
Caribbean Utilities Company, Ltd.
2022 Annual Report

About the Company

Caribbean Utilities Company, Ltd., ("CUC" or the "Company"), commenced operations as the only electric utility in Grand Cayman on May 10, 1966. The Company currently has an installed generating capacity of 166 megawatts ("MW"). The record peak load of 113.6 MW was experienced on September 11, 2022. CUC is committed to providing a safe and reliable supply of electricity to over 33,000 customers. The Company has been through many challenging and exciting periods but has kept pace with Grand Cayman's development for over the past 56 years.

About the Cayman Islands

The Cayman Islands, a United Kingdom Overseas Territory with a population of approximately 75,000, 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 His Excellency Mr. Martyn Roper, is appointed by His Majesty the King. A democratic society, the Cayman Islands have a House of Parliament comprised of representatives elected from 19 electoral districts.

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Readers should review the note on page 9 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 of CUC.

Highlights

Financial Results in Brief

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

	Year Ended December 31, 2022	Year Ended December 31, 2021	Change %
Operating Revenues	**267,336**	198,478	35%
Electricity Sales Revenues	**101,551**	97,520	4%
Fuel Factor	**159,856**	95,208	68%
Renewables	**5,929**	5,750	3%
Total Operating Expenses	**235,268**	168,255	40%
Finance Charges	**4,775**	4,808	-1%
Net Earnings for the Year	**33,179**	30,319	9%
Total Assets	**726,539**	634,150	15%
Total Shareholders' Equity	**308,234**	297,878	3%
Cash Flow Related to Operating Activities	**56,188**	62,009	-9%
The following items are fully stated, not in thousands:			
Earnings per Class A Ordinary Share	**0.86**	0.79	9%
Dividends per Class A Ordinary Share (paid and declared)	**0.700**	0.700	0%
Book Value per Class A Ordinary Share	**8.18**	7.94	3%
Class A Ordinary Shares			
Market Price: High	**15.75**	15.35	
Low	**12.50**	14.01	
Year-end	**13.00**	15.00	

Performance

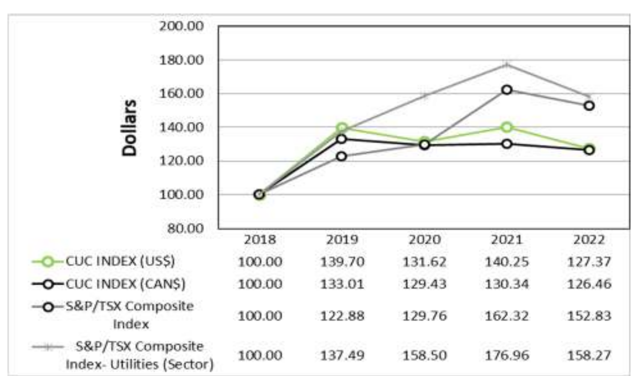
Net earnings for the year ended December 31, 2022 were $33.2 million, a $2.9 million increase from net earnings of $30.3 million for the year ended December 31, 2021. This increase is primarily attributable to a 2% increase in kWh sales, a 5.4% increase in base rates effective June 1, 2022 and lower finance charges and transmission & distribution costs, partially offset by higher general and administration and consumer services costs. Dividends paid and declared on the Class A Ordinary Shares were $0.70 per share. The Class A Ordinary Shares (CUP.U) traded on the Toronto Stock Exchange at a high of $15.75 per share in 2022.

Rate of Exchange

The closing rate of exchange on December 31, 2022 as reported by the Bank of Canada for the conversion of United States dollars into Canadian dollars was Cdn$1.3544 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, 2022 for conversion of Cayman Islands dollars into Canadian dollars was Cdn$1.6253 per CI$1.00 (December 31, 2021: Cdn$1.5214). All amounts are stated in United States dollars, unless otherwise noted.

Share Performance

The following chart compares the five-year cumulative total returns between Cdn$100.00 and US$100.00 invested in CUC's 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 Management's Discussion and Analysis for the year ended December 31, 2022 and its associated cautions beginning on page 9 and the Annual Consolidated Financial Statements for the year ended December 31, 2022. All dollar amounts in this Annual Report are stated in United States dollars unless otherwise indicated.

Letter to Fellow Shareholders

It is our pleasure to report on the financial performance and operational progress of Caribbean Utilities Company, Ltd. ("CUC" or the "Company") for the year ended December 31, 2022 ("Fiscal 2022"). Some of the highlights of the year include improvements in safety and reliability performance, a 9% increase in earnings per Class A ordinary shares to $0.86, and a 2% increase in kWh sales.

We are very proud that during Fiscal 2022, the CUC team was able to deliver a high standard of service to our customers, while ensuring the health and safety of our employees.

J.F Richard Hew
President & Chief Executive Officer

Sheree L. Ebanks
Chairperson of the Board of Directors

Financial Performance

Operating income for Fiscal 2022 totalled $32.1 million, a $1.9 million or 6% increase from operating income of $30.2 million for the year ended December 31, 2021 ("Fiscal 2021"). This increase is primarily attributable to a 2% increase in kWh sales and a 5.4% base rate increase effective June 1, 2022. These factors were partially offset by higher general and administration, consumer services and maintenance costs.

Net earnings for Fiscal 2022 were $33.2 million, a $2.9 million or 9% increase from net earnings of $30.3 million for Fiscal 2021. This increase is primarily attributable to higher operating income and slightly lower finance charges.

After the adjustment for dividends on the preference shares of the Company, earnings on Class A Ordinary Shares for Fiscal 2022 were $32.2 million, or $0.86 per Class A Ordinary Share, as compared to $29.3 million, or $0.79 per Class A Ordinary Share, for Fiscal 2021. The Company calculates earnings per share on the weighted average number of Class A Ordinary Shares outstanding. The weighted average number of Class A Ordinary Shares outstanding were 37,481,959 and 37,199,456 for the years ended December 31, 2022 and December 31, 2021, respectively.

Health and Safety

The health and safety of all of our employees, contractors, and members of the public remained paramount to the Company throughout 2022. The members of the Emergency Preparedness Committee and the Environmental Health and Safety Department were engaged in implementing the Company's emergency response plans for natural disasters including hurricanes and the resurgence of community spread of COVID-19. The Company's Return to Work Committee ensured staff were kept aware of protocols that were put in place to reduce the spread of the virus within the workplace. Mental health was at the forefront in 2022. Staff were provided with training on techniques to manage stress and provided outlets for counseling. The Company continued to inform the public on ways to remain safe around electrical assets, and resumed the annual training of First Responders to ensure that they know what to do when arriving on the scene involving energized lines.

In 2022, the Company completed its scheduled proactive safety plan. During the year, the Company received verification that its Occupational Health & Safety Management System met the requirements of the International Organization for Standardization ("ISO") on safety standards (ISO 45001:2018). Health and safety training continued with the Fleet Defense driver safety programme, energy control training, MoveSafe ergonomic training, and public safety awareness communications. The Company's all injury frequency rate for 2022 was 1.8, consistent with the prior year, and represents the number of incidents per 200,000 hours worked.

Environment, Social and Governance ("ESG")

In September 2022, CUC released its first Sustainability Report. This report facilitates the effective communication of the Company's programmes that supports CUC's commitment to the high standards in ESG initiatives. The report can be accessed via the Company's website at: www.cuc-cayman.com.

The Company's Environmental Management System ("EMS") is registered to the ISO environmental standard (ISO 14001:2015) which requires that an external audit of the system be conducted on an annual basis. During 2022, the surveillance audit identified no areas of nonconformances. As part of the EMS, an internal audit of the system is also required which was successfully conducted in 2022.

The Company continued to focus its efforts on reducing greenhouse gas emissions through many initiatives including: the continued high fuel efficiency performance of its modern power generation fleet at 18.68 kWh per imperial gallon in 2022, the utilization of a waste heat recovery system and steam turbine producing electricity using waste heat, the conversion of 84% of all street lighting to LEDs and the purchase of renewable energy from the Bodden Town Solar 1, Ltd.'s 5 megawatt ("MW") solar farm, Customer Owned Renewable Energy ("CORE") power generators and Distributed Energy Resources ("DER").

Reliability and Customer Service

2022 saw the continuation of progressing key aspects of the Customer Service Plan which is strategically aligned to meet the challenges presented by the pandemic. The projects in the plan are aimed at enhancing the customer experience for digital and remote services and include the implementation of a Customer Relationship Management system which was completed in 2022. While the Cayman Islands avoided instances of community transmission throughout most of 2022, focus remained on accelerating those programmes and projects that would be able to deliver improved customer experiences and service provision even in the event of renewed public health restrictions and measures.

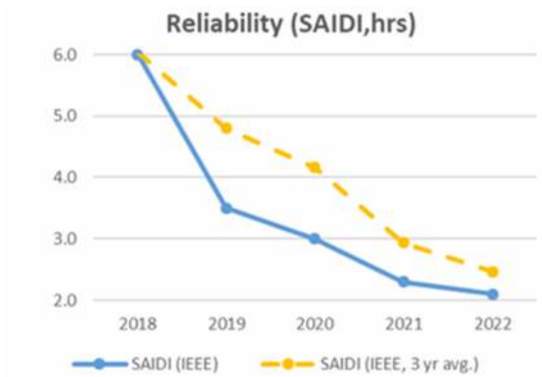
Due to the increase in fuel costs during the year, the Company provided a fuel relief programme, as approved by the Cayman Islands Utility and Regulation and Competition Office ("OfReg"), to all customers to reduce the impact of fuel costs on consumers electricity bills. The programme capped the amount of the fuel factor paid by all customers at $0.24/kWh for consumption effective October 1, 2022 through December 31, 2022 for future recovery. Along with the Cayman Islands Government ("CIG") relief programme applicable to eligible residential customers, CUC's relief programme proved beneficial to mitigate the impact of the high fuel factor rate particularly for commercial customers.

The impact of rising energy bills resulting from higher fuel costs was an evident trend in the Company's Customer Satisfaction surveys completed in May and November 2022. General satisfaction levels for customers increased from 72% in the November 2021 survey to 75% in May 2022 and 73% in November 2022. Customers expressed concerns in relation to prices but conversely also expressed appreciation for the efforts by the Company and the CIG to stabilise the impact of fuel costs on electricity consumption via the two fuel relief programmes.

While customers were concerned regarding rising fuel prices, there was positive feedback regarding the Company's reliability in relation to electricity supply and the Company's response to outages. The 2022 hurricane season led to some unavoidable instances where there were interruptions of service, however, the Company responded well and the customers, with premises intact, did not experience loss of electricity service for extended periods.

The Company has continued the process of incremental deployment of new tools, web-forms, and automations to efficiently manage account administration, payment options, communication tracking and management, and other activities to meet the modernized service provisions demanded by our customers. The focus of the customer service projects in 2022 related to assisting customers with managing electricity consumption, especially during the hot summer months.

The Company continued to work on its five-year Reliability 2.0 programme aimed at providing customers with a maximum of two outage hours per average customer per year consistent with North American reliability standards. Within this programme, a number of initiatives were completed this year including the vegetation management programme which encourages property owners to plant trees away from power lines, upgrades to generating, transmission and distribution systems and processes, modernisation of the grid and developing of customer communication systems within the control centre. As a result of the Reliability 2.0 programme and other ongoing Company programmes, the Company was able to achieve an average outage duration time of 2.1 hours per customer in 2022 as compared to 2.3 hours in 2021, and down from 6.0 hours in 2018.



System Average Interruption Duration Index ("SAIDI")- Indicates the total duration of sustained interruption for the average customer during a predefined period of time

Capital Projects

2022 saw the completion and significant progress of several major capital projects. Two new 13 kilovolt ("kV") feeders were completed and put into service. These feeders will provide electricity and improved reliability for approximately 13,000 residential customers in the Prospect and Newlands areas.

The final phase of the control, automation and protection system upgrade at Hydesville Substation was completed in the third quarter. The project involved the replacement of an outdated system with a more advanced system that provides both the Transmission and Distribution network with improved security and service reliability.

Approximately 10 MW of additional generation capacity is being added to the grid. In the third quarter, a 4.6 MW Gas Turbine was commissioned and is supplying power to the grid, while 5 MW of temporary rental generation is currently being commissioned. The additional generation capacity will provide a reserve margin adequate to ensure acceptable levels of reliable service.

The new OSI SCADA system provides additional functionality such as Automation, Outage Management and Demand Management among others. It positions the Company to have greater ability to respond to increasing demand for distributed resources such as solar power. The first phase of the SCADA was completed in the third quarter and the second phase is in an advanced stage of completion.

The pilot project of distribution automation switches has been completed. This project provides improved efficiency and reliability to the distribution network.

The refurbishment of the mobile substation is another major achievement. It provides the options for the Company to plan and execute major upgrades and outage management without negative effects on customers.

The CUC Electric Vehicle Charging Network is being rolled out with 5 stations installed during 2022 and a target of an additional 40 stations to be installed within the next year. The Company is focusing on higher rate charging stations with targeted locations of where people live and work.

The completion of the North Sound 69kV busbar differential project was a significant success. The project aims to add industry standard bus differential protection to CUC's largest and most vital substation, the North Sound 69kV. The result means a more reliable and resilient power system.

Artist's rendering of the Hydesville Substation in West Bay with the 10 MW energy storage system.

During 2022, the Company engaged and contracted industry experts for its upcoming major capital projects. In September 2022, the Company signed an Agreement with the technology group Wärtsilä for the supply of two 10 MW energy storage systems at the Hydesville and Prospect Substations expected to be commissioned in 2024. In November 2022, the Company also signed an agreement with MAN Energy Solutions SE for the life-cycle upgrades of five existing engines at the North Sound Road plant, totalling 64 MW of capacity. The upgrade will extend the useful life of these engines while increasing the fuel efficiency. It will also prepare the engines for conversion to run on natural gas.

The Company signed an agreement with Hitachi Energy for the installation of a Geographic Information System ("GIS") indoor switchgear at the Frank Sound Substation, in place of the existing temporary arrangement. This will enhance the reliability of the eastern loop 69kV transmission loop and facilitate accelerating load growth and future integration of renewable energy sources in East End of Grand Cayman. The new gear is expected to be in operation in 2024.

Human Resources and Training

At December 31, 2022, the number of CUC's full-time employees was 253, up by 6% from December 31, 2021. The Company maintains a stable employee base of which approximately 82% are Caymanians. The remaining employees represent 18 other countries from across the globe. In 2022, CUC continued to expand its commitment to a respectful and inclusive work place by renewing the local Gender Equality Cayman Pledge. The Company also remained involved with the Fortis Inc. Diversity, Equity and Inclusion initiatives.

CUC continues to attract women to its workforce and has seen an increase in the number of women who have joined the Company in technical roles. Overall, approximately 21% of the workforce is female as of the yearend.

The Company developed several initiatives geared towards supporting our employees, including flexible and remote work arrangements. Leadership development continued to be a key area of focus. During the year, coaching and support sessions to the management team were conducted which focused on motivating and engaging employees.

The Company continues to value its employees and provide training and development opportunities. Employees remained committed to formal learning and development. Over 9,245 hours were devoted to employee training in 2022 and additional time was dedicated to informal training, various workshops and employee coaching. There was a continued focus on safety, enhancing performance, skills development, and recertification. The National Center for Construction Education and Research curriculum continued to be offered at CUC for various technical programmes in partnership with Inspire Cayman Training Centre.

The Company underwent a reorganization in 2022 to best position the Company to achieve its long-term strategic goals. This process resulted in the introduction of new Director roles to the Senior Management Team. This also opened opportunities for growth and internal promotions. As the Company places a high priority on teamwork, the reorganization is intended to enhance adaptability and flexibility for growth opportunities, career development, progression and employee retention to ensure reliability and resilience.

