 million (December 31, 2013: $29.8 million). These projects primarily relate to the 2016 generation expansion project and various improvements to the Distribution System.

Also included in Generation and T&D is freehold land with a cost of $5.0 million (December 31, 2013: $5.0 million). In addition, line inventory with a cost of $4.8 million (December 31, 2013: $4.5 million) is included in T&D. Engine spares with a net book value of $14.4 million (December 31, 2013: $15.7 million) are included in Generation.

The capitalization of 'Financing Costs' is calculated by multiplying the Company's Cost of Capital rate by the average work in progress for each month. The cost of capital rate for fiscal 2014 is 8.0% (2013: 7.5%) and will be adjusted annually. As a result, during the year ended December 31, 2014, the Company recognised $2.8 million in AFUDC (2013: $3.2 million). The Company recognised an amount of $3.2 million for the year ended December 31, 2013 under the provision for AFUDC. GEC of $3.6 million was recognised for the year ended December 31, 2014 (2013: $3.4 million).

In accordance with the Licences when an asset is impaired or disposed of, before the original estimated useful life, the cost of the asset is reduced and the net book value is charged to accumulated depreciation. This treatment is in accordance with the rate regulations standard under US GAAP and differs from non-regulatory treatment of a loss being recognised on the statement of earnings. The amount charged to accumulated depreciation is net of any proceeds received in conjunction with the disposal of the asset. This amount within accumulated depreciation is to be depreciated as per the remaining life of the asset based on the original life when the unit was initially placed into service.

8. Other Assets

Other Assets

($ thousands)

	As at December 31, 2014	As at December 31, 2013
Deferred debt issue costs	**1,570**	1,483
Miscellaneous other assets	**24**	26
Total	**1,594**	1,509

Deferred debt issue costs relate to transaction costs incurred in respect of financial liabilities. These costs are deferred on the balance sheet and are being amortized over the life of the related note using the effective-interest rate method.

9. Intangible Assets

Intangible Assets

($ thousands)

	Cost	Accumulated Amortization	Net Book Value December 31, 2014
Deferred licence renewal costs	1,890	629	1,261
DataLink, Ltd. deferred licence renewal costs	200	37	163
Computer Software	5,615	4,067	1,548
Other Intangible Assets in progress	127	-	127
Trademark Costs	75	-	75
Total	**7,907**	**4,733**	**3,174**

	Cost	Accumulated Amortization	Net Book Value December 31, 2013
Deferred licence renewal costs	1,890	534	1,356
Datalink Ltd. deferred licence renewal costs	200	23	177
Computer Software	4,877	3,819	1,058
Other Intangible Assets in progress	125	-	125
Trademark Costs	75	-	75
Total	**7,167**	**4,376**	**2,791**

Deferred licence renewal costs relate to negotiations with the Government for licences for the Company. Amortization of deferred licence renewal costs commenced upon conclusion of licence negotiations in April 2008 and extends over the life of the T&D licence. Amortization of DataLink deferred licence renewal costs commenced upon conclusion of licence negotiations in March 2012 and extends over the life of its ICTA licence.

The expected amortization of existing intangible assets for the next five years is as follows:

Amortization of Intangible Assets

($ thousands)

	2015	2016	2017	2018	2019
Computer Software	369	360	285	221	177
Licence Renewal Costs	108	108	108	108	108
Total	477	468	393	329	285

The weighted-average amortization period for intangible assets is as follows:

	As at December 31, 2014
Computer Software	3.05 years
Deferred Licence Renewal costs	13.29 years
DataLink Deferred Licence Renewal Costs	12.25 years
Total weighted-average amortization period	7.90 years

10. Accounts Payable and Accrued Expenses

Accounts Payable and Accrued Expenses

($ thousands)

	As at December 31, 2014	As at December 31, 2013
Fuel Cost Payable	**20,526**	25,478
Trade Accounts Payable & Accrued expenses	**2,240**	2,246
Accrued Interest	**1,051**	938
Dividends Payable	**593**	592
Other Accounts Payable	**1,908**	2,379
Total Accounts Payable	**26,318**	31,633

Included in Other Accounts Payable is an amount related to fuel option contracts (see Note 16) of 0.2 million at December 31, 2014 (nil at December 31, 2013).

11. Short-Term Financing

The Company has $47.0 million of unsecured credit financing facilities with the Royal Bank of Canada ("RBC"). The total available was $46.0 million at December 31, 2014 ($44.7 million at December 31, 2013).

