

General Data

About the Company

Caribbean Utilities Company, Ltd., known locally as "CUC", commenced operations as the only electric utility in Grand Cayman on May 10, 1966. The Company currently has an installed generating capacity of 131.65 megawatts ("MW"), in addition to 7.5 MW of temporary generation and the record peak load of 102.086 MW was experienced on June 3, 2010. CUC is committed to providing a safe and reliable supply of electricity to over 28,000 customers. The Company has been through many challenging and exciting periods but has kept pace with Grand Cayman's development for the past 50 years.

About the Cayman Islands

The Cayman Islands, a United Kingdom Overseas Territory with a population of approximately 54,000, are comprised of three islands: Grand Cayman, Cayman Brac and Little Cayman. Located approximately 150 miles south of Cuba, 460 miles south of Miami and 167 miles northwest of Jamaica, the largest island is Grand Cayman with an area of 76 square miles.

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

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Readers should review the Note on page 10 in this Annual Report, in the Management's Discussion and Analysis section, concerning the use of forward-looking statements, which applies to the entirety of this Annual Report to shareholders.

Highlights

Financial Results in Brief			
(Expressed in thousands of United States Dollars unless stated otherwise)			
	Year ended	Year ended	
	December 31,	December 31,	
	2015	2014	Change %
Operating Revenues	188,880	231,705	-18%
Electricity Sales Revenues	76,747	73,408	5%
Fuel Factor	112,133	158,297	-29%
Total operating expenses	163,613	206,377	-21%
Finance Charges	7,301	9,115	-20%
Earnings for the year	22,842	20,815	10%
Total assets	482,806	463,830	4%
Total shareholder's equity	214,489	179,835	19%
Cash from operations	59,021	46,780	26%
Earnings per Class A Ordinary Share	0.71	0.68	4%
Dividends per Class A Ordinary Share (paid and declared)	0.66	0.66	0%
Book value per Class A Ordinary Share	6.62	6.14	8%
Class A Ordinary Shares			
Market Price: High	11.80	11.33	4%
Low	10.30	10.05	2%
Year-end	11.20	10.65	5%

Performance

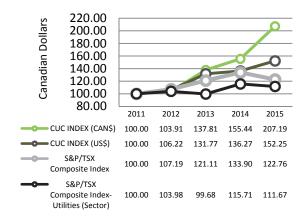
Net earnings for the year ended December 31, 2015 were \$22.8 million. A 3% increase in kilowatt-hour ("kWh") sales, 1.5% and 0.9% base rate increases effective June 1, 2014 and June 1, 2015 respectively, lower finance charges and increased other income resulted in an increase year-over-year from \$20.8 million for the year ended December 31, 2014. Dividends paid and declared on Class A Ordinary Shares were \$0.66 per share. The Class A Ordinary Shares (CUP.U) traded on the Toronto Stock Exchange at a high of \$11.80 per share in 2015.

Rate of Exchange

The closing rate of exchange on December 31, 2015 as reported by the Bank of Canada for the conversion of United States dollars into Canadian dollars was Cdn\$1.3840 per US\$1.00. The official exchange rate for the conversion of Cayman Islands dollars into United States dollars as determined by the Cayman Islands Monetary Authority is fixed at CI\$1.00 per US\$1.20. Thus, the rate of exchange as of December 31, 2015 for conversion of Cayman Islands dollars into Canadian dollars was Cdn\$1.6608 per CI\$1.00 (December 31, 2014: Cdn\$1.3921).

Share Performance

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



Information reflected in this Highlights section should be read in conjunction with the disclosure contained in the following Management's Discussion and Analysis and its associated cautions beginning on page 10. All dollar amounts in this 2015 Annual Report are stated in United States dollars unless otherwise indicated.

Letter to Fellow Shareholders



It is our pleasure to report the financial performance and operational progress of Caribbean Utilities Company, Ltd. ("CUC" or the "Company") for the twelve-month period ended December 31, 2015 ("Fiscal 2015").

Financial Performance

Net earnings for the year ended December 31, 2015 ("Fiscal 2015") were 22.8 million, a \$2.0 million increase from net earnings of \$20.8 million for the year ended December 31, 2014 ("Fiscal 2014"). This increase is attributable to a 3% increase in kilowatt-hour ("kWh") sales, 1.5% and 0.9% base rate increases effective June 1, 2014 and June 1, 2015 respectively, lower finance charges and increased other income. These items were partially offset by higher depreciation, maintenance and general and administration costs.

After the adjustment for dividends on the preference shares of the Company, earnings on Class A Ordinary Shares for Fiscal 2015 were \$21.9 million, or \$0.71 per Class A Ordinary Share as compared to \$19.9 million, or \$0.68 per Class A Ordinary Share for Fiscal 2014. The Company successfully completed a Rights Offering (the "Offering") on May 4, 2015. The Offering raised gross proceeds of \$31,563,639 through the issue of 2,930,700 Class A Ordinary Shares.

Kilowatt-hour sales for Fiscal 2015 were 582.0 million kWh, an increase of 17.8 million kWh or 3% when compared to 564.2 million for Fiscal 2014. Sales were positively impacted by large commercial development, growth in customer numbers and warmer weather conditions that affected customer air conditioning usage. The average temperature for 2015 was 83 degrees Fahrenheit compared to 82 degrees for 2014.

Electricity sales revenue increased \$3.3 million for Fiscal 2015 to \$76.7 million when compared to electricity sales revenues of \$73.4 million for Fiscal 2014. This increase is attributable to a 3% increase in kWh sales and the 0.9% and 1.5% base rate increases effective June 1, 2015 Sales per Employee

and June 1, 2014 respectively.

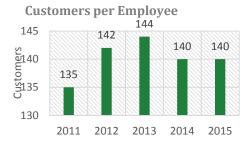
Safety and the Environment

The safety of all of our employees as well as of contractors and members of the public remained a high priority during 2015. Improvements continued on work methods and practices to ensure that jobs were being performed safely. Numerous training programmes which focussed specifically on safety were provided to employees in an effort to keep the workforce safe. Employees took part in an annual Safety Time-Out where targets for health and safety were set and training conducted on completing investigations. The session was aimed at refocusing and reminding employees of the steps they need to take to stay safe on the job.

Upgrades were also made to the Company's Environmental Health and Safety ("EHS") data management software.

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2014



The Company hosted its second Contractor's Workshop in 2015. This workshop provided an opportunity for contractors who work around electrical equipment to learn first-hand what safety procedures are required. The workshop also hosted vendors who showcased safety products that are available on Grand Cayman.

CUC held training for First Responders on how to remain safe when dealing with accidents involving electrical components. Members from Hazard Management, 911 Emergency Services, Police Services and the Red Cross attended the training. This was the second time this event was held, and plans are to have this training conducted annually.

In 2015 CUC launched the MoveSafe programme. This programme is aimed at reducing musculoskeletal injuries through teaching staff how to prepare the work area and equipment, and maintain safe posture and movement as they work. Thirteen MoveSafe leaders have been trained to lead their teams at the beginning of each work day with warm-ups.

On January 27, 2016, the Company celebrated an entire year without a lost time injury ("LTI"). The only LTI for Fiscal 2015 occurred in early January 2015. This was a notable achievement for the Company's safety record.

The Company's Environmental Management System ("EMS") successfully passed the surveillance audit of the system in 2015. CUC's EMS is registered to the International Organization for Standardization ("ISO") environmental standard (ISO 14001:2004), which requires that an external audit of the system be conducted on an annual basis. The 2015 external audit showed that the system was in compliance with the standard.

Capital Projects

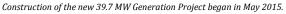
Following CUC's successful generation bid in 2014, the Company entered into a design-build contract agreement for the 39.7 MW generation project with the consortium of Burmeister & Wain Scandinavian Contractor A/S ("BWSC") of Denmark and MAN Diesel & Turbo SE ("MAN") of Germany.

When completed in June 2016, the new engine room will house two 18.5 megawatts ("MW") diesel generating units, one 2.7 MW waste heat recovery steam turbine, and associated auxiliary equipment. The project cost is estimated at \$85 million.

Reliability of CUC's electricity service remains critical to the continuing growth of the island and the Company remains committed to meeting the challenges which come with providing a highly reliable service on a small island system such as exists in Grand Cayman. However, due to a delay in the bid process to secure firm generation capacity, the Company continues to retain 7.5 MW of temporary mobile generation to complement the existing generation. These units will be returned following the commissioning of the new engine room. At the end of December 2015, reliability of service as measured by the Average Service Availability Index was 99.96%.

Capital expenditures for Fiscal 2015 were \$78.0 million, a \$38.5 million, or 49% increase from \$39.5 million in capital expenditures for the same period of the previous year. The major capital expenditures for Fiscal 2015 were related to the 39.7 MW generation project, the distribution system extension and upgrades, and generation replacement cost.







Progress of the 39.7 MW Generation Project at February 2016.

Customer Updates

Our customer base improved in 2015. Total customers as at December 31, 2015 were 28,204, an increase of 420 compared to 27,784 customers as at December 31, 2014.

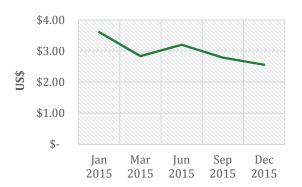
With the increased use of technology, the Company has enhanced its service offerings to its customers. Customers now have a number of options to pay their bills outside of CUC's Service Headquarters. These options include gas stations, banks and online payments.

Fuel Price

With the market price of lubricating and fuel oil trending downwards in 2015, customers saw a significant reduction in the per kWh Fuel Cost Charge on their electricity bills.

The average Fuel Cost Charge rate per kWh charged to consumers for the twelve months ended December 31, 2015 was \$0.19 per kWh compared to the Fuel Cost Charge rate of \$0.27 per kWh for the twelve months ended December 31, 2014. This decrease in the average Fuel Cost Charge rate has resulted in savings of \$46.6 million to consumers for the twelve months ended December 31, 2015. CUC passes through 100% of fuel costs to consumers on a two-month lag basis without mark-up.

Fuel Price per IG 2015



The Company's average price per imperial gallon ("IG") of fuel for Fiscal 2015 decreased to \$2.98 from \$4.56 for Fiscal 2014. The Company's average price per IG of lubricating oil for Fiscal 2015 decreased to \$11.07 from \$12.59 for Fiscal 2014.

Fuel factor revenues for Fiscal 2015 totalled \$112.1 million, a \$46.2 million decrease from the \$158.3 million in fuel factor revenues for Fiscal 2014. Fuel factor revenues for Fiscal 2015 decreased when compared to Fiscal 2014 due to a reduction in global oil prices and a reduction in custom duties levied on diesel fuel imports by the Government.

Renewable Energy

The Company continues to facilitate the connecting of renewable energy sources to the grid. During the Fourth Quarter 2015, the Electricity Regulatory Authority ("ERA") approved a Power Purchase Agreement ("PPA"), between CUC and Entropy Cayman Solar Limited for a 5 MW plant to be built in the district of Bodden Town.

This 5 MW Solar project, scheduled for completion in October 2016, will provide energy to power approximately 800 homes with clean renewable solar energy and will reduce emissions into the atmosphere through the avoidance of diesel fuel consumption.

There was a significant increase in customer participation in renewable energy projects in Fiscal 2015, with a resulting increase in renewable and alternative energy. The Customer Owned Renewable Energy ("CORE") programme, which was revised and approved by the ERA in 2012, has proven very popular with residential and commercial customers connecting their solar panels or wind turbines to our grid. The programme is nearing its current capacity of 4 MW. CUC and the ERA are currently reviewing the programme to determine if there should be a further addition to the available capacity.



A solar farm using similar panels and set-up as pictured above is expected to be developed in Bodden Town beginning in 2016.

Human Resources and Training

The Company's continued commitment to developing and enhancing the skill level of all employees was evident in 2015. Over 5,100 hours were devoted to the training of staff to perform their jobs in a safe and efficient manner as well as to improve performance and skills. A major initiative was company-wide training on enhancing customer service levels. Another focus for 2015 was to support CUC's leadership development framework. This was achieved through the launch of the Institute of Leadership and Management (ILM) certificate programme for those at the Foreman, Supervisor, and Manager levels. On completion of the programme, the participants are expected to have improved their management and business acumen skills. Employees also attended numerous conferences and workshops in order to keep abreast of current industry best practices and new technologies.

CUC employs 201 full-time employees, 90% of whom are well trained Caymanians. Throughout 2015, the Company remained committed to its training programmes, which provided Caymanian employees with the training necessary to excel in their respective fields and to ensure their advancement within the organization. This commitment and training resulted in the promotion of 16 employees to positions of increased responsibility.

CUC's summer programme forms part of the Company's continued commitment to the development of the young people of the Cayman Islands. During the 2015 summer period, the Company hosted 17 students, ranging from high school to university level. The students received hands-on training under the guidance of professionals within their assigned fields. In addition to the technical training they received, students also had the opportunity to participate in lunch-and-learn sessions where they gained knowledge in areas such as financial planning, résumé writing and workplace etiquette.

The Company also focused on strengthening its performance management system, ensuring that goals and objectives were set for each employee and that two performance reviews were conducted for each employee during the year.

Twenty-six employees received their long service awards in 2015. Together, they gave the Company 575 years of service. The long service awards recognise the passion, dedication and perseverance of employees who have been working for our Company for 15 years, 20 years, 25 years and up to 40 years.

Community Involvement

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

At the end of December 2015, employees had volunteered over 1,900 hours, participating in a number of the Company's Community Involvement projects. These included Meals on Wheels, CUC's Primary Football League (PFL), the Cayman Islands Scout Association and Positive Intervention Now (PIN), an afterschool programme. The Company continues to sponsor a Mangrove Environmental Education Programme, which exposes primary school children to Grand Cayman's marine environment. The Company provides support to the Lighthouse School and the Sunrise Adult Training Centre, two facilities which cater to adults and children with special needs, and also continues to support local sports. CUC remains committed to the ongoing development of the community in which we live and work.

Summary

As the local economy continues to grow, the Company remains ready to meet the demands of any accompanying growth in our customer base.

Ground breaking for the expansion of the Owen Roberts International Airport occurred in September 2015. This project is scheduled to be completed by 2018, with the new design expanding the current facility to feature a larger terminal that will accommodate the projected growth in air arrivals. Work also continued on the 265-room Kimpton Seafire Resort and Spa with completion slated for 2016. As a result of these large commercial development projects, additional employment opportunities and an increase in stay over tourism are expected to occur.

The Cayman Islands Economics and Statistics Office ("ESO") issued the 2015 Semi-Annual Economic Report in December 2015. The report indicated that the Gross Domestic Product ("GDP") expanded by an estimated 1.6% in the first six months of 2015. The expanding sectors were led by real estate, renting and business services; construction; and financing and insurance services. The ESO is forecasting Annual GDP growth in 2015 of 1.7% with the pick-up in real estate activity and construction expected to continue for the second half of the year.

Air arrivals for 2015 were up 0.7% when compared to 2014 and cruise arrivals increased by 6.7% when compared to 2014. Air arrivals have a direct impact on the Company's sales growth as these visitors are stay-over visitors who occupy the hotels. Cruise arrivals have an indirect impact as they affect the opening hours of the establishments operating for that market.