In May 2022, the Company celebrated 29 employees who received long service awards for having careers spanning from 10 to 40 years. Together, they have given the Company 615 years of service. The Company bid farewell to Mr. Clinton Stewartson and Mrs. Marlene Galbraith who retired after serving the Company for 40 years.

Rewards and recognition efforts continued throughout the year, with employees receiving peer nominations, amongst other Company-wide recognition efforts. In September, the Company's Rewards and Recognition Committee launched the Rewards and Recognition Booklet which contains all opportunities for awards and its relevant criteria.The year concluded with the annual awards recognizing a number of employees. Employees received outstanding awards ranging from Excellence in Safety, to Wellness, to Employee of the Year: Randy Mellaneo (Employee of the Year); Troy Powery (Supervisor of the Year); Brandon Cadle (Excellence in Safety); Dac Moore, James Ebanks, Andrew Hafer-Greene, Max Garcia and Ignatius Gouveia were awarded the (Jeffrey Broderick Bright Spark Award); Francis Zapanta (Individual) and Production Maintenance (Department) - Otis Jackson Golden Wrench Award; and Shane Cato (Individual) and Systems Operations (Department) – Pedro Echenique Golden Bucket Award. This year a total of 17 employees qualified for the Wellness Champions Award in the Bronze, Silver and Gold categories. With the revamp of our rewards and recognition programme, the Unsung Hero Award and Living by our Values Awards were introduced. Jonathan Key was annouced as the 2022 Unsung Hero.

We are grateful to our staff who have worked hard to achieve these positive results for 2022. CUC thrives from the significant efforts, innovation, and commitment they have made to the Company over these many years.

Community Involvement

The Community Involvement Programme continues to provide 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. As the country continues to recover from the impact of the COVID-19 pandemic, a number of in–person events have resumed.

At the end of December 2022, employees had volunteered 919 hours participating in some of the Company's Community Involvement projects. This is an increase of 221 hours from the 698 hours volunteered in 2021. Some of the projects and events that volunteers took part included Meals on Wheels, activities with the Lighthouse School, Earth Day Cleanups and support for the Sunrise Adult Training Centre. The Company continues to sponsor a Mangrove Environmental Education Programme, which exposes primary school children to Grand Cayman's marine and wetlands environment and its importance. CUC remains committed to the ongoing development of the community in which we live and work.

Summary

The Cayman Islands' economy has seen strong growth during 2022 supported by a rebound in tourism following the phased reopening of international borders from November 2021 and the gradual lifting of COVID-19 restrictions in 2022. Despite the challenges with rising inflationary pressures and fuel cost, the economy proved to be resilient with new customers and developments in the construction sector driving the Company's 2% kWh sales growth and a new record system peak load. During the past two years, the Company has invested over $100 million in infrastructure to ensure the delivery of safe, reliable, affordable and sustainable electricity to our customers during the pandemic, and to meet increased demand as the economy recovers.

The achievements during Fiscal 2022 would not be possible without the hard work, commitment and dedication of our employees and we are grateful to them for their loyalty to the Company. The Board of Directors also continue to provide guidance and support and we thank them for their ongoing contributions as we pursue our vision of "Empowering Cayman to be a Global Leader."

Sheree L. Ebanks
Chairperson of the Board of Directors

J.F. Richard Hew
President & Chief Executive Officer

February 10, 2023

Management's Discussion and Analysis

Letitia T. Lawrence
Vice President Finance, Corporate Services & Chief Financial Officer

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 and related notes for the year ended December 31, 2022 (the "2022 Financial Statements"). The material has been prepared in accordance with Canadian Securities Administrators National Instrument 51-102 - Continuous Disclosure Obligations ("NI 51-102") relating to the MD&A and is available on SEDAR at www.sedar.com together with the Company's annual information form for the year ended December 31, 2022, which contains additional information relating to the Company.

The accounting practices, which are disclosed in the notes to the 2022 Financial Statements, result in regulatory assets and liabilities, which would not occur in the absence of rate regulation. In the absence of rate regulation, the amount and timing of recovery or refund by the Company of the costs of providing services, 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, 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", "plans", "believes", "estimates", "intends", "targets", "projects", "forecasts", "schedules", 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 materialise, 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 2022 Financial Statements and MD&A in this Annual Report were approved by the Audit Committee and the Board of Directors.

On May, 31, 2022, the Ontario Securities Commission issued a relief order which permits the Company to continue to prepare its financial statements in accordance with U.S. GAAP. The relief extends until the earliest of: (i) January 1, 2027; (ii) the first day of the financial year that commences after the Company ceases to have rate-regulated activities; or (iii) the first day of the Company's financial year that commences on or following the later of (a) the effective date prescribed by the International Accounting Standards Board (the "IASB") for the mandatory application of a standard within IFRS specific to entities with activities subject to rate regulation (the "Mandatory Rate-regulated Standard") and (b) two years after the IASB publishes a final version of the Mandatory Rate-regulated Standard.

The Company is currently reviewing the implications of this order and analyzing alternate options to continue to report under US GAAP.

February 10, 2023

Financial and Operational Highlights

($ thousands, except Basic Earnings, Dividends Paid and where otherwise indicated)

	Year Ended December 31, 2022	Year Ended December 31, 2021	Change	% Change
Electricity Sales Revenues	101,551	97,520	4,031	4%
Fuel Factor	159,856	95,208	64,648	68%
Renewables	5,929	5,750	179	3%
Total Operating Revenues	267,336	198,478	68,858	35%
Power Generation[1]	170,821	105,815	65,006	61%
Other Expenses	64,447	62,440	2,007	3%
Total Operating Expenses	235,268	168,255	67,013	40%
Net Operating Income	32,068	30,223	1,845	6%
Net Earnings for the Year	33,179	30,319	2,860	9%
Cash Flow related to Operating Activities	56,188	62,009	(5,821)	-9%
Per Class A Ordinary Share:				
Basic Earnings	0.86	0.79	0.07	9%
Dividends Paid	0.700	0.700	-	-
Total Customers	33,119	32,185	934	3%
Total Full-Time Employees	253	239	14	6%
Customers per Employee (#)	131	135	(4)	-3%
System Availability (%)	99.97	99.97	-	-
Peak Load Gross (MW)	113.6	111.2	2.4	2%
Millions of kWh:				
Net Generation	680.4	662.0	18.4	3%
Renewable Energy Generation	21.9	21.3	0.6	3%
Total Energy Supplied	698.7	679.3	19.4	3%
Kilowatt-Hour Sales	674.1	660.5	13.6	2%
Sales per Employee	2.66	2.76	(0.1)	-4%

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", "CIG"), which expire in April 2028 and November 2039, respectively.

The Company is regulated by the Cayman Islands Utility Regulation and Competition Office ("OfReg"), which has the overall responsibility of regulating the electricity, information and communications technology, and the petroleum industries in the Cayman Islands. The OfReg assesses CUC's performance against the performance standard expectations in accordance with the Utility Regulation and Competition Office Act (2021). 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.

A license fee of $2.9 million per annum and a regulatory fee of $1.4 million per annum are payable to the Cayman Islands Government in quarterly installments. Both fees apply only to customer billings with consumption over 1,000 kWh per month as a pass-through charge rate.

[1] *All amounts from Fuel Factor and Renewables revenues are included within the Power Generation expense as they are passed through to customers without mark-up as a per kWh charge.*

Customer Rates

The Licenses 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 2021 was 7.00% (2020: 6.60%). CUC's RORB for 2022 is targeted in the 6.25% to 8.25% range (2021: 6.00% to 8.00%).

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

The OfReg assesses CUC's performance against the performance standard expectations set out in the ERA (Standard of Performance) Rules 2012. Performance standards provide a balanced framework of potential penalties or rewards compared to historical performance in the areas of planning, reliability, operating and overall performance. Standards include "zones of acceptability" where no penalties or rewards would apply.

All fuel, lubricating oil, and renewables costs are passed through to customers without mark-up as a per kWh charge.

Deferral Mechanism

As part of the CUC's COVID-19 Customer Relief Programme, OfReg approved the deferral of the 6.6% rate base increase effective June 1, 2020 to January 1, 2021. Total deferred revenue recorded as regulatory asset amounted to $3.5 million which was recovered within two years through future rates since January 1, 2021. The amount was fully recovered as at December 31, 2022.

The Company was also granted approval by OfReg to recover various COVID-19 related expenses, including potential credit losses resulting from suspension of disconnections during the pandemic. A total of $0.7 million was recorded as a regulatory asset and was recovered within two years through future rates since January 1, 2021. The amount was fully recovered as at December 31, 2022.

In April 2022, the Company submitted its annual rate adjustment to OfReg for review and approval. The required rate increase as confirmed by OfReg was 5.4%, with an effective date of June 1, 2022. This required increase was a result of the applicable RORB and United States ("US") and Cayman Islands consumer price indices, adjusted to exclude food and fuel.

Due to the economic condition and rising fuel prices, OfReg approved the Company's proposal to defer billing of the required rate increase until January 1, 2023. For the period June 1, 2022 to December 31, 2022, the Company tracked the difference between billed revenues and revenues that would have been billed from the required rate increase as deferred revenue. The amount recorded as regulatory asset for the year ended December 31, 2022 was $2.8 million and will be recovered within two years through future rates from the effective date of January 1, 2023.

In October 2022, OfReg approved the proposed CUC Fuel Relief Programme applicable to all customers to reduce the fuel cost spike. The Programme capped the amount of the fuel factor paid by customers at $0.24/kWh for consumption effective October 1, 2022 through December 31, 2022. During the period of the Programme, CUC recorded the excess fuel factor as a Regulatory Asset for a 12-month recovery estimated at $0.0075 per kWh. The amount recorded as a regulatory asset for the year ended December 31, 2022 was $6.3 million and will be recovered within one year through future rates from the effective date of January 1, 2023.

DataLink, Ltd.

CUC's wholly-owned subsidiary, DataLink, Ltd. ("DataLink"), was incorporated under the Companies Act of the Cayman Islands and commenced operations with the granting of its licence to provide fibre optic infrastructure and other information and communication technology ("ICT") services to the ICT industry by the former ICTA, whose regulatory authority was assumed by the OfReg, on March 28, 2012. DataLink is subject to regulation by the OfReg in accordance with the terms and conditions of its licence, which has a term of 15 years, expiring on March 27, 2027. CUC and DataLink have entered into three regulator-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 intercompany balances and transactions have been eliminated on consolidation.

Results of Operations

Earnings

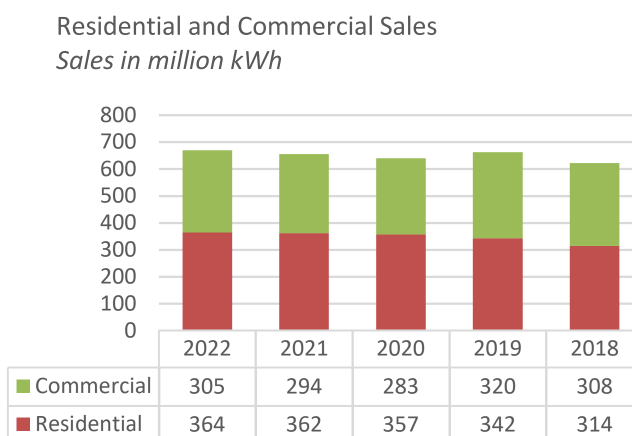
Operating income for the year ended December 31, 2022 ("Fiscal 2022") totalled $32.1 million, a $1.9 million increase from operating income of $30.2 million for the year ended December 31, 2021 ("Fiscal 2021"). This increase is primarily attributable to a 2% increase in kWh sales and a 5.4% base rate increase effective June 1, 2022. These factors were partially offset by higher general and administration, consumer services and maintenance costs.

Net earnings for Fiscal 2022 were $33.2 million, a $2.9 million increase from net earnings of $30.3 million for Fiscal 2021. This increase is primarily attributable to higher operating and other income, and lower finance charges.

After the adjustment for dividends on the preference shares of the Company, earnings on Class A Ordinary Shares for Fiscal 2022 were $32.2 million, or $0.86 per Class A Ordinary Share, as compared to $29.3 million, or $0.79 per Class A Ordinary Share, for Fiscal 2021. The Company calculates earnings per share on the weighted average number of Class A Ordinary Shares outstanding. The weighted average number of Class A Ordinary Shares outstanding were 37,481,959 and 37,199,456 for the years ended December 31, 2022 and December 31, 2021, respectively.

Sales

Sales in kWh for Fiscal 2022 were 674.1 million kWh, an increase of 13.6 million kWh or 2% compared to 660.5 million kWh for Fiscal 2021. The increase was driven by the 3% growth in overall customer numbers in Fiscal 2022 compared to Fiscal 2021 and the 2% increase in the average kWh consumption of commercial customers, partially offset by the 2% decrease in the average kWh of residential customers. The average monthly temperature for 2022 was 82.9 degrees Fahrenheit when compared to 83.1 degrees Fahrenheit in 2021. The average rainfall for 2022 was 4.6 inches as compared to 3.7 inches in 2021. The new record peak load of 113.6 MW was experienced on September 11, 2022.



	2022	2021	2020	2019	2018
Commercial	305	294	283	320	308
Residential	364	362	357	342	314

Total customers as at December 31, 2022 were 33,119, an increase of 934 or 3% compared to 32,185 customers as at December 31, 2021.

Operating Revenues

Operating revenues for Fiscal 2022 totalled $267.3 million, an increase of $68.8 million from $198.5 million for Fiscal 2021. This increase in operating revenues was due to higher fuel factor revenues and higher electricity sales revenues.

Electricity sales revenues increased by $4.1 million for Fiscal 2022 to $101.6 million when compared to electricity sales revenues of $97.5 million for Fiscal 2021. This increase is attributable to higher electricity sales revenues primarily driven by 2% kWh sales growth and the 5.4% base rate increase effective June 1, 2022.

Fuel factor revenues for Fiscal 2022 totalled $160.0 million, a $64.8 million increase from the $95.2 million in fuel factor revenues for Fiscal 2021. Fuel factor revenues for Fiscal 2022 increased when compared to Fiscal 2021 due to an increase in the price of fuel. The average Fuel Cost Charge rate charged to consumers for Fiscal 2022 was $0.24 per kWh, compared to the Fuel Cost Charge rate of $0.15 per kWh for Fiscal 2021.

Sales and Customer Highlights	Year Ended December 31, 2022	Year Ended December 31, 2021	Change %
Customers *(fully stated, not in thousands)*			
Residential	**28,429**	27,552	3%
General Commercial	**4,589**	4,535	1%
Large Commercial	**101**	98	3%
Total Customers	**33,119**	32,185	3%
Sales *(in thousands kWh)*			
Residential	**364,114**	361,605	1%
General Commercial	**144,816**	142,038	2%
Large Commercial	**160,461**	151,807	6%
Other	**4,733**	5,019	-6%
Total Sales	**674,124**	660,469	2%
Average Monthly Consumption Per Customer (kWh)			
Residential	**1,084**	1,107	-2%
General Commercial	**2,678**	2,641	1%
Large Commercial	**138,663**	135,296	2%
Revenues (in thousands of $)			
Residential	**54,346**	52,169	4%
General Commercial	**25,004**	23,934	4%
Large Commercial	**21,334**	20,602	4%
Other (street lights etc.)	**867**	815	6%
Fuel Factor	**159,856**	95,208	68%
Renewables	**5,929**	5,750	3%
Total Operating Revenues*	**267,336**	198,478	35%
*Total CUC customers and revenue only			

The renewables revenues are a combination of charges from the Customer Owned Renewable Energy (“CORE”) programme, Distributed Energy Resources (“DER”) and Bodden Town Solar 1, Ltd., which are passed-through to consumers on a two-month lag basis with no mark-up. The Company has a Power Purchase Agreement (“PPA”) with Bodden Town Solar 1, Ltd. for a 25-year term.

