CARIBBEAN UTILITIES COMPANY, LTD.

ANNUAL INFORMATION FORM

FOR THE YEAR ENDED December 31, 2011

DATED: March 9, 2012

CARIBBEAN UTILITIES COMPANY, LTD.

ANNUAL INFORMATION FORM FOR THE YEAR ENDED DECEMBER 31, 2011

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1.0 CORPORATE STRUCTURE

The following Annual Information Form should be read in conjunction with the financial statements of the Caribbean Utilities Company, Ltd. ("CUC" or "the Company") included in the Company's report to shareholders for the year ended December 31, 2011. The material has been prepared in accordance with National Instrument 51-102 - Continuous Disclosure Obligations ("NI 51-102") and National Instrument – 52-110- Audit Committees ("NI 52-110").

Additional information in this Annual Information Form has been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"), including certain accounting practices unique to rate-regulated entities. These accounting practices and their impact, which are disclosed in the notes to the Company's annual 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 the recovery or refund would not be subject to regulatory approval.

Certain statements in this material, 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", "targets", or negative versions thereof and other similar expressions, or future or conditional verbs such as "may", "will", "should", "would" and "could". Forward-looking statements are based on underlying assumptions and management's beliefs, estimates and opinions, and are subject to inherent risks and uncertainties surrounding future expectations generally that may cause actual results to vary from plans, targets and estimates. Some of the important risks and uncertainties that could affect forward-looking statements are described in this Annual Information Form in the section labeled "Business Risks" and include but are not limited to operational, regulation, general economic, market and business conditions 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 information disclosed in this Annual Information Form is as of December 31, 2011 unless otherwise stated.

1.1 Name and Incorporation

CUC was incorporated under The Companies Law of the Cayman Islands and commenced operations April 30, 1966. The Articles of Association of the Company (the "Articles") have been amended since incorporation to accommodate subsequent infusions of capital, share consolidations and share splits, which have resulted in the existing capitalization, as well as revisions to the composition of, and mandatory retirement age for, the Board of Directors of the Company (the "Board"). CUC's head and registered offices are located at 457 North Sound Road, Grand Cayman, Cayman Islands. The mailing address of the Company is P.O. Box 38, Grand Cayman KY1-1101, Cayman Islands, and its website address is www.cuc-cayman.com.

All dollar amounts in this Annual Information Form are in United States dollars, and references to "$" are to United States dollars unless otherwise indicated. References to "Cdn $" are to Canadian dollars and references to "CI$" to Cayman Islands dollars. The closing rate of exchange, as reported by the Bank of Canada, for conversion of US dollars into Canadian dollars was Cdn $1.017 per US$1.00 on December 31, 2011. The official fixed exchange rate for conversion of CI$ into US$, as determined by the Cayman Islands Monetary Authority, has been fixed since April 1974 at US$1.20 per CI$1.00. Thus, the rate of exchange for conversion of Cayman Islands dollars into Canadian dollars was Cdn $1.220 per CI$1.00 on December 31, 2011.

2.0 GENERAL DEVELOPMENT OF THE BUSINESS

2.1 Three-Year History

Effective January 1, 2009, CUC changed its fiscal year from a 12-month period ending April 30 to a 12-month period ending December 31. The first full 12-month period under the new cycle ended December 31, 2009 ("Fiscal 2009" or "year ended December 31, 2009"). Period-end information in this report reflects that of the twelve-month period ended December 31, 2011 ("Fiscal 2011" or "year ended December 31, 2011").

A summary of operating revenue, earnings and kilowatt-hour ("kWh") sales for the Company for Fiscal 2011, the twelve-month period ended December 31, 2010 ("Fiscal 2010" or "year ended December 31, 2010") and Fiscal 2009 appear below:

	Periods Ended		
	December 31, 2011	**December 31, 2010**	**December 31, 2009**
Operating Revenue (millions $)	218.1	180.1	158.8
Earnings (millions $)	20.4	19.9	20.0
Kilowatt-hour Sales (millions)	554.0	553.8	558.1

The net earnings increase for Fiscal 2011 as compared to Fiscal 2010 reflects lower financing costs and higher other income. Sales in 2011 were comparable to 2010. The Company continues to see an increase in customer numbers but also continues to see a decline in the average kWh consumption.

The two largest sectors of the Cayman Islands economy are tourism and offshore financial services. The tourist demographic is largely comprised of visitors from the US. In 2011 79% of air arrivals to the country were citizens of the US. As such the US economy largely impacts that of the Cayman Islands. 2011 air arrivals were up 7% from 2010 and cruise arrivals were down 12% when compared to 2010.

2.2 Outlook

See "Generating Capacity and Capital Expenditures" (Section 3.5).

3.0 NARRATIVE DESCRIPTION OF THE BUSINESS

The Company is the sole generator and supplier of electricity on Grand Cayman with a total installed capacity of 151.23 megaWatts (“MW”), eight major transformer substations, approximately 355 miles of land-based high-voltage transmission and distribution (“T&D”) lines and 15 miles of high-voltage submarine cable. The Company uses diesel generation to produce electricity for Grand Cayman. The net book value of property, plant and equipment was $369.8 million as of December 31, 2011.

The Company, through its wholly owned subsidiary, DataLink Ltd., plans to develop telecommunications business opportunities which utilize existing CUC infrastructure including transmission and distribution poles, fiber optic cables and electrical substation property. The Company is awaiting Cayman Islands Information and Communications Technology Authority (“ICTA”) approval of DataLink’s licence application required to operate in this industry.

3.1 The Cayman Islands

The Cayman Islands are a United Kingdom Overseas Territory. Great Britain retains authority for the Cayman Islands’ defense, external affairs and internal security. The Cayman Islands is a parliamentary democracy with judicial, executive and legislative branches. The Cayman Islands legislature consists of a speaker of the house, 15 elected members and the Deputy Governor and the Attorney General (who are ex officio members). The Cabinet consists of five Ministers (including the Premier) appointed by the Governor from among the elected members of the Legislative Assembly and the Deputy Governor and the Attorney General (who are ex officio members). The Governor is required to appoint as Premier, the leader of the political party that has a majority of the seats of elected members of the legislature. Stable government has prevailed in the Cayman Islands since its decision to remain a direct British dependency following Jamaica’s move to independence in 1962.

