

CARIBBEAN UTILITIES COMPANY, LTD.

ANNUAL INFORMATION FORM

FOR THE YEAR ENDED December 31, 2017



DATED: March 1, 2018

CARIBBEAN UTILITIES COMPANY, LTD.

**ANNUAL INFORMATION FORM FOR THE YEAR ENDED
DECEMBER 31, 2017**

TABLE OF CONTENTS

1.0	Corporate Structure	
1.1	Name and Incorporation.....	4
1.2	Inter-Corporate Relationships.....	5
2.0	General Development of the Business	
2.1	Three-Year History.....	5
2.2	Outlook.....	6
3.0	Narrative Description of the Business	
3.1	The Cayman Islands.....	7
3.2	Regulation.....	7
3.3	Market.....	9
3.4	Transmission and Distribution System.....	11
3.5	Generating Capacity and Capital Expenditures.....	11
3.6	Fuel & Lubricating Oil Supply	12
3.7	Properties.....	13
3.8	Employees.....	13
3.9	Insurance.....	14
3.10	Environmental Matters.....	14
4.0	Business Risks.....	16
5.0	General Description of Capital Structure	
5.1	Share Capital.....	17
5.2	Debt.....	19
6.0	Dividend Policy.....	22
7.0	Credit Ratings.....	22
8.0	Management’s Discussion and Analysis.....	24
9.0	Market for Securities.....	24
10.0	Directors and Officers.....	24

11.0	Audit Committee	
11.1	Education and Experience.....	26
11.2	Audit Committee Mandate.....	28
11.3	Pre-Approval of Audit and Non-Audit Services.....	36
11.4	External Auditor Service Fees.....	36
12.0	Material Contracts.....	36
13.0	Registrar and Transfer Agent.....	37
14.0	Additional Information.....	37

The following Annual Information Form should be read in conjunction with the consolidated financial statements of Caribbean Utilities Company, Ltd. (“CUC” or “the Company”) included in the Company’s 2017 Annual Report to shareholders for the year ended December 31, 2017. The information disclosed in this Annual Information Form is as of December 31, 2017 unless otherwise stated. The material has been prepared in accordance with National Instrument 51-102 - Continuous Disclosure Obligations (“NI 51-102”) and National Instrument – 52-110- Audit Committees (“NI 52-110”).

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

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

Financial information is presented in United States dollars unless otherwise specified and references to “\$” are to United States dollars unless otherwise indicated. References to “Cdn \$” are to Canadian dollars and references to “CI\$” are to Cayman Islands dollars. The closing rate of exchange, as reported by the Bank of Canada, for conversion of US dollars into Canadian dollars was Cdn \$1.2545 per US\$1.00 on December 31, 2017. 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 \$1.5054 per CI\$1.00 on December 31, 2017.

1.0 CORPORATE STRUCTURE

1.1 Name and Incorporation

Caribbean Utilities Company, Ltd. (“CUC” or “the Company”) was incorporated under the Companies Law of the Cayman Islands and commenced operations May 10, 1966. The Articles of Association of the Company (the “Articles”) have been amended since incorporation to reflect subsequent infusions of capital, share consolidations and share splits, which have resulted in the existing capitalization, as well as revisions to the composition of, and mandatory retirement age for, the Board of Directors of the Company (the “Board”). CUC’s head and registered offices are located at 457 North Sound Road, Grand Cayman, Cayman Islands. The mailing address of the

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

1.2 Inter-Corporate Relationships

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

2.0 GENERAL DEVELOPMENT OF THE BUSINESS

2.1 Three-Year History

Period-end information in this report is for the twelve-month period ended December 31, 2017 (“Fiscal 2017” or “year ended December 31, 2017”).

A summary of operating revenue, earnings and kilowatt-hour (“kWh”) sales for the Company for Fiscal 2017, the twelve-month period ended December 31, 2016 (“Fiscal 2016” or “year ended December 31, 2016”) and the twelve-month period ended December 31, 2015 (“Fiscal 2015” or “year ended December 31, 2015”) appear below:

	Periods Ended		
	December 31, 2017	December 31, 2016	December 31, 2015
Operating Revenue (millions \$)	170.9	161.7	188.9
Earnings (millions \$)	23.8	25.2	22.8
Kilowatt-hour Sales (millions)	621.8	606.7	582.0

The decrease in net earnings for Fiscal 2017 as compared to Fiscal 2016 is due to higher depreciation and finance charges. These items were partially offset by a 2% increase in kWh sales and 0.1% and 1.6% base rate increases effective June 1, 2016 and June 1, 2017 respectively.

The increase in net earnings for Fiscal 2016 as compared to Fiscal 2015 was due to a 4% increase in kilowatt-hour (“kWh”) sales, 0.9% and 0.1% base rate increases effective June 1, 2015 and June 1, 2016 respectively, lower consumer services expense and lower finance charges. These items were partially offset by higher depreciation.

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. For 2017 81% of air arrivals to the country were citizens of the US. As such, the state of the US economy has a large impact on that of the Cayman Islands. For Fiscal 2017 air arrivals increased by 9% when compared to 2016 and cruise arrivals increased by 1% when compared to the same period in 2016.

2.2 Outlook

In November 2017 CUC submitted its 2018-2022 Capital Investment Plan in the amount of \$234 million to the Utility Regulation and Competition Office (“OfReg”) for annual approval (December 2016 approved amount: 2017-2021: \$219 million). Proposed projects for the upcoming period include completion of ongoing generation and T&D (as defined below) system replacements and upgrades.

The Company completed an Integrated Resource Plan (“IRP”) study and submitted it to the OfReg in 2017. The Company’s goal in undertaking the IRP was to ensure that all energy options were explored, taking into account their safety, reliability and efficiency, before recommendations were proposed with respect to additions to the energy grid. After analyzing which energy resources are technically viable in the Grand Cayman market, taking into account cost, reliability, environmental impact and other aspects, the Company produced a recommended portfolio of energy resources for the Grand Cayman market. The IRP dovetails with the National Energy Policy (“NEP”) and will give shape to the energy generation plans for Grand Cayman over the next 30 years. Both the IRP and NEP call for a significant increase in renewable energy projects over the next 10 years.