Operating Expenses

Total operating expenses for Fiscal 2022 increased by $67.0 million to $235.3 million from $168.3 million for Fiscal 2021. The main contributing factors to the increase in operating expenses were increase in fuel prices, general and administration, consumer services and maintenance costs partially offset by decrease in transmission and distribution costs.

The primary reasons for the changes in the Company's operating expenses for the year ended December 31, 2021 and December 31, 2022 are as follows:

Changes in Operating Expenses

($ in thousands)

Item	Year Ended December 31, 2022	Year Ended December 31, 2021	Change	% Change	Explanation
Power Generation (Note A)	170,821	105,815	65,006	61%	This increase was primarily due to an increase in fuel costs and kWh sales growth.
Depreciation of Property, Plant and Equipment ("PP&E")	38,018	38,124	(106)	-	The decrease in depreciation expenses was due to the OfReg's approval to extend the useful lives of four of the Company's generating units in 2021, partially offset by capital projects completed during the year.
General and Administration ("G&A")	10,446	9,147	1,299	14%	This increase was mainly due to higher compensation cost, insurance premiums and legal fees. These items were partially offset by higher General Expenses Capitalized.
Consumer Services (Note B)	4,621	3,271	1,350	41%	The increase was due to higher allowance for credit losses in 2022 when compared to 2021.
Transmission and Distribution	4,291	5,093	(802)	-16%	The decrease in T&D expenses was due to capitalization of vegetation management costs as approved by OfReg.
Net Other Income	1,111	96	1,015	1,057%	The increase in the net other income for the year was due to an increase in foreign exchange gain and increase in the revenue of the Company's wholly owned subsidiary, DataLink.

Note A. Power Generation

Power generation expenses were as follows:

Power Generation

($ thousands) *Fuel, Lubricating Oil and Renewables costs stated net of deferred charges*

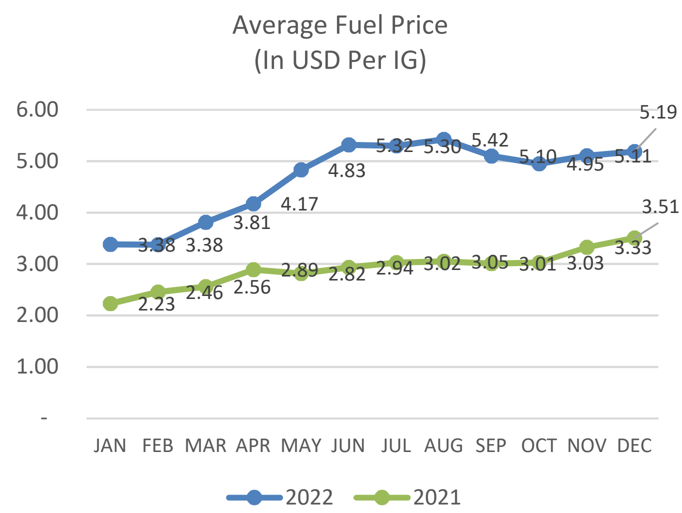
	Year Ended December 31, 2022	Year Ended December 31, 2021	Change	% Change
Fuel Costs (net of deferred fuel costs)	157,945	93,900	64,045	68%
Lubricating Oil Costs (net of deferred lubricating oil costs)	1,911	1,308	603	46%
Renewables Costs (net of deferred renewables costs)	5,929	5,750	179	3%
Temporary Generation Costs	7	-	7	-
Other Generation Expenses	5,029	4,857	172	4%
Total Power Generation expenses	170,821	105,815	65,006	61%

The average fuel price per kWh for 2022 increased in comparison to the prior year driven by inflation and the conflict in Ukraine. The Company's average price per imperial gallon ("IG") of fuel for the year ended December 31, 2022 increased by 61% to $4.67 in comparison to $2.90 for the twelve months ended December 31, 2021. The Company's average price per IG of lubricating oil for the twelve months ended December 31, 2022, increased by 34% to $13.78 when compared to $10.30 for the twelve months ended December 31, 2021.

Total energy supplied to the grid for Fiscal 2022 was 698.7 million kWh, a 3% increase when compared to 679.3 million kWh for Fiscal 2021. Total energy supplied is the net amount of energy available to be transmitted and distributed for consumer use, including energy provided by renewable resources such as the CORE and DER programmes, and the Bodden Town Solar 1, Ltd.'s Solar Farm.

Net fuel efficiency for Fiscal 2022 of 18.68 kWh per IG decreased when compared to net fuel efficiency for Fiscal 2021 of 18.77 kWh per IG.

The fuel, lubricating oil and renewables costs are deferred for a period of two months. The deferrals are recorded in the Fuel Tracker Account *(see Note 7 of the Notes to the Annual Consolidated Financial Statements for further details)* and will be recovered from consumers.



In March 2011, the OfReg approved the Fuel Price Volatility Management Programme. The objective of the programme is to reduce the impact of volatility in the Fuel Cost Charge rate paid by the Company's customers for the fuel that the Company must purchase in order to provide electricity. A contract initiated in 2022 utilises call options and call spreads to promote transparency in pricing. The monthly hedging costs and returns are also included within the Fuel Tracker Account.

Note B. Customer Service

In accordance with its Allowance for Credit Losses 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.

Trade and Other Accounts Receivable

($ thousands)

	As at December 31, 2022	As at December 31, 2021
Current	19,473	9,957
Past due 31-60 days	1,026	827
Past due 61-90 days	480	318
Past due over 90 days	2,897	2,217
Total Accounts Receivable	23,876	13,319
Less: Allowance for Credit Losses	(2,241)	(1,976)
Less: Consumer Deposits	(12,698)	(11,724)
Trade Receivables less Allowance for Credit Losses and Consumer Deposits	8,937	(381)

Trade receivables, less allowances for credit losses, and consumer deposits as at December 31, 2022 were $8.9 million, an increase of $9.3 million when compared to ($0.4) million as at December 31, 2021. This increase was related to an increase in current customer receivables partially offset by an increase in allowance for credit losses and consumer deposits. The increase in the current customer receivables was primarily driven by the 5.4% increase in base rate and the 40% increase in fuel cost charge between December 31, 2021 and December 31, 2022.

Other Income and Expenses

Other income and expenses were as follows:

Other Income & Expenses

($ thousands)

	Year Ended December 31, 2022	Year Ended December 31, 2021	Change	% Change
Total Interest Costs	(13,553)	(13,137)	(416)	3%
Allowance for Funds Used During Construction ("AFUDC")	8,778	8,329	449	5%
Total Finance Charges	(4,775)	(4,808)	33	-1%
Foreign Exchange Gain	1,877	1,582	295	19%
Other Income	4,009	3,322	687	21%
Total Net Other Income	1,111	96	1,015	1,057%

Finance charges for Fiscal 2022 totalled $4.8 million, comparable to Fiscal 2021.

The T&D Licence allows for the capitalisation of the finance cost related to capital projects. AFUDC is calculated by multiplying the Company's cost of capital rate by the average work in progress for each month. The Company's cost of capital rate is reviewed annually. During 2022, the cost of capital was 7.25% (2021: 7.00%) as agreed with the OfReg in accordance with the T&D Licence. The AFUDC amount for Fiscal 2022 totalled $8.8 million, an increase of $0.5 million from $8.3 million for Fiscal 2021.

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 date of the balance sheet. 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 $1.9 million for Fiscal 2022, a $0.3 million increase when compared to $1.6 million for Fiscal 2021. Foreign exchange gains increased due to higher foreign currency 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 $4.0 million for Fiscal 2022, a $0.7 million increase from $3.3 million for Fiscal 2021.

Revenues from DataLink for Fiscal 2022 are recorded in other income in the amount of $2.1 million, a $0.7 million increase from $1.4 million for Fiscal 2021.

The Economy

The Cayman Islands Economics and Statistics Office ("ESO") published the 2022 First Quarter Economic Report in September 2022. The report indicated that the Gross Domestic Product ("GDP") expanded by an estimated annualized rate of 3.8% in the first three months of 2022. The economic expansion was driven largely by the recovery in tourism and transportation-related sectors. Hotels and restaurants had an estimated growth of 27.8% for the period, while transportation and communication expanded by 14.3%. The financial services sector, the largest contributor to GDP, had estimated growth of 2.5%, while business activities and administrative services rose by 2.1%.

In October 2022, ESO published the Cayman Islands' Costumer Price Index ("CPI") Report for third quarter of 2022. The year-on-year (September 2022/September 2021) inflation rate was at 9.2% which was driven by the 14.2% increase in Housing and Utilities. ESO reported that the Residential Fuel Relief Programme by the Cayman Islands Government has reduced the year-on-year inflation to 7.5%.

Financial services is one of the two main industries of the Cayman Islands. The table below itemises trends in some of the key financial sectors:

Indicators for the Financial Services Industry *(for the years ended December 31)*	2022	2021	2020	2019	2018
Bank Licences	94	101	110	125	133
Mutual Funds	12,995	12,719	11,312	10,857	10,992
Mutual Fund Administrators	74	75	76	81	88
Registered Companies	119,128	99,327	111,568	109,556	107,309
Captive Insurance Companies	686	686	679	672	730

The tourism sector is the second main pillar of the Cayman Islands economy. Due to the COVID-19 pandemic, the country's borders were closed to tourism in March 2020. The borders have been reopened in a phased manner since 2021. The Cayman Islands Government launched Phase Five of its reopening plan in January 2022 which allowed more travellers to enter the country. All travel restrictions and COVID-19 protocols were lifted as of December 31, 2022 and the country has reopened its borders to tourism.

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 years ended December 31)*	2022	2021	2020	2019	2018
By Air	180,624	2,212	121,819	502,739	463,001
By Sea	426,293	-	538,140	1,831,011	1,921,057
Total	606,917	2,212	659,959	2,333,750	2,384,058

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, equity issuance, 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 2022 compared to Fiscal 2021:

Cash Flows ($ thousands)	Year Ended December 31, 2022	Year Ended December 31, 2021	Change	% Change
Beginning Cash	7,360	45,586	(38,226)	-84%
Cash Provided By/(Used In):				
Operating Activities	56,188	62,009	(5,821)	-9%
Investing Activities	(97,191)	(63,128)	(34,063)	54%
Financing Activities	41,591	(37,107)	78,698	-212%
Ending Cash	7,948	7,360	588	8%

Operating Activities:

Cash flow provided by operations, after working capital adjustments, for Fiscal 2022, was $56.2 million, a decrease of $5.8 million from $62.0 million for Fiscal 2021. This decrease was primarily due to the movement in regulatory deferrals which include recoveries of deferred revenue, accounts receivable and inventory. The items were partially offset by higher earnings and the movement in accounts payables.

Investing Activities:

Cash used in investing activities for Fiscal 2022 totalled $97.2 million, an increase of $34.1 million from $63.1 million for Fiscal 2021. This increase was primarily due to higher capital expenditures during Fiscal 2022.

Financing Activities:

Cash provided by financing activities totalled $41.6 million for Fiscal 2022, an increase of $4.5 million when compared to $37.1 million of cash used financing activities for Fiscal 2021. This net increase is mainly due to additional long term debt financing in Q4 2022, partially offset by loan repayments and dividend payments in 2022.

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 through 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 2023 capital expenditure programme (see the "Business Risks" section of this MD&A for details regarding the Company's liquidity risk).

Credit Facilities

The Company currently has $82.5 million of unsecured credit financing facilities with Scotiabank & Trust (Cayman) Limited ("Scotia") and Royal Bank of Canada ("RBC"). The financing facilities are comprised of:

Short-Term Financing	($ thousands)
Provided by Scotia:	
MasterCard Agreement	500
Operating, Revolving Line of Credit	10,000
Letter of Credit	13,000
Standby Loan	7,500
Demand Loan Facility - Interim Funding of Capital Expenditures	51,000
Total	**82,000**
Provided by RBC:	
Corporate Credit Card Line	500
Total	**82,500**

As at December 31, 2022, $82.0 million was available under the Company's credit facilities (2021: $69.5 million).

Contractual Obligations

As at December 31, 2022, the contractual obligations of the Company over the next five years and periods thereafter are outlined in the following table:

Contractual Obligations ($ thousands)	Total	< 1 year	1 to 3 years	4 to 5 years	> 5 years
Total Debt	359,025	19,481	39,870	37,726	261,948
Long-Term Debt Interest	208,020	18,367	29,283	26,171	134,199
Total	**567,045**	**37,848**	**69,153**	**63,897**	**396,147**

Power Purchase Obligation

In 2015, the Company entered into a PPA with Bodden Town Solar 1, Ltd., which will provide a minimum generated energy of 8.8 gigawatt hours ("GWh") per year for a 25-year term. The PPA qualifies for the Normal Purchase Normal Sale exemption under Accounting Standards Codification ("ASC") 815 and does not qualify as a derivative.

Fuel Purchase Obligation

The Company has a primary fuel supply contract with RUBiS Cayman Islands Limited ("RUBiS"). Under the agreement, the Company is committed to purchase approximately 60% of its diesel fuel requirements for its generating plant from RUBiS. The Company also has a secondary fuel supply contract with Sol Petroleum Cayman Limited ("Sol") and is committed to purchase approximately 40% of the Company's fuel requirements for its generating plant from Sol. In June 2018, the Company executed new fuel supply contracts with RUBis and Sol, each with a term of 24 months, with the option to renew for two additional terms of 18 months. The option to renew for an additional 18 months was exercised in June 2020 and again in December 2021, ending May 2023. The approximate remaining quantities under the fuel supply contract with RUBiS on an annual basis is 0.5 million IGs for the year ended December 31, 2022 and 11.3 million IGs for the five months ended May 31, 2023. The approximate remaining quantities under the fuel supply contract with Sol on an annual basis is 0.5 million IGs for the year ended December 31, 2022 and 8.8 million IGs for the five months ended May 31, 2023. 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, when comparing Fiscal 2022 to Fiscal 2021.

Significant Changes in Balance Sheet

(for the year ended December 31, 2022)

Balance Sheet Account	Increase/ (Decrease) *($ thousands)*	Explanation
Cash and Cash Equivalents	588	Increase due to cash provided by operating activities of $56.1 million and cash provided by financing activities of $41.6 million offset by cash used in investing activities of $97.2 million.
Accounts Receivable	10,292	Increase due to higher kWh electricity sales and increase in the fuel cost charge rate.
Regulatory Assets	17,164	Increase due to an increase in the fuel tracker account balance driven by higher fuel costs and the CUC Fuel Relief Programme deferral amounting to $6.3 million.
Property, Plant and Equipment	60,249	Increase due to capital expenditures for the year particularly on Distribution System Extension and Upgrades ($24.3 million), Generation Replacement ($15.6 million) and Alternative Energy projects ($12.4 million).

Significant Changes in Balance Sheet		
(for the year ended December 31, 2022)		
Accounts Payable and Accrued Expenses	15,759	Increase attributable to increases in fuel costs payable and higher capital expenditure accruals.
Long-Term Debt	60,297	Increase due to the $80 million long term debt acquired during the year offset by principal payments made on the Company's Senior Unsecured Notes in Fiscal 2022.
Share Premium	4,336	Increase due to the issuance of 295,246 Class A Ordinary Shares through its share purchase plans.
Retained Earnings	5,975	Increase due to net earnings for the year of $33.2 million, offset by dividend payments on the Class A Ordinary Shares of $26.2 million, and dividend payments on the Class B Preference Shares of $1.0 million.