Short-Term Financing

($ thousands)

Credit Facilities	Total Credit Financing Facilities December 31, 2014	Total Utilised December 31, 2014	Total Available December 31, 2014
Corporate Credit Card Line *	500	500	-
Letter of Credit	500	500	
Operating, Revolving Line of Credit	7,500	-	7,500
Catastrophe Standby Loan	7,500	-	7,500
Demand Loan Facility- Interim Funding of Capital Expenditures	31,000	-	31,000
Total	**47,000**	**1,000**	**46,000**

* Included in Accounts payable and accrued expenses

A stand-by fee of 1/5 of 1% per annum in arrears is applied to the unused portion of the capital expenditure and catastrophe lines of the facility. A review fee of 1/8 of 1% of the total credit facilities is incurred annually in arrears.

12. Long-Term Debt

Long-Term Debt

($ thousands)

	As At December 31, 2014	As At December 31, 2013
7.64% Senior Unsecured Loan Notes due 2014	-	3,000
6.67% Senior Unsecured Loan Notes due 2016	**6,000**	9,000
5.09% Senior Unsecured Loan Notes due 2018	**16,000**	20,000
5.96% Senior Unsecured Loan Notes due 2020	**18,000**	21,000
5.65% Senior Unsecured Loan Notes due 2022	**32,000**	36,000
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**	-
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**	-
4.53% Senior Unsecured Loan Notes due 2046	**15,000**	-
	252,000	219,000
Less: Current portion of long-term debt	**(14,000)**	(17,000)
	238,000	202,000

Long-term debt repayments per fiscal year are as follows:

Year	$
2015	14,000
2016	14,000
2017	11,000
2018	16,714
2019	12,714
2020 and later	183,572

All long-term debt is denominated in United States dollars.

13. Capital Stock

The table below shows the number of authorised shares of the Company (shares as follows fully stated, not in thousands):

Capital Stock

	As at December 31, 2014	As at December 31, 2013
Class A Ordinary Shares of CI$0.05 each	60,000,000	60,000,000
9% Cumulative Participating Class B Preference Shares of US$1.00 each	250,000	250,000
Class C Preference Shares of US$1.00	419,666	419,666
Cumulative Participating Class D Share of CI$0.56	1	1

14. Share Based Compensation Plans

Share Options
The shareholders of the Company approved an Executive Stock Option Plan on October 24, 1991, under which certain employees, officers and directors may be granted options to purchase Class A Ordinary Shares of the Company.

The exercise price per share in respect of options is equal to the fair market value of the Class A Ordinary Shares on the date of grant. The options vest on the basis of one quarter of the grant on each of the first through fourth anniversaries of the dates of the grant, bear a term of 10 years from the date of grant and are exercisable on a cumulative basis. The maximum number of Class A Ordinary Shares under option shall be fixed and approved by the shareholders of the Company from time to time and is currently set at 1,220,100. Options are forfeited if they are not exercised prior to their respective expiry date or upon termination of employment prior to the completion of the vesting period.

Share Options

	Year Ended December 31, 2014	Year Ended December 31, 2014		
	Number of options	Weighted average exercise price per share	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value ($ millions)
Outstanding at beginning of period	332,950	10.49	-	-
Granted	-	-	-	-
Exercised	(24,480)	9.39	-	-
Forfeited/Cancelled	-	-	-	-
Expired	-	-	-	-
Outstanding, end of period	308,470	10.58	5.38	-
Vested, end of the period	219,970	10.95	4.60	0.07

The following table summarizes additional information related to the stock options during 2014 and 2013:

Share Options

($ millions)

	2014	2013
Stock Options expense recognised	0.02	0.03
Stock options exercised:		
Cash received for exercise of options	0.2	0.8
Intrinsic value realized by employees	0.03	0.2

Under the fair value method, the compensation expense was $0.02 million for the year ended December 31, 2014 (December 31, 2013: $0.03 million), resulting in a corresponding increase of Additional Paid in Capital.

Share Options

($ millions)

	Number of Options	Weighted-Average Grant Date Fair Value
Non-vested options, January 1, 2014	131,500	0.02
Granted	-	-
Vested	43,000	0.02
Cancelled/Forfeited	-	-
Non-vested options, December 31, 2014	88,500	0.02

The unrecognised compensation expense related to non-vested share options for the year ended December 31, 2014 was $0.01 million (December 31, 2013: $0.01 million).