3.0 NARRATIVE DESCRIPTION OF THE BUSINESS

The Company is the sole generator and supplier of electricity on Grand Cayman with a total installed generating capacity of 161 MW, eight transformer substations, approximately 441 miles of land-based high-voltage transmission and distribution (“T&D”) lines and 15 miles of high-voltage submarine cable. The Company uses diesel generation to produce electricity for Grand Cayman. The net book value of property, plant and equipment was \$488.3 million as of December 31, 2017.

The Company’s wholly-owned subsidiary, DataLink, was granted a licence in 2012 from the Cayman Islands Information & Communication 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 DataLink’s licence is 15 years and expires on March 27, 2027. CUC and DataLink have entered into three Electricity Regulation Authority (“ERA”) approved agreements:

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

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

3.1 The Cayman Islands

The Cayman Islands are a United Kingdom Overseas Territory comprised of three islands, Grand Cayman, Cayman Brac and Little Cayman, with an aggregate population of approximately 61,000. Located approximately 150 miles south of Cuba, 460 miles south of Miami and 167 miles northwest of Jamaica, the largest island is Grand Cayman with an area of 76 square miles. Great Britain retains authority for the Cayman Islands' defense, external affairs and internal security. The Cayman Islands is a parliamentary democracy with judicial, executive and legislative branches. The Cayman Islands legislature consists of a speaker of the house, 18 elected members and the Deputy Governor and the Attorney General (who are ex officio members). The Cabinet consists of seven Ministers (including the Premier) appointed by the Governor from among the elected members of the Legislative Assembly and the Deputy Governor and the Attorney General (who are ex officio members). The Governor is required to appoint as Premier the leader of the political party that has a majority of the seats of elected members of the legislature.

Grand Cayman enjoys one of the highest standards of living in the Caribbean. Per capita income in 2016, the most recent year for which this information is available, was estimated at \$57,517.

3.2 Regulation

CUC, a vertically integrated utility, operates the only electric utility on Grand Cayman pursuant to a 20-year exclusive Electricity Transmission and Distribution Licence (the "T&D Licence") and a 25-year non-exclusive Electricity Generation Licence (the "Generation Licence" and, together with the T&D Licence, the "Licences") granted by the Cayman Islands Government ("Government") through the former Electricity Regulatory Authority ("ERA"), now known as the Utility Regulation and Competition Office ("OfReg"). The Licences were signed in April 2008 and November 2014 and expire in April 2028 and November 2039, respectively. The November 2014 Generation Licence replaced the Generation Licence granted to the Company in April 2008 following the ERA announcement in October 2014 that CUC was selected to provide 39.7 MW of additional generation capacity subsequent to an open and competitive bid process (see "Generating Capacity and Capital Expenditures" (section 3.5)). The terms and conditions of the new Generation Licence are not materially different from the terms and conditions of the 2008 Generation Licence.

During 2016, the Cayman Islands Government passed legislation designed to facilitate the reform of the regulatory arrangements for the utilities sector. The objective of the legislation was to establish a multi-sector regulator known as the Utility Regulation and Competition Office ("OfReg") by merging the operations of the ICTA and the ERA and also to regulate the provision of water and waste water services and fuel markets. The Utility Regulation and Competition Office Law that established the OfReg came into effect on January 16, 2017, and transferred the powers, functions and responsibilities of the ERA and ICTA to the OfReg.

The OfReg has overall responsibility for regulating the electricity industry in the Cayman Islands in accordance with the ERA Law. The OfReg 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 OfReg also annually reviews and approves CUC's capital investment plan ("CIP"). The terms of the CIP 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. Rate base is the value of capital upon which the Company is permitted an opportunity to earn a return. The value of this capital is the average of the beginning and ending values for the applicable financial year of: fixed assets less accumulated depreciation, plus the allowance for working capital, plus regulatory assets less regulatory liabilities. Rates are subject to an annual review and adjustment each June through the RCAM. A price cap mechanism is used to adjust the base rates in accordance with a formula that takes into account inflation and CUC’s RORB. CUC’s annual target range is adjusted annually based on movements in the average yield of the 10-year US Treasury Notes. CUC’s RORB for 2017 was 6.9% as compared to 7.4% in 2016. CUC’s RORB for 2018 is targeted in the 7.0% to 9.0% range (2016: 6.75%-8.75%). The target range is adjusted annually for any material change on the average yield of the 10-year US Treasury Notes.

CUC’s base rates are designed to recover all non-fuel and non-regulatory costs and include per kWh electricity charges and fixed facilities charges. Fuel cost charges, renewables cost charges, and regulatory fees are billed as separate line items. Licence fees of 1% of electricity revenues, payable to the government, apply to individual customer billings for consumption of 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 2017 rates were adjusted by 1.6%, or 80% of the increase in Price Level Index as defined in the T&D Licence.

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

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

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

The OfReg assesses CUC's performance against the performance standard expectations set out in the ERA (Standard of Performance) Rules 2012. Performance standards provide a balanced framework of potential penalties or rewards compared to historical performance in the areas of planning, reliability, operating and overall performance. Standards include "zones of acceptability" where no penalties or rewards would apply. In April 2017, CUC's performance in respect of reliability was assessed to be outside the zone of acceptability and the OfReg approved a penalty related to the Company's performance for 2015-2016 in accordance with the T&D Licence. The total Z factor performance penalty of \$0.15 million was applied to customer billings as a per kWh credit on a one time-basis in June 2017.

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

On July 11, 2017, OfReg issued ICT 2017-1 Determination Pole Attachment Reservation Fees. OfReg's decision was that Datalink's charge of Reservation Fees in the manner provided for in the current contracts, in its view, was contrary to the ICT Law. Under the determination, Datalink was required to remove references to reservation fees in its contracts with other telecomm providers and to negotiate a refund to the telecomms of fees charged, including fees charged prior to 2017. Datalink was directed to amend the contracts within 30 days of the determination and negotiate the amounts to be refunded within 60 days of the determination.

As a result of a legal review and assessment of the Directives contained in ICT 2017 - 1, DataLink sought a stay of the decision and permission to apply for Judicial Review from the Cayman Islands Grand Court. Both the stay and permission to apply for Judicial Review were granted on August 11, 2017.

An order for directions was agreed between the parties and a timeline negotiated. A Grand Court hearing has been set for four days beginning on June 4, 2018.