Capital Resources

To ensure access to capital, the Company targets a long-term capital structure of approximately 45% equity, including preference shares, and 55% debt. The Company's objective is to maintain investment-grade credit ratings. The Company sets the amount of capital in proportion to risk. The debt to equity ratio is managed through various methods such as the Offering 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 65% of the Company's consolidated capital structure, as defined by short-term and long-term debt agreements. As at December 31, 2022, the Company was in compliance with all debt covenants.

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

Capital Structure	December 31, 2022 ($ thousands)	%	December 31, 2021 ($ thousands)	%
Total Debt	357,511	54	293,291	50
Shareholder's Equity	308,234	46	297,878	50
Total	665,745	100	591,169	100

The change in the Company's capital structure between December 31, 2022 and December 31, 2021 was a net effect of long term debt acquired during the year and principal payments of $15.6 million made on the Company's Senior Unsecured Notes.

The Company's credit ratings under Standard & Poor's ("S&P") and the DBRS Morningstar ("DBRS") are as follows:

DBRS	A (low)/ Stable
S&P	BBB+/ Stable

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

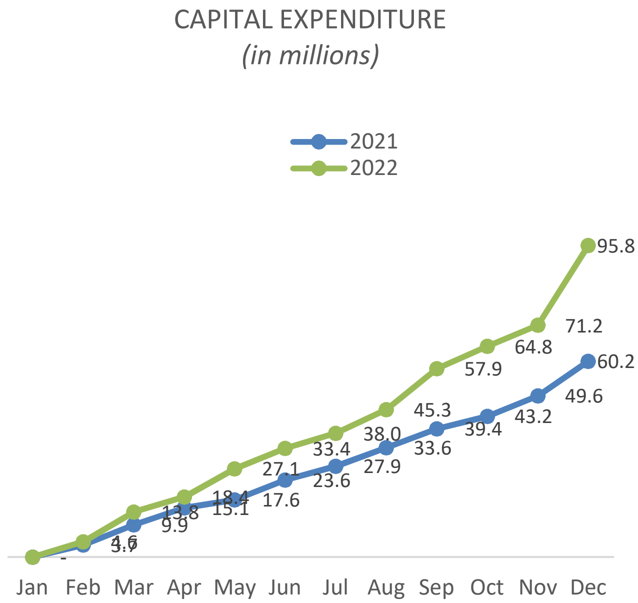
In February 2023, DBRS Morningstar affirmed the Company's "A" credit rating while maintaining the categorization of low with a Stable trend. The current ratings reflect (1) CUC's strong credit metrics for the first 12 months ended September 30, 2022 and expected to remain stable in the medium term; (2) stable business profile; (3) its solid resilience in coping with inflation and higher interest rates; and increase in electricity demand benefitting from economic recovery following a period of COVID-19 pandemic restrictions. The ratings also incorporate the CUC's exposure to, and its ability to cope with, hurricane risks and the relatively small size of its operations and customer base.

In May 2022, S&P revised its outlook of the Company to stable from negative due to consistent financial performance. Despite the pandemic which negatively affected Cayman's tourism industry, CUC's financial measures have consistently remained above S&P's downgrade threshold.

Capital Expenditures

Capital expenditures net of contribution in aid of construction for Fiscal 2022 were $95.8 million, a $35.6 million, or 59% increase from $60.2 million in capital expenditures for Fiscal 2021. The capital expenditures for Fiscal 2022 primarily related to:

- Distribution System Extension and Upgrades - $24.3 million.
- Generation Replacement - $15.6 million.
- Engine Room 5 Dual Fuel Conversion - $9.8 million
- Purchase of Gas Turbine - $9.6 million.
- Utility Scale Battery - $7.3 million.
- Alternate Energy Technologies – $5.1 million.
- Facility and Auxiliary Asset Replacement Cost – $3.1 million
- AFUDC of $8.8 million was capitalised in Fiscal 2022.



Capital Expenditures					
($ thousands)					
	Year Ended December 31, 2022	Year Ended December 31, 2021	Change	% Change	Forecast 2023
Transmission	6,661	5,858	803	14%	9,213
Distribution	28,542	28,084	458	2%	36,216
Generation	57,838	25,287	32,551	129%	63,350
Other	2,720	973	1,747	180%	13,236
Total	95,761	60,202	35,559	59%	122,015

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 generation, transmission and distribution facilities. The Company's facilities are subject to the risk of equipment failure due to deterioration of the asset from use or age, latent defects and design or operator error, among other things. These risks could lead to longer-than-forecasted equipment downtimes for maintenance and repair, disruptions of power generation, customer service interruptions, or could result in injury to employees and the public. Accordingly, to ensure the continued performance of the physical assets, the Company determines expenditures that must be made to maintain and replace the assets. Electricity systems require ongoing maintenance, improvement and replacement. Service disruption, other effects and liability caused by the failure to properly implement or complete approved maintenance and capital expenditures, or the occurrence of significant unforeseen equipment failures, despite maintenance programmes could have a material adverse effect.

The operation of transmission and distribution assets is subject to risks, including the potential to cause fires, mainly as a result of equipment failure, falling trees and lightning strikes to lines or equipment.

The Company continually develops capital expenditure, safety management and risk control 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 "Business Risks – Insurance - Terms and Coverage" for discussion of insurance terms and coverage). In the event of a large uninsurable loss, the Company would apply to the OfReg for recovery of these costs through higher rates. However, there is no assurance that the OfReg will approve any such application (see "Business Risks- Regulation" section for a discussion of regulatory risk).

Economic Conditions

As with most utility companies, the general economic condition of CUC's service area, Grand Cayman, influences electricity sales. Changes in consumer demographic, income, employment and housing are all factors in the amount of sales generated. As the Company supplies electricity to all hotels and large properties, its sales are therefore partially based on tourism and related industry fluctuations. World economic conditions, particularly those in North America, directly impact Grand Cayman's tourism industry. Rising inflationary pressures and fuel cost also impacts the customer behavior, particularly the consumption for residential customers.

Regulation

The Company operates within a regulated environment and the operations of the Company are subject to the normal uncertainties faced by regulated companies. Such uncertainties include approval by the OfReg of adjustments to billing rates that allow a reasonable opportunity to recover, on a timely basis, the estimated costs of providing services, including a fair return on rate base assets and the assessment of penalties against the Company for not meeting regulatory performance standards. The Company's capital expenditure plan requires regulatory approval. There is no assurance that capital projects determined as being required by management of the Company will be approved by the OfReg. In addition, while in the event of a large uninsurable loss the Company would apply to the OfReg for recovery of these costs through higher rates, there is no assurance that the OfReg would approve such application.

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 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 successfully passed its re-certification audit in 2022.

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, however, 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 UNFCCC, 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.

Weather and Natural Disasters

CUC's facilities are subject to the effects of severe weather conditions, principally during the hurricane season months of June through November. In addition, the Cayman Islands lie close to the boundary zone of the Caribbean and North American tectonic plates. This transform boundary, where the plates slide past each other, is known to generate earthquakes from time to time. Despite preparations for disasters such as hurricanes and earthquakes, adverse conditions will always remain a risk. This risk is partially mitigated by the Company's comprehensive insurance, which management of the Company believes is appropriate and consistent with insurance policies obtained by similar companies.

During severe weather or other natural disasters, generation equipment, facilities and T&D assets are subject to risks. These risks include equipment breakdown and flood damage, which may result in interruption of fuel supply, lower-than-expected operational efficiency or performance, and service disruption. There is no assurance that generation equipment, facilities and T&D assets will continuously operate in accordance with expectations in these situations.

Climate Change and Physical Risks

Climate change is predicted to lead to more frequent and intense weather events, changing air temperatures, and regulatory responses, each of which could have a material adverse effect. Increased frequency of extreme weather events could increase the cost of providing service. Extreme weather conditions in general require system backup and can contribute to increased system stress, including service interruptions. Longer-term climate change impacts, such as sustained higher temperatures, higher sea levels and larger storm surges, could result in service disruption, repair and replacement costs, and costs associated with strengthened design standards and systems, each of which could have a material adverse effect if not resolved in a timely and effective manner.

Global Pandemic

The development and rapid evolution of the COVID-19 pandemic has illustrated the risk to global economies, including that of the Cayman Islands, with the closure of businesses, schools, hotels, restaurants, seaports and airports. Steps warranted to protect the health and safety of employees, customers and communities, including actions based on guidance from the Cayman Islands Government and the relevant health authorities inevitably influence the economic conditions in the service area of the Company and impact electricity sales. The evolution of a pandemic increases uncertainty with regard to operational and financial performance of the Company that may result in material adverse effects and affect the Company's ability to execute business strategies and initiatives within expected time frames. Potential key impact areas could include revenue, capital expenditures, liquidity, and regulatory matters.

Insurance - Terms and Coverage

The Company renewed its insurance policy as at July 1, 2022 for one year under similar terms and coverage as in prior years. Insurance terms and coverage include $250.0 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 $250 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 accounting principles generally accepted in the United States of America ("US 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 $150.0 million limit on property and business interruption (excluding windstorm, earth movement and flood). Other insurance coverage includes, but is not limited to; 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. There are currently two participants in the pension plan. The assumed long-term rate of return on pension plan assets for the purposes of estimating pension expense for 2022 is 5%. This compares to assumed long-term rates of return of 5% used during 2021. 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 2022 was 32% due to the investment performance (2021: gain of 4%).

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 amortisation 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 2022 is 2.8% compared to the discount rate assumed during 2021 of 2.4%.

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 under the "Critical Accounting Estimates" section of this MD&A.

Cybersecurity and Information and Operations Technology

The ability of the Company to operate effectively is dependent upon using and maintaining complex information systems and infrastructure that: (i) support the operation of generation, transmission and distribution facilities; (ii) provide customers with billing, consumption and load settlement information, where applicable; and (iii) support financial and general operations.

Information and operations technology systems may be vulnerable to unauthorized access or disruption due to cyber- and other attacks, including hacking, malware, acts of war or terrorism, and acts of vandalism, among others. CUC has a Cyber Risk Management Programme which was initiated in 2019. The programme mandates minimum cybersecurity requirements, annual risk assessments of information and operational technology assets with findings being tracked and remediated based on risk rating. Annual business continuity and vulnerability/penetration testing are also required. The programme adheres to the National Institute of Standards and Technology and ISO 27001 standards.

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, accounts receivable, accounts payable, 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-payment 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 a 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 terms of the Licences, which allows for rates to 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 2022.

The ongoing economic impact from rising fuel cost and global inflationary environment may affect CUC's customers' ability to pay their energy bills. During 2022, CUC had various customer relief initiatives, including the suspension of non-payment disconnects and late fees, and payment deferral programs to help ease the financial burden on customers. See Note 6 in the Consolidated Financial Statements.

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 (December 31, 2021: $nil).

Accounting Policies

The 2022 Annual Consolidated Financial Statements have been prepared following the same accounting policies and methods as those used to prepare the Company's 2021 annual audited consolidated financial statements.

Future Accounting Policies

The Company considers the applicability and impact of all Accounting Standards Updates issued by the Financial Accounting Standards Board ("FASB"). ASUs were assessed and determined to be either not applicable to the Company or are not expected to have a material impact on CUC's consolidated financial statements and related disclosures.

Critical Accounting Estimates

The preparation of the Company's consolidated 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 as 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:

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 of the Company in determining pension expense and obligations were the discount rate for the accrued benefit obligation, inflation and the expected rate of return on plan assets. As at December 31, 2022, the Company has a long-term liability of $1.8 million (December 31, 2021: $1.9 million).

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

Depreciation is an estimate based primarily on the estimated useful life of the asset. Estimated useful life is based on current facts and historical information and takes into consideration the anticipated physical life of the assets. As at December 31, 2022, the net book value of the PP&E was $636.9 million, compared to $576.7 million as at December 31, 2021, increasing as a result of the Company's generation and T&D capital expenditures. Depreciation expense for Fiscal 2022 was $38.0 million ($38.1 million for Fiscal 2021). 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 following table sets out the annual financial information of the Company for the financial years ended December 31, 2022, 2021 and 2020.

Selected Annual Financial Information

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

	Year Ended December 31, 2022	Year Ended December 31, 2021	Year Ended December 31, 2020
Total Operating Revenues	267,336	198,478	177,450
Net Earnings for the Year	33,179	30,319	26,065
Earnings on Class A Ordinary Shares	32,209	29,349	25,095
Total Assets	726,539	634,150	633,667
Long-Term Debt	338,030	277,733	293,176
Preference Shares	250	250	250
Total Shareholders' Equity	308,279	297,878	289,499
Earnings per Class A Ordinary Share	0.86	0.79	0.74
Diluted Earnings per Class A Ordinary Share	0.86	0.79	0.74
Dividends Declared per Class A Ordinary Share	0.70	0.70	0.70
Dividends Declared per Class B Preference Share	3.88	3.88	3.88

Comparative results 2022/2021

Operating revenues for Fiscal 2022 totalled $267.3 million, an increase of $68.9 million from $198.5 million for Fiscal 2021.

Net earnings for Fiscal 2022 were $33.2 million, a $2.9 million increase from net earnings of $30.3 million for Fiscal 2021. This increase is primarily attributable to higher operating income and higher other income. For a discussion of the reasons for the changes in Operating Revenues, Earnings on Class A Ordinary 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 was mainly due to the distribution system extension and upgrades, and generation replacement costs. The increase in long-term debt was mainly due to long term debt of $80.0 million obtained in Fiscal 2022.

2022 Fourth Quarter Results

Net earnings for the three months ended December 31, 2022 ("Fourth Quarter 2022") were $9.0 million, a $0.7 million increase when compared to $8.3 million for the three months ended December 31, 2021 ("Fourth Quarter 2021"). This increase was due to higher electricity sales revenues of $26.0 million (Fourth Quarter 2021: $24.5 million), lower maintenance costs of $1.4 million (Fourth Quarter 2021: $1.5 million) and lower T&D cost of$1.0 million (Fourth Quarter 2021: $1.4 million), offset by higher consumer services cost of $1.6 million (Fourth Quarter 2021: $0.9 million), and higher general and administration expenses of $2.7 million (Fourth Quarter 2021: $2.1 million).

After the adjustment for dividends on the preference shares of the Company, earnings on Class A Ordinary Shares for the Fourth Quarter 2022 were $8.3 million, or $0.22 per Class A Ordinary Share, as compared to $7.7 million, or $0.21 per Class A Ordinary Share for the Fourth Quarter 2021.

Sales for the Fourth Quarter 2022 were 169.5 million kWh, an increase of 3.5 million kWh when compared to 166.0 million kWh for the Fourth Quarter 2021. The increase was driven by an increase in the large commercial and residential customers' kWh consumption in Fourth Quarter 2022.

Total operating expenses for the Fourth Quarter 2022 increased by 48% or $22.7 million to $70.0 million from $47.3 million for the Fourth Quarter 2021. The main contributing factors to this increase were higher fuel cost, depreciation, consumer services and general and administration cost offset by lower transmission and distribution cost and maintenance cost.

Cash flow provided by operations, after working capital adjustments, for the Fourth Quarter 2022, was $5.2 million, a decrease of $9.8 million when compared to $15.0 million for the Fourth Quarter 2021. This decrease was primarily due to changes in non-cash working capital balances offset by higher earnings for the period. Cash used in investing activities totalled $31.4 million for the Fourth Quarter 2022, an increase of $15.0 million from $16.4 million for the Fourth Quarter 2021. This increase was due to higher capital expenditures and higher contributions in aid of construction. Cash provided by financing activities totalled $25.4 million for the Fourth Quarter 2022, an increase of $19.1 million from $6.3 million provided by financing activities for the Fourth Quarter 2021. The increase relates to the additional long-term debt acquired during the period offset by repayment of short-term debt.