The Company will celebrate 50 years of operating in Grand Cayman on May 10, 2016. It would have been hard to imagine back in 1966 that our Company would play such an important role in the development of Grand Cayman and would one day be celebrating 50 years of providing electricity to the people of Grand Cayman. We have grown from 650 customers to over 28,000 customers and from a peak demand of 0.9 MW to 102.1 MW as recorded in June 2010.

As a result of the quality of the infrastructure, including a reliable and efficient electricity service, Grand Cayman has attracted investors and residents over the years.

It is at this important juncture in the Company's history that we pause to recognise the contributions of long-standing Director and former Chairman of the Board, Mr. Joseph Imparato, who will be retiring at the Company's upcoming Annual General Meeting in May 2016. Mr. Imparato has been involved with CUC and a member of the Board since 1982 and we thank him for his many years of dedicated service to the Company. During his tenure as majority shareholder and Chairman, with his leadership and vision CUC grew into a financially stable company and reliable provider of electricity, which played a significant role in the successful development of Grand Cayman.

The Board of Directors continue to provide guidance and support and we thank them for their ongoing contributions.

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

David E. Ritch, OBE, JP

Chairman of the Board of Directors

J.F. Richard Hew

President & Chief Executive Officer

March 16, 2016

Management's Discussion and Analysis



The following management's discussion and analysis ("MD&A") should be read in conjunction with the Caribbean Utilities Company, Ltd. ("CUC" or the "Company") consolidated financial statements for the year ended December 31, 2015 ("Fiscal 2015"). The material has been prepared in accordance with National Instrument 51-102 - Continuous Disclosure Obligations ("NI 51-102") relating to Management's Discussion and Analysis.

Additional information in this MD&A has been prepared in accordance with accounting principles generally accepted in the United States ("US GAAP"), including certain accounting practices unique to rate-regulated entities. These accounting practices, which are disclosed in the notes to the Company's 2015 annual financial statements, result in regulatory assets and liabilities which would not occur in the absence of rate regulation. In the absence of rate regulation, the amount and timing of recovery or refund by the Company of costs of providing services, including a fair return on rate base assets, from customers through appropriate billing rates would not be subject to regulatory approval.

Certain statements in this MD&A, other than statements of historical fact, are forward-looking statements concerning anticipated future events, results, circumstances, performance or expectations with respect to the Company and its operations, including its strategy and financial performance and condition. Forward-looking statements include statements that are predictive in nature, depend upon future events or conditions, or include words such as "expects", "anticipates", "plan", "believes", "estimates", "intends", "targets", "projects", "forecasts", "schedule", or negative versions thereof and other similar expressions, or future or conditional verbs such as "may", "will", "should", "would" and "could". Forward-looking statements are based on underlying assumptions and management's beliefs, estimates and opinions, and are subject to inherent risks and uncertainties

surrounding future expectations generally that may cause actual results to vary from plans, targets and estimates. Some of the important risks and uncertainties that could affect forward-looking statements are described in the MD&A in the sections labelled "Business Risks", "Capital Resources" and "Corporate and Regulatory Overview" and include but are not limited to operational, general economic, market and business conditions, regulatory developments and weather. CUC cautions readers that actual results may vary significantly from those expected should certain risks or uncertainties materialize, or should underlying assumptions prove incorrect. Forward-looking statements are provided for the purpose of providing information about management's current expectations and plans relating to the future. Readers are cautioned that such information may not be appropriate for other purposes. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise except as required by law.

Financial information is presented in United States dollars unless otherwise specified. The consolidated financial statements and MD&A in this annual report were approved by the Audit Committee.

Financial and Operational Highlights

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

	Year Ended	Year Ended	Change	% Change
	December 31,	December 31, 2014	· ·	· ·
	2015	*		
Electricity Sales Revenues	76,747	73,408	3,339	5%
Fuel Factor Revenues	112,133	158,297	(46,164)	-29%
Operating Revenues	188,880	231,705	(42,825)	-18%
Fuel and Lube Costs	112,133	158,297	(46,164)	-29%
Other Operating Expenses	51,480	48,080	3,400	7%
Total Operating Expenses	163,613	206,377	(42,764)	-21%
Earnings for the Period	22,842	20,815	2,027	10%
Cash Flow from Operating Activities	59,021	46,780	12,241	26%
Per Class A Ordinary Share:				
Basic Earnings	0.71	0.68	0.03	4%
Dividends Paid	0.660	0.660	-	0%
Total Customers	28,204	27,784	420	2%
Total Employees*	201	198	3	2%
Customer per Employee (#)	140	140	-	0%
System Availability (%)	99.96	99.96	-	0%
Peak Load Gross (MW)	100.7	99.7	1.0	1%
Millions of kWh:				
Net Generation	623.7	604.7	19.0	3%
Kilowatt-Hour Sales	582.0	564.2	17.8	3%
Sales per employee	2.90	2.85	0.05	2%

^{*} Total Full time CUC employees

Corporate and Regulatory Overview

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

The Licences contain the provision for a rate cap and adjustment mechanism ("RCAM") based on published consumer price indices. CUC's return on rate base ("RORB") for 2015 was 7.4% (2014: 7.4%). CUC's RORB for 2016 is targeted in the 6.75% to 8.75% range (2015: 7.25% to 9.25%).

CUC's base rates are designed to recover all non-fuel and non-regulatory costs and include per kilowatt-hour ("kWh") electricity charges and fixed facilities charges. Fuel cost charges and regulatory fees are billed as separate line items. Base rates are subject to an annual review and adjustment each June through the RCAM. In June 2015, following review and approval by the Electricity Regulatory Authority ("ERA"), the Company increased its base rates by 0.9%. This increase was a result of the 2014 RORB and the increase in the applicable United States ("US") and Cayman Islands consumer price indices, adjusted to exclude food and fuel, for calendar year 2014. The change in the base rates as a percentage of the US and Cayman Islands consumer price indices was 80% based on the range of the RORB values. The required rate adjustment of 0.9% can be calculated by applying 80% to the total price level index (60% of the Cayman Islands CPI and 40% of the US CPI) of 1.1%. All fuel and lubricating oil costs are passed through to customers without markup as a per kWh charge. Rate base is the value of capital upon which the Company is permitted an opportunity to earn a return. The value of this capital is the average of the beginning and ending values for the applicable financial year of: fixed assets less accumulated depreciation, plus the allowance for working capital, plus regulatory assets less regulatory liabilities.

The ERA has the overall responsibility for regulating the electricity industry in the Cayman Islands in accordance with the ERA Law. The ERA oversees all licencees, establishes and enforces licence standards, enforces applicable environmental and performance standards, reviews the proposed RCAM, and sets the rate adjustment factors as appropriate.

In December 2014 the ERA approved CUC's 2016-2020 Capital Investment Plan in the amount of \$234 million. Costs related to the competitive bid award to install 39.7 megawatts ("MW") of generation capacity are included in the approved CIP in the amount of CUC's competitive bid.

As a result of CUC's successful bid, the Company entered into a design-build contract agreement for the generation project with the consortium of Burmeister & Wain Scandinavian Contractor A/S ("BWSC") of Denmark and MAN Diesel & Turbo SE ("MAN") of Germany. The agreement covers the purchase and turnkey installation of a new 39.7 MW power plant which is comprised of two 18.5 MW V48/60 medium-speed diesel generating units, one 2.7 MW waste heat recovery steam turbine, and associated auxiliary equipment. This contract is valued at approximately \$55 million. The total project cost is estimated at \$85 million. A total of \$11.6 million was spent in 2014 and an additional \$47.9 million was spent on the project during the year ended December 31, 2015.

The Company successfully completed a Rights Offering (the "Offering") in May 2015. Under the Offering and related stand-by agreement, the Company raised gross proceeds of \$31,563,639 through the issue of 2,930,700 Class A Ordinary Shares at a price of \$10.77 per Class A Ordinary Share. The Company has used the proceeds of the Offering to finance a portion of the new power plant and other on-going capital expenditures.

The generating units will be housed in a new purpose built power house at the Company's North Sound Road Power Plant and it is expected that the units will be commissioned in June 2016.

CUC has also secured the supply of 7.5 MW of temporary mobile generation following the retirement of 17.5 MW of generation in early 2014. This retirement relates to units 14 and 16 which exhausted their useful lives in accordance with the Company's Generation Licence. This temporary generation will complement existing generation and help to ensure continuity of supply until the installation of the firm capacity. CUC

understands that reliability of service is critical to Grand Cayman's continued growth and development. The Company continues to focus on maintaining and improving the level of service we offer to our customers.

A licence fee of 1%, payable to the Government, is charged on gross revenues, then prorated and applied only to customer billings with consumption over 1,000 kWh per month as a pass-through charge. In addition to the licence fee, a regulatory fee of $\frac{1}{2}$ of 1% is charged on gross revenues, then prorated and applied only to customer billings with consumption over 1,000 kWh per month.

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

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 2015, the ERA approved a reward related to the Company's performance for 2013-2014 in accordance with the T&D Licence. The total performance reward of \$0.05 million was applied to customer billings as a per kWh charge on a one time-basis in June 2015.

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

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

Consolidation Accounting Policy

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

Earnings

Net earnings for the year ended December 31, 2015 ("Fiscal 2015") were 22.8 million, a \$2.0 million increase from net earnings of \$20.8 million for the year ended December 31, 2014 ("Fiscal 2014"). This increase is attributable to a 3% increase in kWh sales, 1.5% and 0.9% base rate increases effective June 1, 2014 and June 1, 2015 respectively, lower finance charges and increased other income. These items were partially offset by higher depreciation, maintenance and general and administration costs.

Finance charges for Fiscal 2015 totalled \$7.3 million, a \$1.8 million decrease from \$9.1 million for Fiscal 2014. This decrease is as a result of higher Allowance for Funds Used during Construction ("AFUDC") driven

by the Company's ongoing 39.7 MW Generation Project (see the "Other Income and Expenses" section of this MD&A for further details).

Other income totalled \$3.4 million for Fiscal 2015, an increase of \$0.7 million when compared to other income of \$2.7 million for Fiscal 2014. The Company's new Customer Service Code ("CSC") which allows for additional service fees became effective on January 1, 2015 (see the "Other Income and Expenses" section of this MD&A for further details).

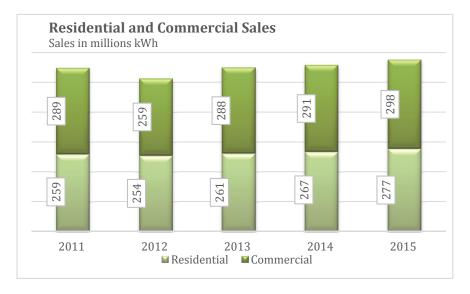
After the adjustment for dividends on the preference shares of the Company, earnings on Class A Ordinary Shares for Fiscal 2015 were \$21.9 million, or \$0.71 per Class A Ordinary Share as compared to \$19.9 million, or \$0.68 per Class A Ordinary Share for Fiscal 2014. The Company calculates earnings per share on the weighted average number of Class A Ordinary Shares outstanding. The weighted average Class A Ordinary Shares outstanding were 31,041,240 and 29,130,536 for the years ended December 31, 2015 and December 31, 2014, respectively.

The Company successfully completed the Offering on May 4, 2015. The shares issued as part of the offering impacted the weighted average number of Class A Ordinary Shares used to calculate the earnings per Class A Ordinary Shares for Fiscal 2015.

Sales

Sales for Fiscal 2015 were 582.0 million kWh, an increase of 17.8 million kWh or 3% when compared to 564.2 million for Fiscal 2014. Sales were positively impacted by large commercial development, growth in customer numbers and warmer weather conditions that affected customer air conditioning usage. The average temperature for 2015 was 83 degrees Fahrenheit compared to 82 degrees for 2014.

Total customers as at December 31, 2015 were 28,204, an increase of 420 compared to 27,784 customers as at December 31, 2014.



Operating Revenues

Operating revenues for Fiscal 2015 totalled \$188.9 million, a decrease of \$42.8 million from \$231.7 million for Fiscal 2014. This decrease in operating revenues was due to lower fuel factor revenues partially offset by higher electricity sales revenues.

Electricity sales revenue increased \$3.3 million for Fiscal 2015 to \$76.7 million when compared to electricity sales revenues of \$73.4 million for Fiscal 2014. This increase is attributable to a 3% increase in kWh sales and the 0.9% and 1.5% base rate increases effective June 1, 2015 and June 1, 2014 respectively.

Fuel factor revenues for Fiscal 2015 totalled \$112.1 million, a \$46.2 million decrease from the \$158.3 million in fuel factor revenues for Fiscal 2014.

Sales and Customer Highlights			
	Year Ended December 31, 2015	Year Ended December 31, 2014	Change %
Customers (number)			
Residential	24,007	23,685	1%
Commercial	4,197	4,099	2%
Total Customers	28,204	27,784	2%
Sales (in thousands kWh)			
Residential	276,944	266,742	4%
Commercial	298,285	290,745	3%
Other	6,748	6,740	0%
Total Sales	581,977	564,227	3%
Average Monthly Consumption Per Customer (kWh)			
Residential	968	946	2%
Commercial	57,740	56,371	2%
Revenues (in thousands of \$)			
Residential	35,948	34,910	3%
Commercial	40,060	37,981	5%
Other (street lights etc.)	739	517	43%
Fuel Factor	112,134	158,297	-29%
Total Operating Revenues*	188,881	231,705	-18%
*Total CUC Customers and Revenue Only			

The average Fuel Cost Charge rate per kWh charged to consumers for the year ended December 31, 2015 was \$0.19 compared to the Fuel Cost Charge rate of \$0.27 per kWh for the year ended December 31, 2014. This decrease in the average Fuel Cost Charge rate has resulted in savings of \$46.6 million to consumers for the year ended December 31, 2015 when compared to the year ended December 31, 2014. Fuel factor revenues for Fiscal 2015 decreased when compared to Fiscal 2014 due to a reduction in global oil prices and a reduction in custom duties levied on diesel fuel imports by the Government. Further reductions to the fuel cost charge rate per kWh are expected to occur in 2016 due to an additional decrease in customs duties levied on fuel imports by the Government. The Government has announced a decrease totalling \$0.30 per imperial gallon ("IG").

Operating Expenses

Total operating expenses for Fiscal 2015 decreased \$42.8 million to \$163.6 million from \$206.4 million for Fiscal 2014. The main contributing factors to the decrease in operating expenses were lower power generation costs partially offset by higher depreciation, maintenance, general and administration and transmission and distribution expenses.

Operating expenses were as follows:

Operating Expenses				
(\$ thousands)				
	Year Ended	Year Ended	Change	% Change
	December 31,	December 31, 2014		
	2015			
Power Generation Expenses	116,105	161,832	(45,727)	-28%
General and Administration	9,134	8,796	338	4%
Consumer Service	3,212	3,357	(145)	-4%
Transmission and Distribution	2,853	2,619	234	9%
Depreciation	25,961	24,030	1,931	8%
Maintenance	5,861	5,406	455	8%
Amortization of Intangible Assets	<u>487</u>	<u>337</u>	<u>150</u>	45%
Total Operating Expenses	163,613	206,377	(42,764)	-21%

Power Generation

Power generation costs for Fiscal 2015 totalled to \$116.1 million, a \$45.7 million or 28% decrease when compared to \$161.8 million for Fiscal 2014. This decrease is as a result of lower fuel costs.