3.3 Market

The following tables present customers, sales and operating revenues by segment for Fiscal 2017 and Fiscal 2016. The information presented does not include customers, sales and operating revenues related to DataLink as they are not considered to be material for the Company:

Customers (#)	Dec-2017	Dec-2016	Change %
Residential	24,853	24,429	2%
Commercial	4,307	4,249	1%
Total Customers	29,160	28,678	2%

Sales (thousands kWh)	Dec-2017	Dec-2016	Change %
Residential	312,812	299,079	5%
Commercial	302,094	300,825	0%
Other (street lighting, etc.)	6,880	6,795	1%
Total Sales	621,786	606,699	2%

Operating Revenues (thousands \$)	Dec-2017	Dec-2016	Change %
Residential	41,049	38,881	6%
Commercial	40,081	40,642	-1%
Other (street lighting, etc.)	654	660	-1%
Fuel & Renewables Revenues	89,157	81,519	9%
Total Operating Revenues	170,941	161,702	6%

Sales were positively impacted by an increase in average residential consumption and a 2% growth in customer numbers.

Fuel factor revenues increased due to an increase in global oil prices. The average Fuel Cost Charge rate per kWh charged to consumers for the year ended December 31, 2017 was \$0.14 compared to the Fuel Cost Charge rate of \$0.13 per kWh for the year ended December 31, 2016. CUC passes through 100% of fuel costs, including import duties, to consumers on a two-month lag basis without mark up.

The Company started to record renewables revenues in September 2017. The renewables revenues are a combination of charges from the Customer Owned Renewable Energy (“CORE”) programme and Entropy Cayman Solar Limited which are passed-through to consumers on a two-month lag basis with no mark-up. During 2015, the Company entered into a Power Purchase Agreement (“PPA”) with Entropy Cayman Solar Limited for a 25-year term. This 5 MW solar project was completed in June 2017 and in July 2017 the solar farm launched production.

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 2017 peak load was 105.6 MW compared with the Fiscal 2016 peak load of 103.4 MW.

3.4 Transmission and Distribution System

The Company's system is comprised of eight transformer substations, approximately 441 miles of land-based high-voltage (69 kiloVolt and 13 kiloVolt) T&D lines and 15 miles of high-voltage submarine cable in Grand Cayman. The 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 \$354.9 million and a net book value of \$222.0 million as of December 31, 2017

3.5 Generating Capacity and Capital Expenditures

CUC understands that reliability of service is critical to Grand Cayman's continued growth and development. CUC's installed generating capacity on December 31, 2017 was 161 MW, which remained unchanged from installed generating capacity in 2016.

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

The Company bases its generation expansion planning primarily on historical growth trends and planned major commercial developments. Furthermore, limits prescribed under its exclusive T&D Licence dictate reserve generating capacity, consisting of a minimum of 35% and maximum of 55% of projected demand, that the Company must maintain to ensure a reliable supply of electricity after allowance for breakdowns and scheduled maintenance. Under the T&D Licence, CUC must submit a Certificate of Need ("CON") to the OfReg 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.

The Company continues to facilitate the connecting of renewable energy sources to the grid. As an incentive to adopt renewable energy, with the OfReg's approval, the Company provides a customer owned renewable energy ("CORE") program. The program's rates are currently higher than the full retail rate for electricity generated by CUC and are set depending on the kW AC size of the installation and to be in accordance with the following approved feed-in tariff rates: 0-5 kW – CI\$0.30 per kWh, 5-10 kW – CI\$0.26 per kWh, for smaller residential and commercial systems and 20-100 kW – CI\$0.21 per kWh, for larger public sector customers. 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 limitation on installed, participating capacity. As of December 31, 2017 there were 242 CORE customers with a total installed capacity of 3,766.39 kW. The programme is reviewed from time-to-time and in May 2017, CUC and OfReg agreed to increase the total limitation for the CORE programme to 8 MW

after the previous allocation of 6MW was reached in March 2017. Under the May 2017 Core agreement 1MW is dedicated to the public sector.

During 2017, Entropy Cayman Solar Limited completed construction of the 5MW solar farm in Bodden Town, the first of its kind in the Cayman Islands. The farm was commissioned in June 2017 and provides sufficient energy to power approximately 800 homes with clean renewable solar energy and reduces emissions into the atmosphere through the avoidance of diesel fuel consumption.

The Company anticipates further renewable energy sources will be connected to the grid with a Request for Proposal (“RFP”) for renewable energy being conducted by the ERA in the near future.

Net generation of 654.3 million kWh for the year ended December 31, 2017 increased 4.0 million kWh, or 1%, from net generation of 650.3 million kWh for the year ended December 31, 2016. The Net Generation is energy generated from CUC’s firm generation facilities and excludes the Entropy Utility Scale Solar farm and the CORE energy.

Capital expenditures net of contribution in aid of construction for the twelve months ended December 31, 2017 were \$52.4 million, a \$5.9 million, or 13% increase from \$46.5 million in capital expenditures for the twelve months ended December 31, 2016.

The Company’s CIP for the period 2018 to 2022 in the amount of \$234 million was submitted to the OfReg in November 2017. In December 2016 the ERA approved CUC’s 2017-2021 CIP in the amount of \$219 million.

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

3.6 Fuel and Lubricating Oil Supply

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

Under the Company’s primary fuel supply agreement with RUBiS, the Company is committed to purchase approximately 60% of its diesel fuel requirements for its generating plant from RUBiS. The Company also has a secondary fuel supply contract with Sol and is committed to purchase approximately 40% of the Company’s fuel requirements for its generating plant from Sol. Contracts with RUBiS and Sol were executed in September 2012. Both contracts expired on July 31, 2014 and were renewed for two additional 18 month terms. The Company renewed its contract with RUBiS on September 1, 2016 for the final term and has extended the contract under the same terms until a new Contract is executed. The contract with Sol was renewed for the final term on March 1, 2016 and has extended the contract under the same terms until the new Contract is

executed. CUC issued an RFP to both Sol and Rubis and is expected to execute both new contracts in the first quarter of 2018 subject to OfReg approval.

CUC also has a five year contract for the supply of lubricating oil with Automotive Art Limited (“Automotive Art”), the Chevron authorized distributor of lubricants in the Cayman Islands. Prior to the June 2015 expiry of the original lube oil contract with Automotive Art the Company conducted an open bid process to select a supplier to ensure continued supply at the most competitive rate. Automotive Art won the bid, and the new five year contract expiring April 2021 was executed in April 2016.

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

3.7 Properties

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

3.8 Employees

As of December 31, 2017, CUC had 216 employees, approximately 90% of whom are Caymanian. The Company’s work force is non-unionized, and management believes that employee relations are good.