Capital expenditures for the Fourth Quarter 2022 were $30.0 million, a $13.9 million, or 86%, increase from $16.1 million for the Fourth Quarter 2021.

Quarterly Results

The following table summarises unaudited quarterly information for each of the eight quarters ended March 31, 2021 through December 31, 2022. This information has been obtained from CUC's unaudited interim financial statements, which management of the Company 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 Earnings per Class A Ordinary Share and Diluted Earnings per Class A Ordinary Share)

	Operating Revenue	Net Earnings	Earnings on Class A Ordinary Shares	Earnings per Class A Ordinary Share	Diluted Earnings per Class A Ordinary Share
December 31, 2022	78,491	8,961	8,329	0.22	0.22
September 30, 2022	79,031	10,420	10,308	0.28	0.28
June 30, 2022	58,167	8,310	8,197	0.22	0.22
March 31, 2022	51,648	5,485	5,372	0.14	0.14
December 31, 2021	55,276	8,330	7,697	0.21	0.21
September 30, 2021	56,102	10,098	9,985	0.26	0.26
June 30, 2021	48,257	8,562	8,449	0.23	0.23
March 31, 2021	38,843	3,329	3,216	0.09	0.09

December 2022/December 2021

Net earnings for the three months ended December 31, 2022 (“Fourth Quarter 2022”) were $9.0 million, a $0.7 million increase when compared to $8.3 million for the three months ended December 31, 2021 (“Fourth Quarter 2021”). This increase was due to higher electricity sales revenues of $26.0 million (Fourth Quarter 2021: $24.5 million), lower maintenance costs of $1.4 million (Fourth Quarter 2021: $1.5 million) and lower T&D cost of$1.0 million (Fourth Quarter 2021: $1.4 million), offset by higher consumer services cost of $1.6 million (Fourth Quarter 2021: $0.9 million), and higher general and administration expenses of $2.7 million (Fourth Quarter 2021: $2.1 million).

After the adjustment for dividends on the preference shares of the Company, earnings on Class A Ordinary Shares for the Fourth Quarter 2022 were $8.3 million, or $0.22 per Class A Ordinary Share, as compared to $7.7 million, or $0.21 per Class A Ordinary Share for the Fourth Quarter 2021.

September 2022/September 2021

Net earnings for the three months ended September 30, 2022 (“Third Quarter 2022”) totalled $10.4 million, a decrease of $0.3 million when compared to $10.1 million for the three months ended September 30, 2021 (“Third Quarter 2021”).

After the adjustment for dividends on the preference shares of the Company, earnings on Class A Ordinary Shares for the Third Quarter 2022 were $10.3 million, or $0.28 per Class A Ordinary Share, compared to earnings on Class A Ordinary Shares of $10.0 million, or $0.26 per Class A Ordinary Share for the Third Quarter 2021.

June 2022/June 2021

Operating income for the three months ended June 30, 2022 (“Second Quarter 2022”) totalled $8.1 million, a decrease of $0.8 million when compared to operating income of $8.9 million for the three months ended June 30, 2021 (“Second Quarter 2021”). The decrease is primarily attributable to an increase in general and administration expenses, customer services and depreciation, which was partially offset by an increase in electricity sales. Electricity sales revenues for Q2 2022 increased due to higher kWh sales and a 5.4% base rate increase that went into effect on June 1, 2022. Due to the current economic environment and rising fuel prices, OfReg approved the Company’s proposal to defer billing of the required rate increase until January 1, 2023. The amount recorded as deferred revenue for June 2022 was $0.4 million.

Net earnings for the Second Quarter 2022 totalled $8.3 million, a decrease of $0.3 million from $8.6 million in Second Quarter 2021. Partially offsetting the items impacting operating income, net earnings during the quarter were positively impacted by lower finance charges and higher other income.

After the adjustment for dividends on the preference shares of the Company, earnings on Class A Ordinary Shares for Second Quarter 2022 were $8.2 million, or $0.22 per Class A Ordinary Share, compared to earnings on Class A Ordinary Shares of $8.4 million, or $0.23 per Class A Ordinary Share for Second Quarter 2021.

March 2022/March 2021

Operating income for the three months ended March 31, 2022 (“First Quarter 2022”) totalled $5.2 million, an increase of $1.5 million from $3.7 million for three months ended March 31, 2021 (“First Quarter 2021”). The increase is primarily attributable to higher electricity sales revenues and lower depreciation expense. These items were partially offset by higher general and administration, transmission and distribution and customer service expenses.

Net earnings increased $2.2 million from $3.3 million in First Quarter 2021 to $5.5 million in First Quarter 2022. The increase in net earnings is primarily attributable to higher operating income and lower financecharges.

After the adjustment for dividends on the preference shares of the Company, earnings on Class A Ordinary Shares for the First Quarter 2022 were $5.4 million or $0.14 per Class A Ordinary Share, compared to earnings on Class A Ordinary Shares of $3.2 million, or $0.09 per Class A Ordinary Share for the First Quarter 2021.

Disclosure Controls and Procedures

The President and Chief Executive Officer (“CEO”) and the Chief Financial Officer (“CFO”), together with management of the Company, 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, including during the year ending December 31, 2022; 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, summarised and reported within the time periods specified in securities legislation. Based on the evaluation performed of DC&P, it was concluded that the DC&P of CUC is adequately designed and operating effectively as of December 31, 2022.

Internal Controls over Financial Reporting ("ICFR")

The CEO and CFO of the Company, together with management of the Company, have established and maintained the Company's 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. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The design of CUC's internal controls over financial reporting has been established and evaluated using the criteria set forth in the 2013 Internal Control-Integrated Framework by the Committee of Sponsoring Organizations of the Treadway Commission. Based on the assessment, it was concluded that CUC's internal controls over financial reporting are adequately designed and operating effectively as of December 31, 2022.

There have been no changes in the Company's ICFR that occurred during the year ended December 31, 2022 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Outlook

In October 2021, following a consultation process, OfReg announced the adoption of a new Renewable Energy Auction Scheme ("REAS") to solicit additional solar and wind power over the next decade. In April 2022, OfReg issued a Request for Qualification ("RFQ") for the REAS Competition Round 1. The REAS Round 1 is intended to select a party, or parties, to operate and maintain Solar Photovoltaic Plants and Energy Storage up to 100MW with 60MW Battery Energy Storage System Facility. OfReg also issued an RFQ for a 23MW Dispatchable Photovoltaic ("DPV") Generation plant paired with energy storage facility. CUC prequalified for both opportunities and is preparing to participate in these bid invitations. The Company has been working with OfReg to provide all information required for issuing the RFP.

The Government announced on April 27, 2022 a change in policy direction and its intention to hold a majority ownership stake in all future large scale renewable energy projects. CUC remains in discussions with the Government and OfReg to determine what impact this announcement will have on future renewable energy plans.

The Company has also progressed with developing an offering for customer sited solar projects and seeks to create a programme that CUC would offer to its customers where the Company supplies and installs renewable energy systems on the customer premises and a fee arrangement is created to share in the costs and benefits of the systems.

In September 2022, the Company signed an Agreement with the technology group Wärtsilä for the supply of two 10-megawatt energy storage systems at Hydesville and Prospect substations. The site layouts for both substations have received final approvals from the Department of Planning and has initiated designs for approval from the Building Control Unit. The project is expected to be commission between Quarters 1 and 2 of 2024.

The Company received the regulatory approval for lifecycle upgrades to all Engine Room 5 MAN generating units totalling 64MW of capacity. These upgrades will bring the engines up to the most current specification and facilitate a further 25 years of service after the upgrade. It will also prepare the engines for conversion to run on natural gas. The Company has contracted MAN Energy Solutions SE during Quarter 4 2022 and expected completion in Quarter 4 2024.

The Company signed an agreement with Hitachi Energy for the installation of GIS indoor switchgear at Frank Sound Substation, in place of the existing temporary arrangement. This will enhance the reliability of the eastern loop 69kV transmission loop and facilitate accelerating load growth and future integration of renewable energy sources in East End of Grand Cayman. The base design has been completed in 2022 and expected to be completed in Quarter 3 2024.

The Company's public Electric Vehicle Charging network is being rolled out with 5 stations installed during 2022 and a target of an additional 40 stations to be installed within the next year. The Company is focusing on higher rate charging stations with targeted locations of where people live and work.

In October 2022, the Company submitted its 2023-2027 Capital Investment Plan ("CIP") in the amount of $403.4 million to OfReg for approval, which included $60 million in alternative energy and resiliency projects. OfReg approved the 2023-2027 CIP in January 2023.

Residential Customer Fuel Relief Programme

Due to the significant increase in fuel cost, the Cayman Islands Government ("CIG") offered a fuel cost credit to residents across the country to help alleviate the price of electricity during the peak summer period. The temporary Government assistance offered a fuel cost credit for residential customers who have monthly consumption between 101 kWh and 2,000 kWh by subsidising the fuel cost in excess of $0.18/kWh which was paid to the Company in advance of each month's billing cycle. The credit from the programme applied to energy consumed in July, August and September and billed in August, September and October.

On October 21, 2022, CIG announced the extension of its fuel relief program for residential customers until December 31, 2022. This will be in conjunction with the CUC Fuel Relief Program. CIG capped the fuel cost for eligible residential customers at $0.18 and subsidise to as much as $0.06 per kWh. Total Programme cost to CIG during the relief period amounted to $8.9 million.

CUC Fuel Relief Programme

In October 2022, OfReg approved the proposed CUC Fuel Relief Programme applicable to all customers to reduce the fuel cost spike. The Programme capped the amount of the fuel factor paid by all customers at $0.24/kWh for consumption effective October 1, 2022 through December 31, 2022. During the period of the Programme, CUC recorded the excess fuel factor as Regulatory Asset for a 12-month recovery estimated at $0.016 per kWh. Total Programme deferral during the relief period amounted to $6.3 million.

Subsequent Events: Outstanding Share Data

At February 10, 2023, the Company had issued and outstanding 37,664,724 Class A Ordinary Shares and 249,500 9% cumulative Participating Class B Preference Shares.

Management's Responsibility for Financial Reporting

The accompanying Annual Consolidated Financial Statements of Caribbean Utilities Company, Ltd. and all information in the 2022 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 2022 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 2022 Annual Report were reviewed by the Audit Committee and, on their recommendation, were approved by the Board of Directors of the Company. Deloitte LLP, 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, Corporate Services
& Chief Financial Officer
Caribbean Utilities Company, Ltd.

J.F. Richard Hew
President & Chief Executive Officer
Caribbean Utilities Company, Ltd.

Independent Auditor's Report

To the Shareholders and the Board of Directors of
Caribbean Utilities Company, Ltd.

Opinion

We have audited the consolidated financial statements of Caribbean Utilities Company, Ltd (the "Company"), which comprise the consolidated balance sheets as at December 31, 2022 and 2021, and the consolidated statements of earnings, comprehensive income, shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022 and 2021, 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 of America ("US GAAP").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements for the year ended December 31, 2022. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Regulatory Assets and Liabilities - Impact of Rate Regulation - Refer to Note 7 to the financial statements

Key Audit Matter Description

The Company is regulated by the Cayman Islands Utility Regulation and Competition Office ("OfReg") which sets their base rates charged to ratepayers. Base rates are designed to recover all non-fuel and non-regulatory costs and include per kilowatt-hour ("kWh") electricity charges and fixed facility charges. The Company's return on rate base ("RORB") are subject to an annual review and adjustment each June through the Rate Cap and Adjustment Mechanism based on published consumer price indices. Accounting for the economics of rate regulation impacts multiple financial statement line items and disclosures, such as property, plant, and equipment; regulatory assets and liabilities; operating revenues and expenses; and depreciation expense.

We identified the impact of rate regulation as a key audit matter due to the significant judgments made by management to support its assertions about impacted account balances and disclosures and the high degree of subjectivity involved in assessing the potential impact of future regulatory orders on the financial statements. Management judgments include assessing the likelihood of recovery of costs incurred or a refund to customers through the rate-setting process. While the Company has indicated they expect to recover costs from customers through regulated rates, there is a risk that OfReg will not approve full recovery of the costs incurred and a reasonable RORB. Auditing these matters required especially subjective judgement and specialized knowledge of accounting for rate regulation due its inherent complexities.

How the Key Audit Matter Was Addressed in the Audit

Our audit procedures related to the likelihood of recovery of costs incurred or a refund to customers through the rate-setting process, included the following, among others:

Assessing relevant regulatory orders, regulatory statutes, and interpretations as well as procedural memorandums, utility and intervener filings, and other publicly available information to evaluate the likelihood of recovery in future rates or of a future reduction in rates and the ability to earn a reasonable RORB.

For regulatory matters in process, inspecting the Company's filings for any evidence that might contradict management's assertions. We obtained an analysis from management and letters from internal and external legal counsel to assess the cost recoveries or a future reduction in rates, as appropriate.

Evaluating the Company's disclosures related to the impacts of rate regulation, including the balances recorded and regulatory developments.

Other Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis
- The information, other than the financial statements and our auditor's report thereon, in the Annual Report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis and the Annual Report prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with US GAAP, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Tarah Schulz.

/s/ Deloitte LLP

Chartered Professional Accountants
St. John's, Canada
February 10, 2023

Consolidated Balance Sheets

(expressed in thousands of United States Dollars)

	Note	As at December 31, 2022	As at December 31, 2021
Assets			
Current Assets			
Cash		7,948	7,360
Accounts Receivable (Net of Allowance for Credit Losses of $2,241 and $1,976)	6	21,635	11,343
Regulatory Assets	7	41,910	24,746
Inventories	8	7,951	5,277
Prepayments		4,003	4,542
Total Current Assets		83,447	53,268
Property, Plant and Equipment, net	9	636,952	576,703
Intangible Assets, net	10	4,180	3,947
Other Assets	4	1,960	232
Total Assets		726,539	634,150
Liabilities and Shareholders' Equity			
Current Liabilities			
Accounts Payable and Accrued Expenses	11	42,692	26,933
Regulatory Liabilities	7	913	1,310
Current Portion of Long-Term Debt	12	19,481	15,558
Consumers' Deposits and Advances for Construction	18	12,838	11,864
Current Portion Lease Liability	4	1,092	87
Total Current Liabilities		77,016	55,752
Defined Benefit Pension Liability	20	1,848	1,894
Long-Term Debt	12	338,030	277,733
Other Long-Term Liabilities	4,14	1,411	893
Total Liabilities		418,305	336,272
Shareholders' Equity			
Share Capital[2]		2,491	2,474
Share Premium		190,023	185,687
Retained Earnings		117,577	111,602
Accumulated Other Comprehensive Loss		(1,857)	(1,885)
Total Shareholders' Equity		308,234	297,878
Total Liabilities and Shareholders' Equity		726,539	634,150

See accompanying Notes to Annual Consolidated Financial Statements

Agreed on behalf of the Board of Directors by:

Sheree L. Ebanks
Chairperson of the Board of Directors

J.F. Richard Hew
Director

[2] Consists of Class A Ordinary Shares of 37,664,724 and 37,369,478 issued and outstanding as at December 31, 2022 and 2021 and Class B Preference Shares of 249,500 and 249,500 issued and outstanding as at December 31, 2022 and 2021, respectively.