Grand Cayman enjoys one of the highest standards of living in the Caribbean. Per capita income in 2010, the most recent year for which this information is available, was estimated at $50,526.

3.2 Regulation

CUC, a vertically integrated utility, operates the only electric utility on Grand Cayman, Cayman Islands pursuant to a 20-year exclusive Electricity Transmission and Distribution Licence (“the T&D Licence”) and a 21.5-year non-exclusive Electricity Generation Licence (“the Generation Licence”) collectively, the “Licences” granted by the Government, which expire in April 2028 and September 2029, respectively. The Licences were signed in April 2008. The terms include allowance for competition for future generating capacity and general promotion of the use of renewable sources of energy.

The Licences set out a return-on-rate base (“RORB”) formula, with a rate cap and adjustment mechanism (“RCAM”) based on published consumer price indices. Rates are subject to an annual review and adjustment each June through the RCAM. A price cap mechanism is used to adjust the base rates in accordance with a formula that takes into account inflation and CUC’s

RORB. CUC's annual RORB under the T&D Licence was targeted initially in the 9-11% range assuming a cost of capital, as defined in the T&D Licence, of 10%. The range is adjusted annually based on movements in the average yield of the 10-year US Treasury Notes. For 2011 the target range was 7.75-9.75%.

Licence fees of 1% of electricity revenues apply to individual customer billings for consumption over 1,000 kWh per month as a pass-through charge on a per kWh basis. In addition to the licence fee, a regulatory fee of ½ of 1% of electricity revenues applies to individual customer billings for consumption over 1,000 kWh per month as a pass-through charge on a per kWh basis. In June 2009 rates were adjusted by 2.4% or 80% of the increase in Price Level Index as defined in the T&D Licence.

The Electricity Regulatory Authority ("ERA") has the overall responsibility for regulating the electricity industry in the Cayman Islands in accordance with the ERA Law (2010 Revision). 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. The ERA also annually reviews and approves CUC's capital investment plan ("CIP"). From January 1, 2008 to September 1, 2009, the Government provided a special fuel duty rebate applied to the first 1,500 kWh of monthly residential consumption. The rebate was calculated based on CI$0.20 ($0.24) per imperial gallon ("IG") of fuel used for generation.

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

All imported assets (except diesel fuel) attract import duty at a current rate of 15% under the terms of the Licences. The rate of import duty on diesel fuel is set by Government from time to time. Diesel fuel oil currently attracts import duty at a rate equivalent to CI$0.75 ($0.89) per IG.

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

3.3 Market

The following tables present customers, sales and operating revenues by segment for Fiscal 2011 and Fiscal 2010:

Customers (#)	Dec-2011	Dec-2010	Change %
Residential	22,731	22,311	2%
Commercial	3,905	3,840	2%
Total Customers	**26,636**	**26,151**	**2%**

Sales (thousands kWh)	Dec-2011	Dec-2010	Change %
Residential	258,765	262,545	-1%
Commercial	289,043	284,966	1%
Other (street lighting, etc.)	6,174	6,240	-1%
Total Sales	**553,982**	**553,751**	**0%**

Operating Revenues (thousands $)	Dec-2011	Dec-2010	Change %
Residential	33,592	34,088	-1%
Commercial	35,596	35,077	1%
Other (street lighting, etc.)	442	352	25%
Fuel Adjustments	148,469	110,579	34%
Total Operating Revenues	**218,099**	**180,096**	21%

During 2011, the Company connected 40 new customers on average per month. The Company continues to see an increase in customer numbers but also continues to see a decline in the average customer kWh consumption. According to Government reports, the number of work permit holders on the island has declined significantly since 2008. This has caused some rental properties to remain vacant with an active electricity account. Vacant residences with active electricity accounts are included within customer numbers, however, these accounts result in lower average electricity sales.

Fuel factor revenues increased due to an increase in the cost of fuel. The average Fuel Cost Charge rate per kWh charged to consumers for the twelve months ended December 31, 2011 was $0.27, a 35% increase from $0.20 per kWh for the twelve months ended December 31, 2010. CUC passes through 100% of fuel costs to consumers on a two-month lag basis.

The demand for electricity on Grand Cayman is generally higher in the summer months, when the air conditioning load is the greatest. Peaks in demand occasionally occur at other times during the year when new major customers are connected. The Fiscal 2011 peak load was 99.0 MW compared with the Fiscal 2010 peak load of 102.1 MW and 97.5 MW in Fiscal 2009.

3.4 Transmission and Distribution System

The Company's system is comprised of seven major transformer substations, approximately 355 miles of land-based high-voltage (69 kiloVolt and 13 kiloVolt) T&D lines and 15 miles of high-voltage submarine cable in Grand Cayman. The eastern transmission loop was completed and commissioned into service December 2011. The T&D lines and substations are designed for high winds and flooding that might result from a hurricane. The T&D assets have an original cost of $256.8 million and a net book value of $177.4 million as of December 31, 2011.

3.5 Generating Capacity and Capital Expenditures

CUC's installed generating capacity on December 31, 2011 was 151.23 MW. In April 2008, the Company entered into a project agreement with MAN Diesel SE ("MAN") (formerly MAN B&W Diesel AG) of Germany for the purchase and turnkey installation of one 16 MW V48/60 medium-speed diesel generating unit and auxiliary equipment. This project cost $29.8 million to complete and was commissioned in September 2009.

CUC entered a 10-year generation strategic alliance agreement ("SAA") effective December 11, 1998 with MAN. The SAA provides CUC with "most preferred customer" pricing as well as other advantages associated with improved design and construction, shorter delivery lead times and standardization of equipment, parts and training. The Company currently has over 68 MW of installed MAN diesel generation capacity. The Company has benefited throughout the SAA from MAN's manufacturer support and guaranteed parts supply. In April 2008, CUC extended the existing SAA with MAN to include the above-mentioned project which was commissioned in September 2009. MAN remains CUC's supplier of choice for meeting future generation needs.