CUC has developed a strong specialized skills and knowledge base among its work force with a particular emphasis on engineering technical expertise, which has been achieved through the Company’s comprehensive training, employee development and scholarship programmes. CUC focuses on hiring and promoting Caymanian employees while attracting overseas experience and knowledge as necessary. CUC participates in the Investors In People Programme (“IIP”), a continuous business improvement framework and international quality standard. CUC has maintained the IIP standard certification since 2006, was awarded the silver level certification in 2014 and the higher gold level certification in July 2017. The achievement of the IIP gold certification demonstrates strong leadership, a compelling vision, and a culture of improvement in order to achieve higher performance.

Approximately 55% of employees are currently shareholders in the Company, and an Employee Share Purchase Plan exists to encourage employee ownership of Class A Ordinary Shares.

3.9 Insurance

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

3.10 Environmental Matters

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

CUC received International Organization for Standardization (“ISO”) 14001:2004 certification of its electric power generation and other activities, products and services at the North Sound Road site in July 2004. The required re-registration audit conducted in 2016 confirmed the Company’s conformity to the ISO 14001:2004 standard (the “Standard”). ISO 14001:2004 is an internationally recognized environmental standard developed by the ISO and confirmed to the Company by SAI Global, a globally recognized and accredited third party registrar. The Company’s ISO certification initiative was undertaken in 2002 as part of its commitment to environmental responsibility and community leadership.

The Company launched several major environmental initiatives throughout the ISO 14001:2004 certification process, including the implementation of an environmental management system (“EMS”) as required by the Standard. As part of the Standard, an external surveillance audit of the EMS was successfully conducted in March 2017, and an internal audit of the EMS was successfully conducted in October 2017. During 2017, EMS activities included: (i) the ongoing segregation of scrap metals consisting mainly of aluminum conductor and damaged transformers for recycling overseas, (ii) recycling of used oil, (iii) ongoing emergency preparedness planning, (iv) continuous employee, contractor and public education programmes and (v) stringent environmental and structural design standards, air quality, fuel and lubricating oil monitoring and control operating standards, process water cooling monitoring and control operating standards.

The Company complies in all material respects with all Cayman Islands planning and environmental regulations and the financial and operational effects on capital expenditures is negligible. Although environmental regulations in the Cayman Islands are less onerous than those

in North America, the Company acts responsibly in environmental matters and in compliance with all material aspects of the environmental regulations of the Cayman Islands.

None of the existing transformers used in the T&D system use polychlorinated biphenyls. An underground fuel pipeline eliminates the need for trucking fuel to the Company's generating plant and reduces the potential damage to the Island's coral reefs and beaches from a fuel oil spill. CUC is responsible for the piping of the fuel from the vendors' distribution terminals on the coast of Grand Cayman to the day tank holding facilities at the Company's generating plant. The Company continues to burn diesel fuel oil that results in significantly lower levels of exhaust emissions than that produced through the burning of heavy fuel oil. More recently installed diesel generators incorporate improvements to provide electricity in a more efficient and environmentally friendly manner and are designed to provide an increased kWh output per gallon consumed than the older generators. The Company's exhaust stacks have been designed and installed of sufficient height to optimize exhaust plume dispersion and with a resulting impact on air quality to meet best industry practice.

The Company's efforts to reduce transmission, distribution and station losses also improve energy efficiencies. The Company continues to promote its Energy Smart programme with the objective of educating its customers about energy efficiency and conservation at home and in the workplace. The Company is working with the Government and the OfReg 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" (Section 3.5).

In March 2007 the United Kingdom's ("UK") 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 ("GHG") emissions produced by certain industries. As an overseas territory, the Cayman Islands are required to give available national statistics on an annual basis to the UK which are expected to be added to its inventory and reported to the UNFCCC Secretariat. Under the Convention governments are obligated to gather and report information on GHG emissions through the preparation of a national greenhouse gas inventory. The inventory primarily requires each participating country to quantify as best as possible its fuel consumption across a variety of sectors, production processes and distribution means. On an annual basis CUC supplies the Cayman Islands Government with this data in respect of the Company's diesel fuel consumption.

A committee to establish a National Energy Policy ("NEP") was appointed by the Government in 2010. The goal of the policy is to ensure security, reliability and affordability of energy supplies in the Cayman Islands, as well as to reduce the Islands' carbon footprint and diversify power sources. A draft NEP was issued for discussion in 2013 but was not legislated. In January 2016, the Government appointed a new NEP Review Committee which included CUC representation. On February 7, 2017, the draft 2017-2037 NEP was released for public commentary. The report details high-level targets, which include adoption of Paris Accord CO2 reduction targets, encouragement of energy efficiency in buildings and promotion on electric vehicles. Additionally the NEP targets 70% of total electricity energy to come from renewable sources by 2037. To achieve the targets of the NEP significant investments in new infrastructure in a phased in approach will be required. The company sees these investments as opportunity to expand services and

business in the Service territory. It is not expected that any of the existing infrastructure will be made redundant as changes will occur as existing older assets retire as originally planned. Cabinet approved the NEP on February 21, 2017. The recommendations of CUC's Integrated Resource Plan are closely aligned with the NEP targets. .

4.0 BUSINESS RISKS

The following is a summary of the Company's significant business risks. For a complete list of CUC's business risks, please refer to the section titled "Business Risks" in CUC's Management's Discussion and Analysis, which is included in CUC's Annual Report to Shareholders, incorporated by reference herein (refer to Section 8.0 herein), in conjunction with the risk factors set out below:

Operational Risks

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

Economic Conditions

As with most utility companies, the general economic condition of CUC's service area, Grand Cayman, influences electricity sales. Changes in consumer demographic, income, employment and housing are all factors in the amount of sales generated. As the Company supplies electricity to all hotels and large properties, its sales are therefore partially based on tourism and related industry fluctuations. World economic conditions, particularly those in North America, directly impact Grand Cayman's tourism industry, as 81% of the island's stay-over visitors arrive from the U.S. annually, which affects electricity sales.

Regulation

The Company operates within a regulated environment and the operations of the Company are subject to the normal uncertainties faced by regulated companies. Such uncertainties include approval by the OfReg 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, and the assessment of penalties against the Company for not meeting regulatory performance standards. 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 OfReg for recovery of these costs through higher rates. However, there is no assurance that the OfReg would approve such application.

