Caribbean Utilities Company, Ltd.

2023 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 124.1 MW was experienced on July 18, 2023. 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 57 years.

About the Cayman Islands

The Cayman Islands, a British Overseas Territory with a population of approximately 84,000, are comprised of three islands: Grand Cayman, Cayman Brac, and Little Cayman. Located approximately 150 miles south of Cuba, 460 miles south of Miami and 167 miles northwest of Jamaica, the largest island is Grand Cayman with an area of 76 square miles.

A Governor, presently Her Excellency Mrs. Jane Owen, 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. In June 2023, Moody's affirmed the Cayman Islands Government's Aa3 bond issuer rating, Aaa country ceiling rating, and stable economic outlook.

Rate of Exchange

The closing rate of exchange on December 31, 2023 as reported by the Bank of Canada for the conversion of United States dollars into Canadian dollars was Cdn$1.3226 (December 31, 2022: 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, 2023 for conversion of Cayman Islands dollars into Canadian dollars was Cdn$1.5871 per CI$1.00 (December 31, 2022: Cdn$1.6253). All amounts are stated in United States dollars, unless otherwise noted.

Table of Contents

Readers should review the note on page 11 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, 2023	Year Ended December 31, 2022	Change %
Operating Revenues	**287,225**	267,336	7%
Electricity Sales Revenues	**114,220**	101,551	12%
Fuel Factor	**166,573**	159,856	4%
Renewables	**6,432**	5,929	8%
Total Operating Expenses	**248,808**	235,268	6%
Finance Charges	**6,455**	4,775	35%
Net Earnings for the Year	**38,660**	33,179	17%
Total Assets	**777,807**	726,539	7%
Total Shareholders' Equity	**324,742**	308,234	5%
Cash Flow Related to Operating Activities	**80,781**	56,188	44%
The following items are fully stated, not in thousands:			
Earnings per Class A Ordinary Share	**1.00**	0.86	16%
Dividends per Class A Ordinary Share (paid and declared)	**0.715**	0.700	2%
Book Value per Class A Ordinary Share	**8.51**	8.18	4%
Class A Ordinary Shares			
Market Price: High	**14.65**	15.75	
Low	**10.76**	12.50	
Year-end	**10.90**	13.00	

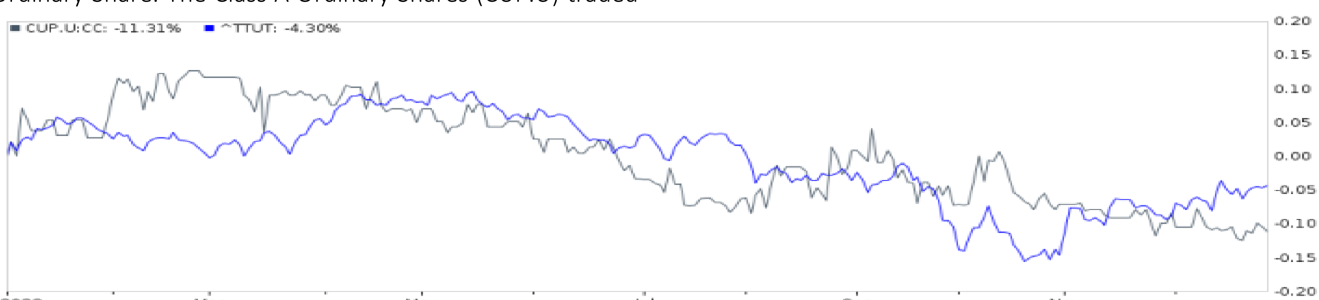
Performance

Net earnings for the year ended December 31, 2023 were $38.7 million, a $5.5 million increase from net earnings of $33.2 million for the year ended December 31, 2022. This increase is primarily attributable to an 8% increase in kilowatt-hour ("kWh sales"), a 3.7% increase in base rates effective June 1, 2023 and lower maintenance costs, partially offset by higher finance charges, depreciation, general and administration, transmission and distribution costs.

In May 2023, the Board of Directors approved a 3% increase in the quarterly dividend from $0.175 to $0.18 per Class A Ordinary Share. The Class A Ordinary Shares (CUP.U) traded on the Toronto Stock Exchange closing at $10.90 per share with dividend yield of 6.6%.