Consolidated Statements of Earnings

(expressed in thousands of United States Dollars, except basic and diluted earnings per ordinary share)

	Note	Year Ended December 31, 2022	Year Ended December 31, 2021
Operating Revenues			
Electricity Sales		101,551	97,520
Fuel Factor		159,856	95,208
Renewables		5,929	5,750
Total Operating Revenues	5	267,336	198,478
Operating Expenses			
Power Generation		170,821	105,815
General and Administration		10,446	9,147
Consumer Services		4,621	3,271
Transmission and Distribution		4,291	5,093
Depreciation		38,018	38,124
Maintenance		6,098	5,792
Amortisation of Intangible Assets		973	1,013
Total Operating Expenses		235,268	168,255
Operating Income		32,068	30,223
Other (Expenses)/Income:			
Finance Charges	19	(4,775)	(4,808)
Foreign Exchange Gain	21	1,877	1,582
Other Income		4,009	3,322
Total Net Other Income		1,111	96
Net Earnings for the Year		33,179	30,319
Preference Dividends Paid- Class B		(970)	(970)
Earnings on Class A Ordinary Shares		32,209	29,349
Weighted-Average Number of Class A Ordinary Shares Issued and Fully Paid (in thousands)	15	37,482	37,199
Earnings per Class A Ordinary Share	15	0.86	0.79
Diluted Earnings per Class A Ordinary Share	15	0.86	0.79
Dividends Declared per Class A Ordinary Share		0.700	0.700

See accompanying Notes to Annual Consolidated Financial Statements

Consolidated Statements of Comprehensive Income

(expressed in thousands of United States Dollars)

	Year Ended December 31, 2022	Year Ended December 31, 2021
Net Earnings for the Year	33,179	30,319
Other Comprehensive Loss:		
Net Actuarial (loss) /gain	(45)	903
Amortisation of Net Actuarial Loss	73	134
Total Other Comprehensive Income	28	1,037
Comprehensive Income	33,207	31,356

See accompanying Notes to Annual Consolidated Financial Statements

Consolidated Statements of Shareholders' Equity

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

	Class A Ordinary Shares (in thousands)	Class A Ordinary Shares Value ($)	Preference Shares ($)	Share Premium ($)	Accumulated Other Comprehensive Loss ($)	Retained Earnings ($)	Total Equity ($)
As at December 31, 2021	37,369	2,224	250	185,687	(1,885)	111,602	297,878
Net earnings	-	-	-	-	-	33,179	33,179
Common share issuance and stock options plans & redemption	296	17	-	4,336	-	-	4,353
Defined benefit plans	-	-	-	-	28	-	28
Dividends on common shares	-	-	-	-	-	(26,234)	(26,234)
Dividends on preference shares	-	-	-	-	-	(970)	(970)
As at December 31, 2022	37,665	2,241	250	190,023	(1,857)	117,577	308,234
As at December 31, 2020	37,095	2,208	250	181,671	(2,922)	108,292	289,499
Net earnings	-	-	-	-	-	30,319	30,319
Common share issuance and stock options plans & redemption	274	16	-	4,016	-	-	4,032
Defined benefit plans	-	-	-	-	1,037	-	1,037
Dividends on common shares	-	-	-	-	-	(26,039)	(26,039)
Dividends on preference shares	-	-	-	-	-	(970)	(970)
As at December 31, 2021	37,369	2,224	250	185,687	(1,885)	111,602	297,878

See accompanying Notes to Annual Consolidated Financial Statements

Consolidated Statements of Cash Flows

(expressed in thousands of United States Dollars)

	Year Ended December 31, 2022	Year Ended December 31, 2021
Operating Activities		
Net Earnings for the year	33,179	30,319
Items not affecting cash:		
Depreciation	38,018	38,124
Amortisation of Intangible Assets	973	1,013
Amortisation of Deferred Financing Costs	113	114
	72,283	69,570
Net changes in working capital balances related to operations:		
Accounts Receivable	(10,292)	(7,206)
Inventory	(2,674)	(1,840)
Prepaid Expenses	539	(787)
Accounts Payable	13,476	7,941
Net Change in Regulatory Assets and Regulatory Liabilities	(17,561)	(7,864)
Other	417	2,195
Cash flow related to operating activities	56,188	62,009
Investing Activities		
Purchase of Property, Plant and Equipment	(96,018)	(62,038)
Costs related to Intangible Assets	(1,207)	(1,216)
Proceeds on Disposed Asset	33	78
Contributions in Aid of Construction	1	48
Cash flow related to investing activities	(97,191)	(63,128)
Financing Activities		
Proceeds from Debt Financing	120,000	-
Repayment of Short-Term Debt	(40,000)	-
Repayment of Long-Term Debt	(15,558)	(14,130)
Dividends Paid	(24,477)	(24,539)
Net Proceeds from Share Issuance	1,626	1,562
Cash flow related to financing activities	41,591	(37,107)
Increase (Decrease) in net cash	588	(38,226)
Cash - Beginning of year	7,360	45,586
Cash - End of year	7,948	7,360
Supplemental disclosure of cash flow information:		
Interest paid during the year	12,932	13,102

See accompanying Notes to Annual Consolidated Financial Statements

Notes to Annual Consolidated Financial Statements

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

1. Nature of Operations and Consolidated Financial Statement Presentation

These consolidated financial statements include the regulated operations of Caribbean Utilities Company, Ltd. ("CUC" or the "Company") and the accounts of its wholly-owned subsidiary company DataLink, Ltd. ("DataLink"), and reflect the decisions of the Cayman Islands Utility Regulation and Competition Office (the "OfReg"). These decisions affect the timing of the recognition of certain transactions resulting in the recognition of regulatory assets and liabilities, which 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.

The Company is regulated by the OfReg which has the overall responsibility of regulating the electricity, information and communications technology, and the petroleum industries in the Cayman Islands in accordance with the Utility Regulation and Competition Office Law (2016).

CUC's wholly-owned subsidiary company, DataLink was granted a licence in 2012 to provide fibre optic infrastructure and other information and communication technology ("ICT") services to the ICT industry. DataLink is subject to regulation by the OfReg in accordance with the terms and conditions of its Licence which currently extends to March 27, 2027.

All 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, renewables costs 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").

As part of the CUC's COVID-19 Customer Relief Programme, OfReg approved the deferral of the 6.6% rate base increase effective June 1, 2020 to January 1, 2021. Total deferred revenue recorded as regulatory asset amounted to $3.5 million which was recovered within two years through future rates since January 1, 2021. The amount was fully recovered as at December 31, 2022.

The Company was also granted approval by OfReg to recover various COVID-19 related expenses, including potential credit losses resulting from suspension of disconnections during the pandemic. A total of $0.7 million was recorded as a regulatory asset and was recovered within two years through future rates since January 1, 2021. The amount was fully recovered as at December 31, 2022.

In April 2022, the Company submitted its annual rate adjustment to OfReg for review and approval. The required rate increase as confirmed by OfReg was 5.4%, with an effective date of June 1, 2022. This required increase was a result of the applicable RORB and United States ("US") and Cayman Islands consumer price indices, adjusted to exclude food and fuel.

Due to the economic condition and rising fuel prices, OfReg approved the Company's proposal to defer billing of the required rate increase until January 1, 2023. For the period June 1, 2022 to December 31, 2022, the Company tracked the difference between billed revenues and revenues that was billed from the required rate increase as deferred revenue. The amount recorded as regulatory asset for the year ended December 31, 2022 was $2.8 million and will be recovered within two years through future rates from the effective date of January 1, 2023.

In October 2022, OfReg approved the proposed CUC Fuel Relief Programme applicable to all customers to reduce the fuel cost spike. The Programme capped the amount of the fuel factor paid by customers at $0.24/kWh for consumption effective October 1, 2022 through December 31, 2022. During the period of the Programme, CUC recorded the excess fuel factor as Regulatory Asset for a 12-month recovery estimated at $0.016 per kWh. The amount recorded as regulatory asset for the year ended December 31, 2022 was $6.3 million and will be recovered through future rates from the effective date of January 1, 2023.

All fuel, lubricating oil, and renewable costs are passed through to customers without mark-up as a per kWh charge.

2. Summary of Significant Accounting Policies

These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP"). 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 significant accounting policies relate to:

Revenue Recognition
The majority of the Company's revenue is generated from electricity sales to customers based on published tariff rates, as approved by the OfReg. Electricity is metered upon delivery to customers and recognised as revenue using OfReg approved rates when consumed. Meters are read each month and bills are issued to customers based on these readings. As a result, revenues/kWhs recorded as at December 31, 2022 are based upon actual bills for the period.

Revenue or expense arising from the amortisation of certain regulatory assets and liabilities are recognised in the manner prescribed by the OfReg.

Other revenue is recognised when the service is rendered.

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 and renewable costs to consumers on a two-month lag basis. This is recorded as Fuel Factor and Renewables Revenues.

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

Kilowatt-Hour ("kWh") Sales
The kWh sales for the period are based on actual electricity sales to customers since the last meter reading.

Cash
Cash is comprised of cash on hand, bank demand deposits and bank fixed deposits with original maturities of three months or less. At December 31, 2022 and 2021, cash consisted of cash on hand.

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

Allowance for Credit Losses

The Company adopted ASU No. 2016-13, *Measurement of Credit Losses on Financial Instruments*, which requires the use of reasonable and supportable forecasts in the estimate of credit losses and the recognition of expected losses upon initial recognition of a financial instrument, in addition to using past events and current conditions. The guidance also requires quantitative and qualitative disclosures regarding the activity in the allowance for credit losses for financial assets within the scope of the guidance. Adoption did not have a material impact on the consolidated financial statements and related disclosures.

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 receivable is written-off in the period in which the receivable is deemed uncollectible and 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 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 initially recorded 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 net realisable value.

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

PP&E are stated at cost less accumulated depreciation.

The cost of additions to PP&E is the original cost of contracted services, direct labour and related overheads, materials, General Expenses Capitalized ("GEC") and Allowance for Funds Used During Construction ("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 year 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 capitalises 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 capitalises 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 government for the cost of utility capital assets. These contributions are recorded as a reduction in the cost of utility capital assets and are being amortised 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. In the event of a disaster, the Company will write-off destroyed assets over the remaining life of the asset that existed at the time of destruction.

Depreciation is provided on the cost of PP&E (except for freehold land, capitalised 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

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.

Leases

At lease inception, the right-of-use asset and liability are both measured at the present value of future lease payments, excluding variable payments that are based on usage or performance. Future lease payments include both lease components (e.g., rent and insurance costs) and non-lease components (e.g., common area maintenance costs), which CUC accounts for as a single lease component. The present value is calculated using the rate implicit in the lease or a lease-specific secured interest rate based on the remaining lease term. Renewal options are included in the lease term when it is reasonably certain that the option will be exercised.

Leases with a term of 12 months or less are not recorded on the balance sheet. Instead, they are recognised as lease expense on a straight-line basis over the lease term.

Intangible Assets

Intangible assets include deferred licence renewal costs, computer software, and trademark expenses. Intangible assets, excluding trademark expenses and assets in progress are amortised on a straight-line basis over the life of the asset. Deferred licence renewal costs are amortised over a range of 15 years to 20 years on a straight-line basis. Computer software costs are amortised 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 Consolidated Statements 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, late fees on customer accounts 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, distribution and telecommunication, and 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

<u>Dividend Reinvestment Plan (the “Plan”)</u>

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 who are residents 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. They may also retain the Class A Ordinary Shares in the CSPP 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 Class A Ordinary Shares on the Toronto Stock Exchange ("TSX") 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 ESPP 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 Sheet (2022: $0.4 million, 2021: $0.3 million).

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

The Company also records the liabilities associated with its Performance Share Unit ("PSU") Plans at their fair value at each reporting date until settlement, recognising compensation expense over the vesting period. The fair value of the PSU liability is based on the Company's common share closing price at the end of each reporting period relative to the S&P/TSX Utilities Index over a three-year period. The fair value of the PSU liability is also based on expected pay-out 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, accounts receivable, accounts payable and accrued expenses, short-term borrowings, consumer deposits, other long-term liabilities and long-term debt.

Subsequent adjustment of held-to-maturity instruments are taken to the Consolidated 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 amortised cost.

The Company's policy is to defer transaction costs associated with financial assets and liabilities. These transaction costs are amortised using the effective interest rate method over the life of the related financial instrument; outstanding balances are recognised as an increase in assets or a reduction in liabilities 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 and to create 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.

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 $0.30 per imperial gallon ("IG") of diesel fuel it imports. In addition, the Company pays customs duties of 15% on all other imports.

3. Future Accounting Policies

The Company considers the applicability and impact of all ASUs issued by the Financial Accounting Standards Board ("FASB"). ASUs were assessed and determined to be either not applicable to the Company or are not expected to have a material impact on CUC's consolidated financial statements and related disclosures.

4. Leases

When a contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration, a right-of-use asset and lease liability are recognised. The Company measures the right-of-use asset and lease liability at the present value of future lease payments excluding variable payments based on usage or performance. The Company calculates the present value using a lease-specific secured interest rate based on the remaining lease term. CUC has a lease agreement with lease components (e.g. rent and insurance costs) and non-lease components (e.g. common area maintenance costs), which are accounted for as a single lease component. CUC includes options to extend a lease in the lease term when it is reasonably certain that the option will be exercised. Leases with an initial term of twelve months or less are not recorded on the balance sheet but are recognised as lease expense on a straight-line basis over the lease term.

CUC leases office space under a lease agreement that expires on June 30, 2024. The lease agreement includes rental payments adjusted periodically for inflation and require the Company to pay insurance, maintenance, and other operating expenses associated with the lease premises.

In July 2022, the Company contracted to lease 5MW of temporary generation equipment ("Temporary Generation") to provide a reserve margin adequate to ensure acceptable levels of reliable service. The lease period is for a minimum of 24 calendar months commencing on the day the equipment is received by the Company in November 2022. The lease agreement includes rental payments, mobilization and demobilization costs and variable cost based on excess generation.

The following table details supplemental balance sheet information related to CUC's operating leases:

Operating Leases			
($ thousands)	Classification	As at December 31, 2022	As at December 31, 2021
Operating Lease Assets	Other Assets	1,951	222
Current Portion Lease Liability	Current Portion of Lease Liability	1,092	87
Noncurrent Operating Lease Liability	Other Long-Term Liabilities	766	141

The following table presents the components of CUC's lease cost recorded in the Consolidated Statement of Earnings.

($ thousands)	Classification	Year Ended December 31, 2022	Year Ended December 31, 2021
Operating Lease Costs	Operating Expenses	97	90
Variable Lease Costs	Operating Expenses	4	3
Total Lease Costs		101	93

Total payments made related to the lease of Temporary Generation amounted to $0.2 million for the year ending December 31, 2022. OfReg has approved that all rental fees and costs associated with the temporary rental generation units will be treated as Regulatory Assets to be amortized over a 10-year period (Note 7j.).

As of December 31, 2022, the Company had the following future minimum lease payments:

Future Minimum Lease Payments	
($ thousands)	Operating Lease
2023	1,006
2024	931
2025	-
Thereafter	-
Total	1,937
Less: Imputed Interest	(79)
Present Value of Lease Liability	1,858

Note: Minimum lease payments exclude payments to lessor for non-lease components such as variable insurance and common area maintenance and variable excess generation charge.

5. Operating Revenues

Operating Revenues ($ thousands)	Year Ended December 31, 2022	Year Ended December 31, 2021	Change %
Electricity Sales Revenues			
Residential	54,346	52,169	4%
Commercial	46,338	44,536	4%
Other (street lighting etc.)	867	815	6%
Total Electricity Sales Revenues	101,551	97,520	4%
Fuel Factor	159,856	95,208	68%
Renewables	5,929	5,750	3%
Total Operating Revenues	267,336	198,478	35%

Electricity Sales revenue

The Company generates, transmits, and distributes electricity to residential and commercial customers and for street lighting service. Electricity is metered upon delivery to customers and recognised as revenue using OfReg approved rates when consumed. Meters are read on the last day of each month, and bills are subsequently issued to customers based on these readings. As a result, the revenue accruals for each period are based on actual bills-rendered for the reporting period.