PSU Plan

In September 2013, the Board of Directors approved a PSU plan under which officers and certain employees of the Company would receive PSUs. Each PSU represents a unit with an underlying value which is based on the value of one common share relative to the S&P/TSX Utilities Index.

In September 2013, 21,500 PSUs were granted. In March 2014, 26,000 PSU's were granted. The vesting period of the grant is three years, at which time a cash payment may be made to plan participants after evaluation by the Board of Directors of the achievement of certain payment criteria.

For the year ended December 31, 2014, an expense of $0.2 million (December 31, 2013: $0.03 million) was recognised in earnings with respect to the PSU plan.

As at December 31, 2014, the total liability related to outstanding PSUs is $0.2 million (December 31, 2013: $0.03 million) and is included in Other Long-Term liabilities.

15. Earnings per Share

The Company calculates earnings per share on the weighted average number of Class A Ordinary Shares outstanding. The weighted average Class A Ordinary Shares outstanding were 29,130,536 and 28,891,552 for the year ended December 31, 2014 and December 31, 2013 respectively.

The weighted average of Class A Ordinary Shares used for determining diluted earnings were 29,143,143 and 28,901,175 for the year ended December 31, 2014 and December 31, 2013 respectively. Diluted earnings per Class A Ordinary Share was calculated using the treasury stock method.

As at December 31, 2014 the outstanding options are not materially dilutive as the market price of Class A Ordinary shares is below or marginally higher than the exercise price.

Earnings per Share	Earnings December 31, 2014 ($ thousands)	Weighted average shares December 31, 2014 ($ thousands)	Earnings per Class A Ordinary shares December 31, 2014
Net earnings applicable to Class A Ordinary shares	19,885		
Weighted Average share outstanding		29,131	
Basic Earnings Per Class A Ordinary Share			0.68
Effect of potential dilutive securities:			
Stock Options	-	12	-
Diluted Earnings per Class A Ordinary Share	19,885	29,143	0.68

	Earnings December 31, 2013 ($ thousands)	Weighted average shares December 31, 2013 ($ thousands)	Earnings per Class A Ordinary shares December 31, 2013
Net earnings applicable to Class A Ordinary shares	19,492		
Weighted Average share outstanding		28,892	
Basic Earnings Per Class A Ordinary Share			0.68
Effect of potential dilutive securities:			
Stock Options	-	10	-
Diluted Earnings per Class A Ordinary Share	19,492	28,902	0.68

16. Fair Value Measurement

Fair value is the price at which a market participant could sell an asset or transfer a liability to an unrelated party. A fair value measurement is required to reflect the assumptions that market participants would use in pricing an asset or liability based on the best available information. These assumptions include the risks inherent in a particular valuation technique, such as a pricing model, and the risks inherent in the inputs to the model. A fair value hierarchy exists that prioritizes the inputs used to measure fair value. The Company is required to determine the fair value of all derivative instruments in accordance with the following hierarchy:

The three levels of the fair value hierarchy are defined as follows:

Level 1: Fair value determined using unadjusted quoted prices in active markets.

Level 2: Fair value determined using pricing inputs that are observable.

Level 3: Fair value determined using unobservable inputs only when relevant observable inputs are not available.

The fair values of the Company's financial instruments, including derivatives, reflect a point-in-time estimate based on current and relevant market information about the instruments as at the balance sheet dates. The estimates cannot be determined with precision as they involve uncertainties and matters of judgment and, therefore, may not be relevant in predicting the Company's future earnings or cash flows.

The estimated fair values of the Company's financial instruments, including derivative financial instruments, are as follows:

Financial Instruments				
($ thousands)	As at December 31, 2014		As at December 31, 2013	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Long-term debt, including current portion	252,000	272,615	219,000	214,110
Fuel Option Contracts	247	247	-	-

1 Carrying value of fuel option contracts included in Accounts Payable and Accrued expenses

The fair value of long-term debt is determined by discounting the future cash flows of each debt instrument at an estimated yield to maturity equivalent to benchmark government bonds or treasury bills, with similar terms to maturity, plus a market credit risk premium equal to that of issuers of similar credit quality. Since the Company does not intend to settle the long-term debt prior to maturity, the fair value estimate does not represent an actual liability and, therefore, does not include exchange or settlement costs.

The Company measures the fair value of commodity contracts on a daily basis using the closing values observed on commodities exchanges and in over-the-counter markets, or through the use of industry-standard valuation techniques, such as option modelling or discounted cash flow methods, incorporating observable valuation inputs. The resulting measurements are the best estimate of fair value as represented by the transfer of the asset or liability through an orderly transaction in the marketplace at the measurement date.