Weather

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

Environmental Matters

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

CUC's EMS is registered to the ISO 14001:2004 Environmental Standard. The Company was initially registered in 2004, pursuant to an audit of the EMS by a third party to ensure that the Company was meeting requirements put in place by the Government as well as self-imposed requirements. Under the ISO 14001:2004 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 conducted, and passed, its re-registration audit in June 2016, conducted a surveillance audit in March 2017, and an internal audit of the system in October 2017.

In May 2002, the United Kingdom ("UK") ratified the Kyoto Protocol, which sets targets and timetables for the reduction of greenhouse gas ("GHG") emissions, which was later extended to the Cayman Islands in March 2007. Under the Kyoto Protocol, the UK is legally bound to reduce its GHG emissions, but Cayman has no emissions reduction target. As an overseas territory, the Cayman Islands are required to give available national statistics on an annual basis to the UK which will be added to its inventory and reported to the UNFCCC Secretariat. Under the Convention governments are obligated to gather and report information on GHG emissions through the preparation of a national greenhouse gas inventory. The inventory primarily requires the Cayman Islands to quantify as best as possible the country's fuel consumption across a variety of sectors, production processes and distribution means. CUC continues to supply the Department of Environment with data for Cayman's GHG inventory.

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

5.0 GENERAL DESCRIPTION OF CAPITAL STRUCTURE

5.1 Share Capital

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

- a) 60,000,000 Class A Ordinary Shares of nominal or par value of CI\$0.05 each, 32,994,972 of which were issued and outstanding as of December 31, 2017 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, 2017. The Class B Preference Shares entitle the holders to a fixed cumulative preferential dividend at the rate of 9% per annum as well as the participating dividend noted above.

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

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

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

Subject to the Articles and the Companies Law of the Cayman Islands, the Board may fix the number of Class C Preference Shares in each series, the designation, rights, privileges, restrictions and conditions attached to the Class C Preference Shares in each series, including without any limitation any voting rights, any right to receive dividends, any terms and

conditions of redemption or purchase, any conversion rights and any rights on liquidation, dissolution or winding up of the Company.

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

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

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

On a return of assets on liquidation or otherwise, holders of the Class B Preference Shares, Class C Preference Shares and the Class D Preference Share (collectively, the “Preference Shares”) will be paid the amount of the par value and premium of each share together with any accrued and unpaid dividends 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 for the community it serves.

Long-Term Debt

3.90% and 4.64% Senior Unsecured Notes Issuance

On March 27, 2017 and May 25, 2017, the Company completed the private placement of \$60 million aggregate principal amount of 3.90% and 4.64% Senior Unsecured Notes in the amount of \$40 million and \$ 20 million due November 25, 2031 and November 25, 2048, respectively. The first tranche in the amount of US\$40 million 3.90% Notes closed on March 27, 2017 and the remaining US\$20 million 4.64% Notes closed on May 25, 2017. 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 to CUC's generation capacity and transmission and distribution system.

Senior Unsecured Loan Notes Outstanding (\$ thousands)

The following table shows all outstanding Senior Unsecured Loan notes and the amounts outstanding thereunder.

Description	December 31, 2017	December 31, 2016
5.09% Senior Unsecured Loan Notes due 2018	4,000	8,000
5.96% Senior Unsecured Loan Notes due 2020	9,000	12,000
5.65% Senior Unsecured Loan Notes due 2022	20,000	24,000
7.50% Senior Unsecured Loan Notes due 2024	40,000	40,000
4.85% Senior Unsecured Loan Notes due 2026	15,000	15,000
3.34% Senior Unsecured Loan Notes due 2028	10,000	10,000
3.65% Senior Unsecured Loan Notes due 2029	30,000	30,000
5.10% Senior Unsecured Loan Notes due 2031	25,000	25,000
3.54% Senior Unsecured Loan Notes due 2033	40,000	40,000
3.85% Senior Unsecured Loan Notes due 2034	5,000	5,000
4.53% Senior Unsecured Loan Notes due 2046	15,000	15,000
3.90% Senior Unsecured Loan Notes due 2031	40,000	-
4.64% Senior Unsecured Loan Notes due 2048	20,000	-
	273,000	224,000
Less: Current portion of long-term debt	<u>(16,714)</u>	<u>(11,000)</u>
	<u>256,286</u>	<u>213,000</u>

Required long-term debt repayments on the Senior Unsecured Notes per fiscal year are as follows:

Year	\$
2018	16,714
2019	12,714
2020	14,857
2021	14,130
2022	15,559
2023 and later	199,026

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

Certain of the Company's short-term and long-term debt obligations have covenants restricting the issuance of additional debt such that consolidated debt cannot exceed 60 per cent of the Company's consolidated capital structure. As at December 31, 2017, the Company was in compliance with all debt covenants.

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

The Company sets the amount of capital in proportion to risk. The debt to equity ratio is managed through various methods the Company's share purchase plans.

The Company's capital structure as of December 31, 2017 compared to December 31, 2016 is shown in the table below:

	December 31, 2017 (millions \$)	%	December 31, 2016 (millions \$)	%
Total Debt	271.6	55	252.7	53
Shareholders' Equity	224.4	45	220.0	47
Total	496.0	100	472.7	100

The Company repaid \$8.0 million in current portion of long term debt in June 2017, and in December 2017 the Company repaid \$3.0 million in current portion of long term debt.

In January 2016 the Company negotiated revised credit facility terms with Scotiabank & Trust (Cayman) Limited ("Scotia"). The Company currently has \$50 million of unsecured credit facilities with Scotia and the Royal Bank of Canada ("RBC") comprised of:

Description	Thousands \$
Provided by Scotia:	
Capital Expenditures Line of Credit	31,000
Operating Line of Credit	10,000
Catastrophe Standby Loan	7,500
Letters of Credit	<u>1,000</u>
Total	49,500
Provided by RBC:	
Corporate Credit Card Line	500
Total	50,000

As of December 31, 2017, \$49.0 million of the above credit facilities were available (\$19.0 million at December 31, 2016). Management constantly reviews its level of credit facilities based on liquidity needs.

6.0 DIVIDEND POLICY

Class A Ordinary Share dividends are normally paid, at the discretion of the Board, in March, June, September and December. The most recent Class A Ordinary Share dividend was paid in December 2017 at the rate of \$0.17 per share. Dividends have been paid on the Class A Ordinary Shares each quarter since 1984 with the exception of December 2004, when the Board elected not to declare a dividend in consideration of the impact of Hurricane Ivan on the cash flow of the Company. Regular quarterly dividend payments on the Class A Ordinary Shares resumed in March 2005.