The Company is trading at 11.5x 2024 estimated earnings per share ("EPS"), which compares with the average 2024 estimated price to earnings ratio of 14.7x for the Canadian utilities peer group. Over the last five years, CUC's 12-month trailing P/E multiple has averaged 18.2.[1]

The graph depicts the Company's performance chart in comparison to the TSX Utilities Capped Index ("TTUT", in blue) for the period January 1, 2023 to December 31, 2023[2].



[1] *Equity Research published by TD Securities Inc. on November 1, 2023*

[2] *Source: https://money.tmx.com/en*

WHERE YOUR DOLLAR WENT

Fuel & Oil — 39¢

Our generators consume about 39.5 million gallons of diesel fuel and 143,000 gallons of lube oil in 2023 to meet electrical demand.

Capital Expenditures — 25¢

US$97.6 million was spent on the replacement and upgrading of the generating units and transmission and distribution system, including investment in alternative energy.

Loans & Loan Interest — 23¢

US$37.9 million was paid in interest and principal repayments on loans.

Dividends — 8¢

In May 2023, the Board of Directors approved a 3% increase in the quarterly dividends.

Labour & Materials — 5¢

Our dedicated employees and well-maintained equipment provide a safe and reliable electricity service.

Total — 100¢

Letter to Fellow Shareholders


In the Photo: **Sheree L. Ebanks**, *Chairperson of the Board* and **J.F. Richard Hew**, *President & Chief Executive Officer*

It is our pleasure to report on the financial performance and operational progress of Caribbean Utilities Company, Ltd. ("CUC" or the "Company") for the twelve months ended December 31, 2023 ("Fiscal 2023"). Some of the highlights of the year include improvements in reliability performance, a 16% increase in earnings per Class A ordinary share, and an 8% increase in kWh sales.

We are very proud that during Fiscal 2023, the CUC team continued to deliver a high standard of service to our customers, while ensuring the health and safety of our employees.

Financial Performance

Operating income for Fiscal 2023 totalled $38.4 million, a $6.3 million or 20% increase from operating income of $32.1 million for the year ended December 31, 2022 ("Fiscal 2022"). This increase is primarily attributable to an 8% increase in kWh sales, a 3.7% base rate increase effective June 1, 2023 and lower maintenance costs. These factors were partially offset by higher depreciation, transmission and distribution expenses and general and administration costs.

Net earnings for Fiscal 2023 were $38.7 million, a $5.5 million or 17% increase from net earnings of $33.2 million for Fiscal 2022. This increase is primarily attributable to higher operating income, partially offset by higher finance charges.

After the adjustment for dividends on the preference shares of the Company, earnings on Class A Ordinary Shares for Fiscal 2023 were $37.7 million, or $1.00 per Class A Ordinary Share, compared to $32.2 million, or $0.86 per Class A Ordinary Share, for Fiscal 2022. 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 37,779,724 and 37,481,959 for the years ended December 31, 2023 and December 31, 2022, respectively.

Health and Safety

The health and safety of all our employees, contractors, and members of the public remained paramount to the Company throughout 2023. During the year, the Company recorded three Lost Time Injuries ("LTI") with an All Injury Frequency Rate of 2.4 which represents the number of incidents per 200 000 hours worked. This rate is influenced by injuries on the job that results in the loss of productive work time and which required medical treatment. During the year, all LTIs were due to soft tissue injuries. The Company continues its focus on the correct application of the MoveSafe Programme.

CUC completed its Health and Safety plan which included several focus areas for training and extensive drive towards implementing and rolling out mental health management initiatives. The Health and Safety plan also included completing an internal Health and Safety Audit and successful contractor workshop. The Company continues with its programmes to address hazards and concerns within the workplace and strives to ensure that health and safety remains the core value of all employees.