Power generation expenses were as follows:

Power Generation						
(\$ thousands) Fuel and Lubricating Oil costs stated ne	t of deferred charges					
	Year Ended	Year Ended	Change	% Change		
	December 31,	December 31,				
	2015	2014				
Fuel costs (net of deferred fuel charges)	110,067	155,955	(45,888)	-29%		
Lubricating Oil costs (net of deferred lubricating oil						
charges)	2,066	2,342	(276)	-12%		
Temporary generation costs	707	412	295	72%		
Other generation expenses	<u>3,265</u>	<u>3,123</u>	<u>142</u>	5%		
Total Power Generation expenses	116,105	161,832	(45,727)	-28%		

The Company's average price per IG of fuel for Fiscal 2015 decreased to \$2.98 from \$4.56 for Fiscal 2014. The Company's average price per IG of lubricating oil for Fiscal 2015 decreased to \$11.07 from \$12.59 for Fiscal 2014.

Net generation was 623.7 million kWh for Fiscal 2015 compared to 604.7 million kWh for Fiscal 2014. Net fuel efficiency for Fiscal 2015 of 18.28 kWh per IG decreased when compared to net fuel efficiency for Fiscal 2014 of 18.41 kWh per IG. This decrease in net fuel efficiency is due primarily to the use of temporary mobile generation.

The Fuel Tracker Account (see Note 5 of the Notes to Annual Consolidated Financial Statements for further details) is comprised of total diesel fuel and lubricating oil costs to be recovered from consumers.

In March 2011, the ERA approved the Fuel Price Volatility Management Programme. The objective of the programme is to reduce the impact of volatility in the Fuel Cost Charge paid by the Company's customers for the fuel that the Company must purchase in order to provide electric service. Contracts initiated in 2015 utilise call options and call spreads to promote transparency in pricing. The monthly hedging costs and returns are also included within the Fuel Tracker Account.

CUC has secured the supply of 7.5 MW of temporary mobile generation following the retirement of 17.5 MW of generation in early 2014 in accordance with the Generation Licence. Temporary generation expenses for Fiscal 2015 totalled \$0.7 million, an increase of \$0.3 million when compared to temporary generation expenses for Fiscal 2014 of \$0.4 million. The temporary mobile generation was acquired in June 2014.

Other generation expenses for Fiscal 2015 totalled \$3.3 million, an increase of \$0.2 million when compared to \$3.1 million for Fiscal 2014.

General and Administration ("G&A")

G&A expenses for Fiscal 2015 totalled \$9.1 million, an increase of \$0.3 million, from \$8.8 million for Fiscal 2014. This increase was due mainly to higher staff welfare costs, higher Performance Share Unit ("PSU") plan costs (see Note 12 in the Notes to the Annual Consolidated Financial Statements) and higher costs related to the Company's defined benefit pension plan. These increases were partially offset by higher General Expenses Capitalized ("GEC").

The increased staff welfare costs relate to employee separation payments in addition to the purchase of additional safety equipment for employees. The Company's Health and Safety standards require employees to wear suitable clothing and footwear that provides adequate protection from any exposure to unavoidable hazards.

There is a defined benefit pension plan in place for two retired Executive Officers of the Company. The pension costs of the defined benefit pension plan are actuarially determined using the projected benefits method. The defined benefit pension expense totalled \$0.2 million for Fiscal 2015, an increase of \$0.1 million when compared to \$0.1 million for Fiscal 2014.

The Company capitalizes certain overhead costs not directly attributable to specific capital assets but which do relate to the overall capital expenditure programme. GEC totalled \$4.2 million for Fiscal 2015, \$0.6 million higher than \$3.6 million for Fiscal 2014.

Consumer Services ("CS")

CS expenses for Fiscal 2015 totalled \$3.2 million, a decrease of \$0.2 million when compared to \$3.4 million for Fiscal 2014. This decrease is attributable to an adjustment in 2014 to the allowance for doubtful accounts ("AFDA") which resulted from a review of the Company's accounts receivable balances.

In accordance with its AFDA policy, the Company maintains an accumulated provision for uncollectible customer accounts receivable that is estimated based on known accounts, historical experience and other currently available information, including the economic environment. During 2014, the Company completed a full review of its outstanding accounts receivables balance and the reasonableness of its methodology of applying a flat percentage to total receivables in calculating AFDA. This review indicated an increase in days outstanding for receivable balances. Consequently, management determined the estimation process related to the AFDA would be refined to include a risk element for aging of accounts receivable.

Trade and other accounts receivable						
(\$ thousands)						
	As at December 31, 2015	As at December 31, 2014				
Current	8,160	9,224				
Past due 31-60 days	1,018	1,628				
Past due 61-90 days	240	516				
Past due over 90 days	<u>4,313</u>	<u>4,397</u>				
Total Accounts Receivable	13,731	15,765				
Less: Allowance for doubtful accounts	(1,964)	(1,481)				
Less: Consumer Deposits	<u>(6,823)</u>	<u>(5,461)</u>				
Net Exposure	4,944	8,823				

Net Exposure as at December 31, 2015 totalled \$4.9 million, a decrease of \$3.9 million, or 43% when compared to the Net Exposure of \$8.8 million as at December 31, 2014. This decrease was primarily related to a decrease in customer receivables and an increase in consumer deposits. Customer receivables decreased by \$2.1 million due mainly to the reduction in the fuel factor billed to consumers and improved efficiencies in the disconnection process resulting from the newly installed Advanced Metering Infrastructure ("AMI") meters. At the end of December 2015, 57% of the planned AMI installations were completed. Customers who have had the AMI meters installed are benefiting from the ability to monitor their consumption and manage their usage.

Transmission and Distribution ("T&D")

T&D expenses for Fiscal 2015 totalled \$2.9 million, an increase of \$0.3 million, or 9%, when compared to T&D expenses of \$2.6 million for Fiscal 2014. The increase in T&D expenses for Fiscal 2015 were impacted by higher street light maintenance and general tree trimming projects when compared to Fiscal 2014.

Depreciation of Property, Plant and Equipment ("Depreciation")

Depreciation expenses for Fiscal 2015 totalled \$26.0 million, an increase of \$2.0 million, or 8%, from \$24.0 million for Fiscal 2014. This increase in depreciation is due to capital projects completed in prior periods.

Maintenance

Maintenance expenses for Fiscal 2015 totalled \$5.9 million, an increase of \$0.5 million from \$5.4 million for Fiscal 2014.

This increase is due to ongoing maintenance projects of the generating units and an increase in maintenance costs for various information technology programmes.

Amortization

Amortization of intangible assets for Fiscal 2015 totalled \$0.5 million, an increase of \$0.2 million when compared to \$0.3 million for Fiscal 2014.

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

Other Income and Expenses

Net Other Expenses for Fiscal 2015 totalled \$2.4 million, a decrease of \$2.1 million from \$4.5 million for Fiscal 2014.

Other Income & Expenses				
(\$ thousands)				
	Year Ended	Year Ended	Change	% Change
	December 31,	December 31,		
	2015	2014		
Total interest costs	(12,629)	(11,902)	(727)	6%
AFUDC	<u>5,328</u>	<u>2,787</u>	<u>2,541</u>	91%
Total finance charges	(7,301)	(9,115)	1,814	-20%
Foreign exchange gain	1,435	1,917	(482)	-25%
Other income	<u>3,441</u>	<u>2,685</u>	<u>756</u>	28%
Total Net Other Expense	(2,425)	(4,513)	2,088	-46%

Finance charges for Fiscal 2015 totalled \$7.3 million, a decrease of \$1.8 million from \$9.1 million for Fiscal 2014. This decrease is as a result of higher AFUDC.

Under the T&D Licence there is a provision for an Allowance for Funds Used During Construction ("AFUDC"). This capitalisation of the Financing Cost is calculated by multiplying the Company's Cost of Capital rate by the average work in progress for each month. The cost of capital rate for 2015 was 8.25% (2014:8.0%) as agreed with the ERA, in accordance with the T&D Licence, and is reviewed annually.

The AFUDC amount for Fiscal 2015 totalled \$5.3 million, a \$2.5 million increase when compared to \$2.8 million for Fiscal 2014. This increase was attributable to higher capital expenditure, driven primarily by the 39.7 MW generation project and a higher cost of capital rate.

Foreign exchange gains and losses are the result of monetary assets and liabilities denominated in foreign currencies that are translated into United States dollars at the exchange rate prevailing on the Balance Sheet date. Revenue and expense items denominated in foreign currencies are translated into United States dollars at the exchange rate prevailing on the transaction date. Foreign exchange gains totalled \$1.4 million for Fiscal 2015 a \$0.5 million decrease when compared to \$1.9 million for Fiscal 2014. Foreign exchange gains have decreased due to the decline in global oil prices which result in lower fuel purchases.

Other income is comprised of income from the third party customers of DataLink, income from pipeline operations, sale of meter sockets, sale of recyclable materials, performance rewards as part of the T&D Licence and other miscellaneous income. Performance standards as prescribed by the T&D Licence 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.

Other income totalled \$3.4 million for Fiscal 2015, an increase of \$0.7 million when compared to other income of \$2.7 million for Fiscal 2014. The Company's new Customer Service Code ("CSC") became effective on January 1, 2015. The CSC sets out the terms and conditions of the supply of electricity to the Company's customers, as well as the standards for the level of service which CUC is required to provide to its customers. The new CSC also provides for an increase in various customer service fees such as reconnection fees and the introduction of late fees on outstanding customer receivables.

Revenues from DataLink for Fiscal 2015 are recorded in Other Income in the amount of \$1.0 million, an increase of \$0.1 million, from \$0.9 million for Fiscal 2014.

The Economy

The Cayman Islands Economics and Statistics Office ("ESO") released the Consumer Price Index ("CPI") report for the Third Quarter in November 2015. According to the report, the CPI for the Third Quarter declined by 2.9% compared to Third Quarter 2014. This decline is as a result of reductions in the prices for housing and utilities, transport and miscellaneous goods and services and household equipment. Prices for electricity, gas and other fuels declined as a result of the decrease in global oil prices. The ESO is forecasting 2015 annual inflation of 1.8%.

The ESO also issued the 2015 Semi-Annual Economic Report in December 2015. The report indicated that the Gross Domestic Product ("GDP") expanded by an estimated 1.6% in the first six months of 2015. The expanding sectors were led by real estate, renting and business services; construction; and financing and insurance services.

The ESO is forecasting Annual GDP growth in 2015 of 1.7% with the increase in real estate activity and construction expected to continue for the second half of the year.

The financial services sector continues to experience its challenges. Overall, there were fewer bank licences, mutual funds, registered companies and captive insurance companies when compared to the prior year. Despite the downward trends, the Cayman Islands continue to be one of the world's largest banking sectors in terms of assets and one of the top jurisdictions for captive insurance companies in terms of the number of captive insurance companies and total assets under management.

The table below itemises trends in some of the key financial areas.

Indicators for the Financial Services Industry						
(for the years ending December 31)						
	2015	2014	2013	2012	2011	
Bank Licences	184	198	213	222	234	
Mutual Funds *	10,940	11,010	11,379	10,841	9,258	
Mutual Fund Administrators	108	115	121	124	129	
Registered Companies	98,838	99,459	95,530	93,612	92,964	
Captive insurance companies	739	793	788	768	739	

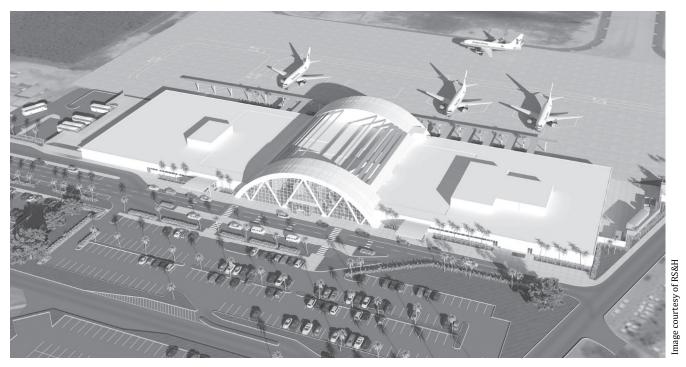
*The Cayman Islands Mutual Funds (Amendment) Law, 2011, dated December 22, 2011, amended the Mutual Funds Law (2009 Revision) to require all Master Funds, as defined therein, to become registered by the Cayman Islands Monetary Authority ("CIMA"). Registration for these funds was required for the first time in 2012. Previously registration of any such funds was voluntary in nature. As at December 31, 2015 there were 2,805 registered Master Mutual Funds (2014:2,685) and nil as at December 31, 2011 and prior periods.

The tourism sector is the second main pillar of the Cayman Islands economy. The Cayman Islands tourism demographic is largely comprised of visitors from the United States of America ("US"). For 2015, 76% of air arrivals to the country were citizens of the US. As such the US economy has a large impact on the economy of the Cayman Islands.

Air arrivals for 2015 were up 0.7% when compared to 2014 and cruise arrivals increased by 6.7% when compared to 2014. Air arrivals have a direct impact on the Company's sales growth as these visitors are stay-over visitors who occupy the hotels. Cruise arrivals have an indirect impact as they affect the opening hours of the establishments operating for that market.

The following table presents statistics for tourist arrivals in the Cayman Islands for the year ending December 31:

Tourist Arrivals to the Cayman Islands					
(for the twelve months ending	December 31)				
	2015	2014	2013	2012	2011
By Air	385,379	382,816	345,387	321,650	309,091
By Sea	<u>1,716,812</u>	<u>1,609,555</u>	<u>1,375,872</u>	<u>1,507,370</u>	<u>1,401,495</u>
Total	2,102,191	1,992,371	1,721,259	1,829,020	1,710,586



Future concept for Owen Roberts International Airport terminal building, which is currently being constructed on Grand Cayman.

The tourism industry is expected to be positively impacted by the expansion of the Owen Roberts International Airport in Grand Cayman. The expansion is expected to be completed in 2018 and will accommodate the anticipated growth in air arrivals. The expanded airport is expected to provide vital access for long-haul flights and will also provide a vastly improved airlift service for Grand Cayman's tourists. In addition to the airport expansion, the tourism sector is expected to receive a boost by the completion of the Kimpton Seafire Resort and Spa. The luxury resort hotel will be completed in November 2016, and will host five restaurants and six beach front bungalows in addition to the 10 storey, 265 room ocean front complex. Both projects are expected to create additional employment opportunities and increase stay over tourism.



Work on the Kimpton Seafire Resort and Spa on Seven Mile Beach is progressing, with an expected completion date of November 2016.

All data is sourced from the Cayman Islands Government, Cayman Islands Economics & Statistics Office, Cayman Islands Monetary Authority and Cayman Islands Department of Tourism (www.gov.ky, www.eso.ky, www.cimoney.com.ky, www.caymanislands.ky)

Liquidity and Capital Resources

The primary sources of liquidity and capital resources are net funds generated from operations, debt markets, and bank credit facilities. These sources are used primarily to satisfy capital and intangible asset expenditures, service and repay debt, and pay dividends.