The Company relies exclusively on diesel generation units and related equipment with long useful lives to meet customer demand. Accordingly, to ensure the continued performance of the physical assets and reliable customer service, the Company determines expenditures that must be made to maintain and replace the assets in accordance with manufacturer's specifications as well as industry standards.

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

In November 2011 CUC issued a CON to the ERA for 18 MW of new generating capacity to be installed in 2014 and for an additional 18 MW of generating capacity to be installed in either 2015 or 2016 (date to be determined based upon growth). The primary driver for the new generating capacity in 2014 is the upcoming retirements of several of our current generating units which are reaching the end of their useful lives. As a result of CUC expressing its need for replacement capacity, the ERA will be conducting a competitive solicitation in 2012 in accordance with CUC's licences which will allow all interested and qualified parties, including CUC, to submit bids to fill the Company's firm capacity requirement. A successful bidder other than CUC would be required to enter a Power Purchase Agreement ("PPA") agreement with CUC as an Independent Power Producer ("IPP").

On February 1, 2011, the ERA approved revisions to the CORE program, replacing the avoided cost of fuel reimbursement formula with a feed-in-tariff structure ("FITS"). As an incentive to adopt renewable energy, payments made under the FIT structure to CORE customers will be at a rate that is higher than the full retail rate for electricity generated by CUC through non-renewable diesel generation. The FIT pilot programme ran for a year starting February 2011 and ending January 2012 with an introductory rate of CI 37 cents per kWh for customers generating approved renewable energy. The program is cost-neutral to CUC. CUC must maintain sufficient reserve generation capacity and T&D infrastructure to provide reliable back up service to CORE customers who will remain connected to the T&D grid. CORE generation is not expected to offset significant additional capacity requirements in the near term, is considered non-firm supply and is subject to a total 1 MW limitation on installed, participating capacity. There are currently nine (9) CORE customers with a total installed capacity of 83 kW. The programme will be reviewed in early 2012 as part of its one year anniversary.

In August 2011, CUC issued a public Request for Expressions of Interest for utility scale renewable energy ("RE") projects to come on to the grid under a Power Purchase Agreement ("PPA") with CUC. CUC is proposing to utilize up to 13 MW of the 15 MW portfolio with this program which will leave 2 MW for existing and future CORE customers.

CUC has been evaluating the proposals on technical and financial merits and the project's likelihood of receiving required government permits, and may select one or more proposals in order to achieve the overall renewable generating capacity objective without compromising the reliability and stability of its electricity system.

CUC expects to begin negotiations towards firm power purchase agreements with the selected bidders within the next two weeks. Once the negotiations are completed, and the necessary regulatory approvals received, a final power purchase agreement will be established with the successful bidder or bidders who will then start construction of the project.

Net generation of 594.0 million kWh for the year ended December 31, 2011 was comparable to net generation of 593.5 million kWh for the year ended December 31, 2010.

Capital expenditures for the year ended December 31, 2011 were $40.6 million, a $19.4 million, or 90%, increase from $21.2 million for the year ended December 31, 2010.

The Company's CIP for the period 2011 to 2015 in the amount of $134 million was approved by the ERA in March 2011. In December 2011, CUC submitted its 2012-2016 CIP to the ERA. CUC expects to invest $131 million plus additional amounts in respect of generation capacity expansion in its capital programme over the next five years, which will be partly driven by the replacement of assets, the Company's sales growth forecasts and by growth in the Cayman Islands economy. Additional capital expenditures in respect of additional generation capacity are subject to ERA approval through a competitive bid process. CUC expects to finance capital investment with a combination of equity, long-term and short-term debt and funds from operations.

A decision from the ERA on the proposed 2012-2016 CIP is expected during the first quarter of 2012.

3.6 Fuel and Lubricating Oil Supply

CUC relies exclusively upon diesel generation to produce electricity for Grand Cayman. The island has neither hydroelectric potential nor inherent thermal resources, and CUC must rely upon diesel fuel imported to Grand Cayman primarily from refineries in the Caribbean and the Gulf of Mexico. The fuel is purchased from the Company's two fuel suppliers, Esso Cayman Ltd. ("Esso") and Cayman Islands Fuel Services Ltd. ("CIFSL"), and transported via pipeline from the suppliers' coastal terminals to CUC's centralized generating plant located on in the capital of George Town.

CUC has a long-term secondary fuel supply contract with CIFSL entered into in November 2011 and expiring in 2012 as a continuation of the contract with Chevron Caribbean Inc. which started in 2007. CUC has agreed to a contract extension of the 2007 contract for the primary fuel supply contract with Esso to cover fuel supply expiring in 2012. In 2012 CUC expects to seek proposals for the renewal of the primary and secondary fuel supply contracts.

In June 2010 CUC entered a five year contract for the supply of lube oil with Automotive Art, the Chevron authorized distributor of lubricants in the Cayman Islands.

These contracts enable the Company to purchase fuel and lube oil from the suppliers on what the Company believes to be competitive terms and pricing.

3.7 Properties

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

3.8 Employees

CUC has 193 employees, approximately 92% of whom are Caymanian. The Company's work force is non-unionized, and management believes that employee relations are good.

CUC believes that it has developed a strong specialized skills and knowledge base among its work force with a particular emphasis on engineering technical expertise, which has been achieved through the Company's comprehensive training, employee development and scholarship programmes. CUC focuses on hiring and promoting Caymanian employees where possible while attracting offshore experience and knowledge as necessary. CUC participates in the Investors In People Programme, a continuous business improvement framework and international quality standard. CUC was awarded Investors In People ("IIP") certification in December 2006 and was successfully assessed and recertified in March 2009 and January 2012.