The fair value of the fuel option contract reflects only the value of the heating oil derivative and not the offsetting change in the value of the underlying future purchases of heating oil. The derivatives' fair value shown in the below table reflects the estimated amount the Company would pay to terminate the contract at the stated date. The fair value has been determined using published market prices for heating oil commodities. The Company's option contracts expire on June 30, 2015.

The derivatives entered into by the Company relate to regulated operations and any resulting gains or losses and changes to fair value are recorded in the regulatory asset/regulatory liability accounts, subject to regulatory approval and passed through to customers in future rates.

The following table summarizes the fair value measurements of the Company's long-term debt and fuel derivative contracts based on the three levels that distinguish the level of pricing observability utilized in measuring fair value.

Financial Liability	December 31, 2014 Total Fair Value	December 31, 2014 Level 1 - Quoted Prices in active markets for identical assets	December 31, 2014 Level 2 - Significant Other inputs	December 31, 2014 Level 3 - Significant unobservable inputs
Long-term debt, including current portion	272,615		272,615	
Option contracts	247		247	

1 Carrying value of fuel option contracts included in Accounts Payable and Accrued expenses

17. Financial Risk Management

The Company is primarily exposed to credit risk, liquidity risk and interest rate risk as a result of holding financial instruments in the normal course of business.

Credit Risk
The Company is exposed to credit risk in the event of non-performance by counterparties to derivative financial instruments which include fuel option contracts. If a counterparty fails to perform on its contractual obligation to deliver payment when the market price of fuel is greater than the strike price, the Company may find it necessary to purchase diesel at the market price, which will be higher than the contract price. The Company manages this credit risk associated with counterparties by conducting business with high credit-quality institutions. The Company does not expect any counterparties to fail to meet their obligations.

There is risk that CUC may not be able to collect all of its accounts receivable and other assets. This does not represent a significant concentration of risk. The requirements for security deposits for certain customers, which are advance cash collections from customers to guarantee payment of electricity billings; reduces the exposure to credit risk. CUC manages credit risk primarily by executing its credit collection policy, including the requirement for security deposits, through the resources of its customer service department.

Liquidity Risk
The Company's financial position could be adversely affected if it failed to arrange sufficient and cost-effective financing to fund, among other things, capital expenditures and the repayment of maturing debt. The ability to arrange such financing is subject to numerous factors, including the results of operations and financial position of the Company, conditions in the capital and bank credit markets, ratings assigned by ratings agencies and general economic conditions. These factors are mitigated by the legal requirement per the Licences which requires rates be set to enable the Company to achieve and maintain a sound credit rating in the financial markets of the world.

($ millions)

	Total	2015	2016-2017	2018-2019	2020 Onward
Accounts payable and accrued expenses	26.3	26.3	-	-	-
Consumer's deposits and advances for construction	5.5	5.5	-	-	-
Letter of credit	0.6	0.6	-	-	-
Short-term debt	0.0	0.0	-	-	-
Long-term debt	252.0	14.0	25.0	29.4	183.6
Long-term debt interest	112.4	10.5	18.7	15.5	67.7
Total	396.8	56.9	43.7	44.9	251.3

Interest Rate Risk
Long-term debt is issued at fixed interest rates, thereby minimising cash flow and interest rate exposure. The Company is primarily exposed to risks associated with fluctuating interest rates on its short-term borrowings and other variable interest credit facilities. The current amount of short-term borrowings is nil.

18. Finance Charges

The composition of finance charges were as follows:

Finance Charges

($ thousands)

	Year Ended December 31, 2014	Year Ended December 31, 2013
Interest costs - long-term debt	**11,567**	11,938
Other interest costs	**335**	290
AFUDC *	**(2,787)**	(3,210)
Total	**9,115**	9,018

* Refer to PP&E with regards to AFUDC (Note 7) methodology

19. Employee Future Benefits

All employees of the Company are members of a defined contribution Pension Plan established for the exclusive benefit of employees of the Company and which complies with the provisions of the National Pensions Law. As a term of employment, the Company contributes 7.5% of wages or salary in respect of employees who have completed 15 years of continuous service and have attained the age of 55 years and 5% of wages or salary for all other employees. All contributions, income and expenses of the plan are accrued to, and deducted from, the members' accounts. The total expense recorded in respect of employer contributions to the plan for the year ended December 31, 2014 amounted to $0.91 million (December 31, 2013: $0.87 million). The Pension Plan is administered by an independent Trustee.