The following table outlines the summary of cash flow for Fiscal 2015 compared to Fiscal 2014:

Cash Flows				
(\$ thousands)				
	Year Ended December 31,	Year Ended December 31,	Change	% Change
	2015	2014		
Beginning cash	21,815	1,215	20,600	1695%
Cash provided by/(used in):				
Operating activities	59,021	46,780	12,241	26%
Investing activities	(78,574)	(39,774)	(38,800)	98%
Financing activities	<u>(897)</u>	<u>13,594</u>	<u>(14,491)</u>	-107%
Ending cash	1,365	21,815	(20,450)	-94%

Operating Activities:

Cash flow provided by operations, after working capital adjustments, for Fiscal 2015, was \$59.0 million, an increase of \$12.2 million from \$46.8 million for Fiscal 2014. This increase was primarily due to increased earnings and changes in regulatory deferrals.

Investing Activities:

Cash used in investing activities for Fiscal 2015 totalled \$78.6 million, an increase of \$38.9 million from \$39.7 for Fiscal 2014. This increase is due to higher capital expenditures, driven primarily by the 39.7 MW generation project.

Financing Activities:

Cash used in financing activities totalled \$0.9 million for Fiscal 2015, a decrease of \$14.5 million from \$13.6 of cash received from financing activities for Fiscal 2014. During Fiscal 2015, the Company received \$33.3 million in proceeds from the issuance of Class A Ordinary Shares under the 2015 Rights Offering and repaid debt of \$14.0 million, compared to \$65 million in debt proceeds and \$32 million of debt repayments in Fiscal 2014.

Cash Flow Requirements:

The Company expects that operating expenses and interest costs will generally be paid from the Company's operating cash flows, with residual cash flows available for capital expenditures and dividend payments. Borrowings under credit facilities may be required from time to time to support seasonal working capital requirements. Cash flows required to complete planned capital expenditures are expected to be financed from a combination of proceeds from operating cash, debt and equity transactions. The Company expects to be able to source the cash required to fund its 2016 capital expenditure programme (see the "Business Risks" section of this MD&A for Liquidity Risk details).

Credit Facilities

The Company has \$47.0 million of unsecured credit facilities with the Royal Bank of Canada ("RBC") comprised of:

Short-Term Financing	
(\$ millions)	
Credit Facilities	December 31, 2015
Corporate Credit Card Line	0.5
Letter of Credit	0.5
Operating, Revolving Line of Credit	7.5
Catastrophe Standby Loan	7.5
Demand Loan Facility- Interim Funding of Capital Expenditures	<u>31.0</u>
Total	47.0

Of the total above, \$44.3 million was available at December 31, 2015.

Transactions with Related Parties

Miscellaneous receivables were nil at December 31, 2015 (\$300 as at December 31, 2014). Miscellaneous payables to Fortis Turks & Caicos, a subsidiary of Fortis Inc., were \$11,017 at December 31, 2015 (nil as at December 31, 2014) for travel expenses. Miscellaneous payables to Fortis Inc., the Company's majority shareholder, totalling \$3,300 were outstanding at December 31, 2015 (\$16,100 as at December 31, 2014) for labour, hurricane preparedness and travel expenses.

Contractual Obligations

The contractual obligations of the Company over the next five years and periods thereafter, as at December 31, 2015, are outlined in the following table:

Contractual Obligations						
(\$ millions)						
	Total	< 1 year	1 to 3 years	4 to 5 years	> 5 years	
Total debt	238.0	14.0	27.7	27.6	168.7	
Long-term debt interest	99.9	11.7	21.1	17.6	49.5	
MAN/BWSC 39.7 MW Generation Contract	5.5	5.5				
Defined benefit pension	0.1	0.1	-	-	-	
Total	343.5	31.3	48.8	45.2	218.2	

Power Purchase Obligation

During the year, the Company entered into a Power Purchase Agreement ("PPA") with Entropy Cayman Solar Limited to purchase up to 2.1 MW per year of associated energy for a 25-year term. This 5 MW solar project, scheduled for completion in October 2016, is expected to generate energy by December 2016 and will reduce emissions into the atmosphere through the avoidance of diesel fuel consumption. The PPA will also provide renewable energy at a competitive initial price of \$0.17 cents per kWh. The PPA was approved by the ERA during the Fourth Quarter 2015. The PPA qualifies for the Normal Purchase Normal Sale exemption under ASC 815 and does not qualify as a derivative.

Fuel Purchase Obligation

The Company executed an 18 month primary fuel supply contract with RUBiS Cayman Islands Limited ("RUBiS") in September 2014 upon the expiration of its previous fuel supply contract with RUBiS. Under the agreement the Company is committed to purchase approximately 60% of its diesel fuel requirements for its generating plant from RUBiS. The approximate quantities remaining under the existing contract on an annual basis are, by fiscal year in millions of IGs: 2016 – 3.1. The Company also has an 18 month secondary fuel supply contract with Sol Petroleum Cayman Limited ("Sol") executed in September 2014, and is committed to purchase approximately 40% of the Company's fuel requirements for its generating plant from Sol. The approximate quantities remaining under the existing fuel contract on an annual basis are, by fiscal year in millions of IGs: 2016 – 2.1. Each contract has the option to renew for an additional 18 month term. Renewal cannot occur more than six months in advance of the current contract expiry date. Both contracts qualify for the Normal Purchase Normal Sale exemption under ASC 815 and do not qualify as derivatives.

Financial Position

The following table is a summary of significant changes to the Company's balance sheet from December 31, 2014 to December 31, 2015.

(from December 31, 2014 to December 3.	1, 2015)			
Balance Sheet Account	Increase/ (Decrease) (\$ millions)	Explanation		
Cash and Cash Equivalents	(20.5)	Decrease due to cash provided by operating activities of \$59.0 million offset by cash used in financing activities of \$0.9 million and cash used in investing activities of \$78.6 million.		
Accounts Receivable	(2.5)	Lower billings due to a decrease in fuel costs and increased allowance for doubtful accounts.		
Regulatory Assets	(9.2)	Decrease attributable to a decrease in fuel costs.		
Prepayments	(0.7)	Decrease due to a reduction in costs associated with the Company's property and machinery breakdown insurance policy.		
Bank Overdraft	1.7	Drawdown on the Operating Line of Credit.		
Property, Plant and Equipment	53.0	Net increase is comprised of capital expenditures of (1) \$78.0 million (2) depreciation expense of \$26.0 million (3) \$1.0 million in accrued capital expenditure.		
Accounts Payable and Accrued Expenses	(5.9)	Decrease attributable to lower fuel costs.		
Regulatory Liabilities	0.7	Increase due to the recovery of Licence & Regulatory Fees paid to the ERA, which were previously owed to the Company by consumers.		
Long-Term Debt	(14.0)	Decrease due to principal payments made on the Company's Senior Unsecured Notes.		
Share Premium	33.2	The Company issued 2,930,700 shares through the 2015 Rights Offering and 190,810 shares through its share purchase plans.		
Retained Earnings	1.1	Increase due to net earnings for the period of \$22.8 million offset by Class A dividends of \$20.8 million and Class B dividends of \$0.9 million.		

Capital Resources

The Company's principal activity of generation, transmission and distribution of electricity in Grand Cayman requires CUC to have ongoing access to capital to build and maintain the electrical system for the community it serves.

To help ensure access to capital, the Company targets a long-term capital structure containing approximately 45% equity, including preference shares, and 55% debt. The Company's objective is to maintain investment-grade credit ratings. The Company sets the amount of capital in proportion to risk. The debt to equity ratio is managed through various methods such as the Class A Ordinary Share rights offering that occurred in 2015 and the Company's Share Purchase Plans.

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

The Company's capital structure is presented in the following table:

Capital Structure						
	December 31, 2015 (\$ millions)	%	December 31, 2014 (\$ millions)	%		
Total debt	238.0	53	252.0	58		
Shareholder's equity	<u>214.4</u>	<u>47</u>	<u>179.8</u>	<u>42</u>		
Total	452.4	100	431.8	100		

The change in the Company's capital structure between December 31, 2015 and December 31, 2014 was driven by an increase in equity resulting from the issuance of Class A Ordinary Shares under the 2015 Rights Offering and a reduction in total debt due to principal payments made on the Company's Senior Unsecured Notes.

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

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

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

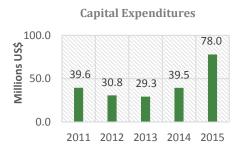
Following the February 9, 2016 announcement from Fortis Inc. of the proposed \$11.3 billion acquisition of ITC Holdings Corporation, a Michigan based Company that operates electricity transmission facilities in the United States, S&P affirmed the Company's A- rating and revised its outlook on the Company from stable to negative. The negative outlook on CUC reflects the application of S&P's group rating methodology and an expectation of the execution risks associated with the transaction including selling up to 19.9% of ITC to one or more infrastructure-focused minority investors. The A- rating reflects S&P's positive view of the Company's current position as the sole provider of generation services, and the Company's licenced position as the sole provider of T&D services. The rating also reflects S&P's positive view of regulatory support and stable cash flows offset by the economic uncertainty and the limited history of the regulator.

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

Capital Expenditures

Capital expenditures for Fiscal 2015 were \$78.0 million, a \$38.5 million, or 97% increase from \$39.5 million in capital expenditures for the same period of the previous year. The capital expenditures for Fiscal 2015 primarily relate to:

- Distribution system extension and upgrades \$8.0 million.
- Generation Replacement Cost \$9.4 million
- 39.7 MW Generation Project \$47.9 million
- Facility and Auxiliary Asset Replacement Cost \$1.7 million
- Purchase of AMI meters and meter equipment \$0.7 million
- AFUDC of \$5.3 million was capitalized in Fiscal 2015



Capital expenditures					
(\$ thousands)					
	Year Ended December 31, 2015	Year Ended December 31, 2014	Change	% Change	Forecast 2016
Transmission	1.4	0.7	0.7	100%	2.4
Distribution	8.7	10.9	(2.2)	-20%	13.6
Generation	66.1	26	40.1	154%	40.5
Other	<u>1.8</u>	<u>1.9</u>	<u>(0)</u>	-5%	<u>2.3</u>
Total	78.0	39.5	38.5	97%	58.8

Off Balance-Sheet Arrangements

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

Business Risks

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

Operational Risks

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

The Company continually develops capital expenditure, safety management and risk controls programmes and assesses current and future operating and maintenance expenses that will be incurred in the ongoing operation of its systems. The Company also has an insurance programme that provides coverage for business interruption, liability and property damage, although the coverage offered by this programme is limited (see the "Insurance" section for discussion of insurance terms and coverage). In the event of a large uninsurable loss, the Company would apply to the ERA for recovery of these costs through higher rates. However, there is no assurance that the ERA will approve any such application (see the "Regulation" section for discussion of regulatory risk).

Economic Conditions

The general economic condition of CUC's service area, Grand Cayman, influences electricity sales as with most utility companies. Changes in consumer income, employment and housing are all factors in the amount of sales generated. As the Company supplies electricity to all hotels and large properties, its sales are therefore partially based on tourism and related industry fluctuations.

Regulation

The Company operates within a regulated environment. As such, the operations of the Company are subject to the normal uncertainties faced by regulated companies. Such uncertainties include approval by the ERA of billing rates that allow a reasonable opportunity to recover on a timely basis the estimated costs of providing services, including a fair return on rate base assets. The Company's capital expenditure plan requires regulatory approval. There is no assurance that capital projects perceived as required by the management of the Company will be approved by the ERA.

Weather

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

Environmental Matters

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

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

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

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

Insurance - Terms and Coverage

The Company renewed its insurance policy as at July 1, 2015 for one year under similar terms and coverage as in prior years. Insurance terms and coverage include \$100.0 million in property and machinery breakdown insurance and business interruption insurance per annum with a 24-month indemnity period and a waiting period on Non-Named Wind, Quake and Flood of 60-days. Any named Wind, Quake and Flood deductible has a 45-day waiting period. All T&D assets outside of 1,000 feet from the boundaries of the main power plant and substations are excluded, as the cost of such coverage is not considered economical. There is a single event cap of \$100 million. Each "loss occurrence" is subject to a deductible of \$1.0 million, except for windstorm (including hurricane) and earth movement for which the deductible is 2% of the value of each location that suffers loss, but subject to a minimum deductible of \$1.0 million and maximum deductible of \$4.0 million for all interests combined.

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

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

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

Defined Benefit Pension Plan

The Company maintains a defined benefit pension plan, which provides a specified monthly benefit on retirement irrespective of individual investment returns. The assumed long-term rate of return on pension plan assets for the purposes of estimating pension expense for 2015 is 5%. This compares to assumed long-term rates of return of 5% used during 2014. There is no assurance that the pension plan assets will be able to earn the assumed rate of returns. The loss on pension plan assets during 2015 was 2% (2014: gain of 3%).

Market driven changes impacting the performance of the pension plan assets may result in material variations in actual return on pension plan assets from the assumed return on the assets causing material changes in consolidated pension expense and funding requirements. Net pension expense is impacted by, among other things, the amortization of experience and actuarial gains or losses and expected return on plan assets. Market driven changes impacting other pension assumptions, including the assumed discount rate, may also result in future consolidated contributions to pension plans that differ significantly from current estimates as well as causing material changes in consolidated pension expense. The discount rate assumed for 2015 is 4.0% compared to the discount rate assumed during 2014 of 4.9%.

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

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

Financial Instruments

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

Credit Risk

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

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

Liquidity Risk

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

Interest Rate Risk

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

Future Accounting Policies

Revenue from Contracts with Customers

ASU No. 2014-09 was issued in May 2014 and the amendments in this update create ASC Topic 606, *Revenue from Contracts with Customers*, and supersede the revenue recognition requirements in ASC Topic 605, *Revenue Recognition*, including most industry-specific revenue recognition guidance throughout the codification. This standard completes a joint effort by FASB and the International Accounting Standards Board to improve financial reporting by creating common revenue recognition guidance for US GAAP and International Financial Reporting Standards that clarifies the principles for recognizing revenue and that can be applied consistently across various transactions, industries and capital markets. This standard was originally effective for annual and interim periods beginning after December 15, 2016 and is to be applied on a full retrospective or modified retrospective basis. ASU No. 2015-14 was issued in August 2015 and the amendments in this update defer the effective date of ASU No. 2014-09 by one year to annual and interim periods beginning after December 15, 2017. Early adoption is permitted as of the original effective date. The majority of the Company's revenue is generated from energy sales to customers based on published tariff rates, as approved by the respective regulators, and is considered to be in the scope of ASU No. 2014-09. The Company and its subsidiary, DataLink, are assessing the impact that the adoption of this standard will have on the consolidated financial statements and plan to have this assessment complete in 2016.

Changes in Accounting Policies

Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved After the Requisite Service Period

Effective January 1, 2015, the Company early adopted ASU No. 2014-12 that resolves diversity in practice for employee share-based payments with performance targets that can entitle an employee to benefit from an award regardless of if they are rendering services at the date the performance target is achieved. The adoption of this update did not have an impact on the Company's consolidated financial statements.