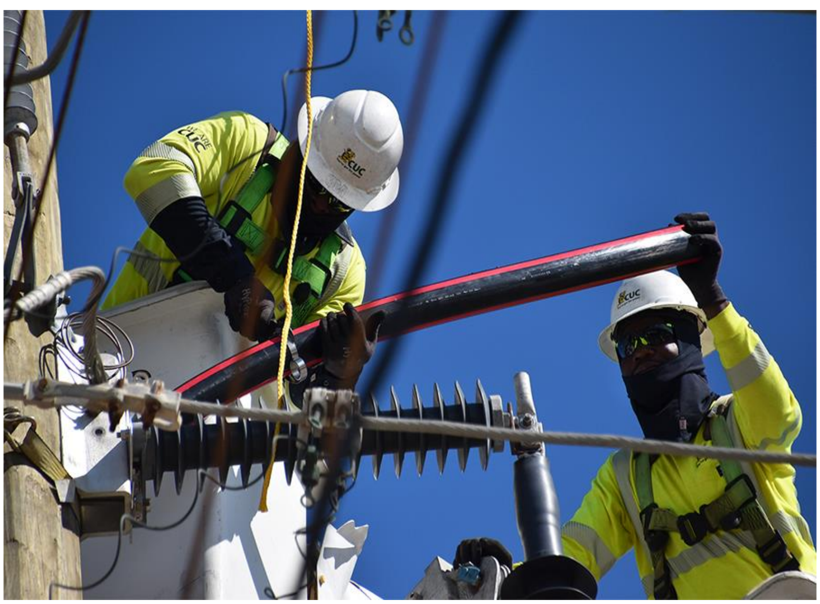
Environment, Social and Governance ("ESG")

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 2023, the surveillance audit identified 4 minor nonconformances. Several corrective and preventive actions were established to address the root causes of each minor nonconformance. Many of these corrective actions have been closed, for which verification of effectiveness shall be done. All 4 minor nonconformances will be closed by March 31, 2024. As part of the EMS, an internal audit of the system is also required which was successfully conducted in 2023.

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 18.64 kWh per imperial gallon in 2023, the utilization of a waste heat recovery system and steam turbine producing electricity using waste heat, the conversion of 88% of all street lighting to Light Emitting Diodes 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").

On July 1, 2023, the Company was able to renew its annual Property Insurance, despite the Caribbean region facing significant insurance premium hikes during the past year. The Company continues its efforts in improving the resiliency of its infrastructure to mitigate the increasing risk on property damage due climate change. No insurance claims have been made by the Company during the preceding 10 years. The Company was able to renew its insurance with no change in coverage from prior years and on favourable rate terms.

In September 2023, CUC released its 2023 Sustainability Update Report. This report provides an update on the Company's progress on environmental, social and governance initiatives since the release of the 2022 Sustainability Report. The report can be accessed via the Company's website at: www.cuc-cayman.com.



Reliability, Resiliency and Customer Service

In 2023, the Company's focus remained on customer service initiatives to build upon the strides made in 2022. We continued to advance key components of the Customer Service Plan, refining changes to digital processes implemented over the past few years and enhancing our responsiveness to customer needs. Our efforts were aimed to further elevate and enhance the customer experience with our digital services, increased Customer support services and implementation of new features of the Customer Relationship Management system.

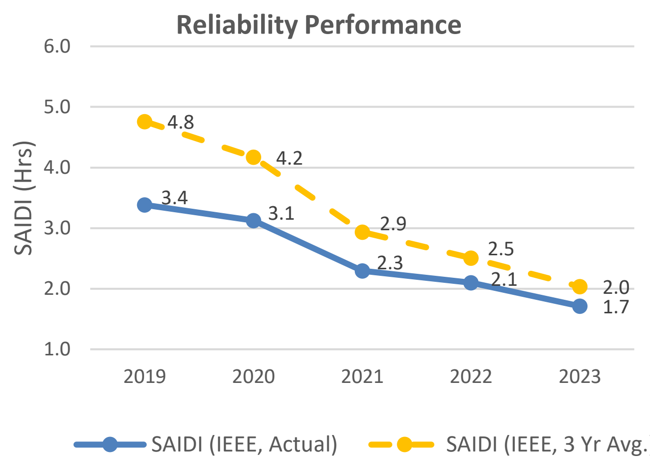
Our commitment to customer service remained steadfast, with an intensified focus on accelerating programs and projects designed to enhance customer experiences and service delivery, to ensure our readiness to provide exceptional service. The team has future plans to roll out additional programmes that will enhance the customer experience. Currently, our Customer Connect tool, located on our website, is a complimentary resource available to all residential and small business clients. This platform allows our customers to have the convenience of monitoring daily energy usage, customizing alerts for consumption levels, and controlling their energy expenditure. This tool is available to customers who log in to, or sign up for a My CUC account. Once they are signed up or logged in, customers will have access to unlock the potential for energy usage optimization.