Fuel Factor
Fuel Factor revenues consist of charges from diesel fuel and lubricating oil costs which are passed through to consumers on a two-month lag basis with no mark-up.

Renewables
Renewables revenues are a combination of charges from the Customer Owned Renewable Energy ("CORE") and Distributed Energy Resources ("DER") programmes and Bodden Town Solar 1, Ltd., which are passed through to consumers on a two-month lag basis with no mark-up.

6. Accounts Receivable

Accounts Receivable ($ thousands)	As at December 31, 2022	As at December 31, 2021
Billings to Consumers*	23,156	12,384
Other Receivables	720	935
Allowance for Credit Losses	(2,241)	(1,976)
Total Accounts Receivable, net	21,635	11,343

*Includes billings to DataLink customers.

Other Receivables
Other receivables relate to amounts due outside of the normal course of operations. Items in other accounts receivable include sale of inventory and machine break-down costs covered by warranties.

Allowance for Credit Losses

Accounts receivable are recorded net of an allowance for credit losses. The change in the allowance for credit losses balance from December 31, 2021 to December 31, 2022 is listed in the following table.

Allowance for Credit Losses ($ thousands)	As at December 31, 2022	As at December 31, 2021
Beginning of Year	(1,976)	(2,303)
Credit Loss Expensed net of deferral	(285)	(105)
Write-off	20	437
Recoveries	-	(5)
End of Year	(2,241)	(1,976)

7. Regulatory Assets and Liabilities

Regulatory Assets and Liabilities ($ thousands) Asset/Liability	Description	As at December 31, 2022	As at December 31, 2021
Regulatory Assets	Fuel Tracker Account (a)	31,040	22,557
Regulatory Assets	Derivative contract (b)	61	19
Regulatory Assets	Miscellaneous Regulatory Assets (c)	83	110
Regulatory Assets	Deferred 2020 Revenues (f)	-	1,724
Regulatory Assets	Deferred COVID-19 Costs (g)	-	336
Regulatory Assets	Government & Regulatory Tracker Account (d)	1,211	-

Regulatory Assets and Liabilities			
($ thousands)			
Regulatory Assets	Deferred 2022 Revenues (h)	2,770	-
Regulatory Assets	Temporary Generation Lease (j)	403	-
Regulatory Assets	Deferred Fuel Revenues (i)	6,342	-
Total Regulatory Assets		41,910	24,746
Regulatory Liabilities	Government & Regulatory Tracker Account (d)	-	(749)
Regulatory Liabilities	Demand Rate Recoveries(e)	(373)	(561)
Regulatory Liabilities	Deferred COVID-19 Costs (g)	(540)	-
Total Regulatory Liabilities		(913)	(1,310)

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 and renewables costs incurred less fuel factor revenues collected. This account represents deferred accumulated fuel and renewables costs to be recovered from or reimbursed to the consumers on a two-month lag. 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 uses derivatives 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 OfReg.

d) Government and Regulatory Tracker Account – The balance in this account represents the difference between the fixed amounts to be collected and actual amounts collected from customers.

e) Demand Rate Recoveries – The introduction of demand rates for the large commercial customers, to be phased in over a three-year period beginning on January 1, 2018, was intended to be revenue neutral. For the First Quarter 2018, the electricity sales revenues for large commercial customers under the newly introduced demand rate were less than what would have been billed under the previous energy only rate. The Company applied to the OfReg to request a recovery of the shortfall and an adjustment in the rate going forward. In June 2018, the OfReg approved an increase of the large commercial demand rate going forward. The Company was also granted approval to record the 2018 revenue shortfall as a Regulatory Asset. The revenue shortfall will be recovered over years two and three of the demand rate implementation in order to smoothen the effects of the adjustment to the large commercial customers. As at December 31, 2022, the account had a credit balance of $0.4 million.

f) Deferred 2020 Revenues - As part of its COVID-19 Customer Relief Programme, OfReg granted the Company approval to defer the required June 1, 2020 rate increase to January 1, 2021. Total deferred revenue recorded as regulatory asset amounted to $3.5 million which was recovered within two years through future rates from January 1, 2021. The amount was fully recovered as at December 31, 2022.

g) Deferred COVID-19 Costs - The Company was granted approval by OfReg to recover various COVID-19 related expenses, including potential bad debts resulting from suspension of disconnections during the pandemic. A total of $0.7 million was recorded as a regulatory asset and was recovered within two years through future rates from January 1, 2021. The amount was fully recovered as at December 31, 2022.

h) Deferred 2022 Revenues – Due to global economic condition and increasing fuel prices, OfReg granted the Company approval to defer the required June 1, 2022 rate increase to January 1, 2023. For the period from June 1, 2022 to

December 31, 2022, the Company recorded the difference between billed revenues and revenues that would have been billed from the required rate increase as a Regulatory Asset amount due from customers. The amount recorded as a Regulatory Asset for the year ended December 31, 2022 was $2.8 million. The amount recorded will be recovered within two years from the effective date of the increase on January 1, 2023.

i) Fuel Relief Program - In October 2022, OfReg granted the Company approval of the proposed CUC Fuel Relief Programme applicable to all customers to reduce the fuel cost spike. The Programme will cap the amount of the fuel factor paid by customers at $0.24/kWh for consumption effective October 1, 2022 through December 31, 2022. The amount recorded as a Regulatory Asset for the year ended December 31, 2022 was $6.3 million. The amount recorded will be recovered within 12-months from January 1, 2023.

j) Temporary Generation Rental – During 2022, the Company contracted to lease a 5MW temporary generation equipment to provide a reserve margin adequate to ensure acceptable levels of reliable service. OfReg granted the Company approval for all rental fees and costs associated with the temporary rental generating units, and other non-fuel and non-lube O&M costs to be treated as a Regulatory Asset. Over the 10-year period effective November 1, 2022, CUC would charge the amortized amount of the total charges annually against Earnings.

8. Inventories

Inventories		
($ thousands)	As at December 31, 2022	As at December 31, 2021
Fuel	7,410	4,758
Lubricating Oil	193	182
Line Spares	280	228
Network & Fiber Equipment	68	109
Inventories	7,951	5,277

9. Property, Plant and Equipment

Property, Plant and Equipment			
($ thousands)	Cost	Accumulated Depreciation	Net Book Value December 31, 2022
Transmission & Distribution (T&D)	538,130	196,645	341,485
Generation	558,276	293,512	264,764
Other:			
Land	10,446	-	10,446
Buildings	22,869	14,668	8,201
Equipment, Motor Vehicles and Computers	36,946	25,247	11,699
Total of T&D, Generation and Other	1,166,667	530,072	636,595
Telecommunications Assets	473	116	357
Property, Plant and Equipment	1,167,140	530,188	636,952

Property, Plant and Equipment			
($ thousands)	Cost	Accumulated Depreciation	Net Book Value December 31, 2021
Transmission & Distribution (T&D)	488,841	182,310	306,531
Generation	513,300	273,594	239,706
Other:			
Land	10,446	-	10,446
Buildings	22,845	14,151	8,694
Equipment, Motor Vehicles and Computers	34,916	23,960	10,956
Total of T&D, Generation and Other	1,070,348	494,015	576,333
Telecommunications Assets	471	101	370
Property, Plant and Equipment	1,070,819	494,116	576,703

Included in PP&E are a number of capital projects in progress with a total cost to date of $121.7 million (December 31, 2021: $105.0 million). Of the total cost of capital projects in progress is an amount of $0.07 million that relates to fibre optic assets for DataLink.

Also included in Generation and T&D is freehold land with a cost of $9.0 million (December 31, 2021: $5.0 million) intended for future generation and T&D expansion. In addition, line inventory with a cost of $6.8 million (December 31, 2021: $5.2 million) is included in T&D. Engine spares with a net book value of $13.6 million (December 31, 2021: $13.8 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 2022 was 7.25% (2021: 7.0%) and will be adjusted annually. As a result, during Fiscal 2022, the Company recognised $8.8 million in AFUDC (2021: $8.3 million). GEC of $7.8 million was recognised for the year ended December 31, 2022 (2021 $7.0 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.

10. Intangible Assets

Intangible Assets ($ thousands)	Cost	Accumulated Amortisation	Net Book Value December 31, 2022
Deferred Licence Renewal Costs	1,890	1,388	502
DataLink, Ltd. Deferred Licence Renewal Costs	200	144	56
Computer Software	12,486	9,038	3,448
Other Intangible Assets in Progress	127	28	99
Trademark Costs	75	-	75
Intangible Assets	14,778	10,598	4,180

Intangible Assets	Cost	Accumulated Amortisation	Net Book Value December 31, 2021
Deferred Licence Renewal Costs	1,890	1,294	596
DataLink, Ltd. Deferred Licence Renewal Costs	200	129	71
Computer Software	11,279	8,178	3,101
Other Intangible Assets in Progress	127	23	104
Trademark Costs	75	-	75
Intangible Assets	13,571	9,624	3,947

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

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

Amortisation of Intangible Assets ($ thousands)	2023	2024	2025	2026	2027
Computer Software	704	924	692	804	487
Licence Renewal Costs	113	113	113	113	113
Amortisation of Intangible Assets	817	1,037	805	917	600

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

	As at December 31, 2022	As at December 31, 2021
Computer Software	3.71 years	3.04 years
Deferred Licence Renewal costs	7.63 years	8.40 years
Datalink Deferred Licence Renewal Costs	4.25 years	5.25 years
Total weighted-average amortisation period	3.78 years	3.57 years

11. Accounts Payable and Accrued Expenses

Accounts Payable and Accrued Expenses ($ thousands)	As at December 31, 2022	As at December 31, 2021
Fuel Cost Payable	32,625	20,523
Trade Accounts Payable & Accrued Expenses	6,292	3,402
Accrued Interest	2,057	1,553
Dividends Payable	633	638
Other Accounts Payable	1,085	817
Total Accounts Payable and Accrued Expenses	42,692	26,933

12. Long-Term Debt

Long-Term Debt ($ thousands)	As At December 31, 2022	As At December 31, 2021
5.65% Senior Unsecured Loan Notes due 2022	-	4,000
7.50% Senior Unsecured Loan Notes due 2024	11,429	17,144
4.85% Senior Unsecured Loan Notes due 2026	8,571	10,714
3.34% Senior Unsecured Loan Notes due 2028	8,571	10,000
3.65% Senior Unsecured Loan Notes due 2029	30,000	30,000
5.10% Senior Unsecured Loan Notes due 2031	20,455	22,727
3.90% Senior Unsecured Loan Notes due 2031	40,000	40,000
3.54% Senior Unsecured Loan Notes due 2033	40,000	40,000
3.85% Senior Unsecured Loan Notes due 2034	5,000	5,000
3.83% Senior Unsecured Loan Notes due 2039	20,000	20,000
4.53% Senior Unsecured Loan Notes due 2046	15,000	15,000
4.64% Senior Unsecured Loan Notes due 2048	20,000	20,000
4.14% Senior Unsecured Loan Notes due 2049	40,000	40,000
4.14% Senior Unsecured Loan Notes due 2049	20,000	20,000
5.88% Senior Unsecured Loan Notes due 2052	80,000	-
	359,026	294,585
Less: Current portion of Long-Term Debt	(19,481)	(15,558)
Less: Deferred Debt Issue Costs	(1,515)	(1,294)
	338,030	277,733

The current portion of long-term debt includes annual principal payments of $5.7 million for the 7.50% Note, $2.1 million for the 4.85% Note, $2.3 million for the 5.10% Note, $1.4 million for the 3.34% Note, $4.3 million for the 3.65% Note and $3.7 million for the 3.54% Note. Interest is payable semi-annually for all outstanding Notes.

Covenants

Certain of the Company's long-term debt obligations have covenants restricting the issuance of additional debt such that consolidated debt cannot exceed 65% of the Company's consolidated capitalisation structure, as defined by the long-term debt agreements.

Repayment of Long-Term Debt

The consolidated annual requirements to meet principal repayments and maturities in each of the next five years and thereafter are as follows:

Year	$
2023	19,481
2024	19,935
2025	19,935
2026	19,934
2027	17,792
2028 and later	261,949
Total	359,026

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

13. Capital Stock

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

Capital Stock	As at December 31, 2022	As at December 31, 2021
Authorised:		
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 each	419,666	419,666
Cumulative Participating Class D Share of CI$0.56 each	1	1
Issued and Outstanding (Number of Shares):		
Class A Ordinary Shares	37,664,724	37,369,478
Class B Preference Shares	249,500	249,500
Issued and Outstanding ($ Amount):		
Class A Ordinary Shares	2,241,948	2,224,374
Class B Preference Shares	249,500	249,500
Total Class A Ordinary Shares & Class B Preference Shares	2,491,448	2,473,874

14. Share Based Compensation Plans

Share Options

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

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.

Subject to certain amendments requiring shareholder approval, the Board of Directors may amend or discontinue the ESOP at any time without shareholder approval subject to TSX regulations, provided, however, that any amendment that may materially and adversely affect any option rights previously granted to a participant under the ESOP must be consented to in writing by the participant. As at December 31, 2022, no stock options were outstanding.

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.

PSUs outstanding as at December 31, 2022 relate to grants in 2020 in the amount of 30,354, 2021 in the amount of 22,651 and 2022 in the amount of 31,304. The vesting period of the grant is three years, at which time a cash payment may be made to plan participants after evaluation by the Board of Directors of the achievement of certain payment criteria.

For the year ended December 31, 2022, an expense of $0.3 million (December 31, 2021: $0.4 million) was recognised in earnings with respect to the PSU plan.

As at December 31, 2022, the total liability related to outstanding PSUs is $0.6 million (December 31, 2021: $0.8 million) and is included in Other Long Term Liabilities.

15. Earnings per Share

The Company calculates earnings per share on the weighted average number of Class A Ordinary Shares outstanding. The weighted average Class A Ordinary Shares outstanding were 37,481,959 and 37,199,456 for the years ended December 31, 2022 and December 31, 2021 respectively.

The weighted average number of Class A Ordinary Shares used for determining diluted earnings were 37,481,959 and 37,199,456 for the years ended December 31, 2022 and December 31, 2021, respectively. Diluted earnings per Class A Ordinary Share was calculated using the treasury stock method.

16. Fair Value Measurement

Fair value of long-term debt and fuel options are determined in accordance with level 2 of the fair value hierarchy. 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 prioritises 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.

There have been no changes in the methodologies used as at December 31, 2022. The estimated fair value of the Company's financial instruments are as follows:

Financial Instruments				
($ thousands)	As at December 31, 2022		As at December 31, 2021	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Long-Term Debt, including Current Portion*	357,511	341,125	293,291	300,241
Fuel Option Contracts	(130)	(130)	19	19

*Net of Debt costs

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 table above 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 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.

Based on the three levels that distinguish the level of pricing observability utilised in measuring fair value, the Company's long-term debt and fuel option contracts are in accordance with level 2 of the fair value hierarchy.

17. Short-Term Debt

The Company has the following amount of unsecured credit financing facilities with the Scotiabank & Trust (Cayman) Limited ("Scotia") and Royal Bank of Canada ("RBC"); the total available amount was $82.0 million at December 31, 2022 ($69.5 million at December 31, 2021).

In May 2022, the Company drew down $30.0 million against its credit facilities with Scotia Bank and Trust (Cayman) Limited to assist with the short term operational and capital investment needs until the Company's long term financing plan was in place. An additional $10.0 million was drawn down in July 2022. The total of $40 million short term debt was repaid in full in November 2022. There is no short term debt as of December 31, 2022.