Simplifying the Presentation of Debt Issuance Costs

Effective December 1, 2015, the Company early adopted ASU No. 2015-03 that requires debt issuance costs to be presented on the consolidated balance sheet as a direct deduction from the carrying amount of debt liability, consistent with debt discounts or premiums. The adoption of this update was applied retrospectively and resulted in the reclassification of debt issuance costs of \$1.6 million from Other Assets to Long-Term Debt on the Company's consolidated Balance Sheet as at December 31, 2014. Additionally, the Company early adopted ASU No. 2015-15 that clarifies the presentation and subsequent measurement of debt issuance costs associated with line-of-credit arrangements. The update permits an entity to defer and present debt issuance costs as an asset and subsequently amortize the deferred debt issuance costs ratably over the term of the line-of-credit arrangement, regardless of whether there are any outstanding borrowings on the line-of-credit arrangement. The adoption of this update was applied retrospectively and did not have a material impact on the Company's consolidated financial statements.

Critical Accounting Estimates

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

Revenue Recognition

Revenue derived from the sale of electricity is taken to income on a bills-rendered basis, adjusted for unbilled revenues. Customer bills are issued throughout the month based on meter readings that establish electricity consumption since the last meter reading. The unbilled revenue accrual for the period is based on estimated electricity sales to customers since the last meter reading. The estimation process for accrued unbilled electricity consumption will result in adjustments of electricity revenue in the periods they become known when actual results differ from the estimates. As at December 31, 2015, the amount of unbilled revenue recorded in Electricity Sales was \$2.2 million (December 31, 2014: \$2.3 million).

Kilowatt-Hour ("kWh") Sales

Kilowatt-hour sales throughout the month are based on meter readings that establish electricity consumption since the last meter reading. The kWh accrual for the period is based on estimated electricity sales to customers since the last meter reading. The estimation process for electricity consumption will result in adjustments of kWh sales statistics in the periods they become known when actual results differ from the estimates. As at December 31, 2015, the amount of estimated kWh sales was 16.6 million kWh (December 31, 2014: 18.5 million kWh).

Employee Future Benefits

The Company's defined benefit pension plan is subject to judgments utilised in the actuarial determination of the expense and related obligation. There are currently two participants in the Company's defined benefit pension plan. The main assumptions utilised by Management in determining pension expense and obligations were the discount rate for the accrued benefit obligation, pension commencement date, inflation and the expected rate of return on plan assets. As at December 31, 2015, the Company has a long term liability of \$1.2 million (December 31, 2014: \$1.4 million).

Property, Plant and Equipment Depreciation

Depreciation is an estimate based primarily on the estimated useful life of the asset. Estimated useful lives are based on current facts and historical information and take into consideration the anticipated physical life of the assets. As at December 31, 2015, the net book value of the Company's PP&E was \$447.7 million compared to \$394.7 million as at December 31, 2014, increasing as a result of the Company's generation and T&D capital expenditures. Depreciation expense for Fiscal 2015 was \$26.0 million (\$24.0 million for the Fiscal 2014). Due to the value of the Company's PP&E, changes in depreciation rates can have a significant impact on the Company's depreciation expense.

Selected Annual Financial Information

The "Selected Annual Financial Information" table shows the Annual Financial Information for the financial years ended December 31, 2015, 2014 and 2013.

Selected Annual Financial Information

(expressed in \$ thousands except Basic Earnings per Class A Ordinary Share, Dividends declared per Class A Ordinary Share and where otherwise indicated)

	Year ended December 31, 2015	Year ended December 31, 2014	Year ended December 31, 2013
Operating Revenues	188,880	231,705	226,220
Net Earnings	22,842	20,815	20,422
Net Earnings Applicable to common shares	21,912	19,885	19,492
Total Assets	482,806	463,830	435,750
Debt	222,594	236,436	219,000
Preference shares	250	250	250
Total shareholder's equity	214,489	179,835	178,292
Earnings per Class A Ordinary Share	0.71	0.68	0.68
Diluted earnings per Class A Ordinary Share	0.71	0.68	0.68
Dividends declared per Class A Ordinary Share	0.66	0.66	0.66
Dividends declared per Class B Preference Share including bonus	3.72	3.72	3.72

Comparative results 2015/2014

Operating revenues for Fiscal 2015 totalled \$188.9 million, a decrease of \$42.8 million from \$231.7 million for Fiscal 2014.

Net earnings for the year ended December 31, 2015 ("Fiscal 2015") were 22.8 million, a \$2.0 million increase from net earnings of \$20.8 million for the year ended December 31, 2014 ("Fiscal 2014"). This increase is attributable to a 3% increase in kWh sales, 1.5% and 0.9% base rate increases effective June 1, 2014 and June 1, 2015 respectively, lower finance charges and increased other income. These items were partially offset by higher depreciation, maintenance and general and administration costs. For a discussion of the reasons for the changes in Operating Revenues, Net Earnings Applicable to common shares and Earnings per Class A Ordinary Share, refer to the "Operating Revenues" and "Earnings" sections of this MD&A.

The growth in total assets is due mainly to the construction of a new 39.7 MW power plant, which will be commissioned by June 2016. The decrease in long-term debt was due to debt repayments of \$14 million in Fiscal 2015.

Comparative Results 2014/2013

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

Net earnings for Fiscal 2014 were \$20.8 million, a \$0.4 million increase from net earnings of \$20.4 million for Fiscal 2013. Net earnings applicable to common shares for Fiscal 2014 were \$19.9 million, or \$0.68 per Class A Ordinary Share as compared to \$19.5 million, or \$0.68 per Class A Ordinary Share for Fiscal 2013. The growth in total assets reflects the Company's continued investment in extension and upgrades of the distribution system, upgrades and generation asset upgrades. The Company also made a down payment towards the construction of a new 39.7 MW power plant in 2014, which will be commissioned by June 2016.

The increase in long-term debt was due primarily to the receipt of \$50 million in debt proceeds in support of the 39.7 MW generation project. This was partially offset by debt repayments of \$17 million.

2015 Fourth Quarter Results

Net earnings for the three months ended December 31, 2015 ("Fourth Quarter 2015") were \$6.2 million, a \$0.8 million increase when compared to \$5.4 million for the three months ended December 31, 2014 ("Fourth Quarter 2014"). This increase is attributable to an 8% increase in kWh sales and lower finance charges. These items were partially offset by higher consumer services, general and administration, depreciation and maintenance costs for the Fourth Quarter 2015 when compared to the Fourth Quarter 2014.

After the adjustment for dividends on the preference shares of the Company, earnings on Class A Ordinary Shares for the Fourth Quarter 2015 were \$5.6 million, or \$0.18 per Class A Ordinary Share, as compared to \$4.8 million, or \$0.16 per Class A Ordinary Share for the Fourth Quarter 2014.

Kilowatt-hour sales for the Fourth Quarter 2015 were 146.5 million, an increase of 10.7 million kWh when compared to 135.8 million for the Fourth Quarter 2014. Sales were positively impacted by warmer weather conditions that affected customer air conditioning usage. The average monthly temperature for the Fourth Quarter 2015 was 83.0 degrees Fahrenheit, 3.7 degrees higher than the average monthly temperature experienced during the Fourth Quarter 2014 of 79.3 degrees Fahrenheit.

Total operating expenses for the Fourth Quarter 2015 decreased 23% or \$11.9 million to \$40.0 million from \$51.9 million for the Fourth Quarter 2014. The main contributing factors to the decrease in operating expenses were lower power generation expenses, which were comprised predominantly of fuel costs, partially offset by higher general and administration, consumer service, depreciation and maintenance costs.

Cash flow provided by operations, after working capital adjustments, for the Fourth Quarter 2015, was \$15.4 million, an increase of \$5.5 million when compared to \$9.9 million for the Fourth Quarter 2014. This increase was primarily due to increased earnings and changes in non-cash working capital balances. Cash used in investing activities totalled \$25.2 million for the Fourth Quarter 2015, an increase of \$6.5 million from \$18.7 million for the Fourth Quarter 2014. This decrease is due to higher capital expenditures. Cash used in financing activities totalled \$6.3 million for the Fourth Quarter 2015, a decrease of \$33.5 million from \$27.2 million used in financing activities for the Fourth Quarter 2014. The Company received proceeds from debt financing of \$50.0 million in the Fourth Quarter 2014.

Capital expenditures for the Fourth Quarter 2015 were \$25.0 million, a \$6.6 million, or 36%, increase from \$18.4 million in capital expenditures for the Fourth Quarter 2014.

Quarterly Results

The table "Quarterly Results" summarises unaudited quarterly information for each of the eight quarters ended March 31, 2014 through December 31, 2015. This information has been obtained from CUC's unaudited interim Financial Statements, which in the opinion of Management have been prepared in accordance with US GAAP. These operating results are not necessarily indicative of results for any future period and should not be relied upon to predict future performance.

Quarterly results						
(\$ thousands, except basic and diluted earnings per ordinary share)						
	Operating Revenue	Net Earnings	Income applicable to Class A Ordinary shares	Earnings per Class A Ordinary share	Diluted earnings per Class A Ordinary share	
December 31, 2015	45,882	6,151	5,558	0.18	0.18	
September 30, 2015	50,242	7,893	7,780	0.25	0.25	
June 30, 2015	44,048	5,514	5,401	0.17	0.17	
March 31, 2015	48,709	3,284	3,171	0.11	0.11	
December 31, 2014	58,192	5,397	4,806	0.16	0.16	
September 30, 2014	63,437	6,221	6,108	0.21	0.21	
June 30, 2014	56,571	5,749	5,636	0.20	0.20	
March 31, 2014	53.505	3.448	3,335	0.11	0.11	

December 2015/December 2014

Net earnings for the three months ended December 31, 2015 ("Fourth Quarter 2015") were \$6.2 million, a \$0.8 million increase when compared to \$5.4 million for the three months ended December 31, 2014 ("Fourth Quarter 2014"). This increase is attributable to an 8% increase in kWh sales and lower finance charges. These items were partially offset by higher consumer services, general and administration, depreciation and maintenance costs for the Fourth Quarter 2015 when compared to the Fourth Quarter 2014.

After the adjustment for dividends on the preference shares of the Company, earnings on Class A Ordinary Shares for the Fourth Quarter 2015 were \$5.6 million, or \$0.18 per Class A Ordinary Share, as compared to \$4.8 million, or \$0.16 per Class A Ordinary Share for the Fourth Quarter 2014.

September 2015/September 2014

Net earnings for the three months ended September 30, 2015 ("Third Quarter 2015") totalled \$7.9 million, an increase of \$1.7 million when compared to net earnings of \$6.2 million for the three months ended September 30, 2014 ("Third Quarter 2014"). This increase was due mainly to higher electricity sales revenues, and lower consumer services costs, lower finance charges, and lower transmission and distribution costs. These items were partially offset by higher depreciation and maintenance costs.

After the adjustment for dividends on the preference shares of the Company, earnings on Class A Ordinary Shares for the Third Quarter 2015 were \$7.8 million, or \$0.25 per Class A Ordinary Share, compared to earnings on Class A Ordinary Shares of \$6.1 million or \$0.21 per Class A Ordinary Share for the Third Quarter 2014.

June 2015/June 2014

Net earnings for the three months ended June 30, 2015 ("Second Quarter 2015") totalled \$5.5 million, a decrease of \$0.2 million when compared to net earnings of \$5.7 million for the three months ended June 30, 2014 ("Second Quarter 2014"). This decrease was due mainly to higher depreciation and transmission and distribution costs. These items were partially offset by higher electricity sales revenues and other income.

After the adjustment for dividends on the preference shares of the Company, earnings on Class A Ordinary Shares for the Second Quarter 2015 were \$5.4 million, or \$0.17 per Class A Ordinary Share, compared to earnings on Class A Ordinary Shares of \$5.6 million or \$0.20 per Class A Ordinary Share for the Second Ouarter 2014

March 2015/March 2014

Net earnings for the three months ended March 31, 2015 ("First Quarter 2015") totalled \$3.3 million, a decrease of \$0.1 million when compared to net earnings of \$3.4 million for the three months ended March 31, 2014 ("First Quarter 2014"). This decrease was due mainly to higher depreciation and transmission and distribution costs. These items were partially offset by lower consumer service costs and higher other income.

After the adjustment for dividends on the preference shares of the Company, earnings on Class A Ordinary Shares for the First Quarter 2015 were \$3.2 million, or \$0.11 per Class A Ordinary Share, compared to earnings on Class A Ordinary Shares of \$3.3 million or \$0.11 per Class A Ordinary Share for the First Quarter 2014.

Disclosure Controls and Procedures

The President and Chief Executive Officer and the Chief Financial Officer, together with Management, have established and maintained the Company's disclosure controls and procedures (DC&P), to provide reasonable assurance that material information relating to the Company is made known to them by others, particularly during the year ending December 31, 2015; and information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation. Based on the evaluation performed over disclosure controls and procedures, it was concluded that the DC&P of CUC is adequately designed and operating effectively as of December 31, 2015.

Internal Controls over Financial Reporting ("ICFR")

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

The design of CUC's internal controls over financial reporting has been established and evaluated using the criteria set forth in the Internal Control-Integrated Framework by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on the assessment, it was concluded that CUC's internal controls over financial reporting are adequately designed and operating effectively as of December 31, 2015.

There has been no change in the Company's ICFR that occurred during the period beginning on October 1, 2015 and ended on December 31, 2015 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Outlook

On October 3, 2014 the ERA announced that CUC was the successful bidder for new generation capacity. CUC will develop and operate a new 39.7 MW diesel power plant including two 18.5 MW diesel generating units and a 2.7 MW waste heat recovery steam turbine. The project is on track for the handover of the first generating unit on May 1, 2016 and the second generating unit and steam turbine will be handed over on June 1, 2016. The project is estimated at \$85 million.

In December 2015 the ERA approved CUC's 2016-2020 Capital Investment Plan in the amount of \$204 million. Approved projects for the upcoming period include completion of the 39.7 MW generation project and ongoing generation and T&D system replacements and upgrades.

The Company continues to facilitate the connecting of renewable energy sources to the grid. During the Fourth Quarter, the ERA approved a Power Purchase Agreement (PPA) for a 5 MW plant to be built by Entropy Cayman Solar Limited in the district of Bodden Town.

This 5 MW Solar project, scheduled for completion in October 2016, will provide energy to power approximately 800 homes with clean renewable solar energy and will significantly reduce emissions into the atmosphere through the avoidance of diesel fuel consumption.

Subsequent Events: Outstanding Share Data

At March 16, 2016 the Company had issued and outstanding 32,424,850 Ordinary Shares and 250,000 9% cumulative Participating Class B Preference Shares.

The number of common shares of the Company that would be issued if all outstanding stock options were converted as at March 16, 2016 is as follows.

Conversion of Securities into Common Shares As at March 16, 2016 (Unaudited)	ares Number of Common Shares	
Stock Options	282,720	

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

Management's Responsibility for Financial Reporting

The accompanying Annual Consolidated Financial Statements of Caribbean Utilities Company, Ltd. and all information in the 2015 Annual Report have been prepared by management, who are responsible for the integrity of the information presented, including the amounts that must of necessity be based on estimates and informed judgements. These Annual Consolidated Financial Statements were prepared in accordance with accounting principles generally accepted in the United States. Financial information contained elsewhere in the 2015 Annual Report is consistent with that in the Annual Consolidated Financial Statements.

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

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

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

The Annual Consolidated Financial Statements and Management's Discussion and Analysis contained in the 2015 Annual Report were reviewed by the Audit Committee and, on their recommendation, were approved by the Board of Directors of the Company. Ernst & Young, Ltd., independent auditors appointed by the shareholders of the Company upon recommendation of the Audit Committee, have performed an audit of the Annual Consolidated Financial Statements and their report follows.