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

3.9 Insurance

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

3.10 Environmental Matters

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

CUC received International Organization for Standardization ("ISO") 14001:2004 certification of its electric power generation and other activities, products and services at the North Sound Road site in July 2005 and which was renewed in March 2010. The surveillance audit conducted in 2011 was a success with no non-conformances being raised. ISO 14001 is an internationally recognized environmental standard developed by the International Organization for Standardization and confirmed to the Company by QMI/SAI Global, a globally recognized and accredited third party registrar. The ISO 14001:2004 standard is more stringent than the ISO 14001:1996 certification achieved by CUC in May 2004. The Company's ISO certification initiative was undertaken in 2002 as part of its commitment to environmental responsibility and community leadership. CUC is the only organization in the Cayman Islands to receive ISO 14001 certification.

The Company launched several major environmental initiatives throughout the ISO 14001 certification process, including the implementation of an environmental management system ("EMS") as required by the standard. During 2011, EMS activities included: (i) the ongoing segregation of scrap metals consisting mainly of aluminum conductor and damaged transformers for recycling overseas, (ii) recycling of used oil by a local vendor, (iii) ongoing emergency preparedness planning, (iv) continuous employee, contractor and public education programmes and (v) stringent environmental and structural design standards.

Management believes that the Company complies in all material respects with all Cayman Islands planning and environmental regulations. Although environmental regulations in the Cayman Islands are less onerous than those in North America, the Company believes it acts responsibly in environmental matters and in compliance in all material respects with the environmental regulations of the Cayman Islands while continuing to monitor its operations in this regard.

None of the existing transformers used in the T&D system use polychlorinated biphenyls. An underground fuel pipeline eliminates the need for trucking fuel to the Company's generating plant. CUC is responsible for the piping of the fuel from the vendors' distribution terminal on the coast of Grand Cayman to the day tank holding facilities at the Company's generating plant. The Company continues to burn diesel fuel oil that results in significantly lower levels of exhaust emissions and reduces the potential damage to the Island's coral reefs and beaches from a heavy fuel oil spill. Newly installed diesel generators incorporate improvements to provide electricity in a more efficient and environmentally friendly manner and are designed to provide an increased kWh output per gallon consumed than the older generators. On newly installed generators the height of exhaust stacks has been increased and improved exhaust systems installed to maximize exhaust attenuation and optimize exhaust plume dispersion thereby improving local air quality in accordance with what the Company believes to be the best industry practice.

The Company's efforts to reduce transmission, distribution and station losses also improve energy efficiencies. The Company continues to promote its Energy Smart programme with the objective of educating its customers about energy efficiency and conservation at home and in the workplace. The Company is working with the Government and the ERA to increase the amount of power generation from renewable sources through various means including the CORE program. See section entitled "Generating Capacity and Capital Expenditures", commencing on page 9.

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

A committee to establish a National Energy Policy was appointed by the Government in 2010 and includes representation by CUC. The goal of the policy is to ensure security, reliability and affordability of energy supplies in the Cayman Islands, as well as to reduce the Islands' carbon footprint and diversify power sources.

4.0 BUSINESS RISKS

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

Operational Risks

Operational risks are those risks normally inherent in the operation of 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, or could result in injury to employees and the public.

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. World economic conditions, particularly those in North America, directly impact Grand Cayman's tourism industry, as approximately 80% of the island's stayover visitors arrive from the United States annually, which affects electricity sales as described above.

Regulation

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

Weather

CUC's facilities are subject to the effects of severe weather conditions, principally during the hurricane season months of June through November. Despite preparations for such disasters such as hurricanes, adverse conditions will always remain a risk.

Environmental Matters

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

CUC was initially registered to the ISO 14001 standard in 2004 and continuously maintains an EMS. In March 2007 the United Kingdom's ratification of the United Nations Framework Convention on Climate Change (UNFCCC) and its Kyoto Protocol were extended to the Cayman Islands Government. This framework aims to reduce greenhouse gas emissions produced by certain industries. Specific details on the regulations implementing the protocol have yet to be released by the Government and are required to assess the financial impact of compliance by the Company with the framework.

5.0 GENERAL DESCRIPTION OF CAPITAL STRUCTURE

5.1 Share Capital

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

a) 60,000,000 Class A Ordinary Shares of nominal or par value of CI$0.05 each, 28,624,677 of which were issued and outstanding as of December 31, 2011 and each of which is entitled as such to one vote on each matter at the Annual General Meeting (''AGM'') of Shareholders. The holders of Class A Ordinary Shares are entitled to dividends after payment of all dividends to which the holders of the Class B, Class C and Class D Preference Shares are entitled, including any arrears of dividends, in proportion to the amounts paid up on the Class A Ordinary Shares held by them, provided that, in the event that the dividend payable to the holders of each Class A Ordinary Share in any year exceeds CI $0.15, the Company shall pay an amount equivalent to such excess multiplied by four to the holders of each Class B and Class D Preference Share contemporaneously with such payment. The Class A Ordinary Shares may be issued by the Company for an issue price to be determined by the Company from time to time;

b) 250,000 9% Class B Cumulative Participating Preference Shares (''Class B Preference Shares'') of nominal or par value of $1.00 (CI$0.84) each, 250,000 of which were issued and outstanding as of December 31, 2011. The Class B Preference Shares entitle the holders to a fixed cumulative preferential dividend at the rate of 9% per annum as well as the participating dividend noted above.

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

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

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

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

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

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

Subject to the Companies Law of the Cayman Islands, the Class D Preference Share is redeemable at the sole option of the Company at any time upon receipt by the Company of a written request to redeem such share from the holder of the Class D Preference Share to be redeemed at such price (not exceeding $10.00 per share) as may be negotiated between the Company and the holder.

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

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

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

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

5.2 Debt

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

Long-Term Debt

4.85% and 5.10% Senior Unsecured Notes Issuance
On June 1, 2011, the Company closed on the first tranche of a private placement of $40 million aggregate principal amount of 4.85% and 5.10% Senior Unsecured Notes due June 1, 2026 and June 1, 2031 respectively. The first tranche was of an aggregate principal amount of $30 million and the second tranche of an aggregate principal amount of $10 million, closed on July 14, 2011. The debt offering was privately placed with institutional investors in the United States. Proceeds from the offering were used to repay short-term indebtedness and to finance ongoing additions and upgrades to CUC's generation, transmission and distribution system.