During Fiscal 2023, an additional 5 MW of temporary generation capacity has been added to the grid to support the base load needs. The temporary rental generation was commissioned during the third quarter of the year to provide a reserve margin sufficient to ensure acceptable levels of reliable service.

Based on the studies conducted in 2022 by the Company, additional renewable energy within appropriate limitations will cause no negative impact to fuel efficiency, at the current price of oil. Effective March 1, 2023, 3 MW of capacity was released allocated to the Consumer Owned Renewable Energy ("CORE") and Distributed Energy Resources ("DER") Programmes. In addition, another 6 MW of capacity was released on July 19, 2023.

In September 2023, the Company collaborated with a local organization, Resilience Cayman, to implement the Ministry of Sustainability & Climate Resiliency's Cayman Home Energy Efficiency Retrofit ("CHEER") Programme. The CHEER Programme provides energy-saving retrofits for lower-income families residing in smaller homes with a specific focus on prioritizing the elderly, families with children, and individuals with diagnosed health conditions. The Company provided the use of home energy monitors and conducted comprehensive energy audits for selected homes to identify the improvements and provide individualized insight into the homeowners' energy usage.

In 2023, the Company completed the 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 timeframe, a number of initiatives were completed 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 1.7 hours per customer in 2023 as compared to 2.1 hours in 2022.



With the success of the Reliability 2.0 Programme, the Company is transitioning its efforts to resiliency, the ability of the power system to withstand and recover from disruption. During the year, significant resiliency projects have commenced such as the undergrounding of critical transmission lines.

In November 2023, a Cost of Service Study ("COSS") was completed and will be presented to the OfReg's Board of Directors in 2024. In accordance with Condition 19.6 of the Company's Transmission and Distribution License, CUC may periodically (but at least every five years) propose re-balanced and restructured rates, taking into account the results of COSS completed in advance of the proposed rate adjustment. An allocated COSS assigns cost responsibility between rate classes based on various relative characteristics – specifically, number of customers, energy sales, impact on peak demands and revenues. For the demand allocation factors in particular, extensive analysis of customer load data was performed based on interval usage readings collected from CUC's advanced metering infrastructure meters. The sum of all allocated revenue requirements represents the allocated cost of service, or the net revenue requirement for the Base Rates of each of the rate classes.

Capital Projects

With the increasing physical risk and continuing impact of climate change, CUC has since established a more progressive approach to system hardening and resiliency of existing and proposed electrical utility infrastructure in Grand Cayman. As a result, standards have been set that will, on average, ensure that the infrastructure will have the capacity for weathering sustained winds of 108mph, with a safety factor allowance increasing potential resiliency to a Category 3 hurricane on the Saffir-Simpson scale. For transmission infrastructure, some additional measures have been utilized such as limited undergrounding, concrete poles, and indoor Gas Insulated Switchgear ("GIS") substations. During 2023, the undergrounding of the main 69 kilovolts ("kV") transmission circuit between a busy intersection in George Town has been completed which is about 2,000 feet or approximately one-third of a mile. CUC continues to support the undergrounding of distribution line for major private developments and government-initiated projects such as the George Town Revitalization and the road widening projects. The Company has spent $2.5 million in resiliency projects during 2023.

The 20 MW Battery Energy Storage System has made significant progress in 2023 and is expected to be commercially operational by September 2024. This project, which will be CUC's first energy storage facility, will allow for increased renewable energy capacity on Grand Cayman. It is also anticipated that this project will lower fuel costs and improved fuel efficiency by up to 5% to 6% and a proportionate reduction of CO_2 emissions. It will also increase CUC's level of reliability and its power quality. At the Hydesville Substation, the 10 MW BESS system is at 85% completion of Civil and Structural work, with inverters and auxiliary panels already installed. Meanwhile, at the Prospect Substation, the 10 MW BESS system is at 50% completion of Civil and Structural construction. Inverters and auxiliary panels are on site and were installed in January 2024.