During 2003, the Company established a defined benefit pension plan for a Director of the Company. In May 2005, the Company's Board of Directors approved the establishment of a defined benefit pension plan for the retired President and Chief Executive Officer. The pension cost of the defined benefit plan is actuarially determined using the projected benefits method. In April 2007, the Company established an independent trust and the defined benefit plans were amalgamated at that time. An independent actuary performs a valuation of the obligations under the defined benefit pension plans at least every three years. The latest actuarial valuation of the pension plans for funding purposes is as at December 31, 2012.

The Company's broad investment objectives are to achieve a high rate of total return with a prudent level of risk taking while maintaining a high level of liquidity and diversification to avoid large losses and preserve capital over the long term.

The Company's defined benefit pension plan fund has a strategic asset allocation that targets a mix of 40% to 70% equity investments, 20% to 40% fixed income investments, and 0% to 25% cash/cash equivalent securities. The fund's investment strategy emphasizes traditional investments in global equity and fixed income markets, using a combination of different investment styles and vehicles. The pension fund's equity investments include publicly traded investment grade equities, convertible debentures and real estate corporations. The fixed income investments include bonds issued by the United States Treasury, investment grade bonds, investment grade corporate bonds, investment grade Eurobonds and investment grade preference shares which are publicly traded. These equity and debt security vehicles include closed end or open end mutual or pooled funds.

The Company's defined benefit pension plan asset allocation was as follows:

Plan assets by allocation (%)	December 31, 2014	December 31, 2013
Equity Assets	**50%**	50%
Fixed income investments	**32%**	32%
Money Market funds	**16%**	15%
Cash and Cash equivalents	**2%**	3%
Total	**100%**	100%

The assets of the fund are traded and priced on active markets such as the New York Stock Exchange, American Stock Exchange, NASDAQ etc. The fair values of assets are provided by external quotation services which are considered reliable, but due to the nature of the market data, the accuracy of such prices cannot be guaranteed. Securities listed on a US national stock exchange are priced as of the close of the statement period. Corporate bonds, municipal bonds and other fixed income securities are priced by a computerized pricing service. Mutual fund shares are priced at net asset value. The fair value measurements of the Company's defined benefit pension plan assets by fair value hierarchy level are as follows:

Asset Allocation

($ thousands)

December 31, 2014

	Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Equity Assets	3,139	-	-	3,139
Fixed Income Investments	-	1,990	-	1,990
Money Market Funds	-	1,036	-	1,036
Cash	115	-	-	115
Total	3,254	3,026	-	6,280

December 31, 2013

	Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Equity Assets	3,026	-	-	3,026
Fixed Income Investments	-	1,939	-	1,939
Money Market Funds	-	938	-	938
Cash	194	-	-	194
Total	3,220	2,877	-	6,097

Pension Plan		
($ thousands)	2014	2013
Projected Benefit Obligation		
Balance beginning of year	6,380	7,232
Interest cost	310	266
Actuarial losses/(gains)	1,101	(1,022)
Benefit payments	(96)	(96)
Balance end of year	7,695	6,380
Plan Assets		
Fair value, beginning of year	6,097	5,305
Actual return on plan assets	191	361
Employer contributions to plan	88	527
Benefit payments	(96)	(96)
	6,280	6,097
Funded Status - deficit	(1,415)	(283)
During the year ended December 31 2014, $0.1 million (December 31, 2013: $0.3 million) was recorded as compensation expense, which comprises the following:		
Interest cost	310	266
Expected return on plan assets	(304)	(298)
Amortization of past service costs	82	248
Amortization of actuarial losses	-	133
	88	349
Significant assumptions used:		
Discount rate during year (%)	4.90	3.70
Discount rate at year end (%)	4.00	4.90
Rate of compensation increase (%)	3.00	3.00
Expected long term rate of return on plan assets (%)	5.00	5.00
Average remaining service period (years)	4.00	5.00

The Accumulated Benefit Obligation ("ABO") as at December 31, 2014 was $6.9 million (December 31, 2013: 5.7 million).