Senior Unsecured Loan Notes Outstanding ($ thousands)

Description	December 31, 2011	December 31, 2010
6.47% Senior Unsecured Loan Notes due 2013	5,000	7,500
7.64% Senior Unsecured Loan Notes due 2014	9,000	12,000
6.67% Senior Unsecured Loan Notes due 2016	15,000	18,000
4.85% Senior Unsecured Loan Notes due 2026	15,000	-
5.09% Senior Unsecured Loan Notes due 2018	28,000	32,000
5.96% Senior Unsecured Loan Notes due 2020	27,000	30,000
5.10% Senior Unsecured Loan Notes due 2031	25,000	-
5.65% Senior Unsecured Loan Notes due 2022	40,000	40,000

7.50% Senior Unsecured Loan Notes due 2024	40,000	40,000
	204,000	**179,500**
Less: Current portion of long-term debt	(15,500)	(15,500)
Less: Deferred debt issue costs	(1,552)	(1,210)
	186,948	162,790

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

Year	$
2012	15,500
2013	19,500
2014	17,000
2015	14,000
2016	14,000
2017 and later	124,000

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

Certain of the Company's long-term debt obligations have covenants restricting the issuance of additional debt such that consolidated debt cannot exceed 65 per cent of the Company's consolidated capital structure, as defined by the long-term debt agreements. As at December 31, 2011, the Company was in compliance with all debt covenants.

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 containing approximately 45% equity, including preference shares, and 55% debt. The Company's objective is to maintain investment-grade credit ratings.

The Company sets the amount of capital in proportion to risk. The debt to equity ratio is managed through various methods such as the rights offering that occurred in 2008 and the Company's share purchase plans.

The Company's capital structure as of December 31, 2011 compared to December 31, 2010 is shown in the table below:

	December 31, 2011 (millions $)	**%**	**December 31, 2010 (millions $)**	**%**
Total Debt	208.4	54	195.3	53
Shareholders' Equity	176.0	46	173.8	47
Total	**384.4**	**100**	**369.1**	**100**

The Company repaid $12.5 million in current portion of long term debt in June 2011 and $3.0 million in current portion of long term debt in December 2011.

In November 2011 the Company executed a new credit facility agreement due to the restructuring of the RBC group. The only significant change to the agreement relates to the named lender, now RBC Royal Bank (Bahamas) Limited with RBC Royal Bank (Cayman) Limited now named as agent. The Company had the following credit facilities at the RBC Royal Bank as of December 31, 2011:

Description	**Thousands $**
Capital Expenditures Line of Credit	17,000
Operating Line of Credit	7,500
Catastrophe Standby Loan	7,500
Letters of Credit	6,095
Corporate Credit Card Line	400
Total	**38,495**

$24.9 million of the above credit facilities were fully available as of December 31, 2011. Management constantly reviews its level of credit facilities based on liquidity needs. Letters of credit include those provided to rental generation supplier of $5.5 million. These will be removed upon completion of the rental contracts.

6.0 DIVIDEND POLICY

Class A Ordinary Share dividends are normally paid in March, June, September and December. The most recent Class A Ordinary Share dividend was paid in December 2011 at the rate of $0.165 per share. Dividends have been paid on the Class A Ordinary Shares each quarter since 1984 with the exception of December 2004, when the Board elected not to declare a dividend in consideration of the impact of Hurricane Ivan on the cash flow of the Company. Regular quarterly dividend payments on the Class A Ordinary Shares resumed in March 2005.

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

A Class B Preference Share participating dividend of $1.92 was paid on March 15, 2011. The Company has historically paid Class B Preference Share participating dividends together with regular dividends in July of each year. Following the change in year end to December 31, commencing in 2009, the Company began paying participating dividends in March of each year, commencing with a pro-rata dividend payment in 2010 representing the participating entitlement associated with the Class A Ordinary Share dividends paid in September and December of 2009.

The following table sets forth a summary of dividends paid per Class A Ordinary Share and Class B Preference Share for the most recent financial years ended December 31, 2009, the year ended December 31, 2010 and the year ended December 31, 2011:

	Fiscal 2011 ($)	**Fiscal 2010($)**	**Fiscal 2009 ($)**
Class A Ordinary Shares	0.66	0.66	0.66
9% Class B Preference Shares	3.72	2.76	3.72

7.0 CREDIT RATINGS

Debt securities issued by CUC are rated by Standard and Poor’s (“S&P”) and Dominion Bond Rating Service (“DBRS”) as set out below. The ratings assigned to CUC’s securities are reviewed by these agencies on an ongoing basis. Credit ratings are intended to provide investors with an independent measure of credit quality of an issue of securities and are not recommendations to buy, sell or hold securities. Ratings may be subject to revision or withdrawal at any time by the rating organization. CUC’s credit ratings were as follows as at December 31, 2011:

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

The S&P rating is in relation to long-term corporate credit and unsecured debt while the DBRS rating relates to senior unsecured debt. In September 2011 S&P adjusted the Company’s ‘A’ credit rating to ‘A-’ and adjusted the outlook from negative to stable. This adjustment reflects S&P’s opinion of a weak customer market given the recent declines in population and the negative impact of high fuel costs. The stable outlook reflects S&P’s expectation of relatively predictable forecast cash flows and credit metrics. In July 2011 DBRS affirmed the Company’s ‘A’ credit rating while maintaining the categorisation of low with a Stable trend. Considerations for the rating were a favourable regulatory regime, reasonable credit metrics and a stable island economy and demand for electricity. Impacting the rating were such factors as hurricane event risk and high government levies on fuel purchases.

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

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

8.0 MANAGEMENT'S DISCUSSION AND ANALYSIS

Reference is made to the Management's Discussion and Analysis ("MD&A") on pages 8 through 27 of the CUC Report to Shareholders for the year ended December 31, 2011, which pages are incorporated herein by reference. The Company's MD&A can be located on SEDAR at www.sedar.com.