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

A Class B Preference Share participating dividend of \$1.98 was paid on March 15, 2017. The Company has historically paid Class B Preference Share participating dividends together with the Class A Ordinary Share dividends in March of each year.

The following table sets forth a summary of dividends paid per Class A Ordinary Share and Class B Preference Share for the financial years ended December 31, 2015, December 31, 2016 and December 31, 2017:

	2017 (\$)	2016(\$)	2015 (\$)
Class A Ordinary Shares	0.680	0.675	0.66
9% Class B Preference Shares	3.80	3.78	3.72

7.0 CREDIT RATINGS

Debt securities issued by CUC are rated by Standard and Poor’s (“S&P”) and Dominion Bond Rating Service (“DBRS”) as set out below. The ratings assigned to CUC’s securities are reviewed by these agencies on an ongoing basis. Credit ratings are intended to provide investors with an independent measure of credit quality of an issue of securities and are not recommendations to buy, sell or hold securities. Ratings may be subject to revision or withdrawal at any time by the credit rating organization. CUC’s credit ratings were as follows as at December 31, 2017:

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 June 2017, S&P affirmed the Company's "A-" rating with a stable outlook. The A- rating of CUC 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 in the Cayman Islands. 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 January 2018 DBRS affirmed the Company's 'A' credit rating while maintaining the categorisation of low with a Stable trend. Considerations for the rating were a supportive regulatory regime, solid credit metrics, a stable island economy and demand for electricity. Impacting the rating were such factors as hurricane event risk and small size of customer base.

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

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

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

8.0 MANAGEMENT'S DISCUSSION AND ANALYSIS

Reference is made to the Management's Discussion and Analysis ("MD&A") on pages 9 through 39 of CUC's Annual Report to Shareholders for the year ended December 31, 2017, 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, 2017. The closing price of the Class A Ordinary Shares on the TSX as of December 31, 2017 was \$13.79 per share.

	High (\$)	Low (\$)	Volume (shares)
January 2017	13.25	12.78	28,179
February 2017	13.35	12.87	21,480
March 2017	18.89	13.00	42,457
April 2017	13.47	13.20	25,161
May 2017	13.49	13.18	25,850
June 2017	13.97	12.83	50,085
July 2017	13.75	13.00	13,547
August 2017	13.62	13.10	38,444
September 2017	13.75	12.58	39,642
October 2017	13.50	13.01	30,659
November 2017	13.99	13.00	45,964
December 2017	13.89	13.30	24,871
Fiscal 2017	18.89	12.58	386,339

Fortis Energy (Bermuda) Ltd. (“FEBL”), a wholly-owned subsidiary of Fortis Inc., is the controlling shareholder of the Company and held approximately 59% of the issued and outstanding Class A Ordinary Shares as of December 31, 2017. No person or entity other than FEBL owns beneficially or of record, directly or indirectly, more than 10% of the issued and outstanding Class A Ordinary Shares of the Company, to the knowledge of the Company.

10.0 DIRECTORS AND OFFICERS

The following table discloses the name, place of residence and office of each member of the Board as of December 31, 2017. All directors have been elected to serve until the next Annual General Meeting of shareholders, scheduled to be held on May 10, 2018, 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
Jennifer P. Dilbert, MBE, JP ⁽²⁾ Grand Cayman, Cayman Islands	Retired Civil Servant.	2017

Sheree L. Ebanks ⁽³⁾ Grand Cayman, Cayman Islands	Chief Executive Officer, Cayman Islands Institute of Professional Accountants, a non-profit professional society and regulatory body.	2014
Woodrow Foster ⁽³⁾ Grand Cayman, Cayman Islands	Managing Director, Fosters Food Fair, an independent grocery store chain.	2014
J.F. Richard Hew ⁽¹⁾ Grand Cayman, Cayman Islands	President and Chief Executive Officer, Caribbean Utilities Company, Ltd.	2003
Eddinton M. Powell, JP ⁽²⁾ Providenciales, Turks and Caicos	President and Chief Executive Officer, FortisTCL, an integrated electrical utility company	2007
David E. Ritch, OBE, JP ⁽²⁾⁽³⁾ Grand Cayman, Cayman Islands	Attorney-at-Law, Ritch and Conolly; Chairman of the Board of Directors, Caribbean Utilities Company, Ltd. (non-executive position)	1988
Gary J. Smith ⁽³⁾ Newfoundland and Labrador, Canada	Executive Vice-President, Eastern Canadian & Caribbean Operations, Fortis Inc., a diversified utility holding company.	2016
Peter A. Thomson Grand Cayman, Cayman Islands	Retired Executive, Caribbean Utilities Company, Ltd.	1986
Lynn R. Young Ladyville, Belize	President and Chief Executive Officer, Belize Electric Company Limited (BECOL), an independent power production Company.	2011

Notes:

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

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

1. Sheree L. Ebanks: Served as Director and Head of Wealth Management and Fiduciary Services at Butterfield Bank (Cayman) Limited prior to April 2013.
2. Gary J. Smith: Served as President and Chief Executive Officer of Newfoundland Power Inc prior to June 1, 2017 and Vice-President Operations and Engineering, Newfoundland Power Inc., prior to August 2014.
3. Jennifer P. Dilbert: Served as Information Commissioner for the Cayman Islands until December 2013, when she retired from the civil service.

The Articles provide for a mandatory retirement age of 70 years for directors of the Company pursuant to special resolutions passed at the 2003 Annual General and Special Meeting of Shareholders. Directors will be required to vacate the office of director and any officer's position at the first general meeting after reaching such age. All of the directors are below age 70.

The following table discloses the name, place of residence and office of each executive officer of CUC as of December 31, 2017. Each executive officer has held the office indicated opposite his/her respective name as noted below:

Name and Residence	Office
J.F. Richard Hew, Grand Cayman, Cayman Islands	President & Chief Executive Officer
Letitia T. Lawrence , Grand Cayman, Cayman Islands	Vice-President Finance, Corporate Services & Chief Financial Officer. Company Secretary
Sacha N. Tibbetts, Grand Cayman, Cayman Islands	Vice-President Customer Service & Technology ⁽¹⁾
David C. Watler, Grand Cayman, Cayman Islands	Vice-President Operations

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. Sacha N. Tibbetts was appointed to his present position in June 2016 and prior to that time served as Manager Engineering and Business Development of CUC.