The following table summarizes the employee future benefit assets and liabilities and their classification in the balance sheet:

Employee Future Benefit Assets and Liabilities

($ thousands)

	December 31, 2014	December 31, 2013
Assets:		
Other assets	-	3
Liabilities:		
Defined benefit pension liabilities	1,415	283

The following tables provide the components of other comprehensive (loss)/income for the years ended December 31, 2014 and 2013:

Other Comprehensive (Loss)/Income

($ thousands)

	December 31, 2014	December 31, 2013
Net (loss)/gain arising during the period	(1,214)	1,085
Amortization or curtailment recognition of past service cost	82	248
Amortization or settlement recognition of net actuarial gain	-	133
Total changes recognised in other comprehensive (loss)/income	(1,132)	1,466

The Company's unrecognised amounts included in accumulated other comprehensive income (loss) yet to be recognised as components of the net periodic benefit cost are as follows:

($ thousands)

	December 31, 2014	December 31, 2013
Past service credit (cost)	-	(82)
Net actuarial gain/(loss)	(1,386)	(172)
Accumulated other comprehensive loss at year end	(1,386)	(254)
Cumulative employer contributions in excess of net periodic benefit cost	(29)	(29)
Net liability amount recognised in statement of financial position	(1,415)	(283)

Net actuarial losses of $0.2 million and past service costs of nil are expected to be amortized from accumulated other comprehensive loss into net benefit costs in 2015.

During 2015, the Company is expected to make contributions of $0.3 million to the defined benefit pension plan.

The following table provides the amount of benefit payments expected to be paid by the plan for each of the following years:

($ millions)	
	Total
2015	0.09
2016	0.09
2017	0.09
2018	0.4
2019	0.4
2020-2024	1.9

20. Foreign Exchange

The closing rate of exchange on December 31, 2014 as reported by the Bank of Canada for the conversion of United States dollars into Canadian dollars was Cdn$1.1601 per US$1.00. The official exchange rate for the conversion of Cayman Islands dollars into United States dollars as determined by the Cayman Islands Monetary Authority is fixed at CI$1.00 per US$1.20. Thus, the rate of exchange as of December 31, 2014 for conversion of Cayman Islands dollars into Canadian dollars was Cdn$1.3921 per CI$1.00 (December 31 2013: Cdn$1.2763).

21. Related Party Transactions

Miscellaneous receivables from Newfoundland Power, a subsidiary of Fortis Inc., totaling $300 were outstanding at December 31, 2014 (nil as at December 31, 2013). Miscellaneous payables to Fortis Inc., the Company's majority shareholder, totaling $16,100 were outstanding at December 31, 2014 ($9,800 as at December 31, 2013) for hurricane preparedness and travel expenses and are included within the Accounts Payable and Accrued Expenses on the Balance Sheet.

22. Taxation

Under current laws of the Cayman Islands, there are no; income, estate, corporate, capital gains or other taxes payable by the Company.

The Company is levied custom duties of $0.89 per IG of diesel fuel it imports. In addition, the Company pays customs duties of 15% on all other imports.

23. Commitments

The Company executed an 18 month primary fuel supply contract with RUBiS Cayman Islands Limited ("RUBiS") in September 2014 upon the expiration of its previous fuel supply contracts. Under the agreement the Company is committed to purchase approximately 60% of its diesel fuel requirements for its generating plant from RUBiS. The approximate quantities per the contract on an annual basis are, by fiscal year in millions of IGs: 2015 – 19.9, 2016 – 13.3.

The Company also has an 18 month secondary fuel supply contract with Sol Petroleum Cayman Limited ("Sol") (previously Esso Cayman Limited) executed in September 2014 and is committed to purchase approximately 40% of

the Company's diesel fuel requirements for its generating plant from Sol. The approximate quantities per the contract on an annual basis are, by fiscal year in millions of IGs: 2015 – 10.1, 2016 – 6.7. Each contract has the option to renew for an additional 18 month term. Renewal cannot occur more than 6 months in advance of the current contract expiry date.

The point of delivery for fuel billing purposes remains at the Company's North Sound Road Power Plant compound. The Company is also responsible for the management of the fuel pipeline and ownership of bulk fuel inventory at the North Sound Road Power Plant.

As a result of the Company's bulk fuel inventory, the value of CUC's closing stock of fuel at December 31, 2014 was $2.6 million (December 31, 2013: $4.6 million). This amount includes all fuel held in CUC's bulk fuel storage tanks, service tanks and day tanks located at the North Sound Plant.

24. Comparative Figures

Certain comparative figures have been reclassified to conform with current year disclosure.