9.0 MARKET FOR SECURITIES

The Class A Ordinary Shares are listed in United States dollars on the Toronto Stock Exchange ("TSX") under the trading symbol "CUP.U". The following table sets forth the reported high and low trading prices and trading volumes for the Class A Ordinary Shares for the one year period ended December 31, 2011. The closing price of the Class A Ordinary Shares on the TSX as of December 31, 2011 was $9.46 per share.

	High ($)	**Low ($)**	**Volume (shares)**
January 2011	9.50	8.86	51,909
February 2011	9.50	8.86	80,472

March 2011	9.68	8.90	65,081
April 2011	9.60	9.01	52,622
May 2011	9.65	9.25	44,080
June 2011	9.55	9.10	84,267
July 2011	9.70	9.26	23,657
August 2011	9.75	9.10	71,933
September 2011	9.80	9.25	35,111
October 2011	9.51	9.15	39,056
November 2011	9.62	9.10	568,854
December 2011	9.65	9.40	54,772
Fiscal 2011	**9.80**	**8.86**	**1,171,814**

Fortis Energy (Bermuda) Ltd. ("FEBL"), a wholly-owned subsidiary of Fortis Inc., is the controlling shareholder of the Company and held approximately 60% of the issued and outstanding Class A Ordinary Shares as of December 31, 2011. No person or entity other than FEBL owns beneficially or of record, directly or indirectly, more than 10% of the issued and outstanding Class A Ordinary Shares of the Company, to the knowledge of the Company.

10.0 DIRECTORS AND OFFICERS

The following chart discloses the name, place of residence and office of each member of the Board as of December 31, 2011. All directors have been elected to serve until the next Annual General Meeting of shareholders, scheduled to be held on May 18, 2012, or until their successors are elected or appointed in accordance with applicable laws.

Name and Residence	**Position with the Company or Principal Occupation**	**Director Since**
J. Bryan Bothwell, MBE (2) Grand Cayman, Cayman Islands	Retired Banking Executive	2004
Frank J. Crothers (3) Nassau, Bahamas	Chairman, Island Corporate Holdings Ltd, a private investment holding company; Vice-Chairman of the Board of Directors, Caribbean Utilities Company, Ltd. (non-executive position)	1980
J.F. Richard Hew (1) Grand Cayman, Cayman Islands	President and Chief Executive Officer, Caribbean Utilities Company, Ltd.	2003
Joseph A. Imparato Grand Cayman, Cayman Islands	Retired Chairman, Caribbean Utilities Company, Ltd.	1982
Earl A. Ludlow Newfoundland and Labrador, Canada	President and Chief Executive Officer, Newfoundland Power Inc., an integrated electrical utility company.	2011
H. Stanley Marshall (3) Newfoundland and Labrador, Canada	President and Chief Executive Officer, Fortis Inc., a diversified utility holding company	2000
Eddinton M. Powell, JP (2) Providenciales, Turks and Caicos	President and Chief Executive Officer, FortisTCI., an i electrical utility company	2007
David E. Ritch, OBE, JP (2) (3) Grand Cayman, Cayman Islands	Attorney-at-Law, Ritch and Conolly; Chairman of the Board of Directors, Caribbean Utilities Company, Ltd.	1988

	(non-executive position)	
Peter A. Thomson Grand Cayman, Cayman Islands	Retired Executive, Caribbean Utilities Company, Ltd.	1986
Lynn R. Young Ladyville, Belize	President and Chief Executive Officer, Belize Electric Limited (BECOL), an independent power production company.	2011

Notes:
1. Executive officer of the Company. The Chairman and Vice-Chairman of the Board are non-executive positions of the Company.
2. Member of the Audit Committee. Mr. Bothwell is Chairman of the committee.
3. Member of the Nominating and Corporate Governance Committee. Mr. Ritch is Chairman of the committee.

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

1. Earl A. Ludlow: Served as President and Chief Executive Officer of Fortis Properties, prior to April 2007.
2. Eddinton M. Powell: Served as Senior Vice-President Financial and Corporate Services and Chief Financial Officer of Caribbean Utilities Company, Ltd., prior to August 2007.
3. Lynn R. Young: Served as President and Chief Executive Officer of Belize Electricity Limited prior to June 2011.

The Articles provide for a mandatory retirement age of seventy (70) years for directors of the Company pursuant to special resolutions passed at the 2003 Annual General and Special Meeting of Shareholders. Directors will be required to vacate the office of director and any officer's position at the first general meeting after reaching such age. All of the directors are below age 70, and none will be subject to the mandatory retirement requirement in the near future.

The following chart discloses the name, place of residence and office of each officer of CUC as of December 31, 2011. Each executive officer has held the office indicated opposite his/her respective name as noted below:

Name and Municipality of Residence	**Office**
J.F. Richard Hew, Grand Cayman, Cayman Islands	President & Chief Executive Officer
Letitia T. Lawrence , Grand Cayman, Cayman Islands	Vice-President Finance & Chief Financial Officer (1) Company Secretary (2)
David C. Watler, Grand Cayman, Cayman Islands	Vice-President Production (3)
Andrew E. Small, Grand Cayman, Cayman Islands	Vice-President Transmission & Distribution (4)

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

1. Ms. Lawrence was appointed as Vice- President Finance & Chief Financial Officer in August 2007 and prior to that time served as Manager, Financial Services.
2. Ms. Lawrence was appointed as Company Secretary in November 2011.
3. Mr. Watler was appointed to his present position in August 2007 and prior to that time served as Manager Production Maintenance and Manager Systems Operations.
4. Mr. Small was appointed to his present position in August 2007 and prior to that time served as Vice-President Production, Manager Line Department and Manager Production Maintenance.

The directors and executive officers of the Company as a group beneficially owned, directly or indirectly, or controlled or directed 286,379 Class A Ordinary Shares, representing 1% of all Class A Ordinary Shares of the Company outstanding as of December 31, 2011.

11.0 AUDIT COMMITTEE

11.1 Education and Experience

The Audit Committee was comprised of three individuals as of December 31, 2011. The education and experience of each committee member that is relevant to his responsibilities as a member of the Audit Committee are described below.