Letitia T. Lawrence

Vice President Finance & Chief Financial Officer

Caribbean Utilities Company, Ltd.

J.F. Richard Hew

President & Chief Executive Officer

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Caribbean Utilities Company, Ltd.

Auditors' Report

To the Shareholders of Caribbean Utilities Company, Ltd.

We have audited the accompanying consolidated financial statements of Caribbean Utilities Company, Ltd., which comprise the consolidated balance sheets as at December 31, 2015 and 2014, and the consolidated statements of earnings, comprehensive income, shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Caribbean Utilities Company, Ltd. as at December 31, 2015 and 2014 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States.

Ernst & Young, Ltd.

Grand Cayman, Cayman Islands

Ernst + Young Ltd.

March 16, 2016

Consolidated Balance Sheets

(expressed in thousands of United States Dollars)

	Note	As at December 31, 2015	As at December 31, 2014
Assets		•	•
Current Assets			
Cash and Cash Equivalents		1,365	21,815
Accounts Receivable	5	11,767	14,272
Related Party Receivables	20	-	12
Regulatory Assets	6	14,346	23,543
Inventories	7	2,237	3,517
Prepayments		2,096	2,793
		31,811	65,952
Property, Plant and Equipment	8	447,700	394,680
Other Assets		24	24
Intangible Assets	9	3,271	3,174
Total Assets		482,806	463,830
		402,000	403,030
Liabilities and Shareholders' Equity Current Liabilities			
Bank Overdraft		1 725	
	10	1,735 20,410	26,318
Accounts Payable and Accrued Expenses Related Party Payables	20	20,410 14	
<u> </u>	20 6	863	16 145
Regulatory Liabilities	O		
Current Portion of Long-Term Debt		14,000	14,000
Consumers' Deposits and Advances for Construction		6,823	5,461
D.C. ID. C.D. ' I'll'		43,845	45,940
Defined Benefit Pension Liability	11	1,242	1,415
Long-Term Debt	11	222,594	236,430
Other Long term Liabilities Total Liabilities	13	636 268,317	210 283,995
Shareholders' Equity		200,317	203,993
Share Capital		2,177	1,992
Share Capital Share Premium		116,201	83,044
Additional Paid in Capital	12	116,201 467	463
Retained Earnings	14	96,822	95,722
Accumulated Other Comprehensive Loss		96,822 (1,178)	(1,386)
Total Shareholders' Equity		214,489	179,835
Total Liabilities and Shareholders' Equity		482,806	463,830

See accompanying Notes to Annual Consolidated Financial Statements

Agreed on behalf of the Board of Directors by:

David E. Ritch, OBE, JP

Director

J.F. Richard Hew

Director

Consolidated Statements of Earnings

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

	Note	Year Ended	Year Ended
		December 31, 2015	December 31, 2014
Operating Revenues			
Electricity Sales		76,747	73,408
Fuel Factor		112,133	158,297
Total Operating Revenues		188,880	231,705
Operating Expenses			·
Power Generation		116,105	161,832
General and Administration		9,134	8,796
Consumer Services		3,212	3,357
Transmission and Distribution		2,853	2,619
Depreciation		25,961	24,030
Maintenance		5,861	5,406
Amortization of Intangible Assets		487	337
Total Operating Expenses		163,613	206,377
Operating Income		25,267	25,328
Other (Expenses)/Income:			
Finance Charges	17	(7,301)	(9,115)
Foreign Exchange Gain	19	1,435	1,917
Other Income		3,441	2,685
Total Net Other (Expenses)/Income		(2,425)	(4,513)
			()
Earnings for the Period		22,842	20,815
Preference Dividends Paid- Class B		(930)	(930)
Earnings on Class A Ordinary Shares		21,912	19,885
Weighted Assessed Number of Class A Ordinary Characterist and Fully			
Weighted-Average Number of Class A Ordinary Shares Issued and Fully Paid (in thousands)	14	31,041	29,131
Earnings per Class A Ordinary Share	14	0.71	0.68
Diluted Earnings per Class A Ordinary Share	14	0.71	0.68
Dividends Declared per Class A Ordinary Share		0.660	0.660

Consolidated Statements of Comprehensive Income

(expressed in thousands of United States Dollars)

	Year Ended December 31, 2015	Year Ended December 31, 2014
Earnings for the Period	22,842	20,815
Other Comprehensive Income/(Loss):		
Amounts arising during the period		
Defined Benefit Pension plans:		
Net actuarial (loss)/gain	2	(1,214)
Reclassification to net income		
Defined Benefit Pension plans:		
Amortization of prior service costs	-	82
Amortization of net actuarial loss	206	-
Total Other Comprehensive Income	208	(1,132)
Comprehensive Income	23,050	19,683

Consolidated Statements of Shareholders' Equity

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

	Class A Ordinary Shares (in thousands)	Class A Ordinary Shares Value (\$)	Preference Shares (\$)	Share Premium (\$)	Additional Paid-in Capital (\$)	Accumulated Other Comprehensive Loss (\$)	Retained Earnings (\$)	Total Equity (\$)
As at January 1, 2015	29,260	1,742	250	83,044	463	(1,386)	95,722	179,835
Net earnings	-	-	-	-	-	-	22,842	22,842
Common share issuance and stock options plans	3,122	185	-	33,157	4	-	-	33,346
Defined benefit plans	-	-	-	-	-	208	-	208
Dividends on common shares	-	-	-	-	-	-	(20,812)	(20,812)
Dividends on preference shares	-	-	-	-	-	-	(930)	(930)
As at December 31, 2015	32,382	1,927	250	116,201	467	(1,178)	96,822	214,489
As at January 1, 2014	29,060	1,730	250	81,023	479	(254)	95,064	178,292
Net earnings	-	-	-	-	-	-	20,815	20,815
Common share issuance and stock options plans	200	12	-	2,021	(16)	-	-	2,017
Defined benefit plans	-	-	-	-	-	(1,132)	-	(1,132)
Dividends on common shares	-	-	-	-	-	-	(19,227)	(19,227)
Dividends on preference shares	-	-	-	-	-	-	(930)	(930)
As at December 31, 2014	29,260	1,742	250	83,044	463	(1,386)	95,722	179,835

Consolidated Statements of Cash Flows

(expressed in thousands of United States Dollars)

	Year Ended December	Year Ended December
	31, 2015	31, 2014
Operating Activities		
Earnings for the period	22,842	20,815
Items not affecting cash:		
Depreciation	25,961	24,030
Amortization of Intangible Assets	487	337
Non-cash Pension Expenses	48	-
Amortization of Deferred Financing Costs	161	156
Stock-based compensation	4	(17)
	49,503	45,321
Accounts Receivable	2,505	4,361
Inventory	1,280	1,668
Prepaid Expenses	697	(90)
Accounts Payable	(6,890)	(5,689)
Net Change in Regulatory Deferrals	9,915	733
Other	2,011	476
Cash flow related to operating activities	59,021	46,780
formation Autobio		
Investing Activities		
Purchase of property, plant and equipment	(77,947)	(39,472)
Costs related to intangible assets	(627)	(643)
Contributions in Aid of Construction	-	320
Proceeds on sale of property, plant and equipment	-	21
Cash flow related to investing activities	(78,574)	(39,774)
Financing Activities		
Proceeds from debt financing	_	65,000
Repayment of debt	(14,000)	(32,000)
Increase/(Decrease) in bank overdraft	1,735	(1,258)
Dividends paid	(21,976)	(20,184)
Net proceeds from share issues	33,344	2,036
Cash flow related to financing activities	(897)	13,594
(Decrease)/Increase in net cash and cash equivalents	(20,450)	20,600
Cash and cash equivalents - Beginning of period	21,815	1,215
Cash and cash equivalents - End of period	1,365	21,815
Supplemental disclosure of cash flow information:		
Interest paid during the period	12,529	11,634
interest paid during the period	12,529	11,034

Notes to Annual Consolidated Financial Statements

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

1. Nature of Operations and Consolidated Financial Statement Presentation

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

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

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

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

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

Rate Regulated Operations

CUC's base rates are designed to recover all non-fuel and non-regulatory costs and include per kilowatt-hour ("kWh") electricity charges and fixed facilities charges. Fuel cost charges and regulatory fees are billed as separate line items. Base rates are subject to an annual review and adjustment each June through the Rate Cap and Adjustment Mechanism ("RCAM"). In June 2015, following review and approval by the Electricity Regulatory Authority ("ERA"), the Company increased its base rates by 0.9%. This increase was a result of the 2014 Return on Rate Base ("RORB") and the increase in the applicable United States ("US") and Cayman Islands consumer price indices, adjusted to exclude food and fuel, for calendar year 2014. The change in the base rates as a percentage of the US and Cayman Islands consumer price indices was 80% based on the range of the RORB values. The required rate adjustment of 0.9% can be calculated by applying 80% to the total price level index (60% of the Cayman Islands CPI and 40% of the US CPI) of 1.1%. All fuel and lubricating oil costs are passed through to customers without mark-up as a per kWh charge.

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

2. Summary of Significant Accounting Policies

The preparation of financial statements in conformity with US GAAP requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The Company's critical accounting estimates relate to:

Revenue Recognition

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

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

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

Consolidation Policy

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

Kilowatt-Hour (kWh) Sales

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

Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, bank demand deposits and bank fixed deposits maturing within three months of the date of acquisition. At December 31, 2015, cash and cash equivalents consisted of all cash.

Accounts Receivable

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

Allowance for Doubtful Accounts

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

Inventories

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

Property, Plant and Equipment (PP&E)

PP&E are stated at cost.

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

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

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

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

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

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

Property, Plant and Equipment Depreciation

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

Intangible Assets

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

Foreign Exchange

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

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

Other Income

Other income is comprised of pole rental fees, income from pipeline operations, sale of meter sockets, sale of recyclable metals and other miscellaneous income.

Other Income is recognised when sales are delivered, services are rendered and rental fees are recognised over the period of the lease.

Segment Information

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

Fair Values

The fair value of financial assets and liabilities has been determined from market values where available. Where fair values of financial instruments with an immediate or short-term maturity are considered to approximate cost, this fact is disclosed. Fair value of financial assets and liabilities for which no market value is readily available is determined by the Company using future cash flows discounted at an estimated market rate. In establishing an estimated market rate, the Company has evaluated the existing transactions, as well as comparable industry and economic data and other relevant factors such as pending transactions.

Capital Stock

Dividend Reinvestment Plan

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

Customer Share Purchase Plan ("CSPP")

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

Employee Share Purchase Plan ("ESPP")

The Company provides interest-free advances to employees to purchase Class A Ordinary Shares, with such advances recovered through payroll deductions over the next year. The maximum semi-annual participation is 1,000 Class A Ordinary Shares per employee. The plan is non-compensatory as shares purchased by the employee are obtained at the prevailing market value at the time of purchase. The amount owing to the

Company from employees is included as an offset to Share Capital and Share Premium on the Balance Sheets (2015: \$0.12 million, 2014: \$0.13 million).

Share Based Compensation Plans

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

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

Employee Benefit Plans

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

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

Financial Instruments

Financial instruments are contracts that give rise to a financial asset of one party and a financial liability or equity instrument of another party. The Company's financial instruments include cash and cash equivalents, accounts receivable, accounts payable and accrued expenses, short-term borrowings, consumer deposits, other long-term liabilities and long term debt. All financial instruments are initially measured at fair value.

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

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

Derivatives

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

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

3. Future Accounting Policies

Revenue from Contracts with Customers

ASU No. 2014-09 was issued in May 2014 and the amendments in this update create ASC Topic 606, *Revenue from Contracts with Customers*, and supersede the revenue recognition requirements in ASC Topic 605, *Revenue Recognition*, including most industry-specific revenue recognition guidance throughout the codification. This standard completes a joint effort by FASB and the International Accounting Standards Board to improve financial reporting by creating common revenue recognition guidance for US GAAP and International Financial Reporting Standards that clarifies the principles for recognizing revenue and that can be applied consistently across various transactions, industries and capital markets. This standard was originally effective for annual and interim periods beginning after December 15, 2016 and is to be applied on a full retrospective or modified retrospective basis. ASU No. 2015-14 was issued in August 2015 and the amendments in this update defer the effective date of ASU No. 2014-09 by one year to annual and interim periods beginning after December 15, 2017. Early adoption is permitted as of the original effective date. The majority of the Company's revenue is generated from energy sales to customers based on published tariff rates, as approved by the respective regulators, and is considered to be in the scope of ASU No. 2014-09. The Company and its subsidiary, DataLink, are assessing the impact that the adoption of this standard will have on the consolidated financial statements and plan to have this assessment complete in 2016.

4. Changes in Accounting Policies

Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved After the Requisite Service Period

Effective January 1, 2015, the Company early adopted ASU No. 2014-12 that resolves diversity in practice for employee share-based payments with performance targets that can entitle an employee to benefit from an award regardless of if they are rendering services at the date the performance target is achieved. The adoption of this update did not have an impact on the Company's consolidated financial statements.

Simplifying the Presentation of Debt Issuance Costs

Effective December 1, 2015, the Company early adopted ASU No. 2015-03 that requires debt issuance costs to be presented on the consolidated balance sheet as a direct deduction from the carrying amount of debt liability, consistent with debt discounts or premiums. The adoption of this update was applied retrospectively and resulted in the reclassification of debt issuance costs of \$1.6 million from Other Assets to Long-Term Debt on the Company's consolidated Balance Sheet as at December 31, 2014. Additionally, the Company early adopted ASU No. 2015-15 that clarifies the presentation and subsequent measurement of debt issuance costs associated with line-of-credit arrangements. The update permits an entity to defer and

present debt issuance costs as an asset and subsequently amortize the deferred debt issuance costs ratably over the term of the line-of-credit arrangement, regardless of whether there are any outstanding borrowings on the line-of-credit arrangement. The adoption of this update was applied retrospectively and did not have a material impact on the Company's consolidated financial statements.

5. Accounts Receivable

Accounts Receivable						
(\$ thousands)						
	As at December 31, 2015	As at December 31, 2014				
Billings to consumers*	10,593	12,132				
Unbilled revenues	2,160	2,343				
Other receivables	1,232	1,278				
Allowance for doubtful accounts	(2,218)	<u>(1,481)</u>				
Total accounts receivable	11,767	14,272				

^{*}Includes billings to Datalink customers

Unbilled Revenues

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

Other Receivables

Other receivables relate to amounts due outside of the normal course of operations. Items in other accounts receivable include sale of inventory, machine break-down costs covered by warranties and amounts due from related parties. Other receivables at December 31, 2015 also include billing adjustments for commercial customers.