Short-Term Financing			
($ thousands)			
Credit Facilities	Total Credit Financing Facilities December 31, 2022	Total Utilised December 31, 2022	Total Available December 31, 2022
Provided by Scotia:			
Mastercard Agreement	500	-	500
Letter of Credit**	13,000	-	13,000
Operating, Revolving Line of Credit	10,000	-	10,000
Catastrophe Standby Loan	7,500	-	7,500
Demand Loan Facility- Interim Funding of Capital Expenditures	51,000	-	51,000
Total	82,000	-	82,000
Provided by RBC:			
Corporate Credit Card Line*	500	500	-
Short – Term Financing	82,500	500	82,000

*. Included in accounts payable and accrued expenses

** During 2022, a Letter of Credit was issued to Wartsila in relation to the Utility Scale Battery Project amounting to $11.7 million. This is not utilized as of December 31, 2022.

Short-Term Financing ($ thousands) Credit Facilities	Total Credit Financing Facilities December 31, 2021	Total Utilised December 31, 2021	Total Available December 31, 2021
Provided by Scotia:			
Letter of Guarantee	1,000	-	1,000
Operating, Revolving Line of Credit	10,000	-	10,000
Catastrophe Standby Loan	7,500	-	7,500
Demand Loan Facility- Interim Funding of Capital Expenditures	51,000	-	51,000
Total	69,500	-	69,500
Provided by RBC:			
Corporate Credit Card Line*	500	500	-
Short – Term Financing	70,000	500	69,500

*. Included in Accounts payable and accrued expenses

A commission at a rate of 0.65% per annum is levied on the Letter of Credit amount. Interest is payable on the amount of the Operating Line of Credit utilised at the Scotia's Cayman Islands Prime Lending Rate plus 0.15% per annum. In the event that the Operating Facility is drawn down in United States Dollars, the interest is payable at Scotia's Bank of New York Prime Lending Rate plus 0.15% per annum. Standby Loan and Demand loan interest is payable at the Adjusted Term Secured Overnight Financing Rate, as administered by the Federal Reserve Bank of New York, for the Interest Period plus the Applicable Margin of 1.15%.

A stand-by fee of 0.10% per annum is applied to the daily unused portion of the Standby Loan and Demand Loan facilities. An annual review fee of 0.05% of the total credit facilities is payable upon confirmation that the Facility has been renewed for a further period, being the earlier of 12 months or the next annual review date.

18. Consumers' Deposits and Advances for Construction

The Company require a deposit equivalent to 45 days of estimated usage for all service connections. Once the service is disconnected, the deposit will be applied to the last bill or refunded to the customer. Deposits related to service connections amounted to $12.7 million as at December 31, 2022 ($11.7 million at December 31, 2021).

19. Finance Charges

The composition of finance charges was as follows:

Finance Charges ($ thousands)	Year Ended December 31, 2022	Year Ended December 31, 2021
Interest Costs - Long-Term Debt	12,689	13,002
Other Interest Costs	864	135
AFUDC *	(8,778)	(8,329)
Finance Charges	4,775	4,808

*Refer to PP&E with regards to AFUDC (Note 9) methodology.

20. Employee Future Benefits

All employees of the Company are members of a defined contribution pension plan established for the exclusive benefit of employees of the Company and which complies with the provisions of the National Pensions Law. As a term of employment, the Company contributes 7.5% of wages or salary in respect of employees who have completed 15 years of continuous service and have attained the age of 55 years and 5% of wages or salary for all other employees. All contributions, income and expenses of the plan are accrued to, and deducted from, the members' accounts. The total expense recorded in respect of employer contributions to the plan for Fiscal 2022 amounted to $1.3 million (Fiscal 2021: $1.2 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, 2022.

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 approximately 30-60% equity investments, 20-40% fixed income investments, and 25-35% cash/cash equivalent securities. The fund's investment strategy emphasises 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 (%)		
($ thousands)	As at December 31, 2022	As at December 31, 2021
Equity Assets	66%	60%
Fixed Income Investments	32%	24%
Money Market Funds	1%	0%
Cash and Cash Equivalents	1%	16%
Plan Assets by Allocation	100%	100%

The assets of the fund are traded and priced on active markets. 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 computerised 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)

As at December 31, 2022

	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	2,998	-	-	2,998
Fixed Income Investments	-	1,434	-	1,434
Money Market Funds	-	59	-	59
Cash and Cash Equivalents	62	-	-	62
Asset Allocation	3,060	1,493	-	4,553

Asset Allocation
($ thousands)

As at December 31, 2021

	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	4,046	-	-	4,046
Fixed Income Investments	-	1,598	-	1,598
Money Market Funds	-	4	-	4
Cash and Cash Equivalents	1,070	-	-	1,070
Asset Allocation	5,116	1,602	-	6,718

Pension Plan		
($ thousands)	As at December 31, 2022	As at December 31, 2021
Project Benefit Obligation		
Balance beginning of year	8,613	9,361
Interest Cost	236	220
Actuarial (gains)/losses	(2,087)	(613)
Benefit payments	(362)	(355)
Balance end of year	6,400	8,613
Plan Assets		
Fair value, beginning of year	6,718	6,470
Actual (loss) return on plan assets	(1,804)	603
Employer contributions to plan	-	-
Benefit payments	(361)	(355)
Fair value, end of year	4,553	6,718
Funded Status - deficit	(1,848)	(1,894)
During the year ended December 31, 2022 $0.01 million (December 31, 2021: $0.01 million) was recorded as compensation expense, which comprises the following:		
Interest cost	236	220
Expected return on plan assets	(328)	(315)
Amortisation of actuarial losses	73	134
Net periodic benefit cost	(19)	39
Significant assumptions used:		
Discount rate during year (%)	2.8	2.40
Discount rate at year end (%)	5.20	2.80
Expected long-term rate of return on plan assets (%)	5.00	5.00

The accumulated benefit obligation as at December 31, 2022 was $6.4 million (December 31, 2021: $8.6 million).

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

Employee Future Benefit Assets and Liabilities		
($ thousands)	As at December 31, 2022	As at December 31, 2021
Liabilities:		
Defined Benefit Pension Liabilities	1,848	1,894

The following tables provide the components of other comprehensive loss for the years ended December 31, 2022 and 2021:

Other Comprehensive Income		
($ thousands)	As at December 31, 2022	As at December 31, 2021
Net actuarial (loss)/gain arising during the year	(45)	903
Amortisation or settlement recognition of net actuarial gain	73	134
Total changes recognised in other comprehensive income	28	1,037

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)	As at December 31, 2022	As at December 31, 2021
Net actuarial (loss)	(1,857)	(1,885)
Cumulative employer contributions in excess of net periodic benefit cost	9	(9)
Net liability amount recognised in statement of financial position	(1,848)	(1,894)

Net actuarial losses of $0.1 million and past service costs of nil are expected to be amortised from accumulated other comprehensive loss into net benefit costs in 2023.

During 2023, the Company's expected contributions to the defined benefit pension plan will be nil.

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

($ thousands)	Total
2023	368
2024	379
2025	390
2026	402
2027	414
2028-2030	1,319

21. Foreign Exchange

The closing rate of exchange on December 31, 2022 as reported by the Bank of Canada for the conversion of US dollars into Canadian dollars was Cdn$1.3544 per US$1.00 (December 31, 2021: Cdn$1.2678). The official exchange rate for the conversion of Cayman Islands dollars into US 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, 2022 for conversion of Cayman Islands dollars into Canadian dollars was Cdn$1.6253 per CI$1.00 (December 31, 2021: Cdn$1.5214).

22. Commitments

As at December 31, 2022, the Company's consolidated commitments in each of the next five years and for periods thereafter are as follows:

Commitments ($thousands)	Total	2023	2024-2025	2026-2027	2028 Onward
Letter of Guarantee	1,000	1,000	-	-	-
Lease Liability	1,858	1,092	766	-	-
Commitments	**2,858**	**2,092**	**766**	**-**	**-**

During 2015, the Company entered into a Power Purchase Agreement ("PPA") with Bodden Town Solar 1, Ltd., which will provide a minimum generated energy of 8.8 gigawatt hours ("GWh") per year for a 25-year term. The PPA qualifies for the

Normal Purchase Normal Sale exemption under Accounting Standards Codification ("ASC") 815 and does not qualify as a derivative.

The Company has a primary fuel supply contract with RUBiS Cayman Islands Limited ("RUBiS"). Under the agreement, the Company is committed to purchase approximately 60% of its diesel fuel requirements for its generating plant from RUBiS. The Company also has a secondary fuel supply contract with Sol Petroleum Cayman Limited ("Sol") and is committed to purchase approximately 40% of the Company's fuel requirements for its generating plant from Sol. In June 2018, the Company executed new fuel supply contracts with RUBis and Sol, each with a term of 24 months, with the option to renew for two additional terms of 18 months. The option to renew for an additional 18 months was exercised in June 2020 and again in December 2021, ending May 2023. The approximate remaining quantities under the fuel supply contract with RUBiS on an annual basis is 0.5 million IGs for the year ended December 31, 2022 and 11.3 million IGs for the five months ended May 31, 2023. The approximate remaining quantities under the fuel supply contract with Sol on an annual basis is 0.5 million IGs for the year ended December 31, 2022 and 8.8 million IGs for the five months ended May 31, 2023. Both contracts qualify for the Normal Purchase Normal Sale exemption under ASC 815 and do not qualify as derivatives.

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

As a result of the Company's bulk fuel inventory, the value of CUC's closing stock of fuel at December 31, 2022 was $7.8 million (December 31, 2021: $4.9 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.

Ten-Year Summary (Unaudited, supplementary)

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

	2022	2021
Operating Revenues	267,336	198,478
Other Revenues and Adjustments	5,886	4,904
Total Revenues	273,222	203,382
Operating Expenses	235,268	168,255
Income before Interest	37,954	35,127
Finance Charges	4,775	4,808
Net Earnings for the Year	33,179	30,319
Capitalisation:		
Class A Ordinary Shares (nominal value)	2,241	2,224
9% Cumulative Participating Class B Preference Shares (nominal value)	250	250
Share Premium	190,023	185,687
Long-Term Loans	357,511	293,291
Total Capitalisation	550,025	481,452
Capital Expenditures	95,761	60,202
Earnings per Class A Ordinary Share ($/Share)	0.86	0.79
Dividends per Class A Ordinary Share ($/Share)	0.700	0.700
Book value per Class A Ordinary ($/Share)	8.18	7.94
Statistical Record:		
Net kWh Generation (millions of kWh)	681.0	662.0
Net kWh Sales (millions of kWh)	674.1	660.5
Peak Load (MW) Gross	113.6	111.2
Plant Capacity (MW)	165.55	160.95
Total Customers (actual number)	33,119	32,185

Ten-Year Summary

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

2020	2019	2018	2017	2016	2015	2014	2013
177,450	203,246	194,578	170,941	161,702	188,880	231,705	226,220
4,451	6,403	6,061	4,934	5,079	4,876	4,602	4,300
181,901	209,649	200,639	175,875	166,781	193,756	236,307	230,520
148,594	173,777	166,192	143,561	134,802	163,613	206,377	201,080
33,307	35,872	34,447	32,314	31,979	30,143	29,930	29,440
7,242	6,772	7,677	8,539	6,768	7,301	9,115	9,018
26,065	29,100	26,770	23,775	25,211	22,842	20,815	20,422
2,208	1,993	1,978	1,964	1,943	1,927	1,742	1,730
250	250	250	250	250	250	250	250
181,671	129,816	126,370	123,376	119,096	116,201	83,044	81,023
307,306	322,050	255,013	271,596	222,746	236,594	252,000	219,000
491,435	454,109	383,611	397,186	344,035	354,972	337,036	302,003
53,409	60,592	57,992	52,408	47,207	77,947	39,472	29,323
0.74	0.84	0.78	0.70	0.75	0.71	0.68	0.68
0.700	0.700	0.695	0.680	0.675	0.66	0.66	0.66
7.80	7.10	6.92	6.78	6.74	6.62	6.14	6.13
651.5	678.8	641.8	654.3	650.3	623.7	604.7	595.6
644.3	667.7	628.8	621.8	606.7	582.0	564.2	555.7
108.6	113.5	103.6	105.6	103.4	100.7	99.7	97.4
160.95	160.95	160.95	160.95	160.95	131.65	131.65	149.54
31,293	30,537	29,822	29,160	28,678	28,204	27,784	27,364

Board of Directors

Standing:

Robert Scott Hawkes ^^
President & Chief Executive Officer
FortisOntario Inc.
Ontario, Canada

Susan Gray ^
President & Chief Executive Officer
Tucson Electric Power
Unisource Energy Services
UNS Energy Corporation
Arizona, USA

Gary Smith ^ ^^
Executive Vice President of
Eastern Canadian & Caribbean
Operations
Fortis Inc.
St. John's, Canada

Jennifer Dilbert, MBE, JP ^
Retired Civil Servant
Grand Cayman

Gretchen Holloway *
Senior Vice President & Chief Financial Officer
ITC Holdings Corporation
Michigan, USA

Mark Macfee *
Retired President
Yello Media Group
Grand Cayman

Jennifer Frizelle *
Retired Partner
KPMG
Grand Cayman

Seated:

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

Sheree L. Ebanks*, ^,^^
Chairperson of the Board of Directors
Caribbean Utilities Company, Ltd.
Chief Executive Officer
Cayman Islands Institute of Professional Accountants
Grand Cayman

Sophia Harris ^
Retired Managing Partner
Bedell Cristin
Grand Cayman

Woodrow Foster ^^
Managing Director
Foster's
Grand Cayman

* *Member Audit Committee (Chairperson: Mark Macfee)*
^ *Member Governance and Sustainability Committee (Chairperson: Sophia Harris)*
^^ *Member Human Resources Committee (Chairperson: Woodrow Foster)*

Executive Officers

Letitia T. Lawrence
Vice President Finance, Corporate Services & Chief Financial Officer

J.F. Richard Hew
President & Chief Executive Officer

Sacha N. Tibbetts
Vice President Customer Services & Technology

Shareholder and Corporate Information

Shareholders

Registered shareholders as of December 31, 2022 were as follows:

Class of Shares	*Shareholders*	*Shares Held*
Class A Ordinary Shares	2208	37,664,724
9% Class B Preference Shares	122	249,500

Fortis Energy (Bermuda) Ltd., a wholly-owned subsidiary company of Fortis Inc., held 22,204,229 Class A Ordinary Shares, or 59% of the outstanding shares as of December 31, 2022. Approximately 16% of the outstanding registered shares are held by residents of the Cayman Islands. Holders of Class B Preference Shares are primarily residents of the Cayman Islands.

Annual General Meeting

Shareholders are invited to attend the Annual General Meeting of the Company to be held on May 12 2023 at 11 am. 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 acquire Class A Ordinary Shares 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

Deloitte, LLP
5 Springdale Street
Suite 1000
St John's, NL A1E 0E4
Canada

Principal Bankers

Scotiabank & Trust (Cayman) Ltd.
P.O. Box 689
Grand Cayman KY1-1107
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

TSX Trust Company
P.O. Box 4229, Station A
Toronto, ON, Canada M5W 0G1
North America (toll free): 1-800-387-0825
Direct: (416) 682-3860
Fax: (888) 249-6189
E-mail: *shareholderinquiries@tmx.com*
Website : *www.tsxtrust.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 principal agent)

Toronto Stock Exchange Listing

The 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

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

Cover Photo: *Another end to a glorious day in the Cayman Islands as the sun sets over the Caribbean Sea.*

Credits:

Cover Photo:	Deep Blue Images info@deepblueimages.com Grand Cayman, Cayman Islands
Photography:	Island Photo info@islandphoto.ky Grand Cayman, Cayman Islands Corporate Communications Department Caribbean Utilities Company, Ltd.

You've got the power

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QMI-SAI Global

INVESTORS IN PEOPLE
We invest in people Gold