Name	**Relevant Education and Experience**
J. Bryan Bothwell, MBE (Chairman) Grand Cayman, Cayman Islands	Mr. Bothwell is the retired Chief Executive Officer (Managing Director) of Ansbacher (Cayman) Limited and was employed in the banking and trust industry in the Cayman Islands for 35 years prior to retirement. He is an Associate of the Chartered Institute of Bankers.
Eddinton Powell, JP Providenciales, Turks and Caicos Islands	Mr. Powell is the President and Chief Executive Officer of FortisTCI (formerly PPC Limited) and Atlantic Equipment & Power. He Holds a Bachelor of Science Degree in Accounting from the International College, Cayman Islands and a Master's Degree in Accounting & Business from Nova Southeastern University. Mr. Powell previously served as Senior Vice President and Chief Financial Officer of Caribbean Utilities Company Ltd, on the Board of Directors of Belize Electricity Ltd, and Chairman of Cayman Islands Development Bank.
David E. Ritch, OBE, JP Grand Cayman, Cayman Islands	Mr. Ritch is the senior partner of Ritch & Conolly, a Cayman Islands law firm practising, inter alia, banking, general corporate and insolvency law. He holds an LL.B Degree with Honours from the University of the West Indies and attended the Inns of Court School of Law in London, England, where he completed the Bar Final exams as an Honours student. He was called to the Bar of England and

	Wales by the Honourable Society of the Inner Temple and is also admitted as an Attorney-at-Law in the Cayman Islands. Mr. Ritch currently serves on the Board of Directors of FirstCaribbean International Bank (Cayman) Limited and FirstCaribbean International Bank Limited. He is also a member of the Regional Audit and Governance Committee and the Finance Change Technology and Operations Committee of FirstCaribbean International Bank.

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

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

11.2 Audit Committee Mandate

The text of the Audit Committee mandate, which was amended in November 2011, is reproduced below.

A. DEFINITIONS

In this mandate:

1. "Board" means the board of directors of the Company;
2. "CICA" means the Canadian Institute of Chartered Accountants or any successor body;
3. "Committee" means the Audit Committee of the Board;
4. "Company" means Caribbean Utilities Company, Ltd. (CUC);
5. "Director" means a member of the Board;
6. "External Auditor" means the firm of chartered accountants appointed by the shareholders to act as External Auditor of the Company;
7. "Financially literate" means having the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected in the Company's financial statement;

8. “Management” means the senior officers of the Company; and
9. “Member” means a member of the Committee.

B. STATEMENT OF POLICY

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

Integrity of the Company’s financial statements,

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

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

C. AUTHORITY

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

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

D. ORGANIZATION & COMPOSITION

1. The Committee shall review and reassess the adequacy of the charter annually and recommend any proposed changes to the Nominating and Corporate Governance Committee.
2. The Committee shall be appointed annually by the Board and shall be comprised of three (3) or more Directors:-
   a) none of whom is a member of Management or an employee of the Company;
   b) all of whom are independent under Canadian Securities Administrator rules;
   c) the Chair and/or Vice Chair of the Board shall be a member of the Committee;
   d) every Audit Committee member must be financially literate.
   e) a member shall be appointed Chair of the Committee by the Board.

E. MEETINGS

1. The Committee will meet at least four times a year, with authority to convene additional meetings, as circumstances require.

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

F. RESPONSIBILITIES

The Committee will carry out the following responsibilities:

1. <u>Financial Statements</u>

1.1 Review Management's and the External Auditor's reports of significant accounting and reporting issues and understand their impact on the financial statements. These issues include:
   a) Complex or unusual transactions and highly judgmental areas.
   b) Major issues regarding accounting principles and financial statement presentations, including any significant changes in the Company's selection or application of accounting principles.
   c) The effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of the Company.

1.2 Review analyses prepared by Management and/or the External Auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative GAAP methods on the financial statements.

1.3 Review with Management and the External Auditors the results of the audit, including any difficulties encountered. This review will include any restrictions on the scope of the External Auditor's activities or on access to requested information, and any significant disagreements with Management.

1.4 To use reasonable efforts to satisfy itself, at least annually, as to the adequacy of the Company's accounting personnel and senior financial Management responsible for financial reporting;

1.5 Review with Management and the External Auditor any correspondence with regulators and any employee complaints or published reports which raise material issues regarding the Company's financial statements or accounting policies;

1.6 To meet periodically with Management to review and understand the Company's structure, industry risks and major financial exposures of the Company. Use reasonable efforts to satisfy itself as to the adequacy and implementation of the Company's policies for the Management of the risk related to foreign currency transactions, interest rate fluctuations and the use of derivative financial instruments.

1.7 Review the annual audited financial statements and quarterly financial statements with Management and the External Auditors, including the Company's disclosures under MD&A, interim and annual earnings press releases and CEO/CFO certifications relating to the disclosure of the statements before the issuer publicly discloses this information.

1.8 The audit committee must be satisfied that adequate procedures are in place for the review of the Company's public disclosure of financial information extracted or derived from the Company's financial statement, other than the public disclosure referred to in 1.7 and must periodically assess the adequacy of those procedures.

1.9 Review disclosures made by CEO and CFO during the quarterly and annual disclosure certification process about significant deficiencies in the design or operation of internal controls or any fraud or untoward conduct that involves Management or other employees who may or may not have a significant role in the Company's internal controls. (CSA NI 52-109)

2. Internal Control

2.1 Consider the effectiveness of the Company's internal control system, including information technology security and control.

2.2 Understand the scope of Internal and External Auditors' review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with Management's responses.

3. Internal Audit

3.1 Review with Management and the Internal Auditor the charter, plans, activities, staffing, internal audit reports and organizational structure of the internal audit function.

3.2 Ensure there are no unjustified restrictions or limitations on, and review and concur in the appointment, replacement, or dismissal of the Internal Auditor.

3.3 Review the assessment of the effectiveness of the internal audit function, including compliance with The Institute of Internal Auditors' Standards for the Professional Practice of Internal Auditing. Engage external quality assessment reviews of the internal audit activity every five years in order for the audit activity to declare that it meets the Standards.