6. Regulatory Assets and Liabilities

Regulatory Assets and Liabilities				
(\$ thousands)				
		As at December 31,	As at December 31,	
Asset/Liability	Description	2015	2014	
Regulatory Assets	Fuel Tracker Account (a)	13,866	21,516	
Regulatory Assets	Derivative contract (b)	208	247	
	Miscellaneous Regulatory			
Regulatory Assets	Assets (c)	272	299	
	Government & Regulatory			
Regulatory Assets	Tracker Account (d)	<u> </u>	<u>1,481</u>	
Total Regulatory Assets		14,346	23,543	
	Government & Regulatory			
Regulatory Liabilities	Tracker Account (d)	(812)	-	
	Miscellaneous Regulatory			
Regulatory Liabilities	Liabilities (e)	(51)	(145)	
Total Regulatory Liabilities		(863)	<u>(145)</u>	

- a) Fuel Tracker Account The T&D Licence established a fuel tracker mechanism to ensure the Company and the consumers neither gain nor lose from the pass through of fuel costs. The purpose of the fuel tracker account is to accumulate actual fuel costs incurred less fuel factor revenues collected. This account represents deferred accumulated fuel costs to be recovered from or reimbursed to the consumers. The receivable or payable value represents a regulatory asset or liability. The net position of the fuel tracker accounts fluctuates monthly and is affected by fuel prices and electricity consumption.
- b) Derivative contract The Company's purpose of hedging is to reduce the impact of volatility in the Fuel Cost Charge paid by the Company's customers in the face of price volatility for the fuel that the Company must purchase in order to provide electric service. This account represents the fair value adjustments for the call options.
- c) Miscellaneous regulatory assets represent costs incurred by the Company, other than fuel and the specifically itemised licence and regulatory fees, to be recovered through the Company's base rates on terms as agreed with the ERA.
- d) Government and Regulatory Tracker Account A licence fee of 1% of gross revenues applies to customer billings for consumption over 1,000 kWh per month as a pass-through charge on a per kWh basis. Additionally, a regulatory fee of ½ of 1% is charged on gross revenues then prorated and applied only to customer billings with consumption over 1,000 kWh per month. The government and regulatory tracker account is the actual fee incurred less the amount of funds received from consumers. The per kWh charge is then adjusted quarterly for the balance of this account.
- e) Miscellaneous regulatory liabilities represent costs owed by the Company, other than licence and regulatory fees, to be recovered through the Company's base rates on terms as agreed with the ERA.

7. Inventories

The composition of inventories is shown in the table below:

Inventories		
(\$ thousands)		
	As at	As at
	December 31, 2015	December 31, 2014
Fuel	1,392	2,616
Lubricating Oil	547	581
Line spares	76	75
DataLink, Ltd.	211	222
Other	<u>11</u>	<u>23</u>
Total	2,237	3,517

8. <u>Property, Plant and Equipment (PP&E)</u>

Property, Plant and Equipment			
(\$ thousands)			
	Cost	Accumulated	Net Book Value
		Depreciation	December 31, 2015
Transmission & Distribution (T&D)	310,299	111,750	198,549
Generation	379,354	151,065	228,289
Other:			
Land	5,304	-	5,304
Buildings	20,167	11,081	9,086
Equipment, motor vehicles and computers	22,676	16,692	5,985
Total of T&D, Generation and Other	737,800	290,588	447,212
DataLink, Ltd.	541	53	488
Property, plant and equipment	738,341	290,641	447,700
	Cost	Accumulated	Net Book Value
		Depreciation	December 31, 2014
Transmission & Distribution (T&D)	307,158	103,628	203,530
Generation	305,772	136,215	169,557
Other:			
Land	5,304	-	5,304
Buildings	19,945	10,577	9,368
Equipment, motor vehicles and computers	21,992	15,581	6,411
Total of T&D, Generation and Other	660,171	266,001	394,170
DataLink, Ltd.	510	-	510
Property, plant and equipment	660,681	266,001	394,680

Included in PP&E are a number of capital projects in progress with a total cost to date of \$83.1 million (December 31, 2014: \$28.4 million). These projects primarily relate to the 39.7 MW Generation project and various improvements to the Distribution System. The total cost incurred to date for the 39.7 MW Generation project is \$47.9 million. Included in the total cost is an amount of \$0.1 million that relates to fibre optic assets for DataLink.

Also included in Generation and T&D is freehold land with a cost of \$5.0 million (December 31, 2014: \$5.0 million). In addition, line inventory with a cost of \$4.3 million (December 31, 2014: \$4.8 million) is included in T&D. Engine spares with a net book value of \$13.7 million (December 31, 2014: \$14.4 million) are included in Generation.

The capitalisation of 'Financing Costs' is calculated by multiplying the Company's Cost of Capital rate by the average work in progress for each month. The cost of capital rate for fiscal 2015 is 8.25% (2014: 8.0%) and will be adjusted annually. As a result, during Fiscal 2015, the Company recognised \$5.3 million in AFUDC (2014: \$2.8 million). GEC of \$4.2 million was recognised for the year ended December 31, 2015 (2014: \$3.6 million).

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

9. <u>Intangible Assets</u>

Intangible Assets			
(\$ thousands)			
	Cost	Accumulated	Net Book Value
		Amortisation	December 31, 2015
Deferred licence renewal costs	1,890	725	1,165
DataLink, Ltd. deferred licence renewal costs	200	50	150
Computer Software	6,200	4,446	1,754
Other Intangible Assets in progress	127	-	127
Trademark Costs	<u>75</u>	=	<u>75</u>
Total	8,492	5,221	3,271
	Cost	Accumulated	Net Book Value
		Amortisation	December 31, 2014
Deferred licence renewal costs	1,890	629	1,261
DataLink, Ltd. deferred licence renewal costs	200	37	163
Computer Software	5,615	4,067	1,548
Other Intangible Assets in progress	127	-	127
Trademark Costs	<u>75</u>	<u>=</u>	<u>75</u>
Total	7,907	4,733	3,174

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

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

Amortization of Intangible Assets					
(\$ thousands)					
	2016	2017	2018	2019	2020
Computer Software	237	302	309	344	287
Licence Renewal Costs	<u>108</u>	<u>108</u>	<u>108</u>	<u>108</u>	<u>108</u>
Total	345	410	417	452	395

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

	As at December 31, 2015
Computer Software	2.80 years
Deferred Licence Renewal costs	12.29 years
Datalink Deferred Licence Renewal Costs	12.25 years
Total weighted-average amortization period	7.29 years

10. Accounts Payable and Accrued Expenses

Accounts Payable and Accrued Expenses		
(\$ thousands)		
	As at December 31, 2015	As at December 31, 2014
Fuel Cost Payable	13,556	20,526
Trade Accounts Payable & Accrued expenses	3,252	2,240
Accrued Interest	991	1,051
Dividends Payable	592	593
Other Accounts Payable	<u>2,019</u>	<u>1,908</u>
Total Accounts Payable	20,410	26,318

Included in Other Accounts Payable is an amount related to fuel option contracts (see Note 17) of \$0.2 million at December 31, 2015 (\$0.2 million at December 31, 2014)

11. <u>Long-Term Debt</u>

Long-Term Debt		
(\$ thousands)		
	As At December 31, 2015	As At December 31, 2014
6.67% Senior Unsecured Loan Notes due 2016	3,000	6,000
5.09% Senior Unsecured Loan Notes due 2018	12,000	16,000
5.96% Senior Unsecured Loan Notes due 2020	15,000	18,000
5.65% Senior Unsecured Loan Notes due 2022	28,000	32,000
7.50% Senior Unsecured Loan Notes due 2024	40,000	40,000
4.85% Senior Unsecured Loan Notes due 2026	15,000	15,000
3.34% Senior Unsecured Loan Notes due 2028	10,000	10,000
3.65% 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% Unsecured Loan Notes due 2034	5,000	5,000
4.53% Unsecured Loan Notes due 2046	<u>15,000</u>	<u>15,000</u>
	238,000	252,000
Less: Current portion of long-term debt	(14,000)	(14,000)
Less: Deferred debt issue costs	<u>(1,406)</u>	(1,570)
	222,594	236,430

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

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

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

12. Capital Stock

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

Capital Stock					
	As at December 31,	As at December 31,			
	2015	2014			
Class A Ordinary Shares of CI\$0.05 each	60,000,000	60,000,000			
9% Cumulative Participating Class B Preference Shares of \$1.00 each	250,000	250,000			
Class C Preference Shares of \$1.00	419,666	419,666			
Cumulative Participating Class D Share of CI\$0.56	1	1			

13. Share Based Compensation Plans

Share Options

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

The exercise price per share in respect of options is equal to the fair market value of the Class A Ordinary Shares on the date of grant. Each option is for a term not exceeding ten years, and will become exercisable on a cumulative basis at the end of each year following the date of grant. The maximum number of Class A Ordinary Shares under option shall be fixed and approved by the shareholders of the Company from time to time and is currently set at 1,220,100. Options are forfeited if they are not exercised prior to their respective expiry date or upon termination of employment prior to the completion of the vesting period.

Share Options				
	Year Ended December 31, 2015	Year Ended December 31, 2015		
	Number of options	Weighted average exercise price per share	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value (\$ millions))
Outstanding at beginning of period	308,470	10.58	-	-
Granted	-	-	-	-
Exercised	(3,750)	9.66	-	-
Forfeited/Cancelled	(22,000)	11.29	-	-
Expired	=	0.00	-	-
Outstanding, end of period	<u>282,720</u>	<u>10.53</u>	4.38	<u>=</u>
Vested, end of the period	242,470	10.68	4.07	-

On March 9, 2012; 187,000 options were granted under the Executive Stock Option Plan at an exercise price of \$9.66. The options vest on the basis of one quarter of the grant on each of the first through fourth anniversaries of the dates of the grant and bear a term of 10 years from the date of grant, thereby expiring on March 9, 2022. The fair value of each option granted was calculated to be \$0.02 per option. The fair value was estimated on the date of the grant using the Black-Scholes fair value option pricing model and the following assumptions:

Dividend Yield (%): 7.00
Expected Volatility (%): 5.50
Risk-free interest rate (%): 2.00
Expected life (years): 7.00

The following table summarizes additional information related to the stock options during 2015 and 2014:

Share Options		
(\$ millions)		
	2015	2014
Stock Options expense recognised	0.003	0.02
Stock options exercised:		
Cash received for exercise of options	0.04	0.2
Intrinsic value realized by employees	0.004	0.03

Under the fair value method, the compensation expense was \$0.003 million for the year ended December 31, 2015 (December 31, 2014: \$0.02 million), resulting in a corresponding increase of Additional Paid in Capital.

Share Options		
(\$ millions)		
	Number of options	Weighted-Average Grant Date Fair Value
Non-vested options, January 1, 2015	88,500	0.02
Granted	· -	-
Vested	40,250	0.02
Cancelled / Forfeited	8,000	0.02
Non-vested options, December 31, 2015	40,250	0.02

The unrecognised compensation expense related to non-vested share options for the year ended December 31, 2015 was 0.001 million (December 31, 2014: \$0.01 million).

Performance Share Unit ("PSU") Plan

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

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

For the year ended December 31, 2015, an expense of \$0.4 million (December 31, 2014: \$0.2 million) was recognised in earnings with respect to the PSU plan.

As at December 31, 2015, the total liability related to outstanding PSUs is \$0.6 million (December 31, 2014: \$0.2 million) and is included in Other Long Term Liabilities.

14. <u>Earnings per Share</u>

The Company calculates earnings per share on the weighted average number of Class A Ordinary Shares outstanding. The weighted average Class A Ordinary Shares outstanding were 31,041,240 and 29,130,536 for the year ended December 31, 2015 and December 31, 2014 respectively.

The weighted average of Class A Ordinary Shares used for determining diluted earnings were 31,059,215 and 29,143,143 for the year ended December 31, 2015 and December 31, 2014, respectively. Diluted earnings per Class A Ordinary Share was calculated using the treasury stock method.

As at December 31, 2015 the outstanding options are not materially dilutive as the market price of common shares is below or marginally higher than the exercise price.

Earnings per Share			
	Earnings December 31, 2015 (\$ thousands)	Weighted average shares December 31, 2015 (thousands)	Earnings per Class A Ordinary Shares December 31, 2015
Net earnings applicable to common shares	21,912		
Weighted Average share outstanding		31,041	
Basic Earnings Per Common Share			0.71
Effect of potential dilutive securities:			
Stock Options	<u>=</u>	<u>18</u>	<u>=</u>
Diluted Earnings per Common Share	21,912	31,059	0.71
	Earnings December 31, 2014 (\$ thousands)	Weighted average shares December 31, 2014 (thousands)	Earnings per Class A Ordinary Shares December 31, 2014
Net earnings applicable to common shares	19,885		
Weighted Average share outstanding		29,131	
Rights Offering			
Basic Earnings Per Common Share			0.68
Effect of potential dilutive securities: Stock Options	=	<u>12</u>	<u>=</u>
Diluted Earnings per Common Share	19,885	29,143	0.68

15. <u>Fair Value Measurement</u>

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

is required to determine the fair value of all derivative instruments in accordance with the following hierarchy:

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

- Level 1: Fair value determined using unadjusted quoted prices in active markets.
- Level 2: Fair value determined using pricing inputs that are observable.
- Level 3: Fair value determined using unobservable inputs only when relevant observable inputs are not available.

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

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

Financial Instruments						
	As at December 31, 2015 As at December 31, 2014					
	Carrying Value	Fair Value	Carrying Value	Fair Value		
Long-term debt, including current portion	236,594	251,723	250,430	272,615		
Fuel Option Contracts	208	208	247	247		

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

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

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

The fair value of the fuel option contract reflects only the value of the heating oil derivative and not the offsetting change in the value of the underlying future purchases of heating oil. The derivatives' fair value shown in the below table reflects the estimated amount the Company would pay to terminate the contract at the stated date. The fair value has been determined using published market prices for heating oil commodities. The Company's option contracts expire on July 31, 2016.

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

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

	December 31, 2015	December 31, 2015	December 31, 2015	December 31, 2015
Financial Liability	Total Fair Value	Level 1 - Quoted Prices in active markets for identical assets	Level 2 - Significant Other inputs	Level 3 - Significant unobservable inputs
Long-term debt, including current				
portion	251,723		251,723	
Option contracts ¹	208		208	

 $^{1\} Carrying\ value\ of\ fuel\ option\ contracts\ included\ in\ Accounts\ Payable\ and\ Accrued\ expenses$

16. <u>Financial Risk Management</u>

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

Credit Risk

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

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

Liquidity Risk

The Company's financial position could be adversely affected if it failed to arrange sufficient and costeffective financing to fund, among other things, capital expenditures and the repayment of maturing debt. The ability to arrange such financing is subject to numerous factors, including the results of operations and financial position of the Company, conditions in the capital and bank credit markets, ratings assigned by ratings agencies and general economic conditions.

These factors are mitigated by the legal requirement per the Licences which requires rates be set to enable the Company to achieve and maintain a sound credit rating in the financial markets of the world. To further mitigate liquidity risk, the Company has secured committed credit facilities to support short-term financing of capital expenditures and seasonal working capital requirements.

The Company has \$47 million of unsecured credit financing facilities with the Royal Bank of Canada ("RBC"). The total available was \$44.3 million at December 31, 2015 (\$46.0 million at December 31, 2014).