Ten-Year Summary

(Except where noted, expressed in thousands of United States Dollars)

	2014	2013
Operating Revenues	**231,705**	226,220
Other revenues and adjustments	**4,602**	4,300
Total revenues	**236,307**	230,520
Operating expenses	**206,377**	201,080
Income before interest	**29,930**	29,440
Finance Charges	**9,115**	9,018
Earnings for the year	**20,815**	20,422
Capitalisation:		
Class A Ordinary Shares (nominal value)	**1,742**	1,730
9% Cumulative Participating Class B Preference Shares (nominal value)	**250**	250
Share Premium	**83,044**	81,023
Long-term loans	**252,000**	219,000
Total capitalisation	**337,036**	302,003
Capital expenditures	**39,472**	29,323
Earnings per Class A Ordinary Share ($/Share)	**0.68**	0.68
Dividends per Class A Ordinary Share ($/Share)	**0.66**	0.66
Book value per Class A Ordinary ($/Share)	**6.14**	6.13
Statistical Record:		
Net kWh generation (millions of kWh)	**604.7**	595.6
Net kWh sales (millions of kWh)	**564.2**	555.7
Peak load (MW) gross	**99.7**	97.4
Plant capacity (MW)	**131.65**	149.54
Total customers (actual number)	**27,784**	27,364

Ten-Year Summary

(Except where noted, expressed in thousands of United States Dollars)

2012	2011	2010	2009	TP 2008	2008	2007	2006
223,549	218,099	180,096	158,809	150,348	175,981	158,859	135,677
4,199	4,032	3,108	3,109	2,526	3,016	2,851	8,721
227,748	222,131	183,204	161,918	152,874	178,997	161,710	144,398
200,932	193,082	154,182	134,834	135,122	144,673	133,812	112,328
26,816	29,049	29,022	27,084	17,752	34,324	27,898	32,070
9,125	8,659	9,143	7,071	5,153	10,564	9,444	9,212
17,691	20,390	19,879	20,013	12,599	23,760	18,454	22,858
1,715	1,704	1,694	1,683	1,672	1,513	1,508	1,505
250	250	250	250	250	250	250	250
78,524	76,806	75,355	73,729	72,092	43,216	42,230	41,656
188,500	204,000	178,290	200,159	174,643	184,790	165,540	156,038
268,989	282,760	255,589	275,821	248,657	229,769	209,528	199,449
30,788	39,624	21,433	42,665	27,981	44,617	35,586	33,940
0.58	0.68	0.67	0.67	0.45	0.90	0.70	0.87
0.66	0.66	0.66	0.66	0.495	0.66	0.66	0.66
6.03	6.04	6.07	5.90	5.87	5.41	5.15	5.09
587.1	594.0	593.5	597.4	400.7	578.4	546.1	485.5
547.8	554.0	553.8	558.1	376.6	539.6	510.6	456.0
95.9	99.0	102.1	97.5	93.8	92.7	86.8	79.0
149.54	151.2	151.2	152.6	136.6	136.6	123.5	114.63
27,035	26,636	26,151	25,461	24,518	24,041	22,768	21,115

Board of Directors

Standing:

Sheree L. Ebanks *
Chief Executive Officer
Cayman Islands Society of Professional Accountants
Grand Cayman

Eddinton M. Powell, JP *
President and Chief Operating Officer
Fortis TCI
Providenciales
Turks & Caicos Islands

J. Bryan Bothwell, MBE *
Retired Banking Executive
Grand Cayman

Lynn R. Young
President and Chief Executive Officer
Belize Electric Company Ltd.
Belize

Earl A. Ludlow ^
Executive Vice President
Fortis Inc.
Newfoundland
Canada

Woodrow Foster ^
Managing Director
Foster's Food Fair IGA
Grand Cayman

Peter A. Thomson
Retired Executive
Caribbean Utilities Company, Ltd.
Grand Cayman

Frank J. Crothers ^
Chairman, Island Corporate Holdings Ltd.
Bahamas

Seated:

David E. Ritch, OBE, JP *^
Chairman of the Board of Directors
Caribbean Utilities Company, Ltd.
Attorney-at-Law
Ritch and Conolly
Grand Cayman

H. Stanley Marshall ^
President and Chief Executive Officer
Fortis Inc.
Newfoundland
Canada

J.F. Richard Hew
President and Chief Executive Officer
Caribbean Utilities Company, Ltd.
Grand Cayman

Joseph A. Imparato
Retired Chairman
Caribbean Utilities Company, Ltd.
Grand Cayman

* *Member Audit Committee (Chairman: J. Bryan Bothwell)*

^ *Member Nominating and Corporate Governance Committee (Chairman: David E. Ritch)*

Note: H. Stanley Marshall retired from Fortis Inc. and the Board of Directors of Caribbean Utilities Company, Ltd. on December 31, 2014.