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

4. External Audit

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

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

a) At least annually, obtain and review a report by the External Auditor describing (to assess the External Auditor's independence) all relationships between the External Auditor and the Company.

b) Take into account the opinions of Management and Internal Auditor.
c) Review and evaluate the lead partner of the External Auditor.
d) Present its conclusions with respect to the External Auditor to the Board.

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

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

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

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

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

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

4.8 The Committee shall discuss with the External Auditor matters arising out of the audit upon completion of the audit.

The Committee shall be advised on at least the following:

a) identification and discussion of audit assurance standards concerning:
   i. knowledge of any fraud and misstatements arising from error (Section 5135);
   ii. any illegal or possibly illegal acts (Section 5136);

iii. identification of any significant weaknesses in internal control identified by the Auditor (Section 5220); and

iv. related party transactions identified by the Auditor which are not in the normal course of operations and which involve significant judgments made by Management concerning measurement or disclosure (Section 6010).

b) matters that have a significant and material effect on the accounting principles used in the Company's financial reporting;
   i. the selection of and changes in any significant accounting policies;
   ii. the effect of significant accounting policies in controversial areas or those unique to the industry;
   iii. the existence of acceptable alternative policies and methods, and the acceptability of the particular policy or method used by Management;
   iv. the effect on the financial statements of significant unusual transactions;
   v. the use of accruals, provisions or estimates that have a significant effect upon the financial statements, the reasonableness of significant adjustments and the clarity of the disclosures in the financial statements;
   vi. the basis for the External Auditor's conclusions regarding the reasonableness of the estimates made by Management;
   vii. factors affecting the asset and liability carry values and the Auditor’s conclusion regarding reasonableness of assumptions made by Management.

c) Summary of all unadjusted differences and the effect on the financial statements.

d) Resolve any disagreements between Management and the External Auditor regarding financial reporting.

4.9. To use reasonable efforts to satisfy itself that any litigation, claim or other contingency, including tax assessments, that could have a material effect on the financial position or operating results of the Company have been appropriately disclosed in the Company’s audited financial statements;

4.10. Approve the retention of the External Auditor for any non-audit service and the fee for such service;

4.11. Oversee the work of the External Auditor.

5. Compliance

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

5.2 Establish procedures for:

a) The receipt, retention, and treatment of complaints received by the listed issuer regarding accounting, internal accounting controls, or auditing matters; and

b) The confidential, anonymous submission by employees of the listed issuer of concerns regarding questionable accounting or auditing matters.

5.3 Review the findings of any examinations by regulatory agencies, and any Internal/External Auditor’s observations.

5.4 Review the process for communicating the code of conduct to Company’s personnel, and for monitoring compliance therewith.

5.5 Obtain regular updates from Management and corporate legal counsel regarding compliance matters.

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

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

8. *Other Responsibilities*
8.1 To review and report annually to the Board with respect to the expenses of the Chair of the Board and President of the Company; and
8.2 Discuss with Management the Company's major policies with respect to risk assessment and risk Management.
8.3 Perform other activities related to this mandate as requested by the Board of Directors.
8.4 Institute and oversee special investigations as needed.
8.5 Review and assess the adequacy of the Committee mandate annually, requesting Board approval for proposed changes, and ensure appropriate disclosure as may be required by law or regulation.
8.6 Confirm annually that all responsibilities outlined in this mandate have been carried out.
8.7 Evaluate the Committee's and individual members' performance at least annually.

11.3 Pre-Approval of Audit and Non-Audit Services

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

11.4 External Auditor Service Fees

The External Auditors of the Company for the one year period ended December 31, 2011 are Ernst & Young Ltd., Cayman Islands ("E&Y"), George Town, Grand Cayman, Cayman Islands.

The Company has been advised that the partners and senior management of E&Y, together with each employee or consultant of E&Y who participated in and who was in a position to directly influence the preparation of E&Y's audit report on the audited financial statements of the Company for the year ended December 31, 2011, hold no interest in the securities of CUC and that E&Y is independent with respect to the Company in accordance with the independence requirements of The International Federation of Accountants.

Other fees were paid to Ernst & Young LLP. The fees relate to and were incurred in connection with advisory services, including analysis of information for claim submissions and loss categories, in connection with losses sustained during mechanical failures in late 2010 and early 2011. The provision of the services was considered and approved by the Audit Committee.

Fees paid by CUC to E&Y and Ernst & Young LLP in Fiscal 2011 and Fiscal 2010 for audit, audit-related and non-audit services were as follows:

	December 31, 2011 ($)	**December 31, 2010 ($)**
Audit fees	256,000	253,000
Audit-related fees	-	-
Tax fees	-	-
All other fees	110,999	-
Total	**366,999**	**253,000**

12.0 MATERIAL CONTRACTS

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

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

13.0 REGISTRAR AND TRANSFER AGENT

The registrar and transfer agent for the Class A Ordinary Shares and 9% Class B Preference Shares is CIBC Mellon Trust Company of Toronto, Ontario, Canada. On November 1, 2010, Canadian Stock Transfer Company Inc. agreed to purchase and take over the registrar and transfer agency business of CIBC Mellon Trust Company in its own name, although the business continues to operate under the agreements and licences in place prior to that date. Canadian Stock Transfer Company Inc. applied for a trust company license of its own in 2011 and expects to migrate that business into its own name following receipt of such a license.

14.0 ADDITIONAL INFORMATION

Additional information relating to the Company may be found on SEDAR at www.sedar.com. Further additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issuance under equity compensation plans, if applicable, is contained in the Company's Information Circular for CUC's most recent annual meeting of shareholders that involved the election of directors. Additional financial information is provided in the Company's comparative financial statements for the one year period ended December 31, 2011 and the MD&A thereof. Requests for copies of the aforementioned documents as well as this Annual Information Form should be directed to the Company Secretary, Caribbean Utilities Company, Ltd., P.O. Box 38, Grand Cayman KY1-1101, Cayman Islands (phone: (345) 949-5200; fax: (345) 949-4621; e-mail: investor@cuc.ky).