Interest Rate Risk

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

Short-Term Financing			
(\$ thousands)			
Credit Facilities			
	Total Credit Financing Facilities December 31, 2015	Total Utilised December 31, 2015	Total Available December 31, 2015
Corporate Credit Card Line*	500	500	-
Letter of Credit	500	500	-
Operating, Revolving Line of Credit	7,500	1,735	5,765
Catastrophe Standby Loan	7,500	-	7,500
Demand Loan Facility- Interim Funding of Capital Expenditures	<u>31,000</u>	<u>=</u>	<u>31,000</u>
Total	47,000	2,735	44,265

^{*.} Included in Accounts payable and accrued expenses

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

17. <u>Finance Charges</u>

The composition of finance charges were as follows:

Finance Charges		
(\$ thousands)		
	Year Ended December 31, 2015	Year Ended December 31, 2014
Interest costs - long-term debt	12,440	11,567
Other interest costs	189	335
AFUDC *	(5,328)	(2,787)
Total	7,301	9,115

^{*}Refer to PP&E with regards to AFUDC (Note 7) methodology.

18. <u>Employee Future Benefits</u>

All employees of the Company are members of a defined contribution Pension Plan established for the exclusive benefit of employees of the Company and which complies with the provisions of the National Pensions Law. As a term of employment, the Company contributes 7.5% of wages or salary in respect of employees who have completed 15 years of continuous service and have attained the age of 55 years and 5% of wages or salary for all other employees. All contributions, income and expenses of the plan are accrued to, and deducted from, the members' accounts. The total expense recorded in respect of employer contributions to the plan for Fiscal 2015 amounted to \$0.98 million (December 31, 2014: \$0.91 million). The Pension Plan is administered by an independent Trustee.

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

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

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

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

Plan assets by allocation (%)						
	December 31, 2015	December 31, 2014				
Equity Assets	49%	50%				
Fixed income investments	18%	32%				
Money Market funds	32%	16%				
Cash and Cash equivalents	<u>1%</u>	<u>2%</u>				
Total	100%	100%				

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

Asset Allocation				
(\$ thousands)				
December 31, 2015				
	Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)	Total
Equity Assets	2,984	-	-	2,984
Fixed income investments	-	1,912	-	1,912
Money Market funds	-	1,110	-	1,110
Cash and Cash equivalents	<u>70</u>	<u>=</u>	<u> </u>	<u>70</u>
Total	3,054	3,022	-	6,076
December 31, 2014				
	Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)	Total
Equity Assets	3,139	-	-	3,139
Fixed income investments	-	1,990	-	1,990
Money Market funds	-	1,036	-	1,036
Cash and Cash equivalents	<u>115</u>	Ξ	Ξ.	<u>115</u>
Total	3,254	3,026	-	6,280

Pension Plan		
(\$ thousands)	December 31,	December 31,
Project Benefit Obligation	2015	2014
Balance beginning of year	7,695	6,380
Interest Cost	306	310
Actuarial (gains)/ losses	(602)	1,101
Benefit payments	(81)	<u>(96)</u>
Balance end of year	7,318	7,695
Plan Assets		
Fair value, beginning of year	6,280	6,097
Actual return on plan assets	(281)	191
Employer contributions to plan	158	88
Benefit payments	<u>(81)</u>	<u>(96)</u>
	6,076	6,280
Funded Status - deficit	(1,242)	(1,415)
During the year ended December 31, 2015 \$0.2 million (December 31, 2014:		
\$0.1 million) was recorded as compensation expense, which comprises the		
following:		
Interest cost	306	310
Expected return on plan assets	(319)	(304)
Amortization of past service costs	-	82
Amortization of actuarial losses	206	Ξ.
	193	88
Significant assumptions used:		
Discount rate during year (%)	4.00	4.90
Discount rate at year end (%)	4.50	4.00
Rate of compensation increase (%)	3.00	3.00
Expected long-term rate of return on plan assets (%)	5.00	5.00
Average remaining service period (years)	3.00	4.00

The Accumulated Benefit Obligation ("ABO") as at December 31, 2015 was \$6.5 million (December 31, 2014: \$6.9 million).

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

Employee Future Benefit Assets and Liabilities				
(\$ thousands)	December 31,	December 31,		
(# tilousalius)	2015	2014		
Assets:				
Other assets	-	-		
Liabilities:				
Defined benefit pension liabilities	1,242	1,415		

The following tables provide the components of other comprehensive loss for the years ended December 31, 2015 and 2014:

Other Comprehensive Income/(Loss)		
(\$ thousands)		
	December 31, 2015	December 31, 2014
Net income/ (loss) arising during the period	2	(1,214)
Amortization or curtailment recognition of past service cost	-	82
Amortization or settlement recognition of net actuarial gain	<u>206</u>	<u>=</u>
Total changes recognised in other comprehensive income/ (loss)	208	(1,132)

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

(\$ thousands)		
	December 31, 2015	December 31, 2014
Past service credit (cost)	-	-
Net actuarial (loss)	(1,178)	(1,386)
Accumulated other comprehensive loss at year end	(1,178)	(1,386)
Cumulative employer contributions in excess of net periodic benefit cost	<u>(64)</u>	<u>(29)</u>
Net liability amount recognised in statement of financial position	(1,242)	(1,415)

Net actuarial losses of \$0.2 million and past service costs of nil are expected to be amortized from accumulated other comprehensive loss into net benefit costs in 2016.

During 2016, the Company is expected to make contributions of \$0.3 million to the defined benefit pension plan.

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

(\$ millions)	
	Total
2016	0.09
2017	0.09
2018	0.35
2019	0.36
2020	0.37
2021-2025	1.91

19. Foreign Exchange

The closing rate of exchange on December 31, 2015 as reported by the Bank of Canada for the conversion of United States dollars into Canadian dollars was Cdn\$1.3840 per US\$1.00. The official exchange rate for the conversion of Cayman Islands dollars into United States dollars as determined by the Cayman Islands Monetary Authority is fixed at CI\$1.00 per US\$1.20. Thus, the rate of exchange as of December 31, 2015 for conversion of Cayman Islands dollars into Canadian dollars was Cdn\$1.6608 per CI\$1.00 (December 31, 2014: Cdn\$1.3921).

20. Related Party Transactions

Miscellaneous receivables were nil at December 31, 2015. (\$300 as at December 31, 2014) Miscellaneous payables to Fortis Turks & Caicos, a subsidiary of Fortis Inc., were \$11,017 at December 31, 2015 (nil as at December 31, 2014) for travel expenses. Miscellaneous payables to Fortis Inc., the Company's majority shareholder, totaling \$3,300 were outstanding at December 31, 2015 (\$16,100 as at December 31, 2014) for labor, hurricane preparedness and travel expenses.

21. Taxation

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

The Company is levied custom duties of \$0.60 per IG of diesel fuel it imports. In addition, the Company pays customs duties of 15% on all other imports.

22. Commitments

As at December 31, 2015, the Company's consolidated commitments in each of the next five years and for periods thereafter are as follows:

(\$millions)					
	Total	2016	2017-2018	2019-2020	2021 Onward
Bank Overdraft	1.7	1.7			
Accounts payable and accrued expenses	20.5	20.5	-	-	-
Consumer's deposits and advances for construction	6.8	6.8	-	-	-
Letter of credit	0.5	0.5	-	-	-
Long term debt	238.0	14.0	27.7	27.6	168.7
Long term debt interest	<u>99.9</u>	<u>11.7</u>	<u>21.1</u>	<u>17.6</u>	<u>49.5</u>
Total	367.4	55.2	48.8	45.2	218.2

The Company executed an 18 month primary fuel supply contract with RUBiS Cayman Islands Limited ("RUBiS") in September 2014 upon the expiration of its previous fuel supply contract with RUBiS. Under the agreement the Company is committed to purchase approximately 60% of its diesel fuel requirements for its generating plant from RUBiS. The approximate remaining quantities under the existing contract on an annual basis are, by fiscal year in millions of IGs: 2016 – 3.1. The Company also has an 18 month secondary fuel supply contract with Sol Petroleum Cayman Limited ("Sol") executed in September 2014, and is committed to purchase approximately 40% of the Company's fuel requirements for its generating plant from Sol. The approximate remaining quantities under the existing fuel contract on an annual basis are, by fiscal year in millions of IGs: 2016 – 2.1. Each contract has the option to renew for an additional 18-month term. Renewal cannot occur more than 6 months in advance of the current contract expiry date. Both contracts qualify for the Normal Purchase Normal Sale exemption under ASC 815 and do not qualify as derivatives.

As a result of the Company's bulk fuel inventory, the value of CUC's closing stock of fuel at December 31, 2015 was \$1.4 million (December 31, 2014: \$2.6 million). This amount includes all fuel held in CUC's bulk fuel storage tanks, service tanks and day tanks located at the North Sound Road Power Plant.

23. <u>Comparative Figures</u>

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

Ten-Year Summary
(Except where noted, expressed in thousands of United States Dollars)

	2015	2014
Operating Revenues	188,880	231,705
Other revenues and adjustments	4,876	4,602
Total revenues	193,756	236,307
Operating expenses	163,613	206,377
Income before interest	30,143	29,930
Finance Charges	7,301	9,115
Earnings for the year	22,842	20,815
Capitalisation:		
Class A Ordinary Shares (nominal value)	1,927	1,742
9% Cumulative Participating Class B Preference Shares (nominal value)	250	250
Share Premium	116,201	83,044
Long-term loans	236,594	252,000
Total capitalisation	354,972	337,036
Capital expenditures	77,947	39,472
Earnings per Class A Ordinary Share (\$/Share)	0.71	0.68
Dividends per Class A Ordinary Share (\$/Share)	0.66	0.66
Book value per Class A Ordinary (\$/Share)	6.62	6.14
Statistical Record:		
Net kWh generation (millions of kWh)	623.7	604.7
Net kWh sales (millions of kWh)	582.0	564.2
Peak load (MW) gross	100.7	99.7
Plant capacity (MW)	131.65	131.65
Total customers (actual number)	28,204	27,784

Ten-Year Summary
(Except where noted, expressed in thousands of United States Dollars)

-	=	=	=		_			
_	2013	2012	2011	2010	2009	TP 2008	2008	2007
	226,220	223,549	218,099	180,096	158,809	150,348	175,981	158,859
_	4,300	4,199	4,032	3,108	3,109	2,526	3,016	2,851
	230,520	227,748	222,131	183,204	161,918	152,874	178,997	161,710
	201,080	200,932	193,082	154,182	134,834	135,122	144,673	133,812
	29,440	26,816	29,049	29,022	27,084	17,752	34,324	27,898
	9,018	9,125	8,659	9,143	7,071	5,153	10,564	9,444
	20,422	17,691	20,390	19,879	20,013	12,599	23,760	18,454
	1,730	1,715	1,704	1,694	1,683	1,672	1,513	1,508
	250	250	250	250	250	250	250	250
	81,023	78,524	76,806	75,355	73,729	72,092	43,216	42,230
	219,000	188,500	204,000	178,290	200,159	174,643	184,790	165,540
	302,003	268,989	282,760	255,589	275,821	248,657	229,769	209,528
	29,323	30,788	39,624	21,433	42,665	27,981	44,617	35,586
	0.68	0.58	0.68	0.67	0.67	0.45	0.90	0.70
	0.66	0.66	0.66	0.66	0.66	0.495	0.66	0.66
	6.13	6.03	6.04	6.07	5.90	5.87	5.41	5.15
	595.6	587.1	594.0	593.5	597.4	400.7	578.4	546.1
	555.7	547.8	554.0	553.8	558.1	376.6	539.6	510.6
	97.4	95.9	99.0	102.1	97.5	93.8	92.7	86.8
	149.54	149.54	151.2	151.2	152.6	136.6	136.6	123.5
	27,364	27,035	26,636	26,151	25,461	24,518	24,041	22,768

Board of Directors



Standing:

Eddinton M. Powell, JP *

President and Chief Operating Officer Fortis TCI Providenciales Turks & Caicos Islands

Earl A. Ludlow ^

Executive Vice President Fortis Inc. Newfoundland Canada

J. Bryan Bothwell, MBE *

Retired Banking Executive Grand Cayman

Lynn R. Young

President and Chief Executive Officer Belize Electric Company Ltd. Belize

Woodrow Foster ^

Managing Director Foster's Food Fair IGA Grand Cayman

Peter A. Thomson

Retired Executive Caribbean Utilities Company, Ltd. Grand Cayman Seated:

Joseph A. Imparato

Retired Chairman Caribbean Utilities Company, Ltd. Grand Cayman

David E. Ritch, OBE, IP *^

Chairman of the Board of Directors Caribbean Utilities Company, Ltd. Attorney-at-Law Ritch and Conolly Grand Cayman

J.F. Richard Hew

President and Chief Executive Officer Caribbean Utilities Company, Ltd. Grand Cayman

Sheree L. Ebanks *

Chief Executive Officer Cayman Islands Society of Professional Accountants Grand Cayman

Missing from photo: Frederick J. O'Brien, President & Chief Executive Officer, Maritime Electric Company Ltd., Prince Edward Island, Canada

- * Member Audit Committee (Chairman: J. Bryan Bothwell)
- ^ Member Nominating and Corporate Governance Committee (Chairman: David E. Ritch)

Officers



David C. Watler *Vice President Transmission & Distribution*

J.F. Richard Hew *President & Chief Executive Officer*

Letitia T. Lawrence

Vice President Finance & Chief Financial Officer

Shareholder and Corporate Information

Shareholders

Registered shareholders as of December 31, 2015 were as follows:

Class of SharesShareholdersShares HeldClass A Ordinary Shares1,89532,381,6319% Class B Preference Shares123250,000

Fortis Energy (Bermuda) Ltd., a wholly-owned subsidiary of Fortis Inc., held 19,460,326 Class A Ordinary Shares, or 60% of the outstanding shares as of December 31, 2015. Approximately 12% of the outstanding registered shares are held by residents of the Cayman Islands. Holders of Class B Preference Shares are primarily resident in the Cayman Islands.

Annual General Meeting

Shareholders are invited to attend the Annual General Meeting of the Company to be held on Thursday, May 12, 2016 at noon at the Marriott Beach Resort on West Bay Road, Grand Cayman. If you are unable to attend, please complete and return the form of proxy in accordance with the instructions set out in the accompanying meeting material.

Dividends

Class A Ordinary Shares:

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

Class B Preference Shares:

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

Dividend Reinvestment Plan

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

Customer Share Purchase Plan

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

Solicitors

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

Auditors

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

Principal Bankers

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

Duplicate Annual Reports

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

Registrar and Transfer Agents

CST Trust Company

P.O. Box 700, Station B Montreal, Quebec, Canada H3B 3K3 North America (toll free): 1-800-387-0825

Direct: (416) 682-3860 Fax: (888) 249-6189

E-mail: inquiries@canstockta.com Website: www.canstockta.com (Acting as principal agent)

Caribbean Utilities Company, Ltd.

Company Secretary

P.O. Box 38, Grand Cayman KY1-1101, CAYMAN ISLANDS

Telephone: (345) 949-5200 Fax: (345) 949-4621 E-mail: investor@cuc.ky Website: www.cuc-cayman.com

(Acting as co-agent)

Toronto Stock Exchange Listing

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

Registered Office

Caribbean Utilities Company, Ltd. 457 North Sound Road P.O. Box 38, Grand Cayman KY1-1101, CAYMAN ISLANDS Telephone: (345) 949-5200

Fax: (345) 949-4621 E-mail: investor@cuc.ky Website: www.cuc-cayman.com

Credits:

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Miguel Escalante photoctr@candw.ky Grand Cayman, Cayman Islands



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