To the knowledge of the Company, the directors and executive officers of the Company as a group beneficially owned, directly or indirectly, or controlled or directed 185,977 Class A Ordinary Shares, representing 0.56% of all Class A Ordinary Shares of the Company outstanding as of December 31, 2017.

11.0 AUDIT COMMITTEE

11.1 Education and Experience

The Audit Committee is comprised of four individuals as of December 31, 2017. The education and experience of each committee member that is relevant to his or her responsibilities as a member of the Audit Committee are described below.

Name	Relevant Education and Experience
J. Bryan Bothwell, MBE (Chairman) Grand Cayman, Cayman Islands	Mr. Bothwell is the retired Chief Executive Officer (Managing Director) of Ansbacher (Cayman) Limited and was employed in the banking and trust industry in the Cayman Islands for 35 years prior to retirement. He is an Associate of the Chartered Institute of Bankers.
Jennifer P. Dilbert, MBE, JP Grand Cayman, Cayman Islands	Mrs. Dilbert is a retired civil servant, and was employed as the Cayman Islands first Information Commissioner until December 2013. Prior to this, she served as the Cayman Islands Government Representative in the United Kingdom and as head of the Cayman Islands Monetary Authority. Mrs. Dilbert previously served as Executive Director of Deutsche Bank (Cayman) Ltd. and as Inspector of Financial Services for the Cayman Islands Government.
Eddinton Powell, JP Providenciales, Turks and Caicos Islands	Mr. Powell is the President and Chief Executive Officer of FortisTCI Limited, in the Turks and Caicos Islands. He holds a Bachelor of Science Degree in Accounting from the International College, Cayman Islands and a Master's Degree in accounting and

	business from Nova Southeastern University. Mr. Powell has completed executive courses at the Harvard University Business School and the New York Institute of Finance. Mr. Powell currently serves on the Boards of the Belize Electric Company Limited (BECOL) and The Caribbean Electric Utility Services Corporation (Carilec). He previously served as Senior Vice President and Chief Financial Officer of Caribbean Utilities Company, Ltd., on the Board of Directors of Belize Electricity Ltd (BEL), and as Chairman of Cayman Islands Development Bank.
David E. Ritch, OBE, JP Grand Cayman, Cayman Islands	Mr. Ritch is the senior partner of Ritch & Conolly, a Cayman Islands law firm practising, inter alia, banking, general corporate and insolvency law. He holds an LL.B Degree with Honours from the University of the West Indies and attended the Inns of Court School of Law in London, England, where he completed the Bar Final exams as an Honours student. He was called to the Bar of England and Wales by the Honourable Society of the Inner Temple and is also admitted as an Attorney-at-Law in the Cayman Islands. Mr. Ritch currently serves as non-executive Chairman on the Board of Directors of FirstCaribbean International Bank Limited and on the Board of Directors of FirstCaribbean International Bank (Cayman) Limited. He is also a member of the Audit and Governance Committee, the Finance, Risk and Conduct Review Committee and the Change, Operations, Technology and Human Resources Committee of FirstCaribbean International Bank.

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

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

11.2 Audit Committee Mandate

The text of the Audit Committee mandate, which was amended in August 2017, is reproduced below.

1.0 OBJECTIVE

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.

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

- 1.1 Integrity of the Company's financial statements.
- 1.2 Company's compliance with legal and regulatory requirements, including assistance to the Board in compliance with the continuous disclosure obligations as required by the Canadian Securities Administrators (CSA) rules and policies.
- 1.3 External Auditor's qualifications and independence.
- 1.4 Performance of the Company's Internal Auditor and External Auditors.

2.0 DEFINITIONS

In this mandate:

- 2.1 **"Board"** means the board of directors of the Company;
- 2.2 **"CICA"** means the Canadian Institute of Chartered Accountants or any successor body;
- 2.3 **"Committee"** means the Audit Committee of the Board;
- 2.4 **"Company"** means Caribbean Utilities Company, Ltd. (CUC);
- 2.5 **"Director"** means a member of the Board;
- 2.6 **"External Auditor"** means the firm of chartered accountants appointed by the shareholders to act as External Auditor of the Company;
- 2.7 **"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;
- 2.8 **"Independent"** means free from any direct or indirect material relationship with the Company which, in the view of the Board, could reasonably be expected to interfere with the exercise of a Member's independent judgment as more particularly described in National Instrument 52-110;
- 2.9 **"Internal Auditor"** means the person employed or engaged by the Company to perform the internal audit function of the Company;
- 2.10 **"Management"** means the senior officers of the Company;
- 2.11 **"MD&A"** means the Company's management discussion and analysis prepared in accordance with National Instrument 51-102F1 in respect of the Company's annual and interim financial statements; and
- 2.12 **"Member"** means a member of the Committee.

3.0 AUTHORITY

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

- 3.1 Pre-approve all auditing and permitted non-audit services performed by the Company's external audit firm.
- 3.2 Retain independent counsel, accountants, or others to advise the Committee or assist in the conduct of an investigation.
- 3.3 Meet with Management, Internal Auditor, External Auditors, or outside counsel, as necessary.
- 3.4 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.

4.0 ORGANISATION AND COMPOSITION

- 4.1 The Committee shall be appointed annually by the Board and shall be comprised of three (3) or more Directors:-
 - (1) none of whom is a member of Management or an employee of the Company;
 - (2) all of whom are Independent;
 - (3) the Chair of the Board shall be a member of the Committee;
 - (4) every Audit Committee member must be financially literate; and
 - (5) a member shall be appointed Chair of the Committee by the Board.

5.0 MEETINGS

- 5.1 The Committee will meet at least four times a year, with authority to convene additional meetings, as circumstances require.
- 5.2 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.
- 5.3 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 attend all meetings of the Committee.
- 5.4 A quorum at any meeting shall be a majority of the Members of the Committee.
- 5.5 The Committee will meet without Management present for a portion of each meeting.
- 5.6 The Committee shall meet separately with Management, with Internal Auditors and with External Auditors at least once in each year.
- 5.7 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.
- 5.8 The Secretary of the Company shall act as secretary of all meetings of the Committee unless otherwise determined by the Chair of the Committee.
- 5.9 Meeting agendas will be prepared and provided in advance to members, along with appropriate briefing materials. Minutes will be prepared.