The Company has contracted MAN Energy Solutions SE for the approved lifecycle upgrades of all MAN generating units. The Life Cycle Upgrade aims to extend the lifecycle of five existing engines at the North Sound Road plant, totalling 68 MW of capacity. This upgrade will not only prolong the engines' useful life but also enhance fuel efficiency. Furthermore, it will prepare the engines for dual fuel operation. All associated services and the balance of plant were contracted by the end of Q2 2023, and components for the first unit upgrade arrived on site in Q4 2023. The upgrade of two units are expected to be complete in 2024.

In September 2023, in its continuous effort to reduce the cost of energy production and carbon emissions, the Company sought qualification submissions from prospective natural gas suppliers. In line with the Cayman Islands National Energy Policy and the Company's Integrated Resource Plan, CUC is committed to increase the use of cleaner energy and reduce greenhouse gas emissions over the long term. The Request for Proposal will be finalized and issued to market by March 31, 2024.

The supply and installation of indoor GIS at the Frank Sound Substation, replacing the existing temporary arrangement, aims to facilitate the acceleration of load growth and the future integration of renewable energy sources in the East End of Grand Cayman. The Company completed 90% of the engineering and design for the gear, and it's expected to be operational in 2024.

The rollout of CUC's Electric Vehicle Charging Network is underway. CUC has secured customer sites, material and resources to install 20 dual charge stations (40 charge points) in the first quarter of 2024. The Company's focus is on higher rate charging stations, strategically located where people live and work.

Human Resources

At December 31, 2023, the number of CUC's full-time employees was 263, a 4% increase from December 31, 2022 (2022: 253). CUC maintains a stable employee base of which approximately 81% are Caymanians. The remaining employees represent 17 different countries from across the globe.

CUC also remains actively involved in the Fortis Inc.'s Diversity, Equity, and Inclusion initiatives. This involvement demonstrates the Company's commitment to promoting a culture of inclusivity and equal opportunities for all employees, regardless of their background or characteristics. CUC conducted instructor-led Respect in the workplace training, which garnered much dialogue with employees on various issues. In terms of gender representation, CUC continues to attract women to its workforce. It has seen an increase in women joining the Company in technical roles. As of year-end, approximately 23% of the workforce is female (2022: 21%). This growth is a testament to the Company's commitment to gender equality and creating a diverse and inclusive work environment. During Fiscal 2023, the Company participated in a company-wide Compensation Review to ensure we remain competitive with the market.

Investors in People ("IIP") - Gold

The investors in people model plays a crucial role in CUC's operations as we continuously strive to develop and evaluate our workforce to their full potential. The primary goal is to recruit, retain and develop the most talented individuals within the utility industry. CUC aims to be an organization that employees choose to work for, as we consistently demonstrate our commitment to our employees through active participation in our community and training programs.

In September 2023, we were proud to announce that CUC has once again been recognized for its outstanding efforts in investor in people management by achieving the esteemed IIP Gold Level Accreditation. This is our third consecutive gold certification, which is a testament to the dedication and commitment of our staff development initiatives underscoring our commitment to creating a positive work environment that fosters growth, innovation, and excellence by continuously investing in our people and providing them with the necessary training and resources to ensure that our employees are equipped with the necessary skills and knowledge to excel. We are extremely proud of this accomplishment.

Employee Training and Development Programs

The Company recognizes the importance of investing in its employees and continues to provide a range of opportunities for growth and development. In Fiscal 2023, significant resources were allocated to both formal and informal training programs, workshops, and employee coaching initiatives. Emphasis was placed on enhancing performance, developing skills, and recertifying employees in relevant areas.

Over 14,213 hours were dedicated to employee training in 2023, a 53.74% increase over 2022 demonstrating the Company's commitment to employee growth. This significant investment reflects the belief that continuous learning is crucial for both personal and professional development. In addition to formal training sessions, employees were encouraged to engage in informal learning activities, such as attending various workshops, Institute of Leadership and Management, Fortis Leadership Labs and participating in coaching programs.