Officers

Andrew E. Small
Vice President Production

J.F. Richard Hew
President & Chief Executive Officer

David C. Watler
Vice President Transmission & Distribution

Letitia T. Lawrence
Vice President Finance & Chief Financial Officer

Shareholder and Corporate Information

Shareholders

Registered shareholders as of December 31, 2014 were as follows:

Class of Shares	*Shareholders*	*Shares Held*
Class A Ordinary Shares	1,838	29,260,121
9% Class B Preference Shares	127	250,000

Fortis Energy (Bermuda) Ltd., a wholly-owned subsidiary of Fortis Inc., held 17,290,644 Class A Ordinary Shares, or 60% of the outstanding shares as of December 31, 2014. Approximately 12% of the outstanding registered shares are held by residents of the Cayman Islands. Holders of Class B Preference Shares are primarily resident in the Cayman Islands.

Annual General Meeting

Shareholders are invited to attend the Annual General Meeting of the Company to be held on Tuesday, May 12, 2015 at noon at the Marriott Beach Resort on West Bay Road, Grand Cayman. If you are unable to attend, please complete and return the form of proxy in accordance with the instructions set out in the accompanying meeting material.

Dividends

Class A Ordinary Shares:

Quarterly dividends are customarily paid in March, June, September and December. Record dates are normally three weeks prior to payable dates.

Class B Preference Shares:

Quarterly dividends are paid on the last day of January, April, July and October. Record dates are normally three weeks prior to payable dates.

Dividend Reinvestment Plan

The Company offers a Dividend Reinvestment Plan to Class A Ordinary and Class B Preference shareholders. Dividends may be reinvested in additional Class A Ordinary Shares. A copy of the plan and enrolment form may be obtained by writing or calling either of the Company's Registrar and Transfer Agents (addresses and telephone numbers in right column) or through the Company's website at www.cuc-cayman.com.

Customer Share Purchase Plan

The Customer Share Purchase Plan ("CSPP") was launched in January 1995 and provides an opportunity for customers resident in Grand Cayman to invest in the Company without paying brokerage commissions or transaction fees. Customers may make cash payments of not less than $30 (CI$25) per purchase and up to a total of $14,400 (CI$12,000) per calendar year for the purchase of Class A Ordinary Shares. Quarterly cash dividends paid on the shares are reinvested in additional Class A Ordinary Shares under the CSPP. Full details of the CSPP may be obtained from CUC's Customer Service Department or through the Company's website at www.cuc-cayman.com.

Solicitors

Appleby
P.O. Box 190
Grand Cayman KY1-1104
CAYMAN ISLANDS

Auditors

Ernst & Young, Ltd.
P.O. Box 510
Grand Cayman KY1-1106
CAYMAN ISLANDS

Principal Bankers

Royal Bank of Canada
P.O. Box 245
Grand Cayman KY1-1104
CAYMAN ISLANDS

Duplicate Annual Reports

While every effort is made to avoid duplications, some shareholders may receive extra reports as a result of multiple share registrations. Shareholders wishing to consolidate these accounts should contact the Registrar and Transfer Agents.

Registrar and Transfer Agents

CST Trust Company
P.O. Box 700, Station B
Montreal, Quebec, Canada H3B 3K3
North America (toll free): 1-800-387-0825
Direct: (416) 682-3860
Fax: (888) 249-6189
E-mail: inquiries@canstockta.com
Website : www.canstockta.com
(Acting as principal agent)

Caribbean Utilities Company, Ltd.
Company Secretary
P.O. Box 38, Grand Cayman KY1-1101, CAYMAN ISLANDS
Telephone: (345) 949-5200
Fax: (345) 949-4621
E-mail: investor@cuc.ky
Website: www.cuc-cayman.com
(Acting as co-agent)

Toronto Stock Exchange Listing

The Company's Class A Ordinary Shares are listed for trading in United States funds on the Toronto Stock Exchange. The stock symbol is "CUP.U". There is no income or withholding tax applicable to holders of Class A Ordinary or Class B Preference Shares under the existing laws of the Cayman Islands.

Registered Office

Caribbean Utilities Company, Ltd.
457 North Sound Road
P.O. Box 38, Grand Cayman KY1-1101, CAYMAN ISLANDS
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E-mail: investor@cuc.ky
Website: www.cuc-cayman.com

Credits:

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Caribbean Utilities Company, Ltd.

Miguel Escalante
Grand Cayman, Cayman Islands

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