6.0 RESPONSIBILITIES

The Committee will carry out the following responsibilities:

6.1 Financial Statements

- (A) 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:
 - i. Complex or unusual transactions and highly judgmental areas.
 - ii. Major issues regarding accounting principles and financial statement presentations, including any significant changes in the Company's selection or application of accounting principles.
 - iii. The effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of the Company.
- (B) 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.
- (C) 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.
- (D) 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;
- (E) 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;
- (F) 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.
- (G) Review and recommend for Board approval the annual audited financial statements and to review the quarterly financial statements, including the Company's disclosures under MD&A, interim and annual earnings press releases relating to the disclosure of the statements before the issuer publicly discloses this information.
- (H) 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.

- (I) 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. (Canadian NI 52-109).

6.2 Internal Control

- (A) Consider the effectiveness of the Company's internal control system, including information technology security and control.
- (B) 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.
- (C) Review and evaluate that management is setting the appropriate tone at the top by communicating the importance of internal controls and ensuring that all individuals understand their roles and responsibilities.

6.3 Internal Audit

- (A) Review with Management and the Internal Auditor the charter, plans, activities, staffing, internal audit reports and organizational structure of the internal audit function.
- (B) Ensure there are no unjustified restrictions or limitations on, and review and concur in the appointment, replacement, or dismissal of the Internal Auditor.
- (C) 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.
- (D) 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.

6.4 External Audit

- (A) Review the External Auditors' proposed audit scope and approach, including coordination of audit effort with internal audit.
- (B) 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:

- (C) At least annually, obtain and review a report by the External Auditor describing (in connection with the External Auditor's determination of its independence) all relationships between the External Auditor and the Company.
- (D) Take into account the opinions of Management and Internal Auditor.
- (E) Review and evaluate the lead partner of the External Auditor.
- (F) Present its recommendations with respect to the External Auditor to the Board.
- (G) 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.
- (H) Present its conclusions with respect to the External Auditor to the full board.
- (I) Approve hiring policies for employees or former employees of the External Auditors.
- (J) On a regular basis, meet separately with the External Auditors to discuss any matters that the committee or Auditors believe should be discussed privately.
- (K) The External Auditor should communicate the following with the Committee prior to the completion of the audit:
 - a) the audit and non-audit services that the External Auditor is providing to the Company;
 - b) the level of responsibility assumed by the External Auditor under generally accepted auditing standards; and
 - c) a summary of the planned audit approach:
 - i. the general approach to the audit;
 - ii. areas of the financial statements identified by the Auditor, Management or the Committee as having a high risk of material misstatement and the Auditor's response thereto;
 - iii. the materiality and audit risk levels;
 - iv. the preliminary assessment of internal control, the planned extent of audit work related to internal control and the effect of any control reliance on year-end procedures;
 - v. how matters communicated with the Committee during the planning process affect the planned nature and scope of the audit;
 - vi. the effects of any new developments in accounting standards or regulatory requirements on the entity's financial reporting;
 - vii. planned reliance on other Auditors, how the expectations will be communicated to the other Auditors and how their findings will be communicated to the Committee;
 - viii. use of specialists, if any;
 - ix. the timing of the audit;
 - x. the experience and qualifications of the senior members of the External Auditor team and the quality control procedures of the External Auditor;

- xi. the External Auditor's engagement letter; and,
 - xii. the estimated External Auditor's fees.
- (L) 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.
- (M) 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;
- (N) Approve the retention of the External Auditor for any non-audit service and the fee for such service;
- (O) Oversee the work of the External Auditor.

6.5 Compliance

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

6.6 Reporting Responsibilities

- (A) 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.
- (B) Provide an open avenue of communication between Internal Auditor, the External Auditors, and the Board of Directors.
- (C) 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.
- (D) Review any other reports the Company issues that relate to Committee responsibilities.

6.7 Whistle-Blower Policy

- (A) 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.

6.8 Other Responsibilities

- (A) 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
- (B) Discuss with Management the Company's major policies with respect to risk assessment and risk Management.
- (C) To review the Company's policy on insurance management and the preservation of assets generally.
- (D) To review the Company's objectives, policies and performance on issues related to the natural environment.
- (E) To review the Company's objectives, policies and performance on issues related to employee and public safety.
- (F) To review such other matters related to overall risk management by the Company that it deems necessary.
- (G) Perform other activities related to this mandate as requested by the Board of Directors.
- (H) Institute and oversee special investigations as needed.
- (I) Confirm annually that all responsibilities outlined in this mandate have been carried out.
- (J) Evaluate the Committee's and individual members' performance at least annually.

11.3 Pre-Approval of Audit and Non-Audit Services

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

11.4 External Auditor Service Fees

The external auditors of the Company for the one year period ended December 31, 2017 are Deloitte LLP., ("Deloitte"), Springdale Street, St. John's, NL. Deloitte was first appointed at the Company's 2017 annual meeting held on Thursday, May 11, 2017. The Company has been advised by Deloitte that the partners and senior management of Deloitte, together with each employee or consultant of Deloitte who participated in and who was in a position to directly influence the preparation of Deloitte's audit report on the audited consolidated financial statements of the Company for the year ended December 31, 2017, hold no interest in the securities of CUC and that Deloitte is independent with respect to the Company in accordance with the independence requirements of The International Federation of Accountants. Ernst & Young Ltd., Cayman Islands ("E&Y"), George Town, Grand Cayman, Cayman Islands, served as External Auditors of the Company for the year ended December 31, 2016.

Fees paid by CUC to Deloitte in Fiscal 2017 and to its previous External Auditors E&Y for the first quarter of 2017 and Fiscal 2016, respectively, for audit, audit-related and non-audit services were as follows:

	December 31, 2017 (\$)	December 31, 2016 (\$)
CUC Audit fees	284,415	277,500
DataLink Special Report	12,600	10,000
Total	297,015	287,500

12.0 MATERIAL CONTRACTS

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

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

13.0 REGISTRAR AND TRANSFER AGENT

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

14.0 ADDITIONAL INFORMATION

Additional information relating to the Company may be found on SEDAR at www.sedar.com. Further additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issuance under equity compensation plans is contained in the Company's Management Information Circular for CUC's annual meeting of shareholders to be held on May 10, 2017. Additional financial information is provided in the Company's comparative financial statements for the one year period ended December 31, 2017 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).