Recognition

The Company recognizes the importance of rewarding our employees for their outstanding contribution and dedication. To foster a positive work environment and promote employee satisfaction, we consistently implemented various rewards and recognition efforts throughout the year through our peer-to-peer nomination programme recognizing each other for exhibiting the various behaviours through company values. The Unsung Hero Award also paid posthumous tribute to Mr. Frank Watler for his dedication to his co-workers and his passion for music, which was known for his ability to bring joy and enthusiasm to his work environment through his famous renditions and hit songs. By honouring his legacy through this award, we hope to keep his spirit alive and inspire others to prioritize their colleagues' safety and well-being.

This year, the Company honoured 19 employees with long service awards for their contributions to the Company. These individuals have dedicated their careers to the Company with 425 years of service ranging from 10 to 35 years. In addition to recognizing the long service awards, the Company also bid farewell to Mrs. Carol Bynoe-Clarke who retired this year. While she may be leaving her formal role, her legacy and contributions will be remembered and cherished.

Rewards and recognition efforts continued throughout the year, with employees receiving peer nominations, amongst other Company-wide recognition efforts. Employees received outstanding awards ranging from Excellence in Safety, to Wellness, to Employee of the Year: Travis Thompson (Employee of the Year); Aaron Perera (Supervisor of the Year); Paul White (Excellence in Safety); Franco Alday (Individual) - Otis Jackson Golden Wrench Award; and Andrew Thompson (Individual) and Reliability Team (Department) – Pedro Echenique Golden Bucket Award; Emily Pearson and Geraude Holness (Unsung Hero); Peter Williams and Keith Whyte (Cost Saver Award); and James Moore, Travis Thompson, Barry Martinez, Troy Powery, Shari Espeut, Michele Mogg, Anet Ferguson (Living our Values) This year a total of 17 employees qualified for the Wellness Champions Award in the Bronze, Silver and Gold categories.

We are grateful to our staff who have worked hard to achieve these positive results for 2023. 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. At the end of December 2023, employees had volunteered 1,035 hours participating in some of the Company's Community Involvement projects. This is an increase of 116 hours from the 919 hours volunteered in 2022. Some of the projects and events that volunteers took part included Meals on Wheels, activities with the Lighthouse School, Earth Day Clean-ups 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 a continuous recovery during 2023 from the COVID-19 pandemic following the gradual lifting of COVID-19 restrictions in 2022. Despite the challenges with inflationary pressures and fuel cost, the economy continues to show strong and stable positive growth with new customers and developments in the construction sector driving the Company's 8% kWh sales growth and a new record system peak load. During the past two years, the Company has invested approximately $200 million in infrastructure to ensure the delivery of safe, reliable, affordable and sustainable electricity to our customers. With the rising physical risk in the region due to climate change, the Company is committed to focus in resiliency while continuing its efforts to maintain reliability and excellent customer service.

The achievements during Fiscal 2023 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."

Signed "Sheree L. Ebanks"
Sheree L. Ebanks
Chairperson of the Board of Directors

Signed "JF Richard Hew"
J.F. Richard Hew
President & Chief Executive Officer

February 9, 2024

Management's Discussion and Analysis

The following management's discussion and analysis ("MD&A") should be read in conjunction with the Caribbean Utilities Company, Ltd. ("CUC" or the "Company") consolidated financial statements and related notes for the year ended December 31, 2023 (the "2023 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, 2023, which contains additional information relating to the Company.

The accounting practices, which are disclosed in the notes to the 2023 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.

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.

Financial information is presented in United States dollars unless otherwise specified. The 2023 Financial Statements and MD&A in this Annual Report were approved by the Audit Committee and the Board of Directors.

February 9, 2024

Financial and Operational Highlights

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

	Year Ended December 31, 2023	Year Ended December 31, 2022	Change	% Change
Electricity Sales Revenues	114,220	101,551	12,669	12%
Fuel Factor	166,573	159,856	6,717	4%
Renewables	6,432	5,929	503	8%
Total Operating Revenues	287,225	267,336	19,889	7%
Power Generation[3]	177,734	170,821	6,913	4%
Other Expenses	71,074	64,447	6,627	10%
Total Operating Expenses	248,808	235,268	13,540	6%
Net Operating Income	38,417	32,068	6,349	20%
Net Earnings for the Year	38,660	33,179	5,481	17%
Cash Flow related to Operating Activities	80,781	56,188	24,593	44%
Per Class A Ordinary Share:				
Basic Earnings	1.00	0.86	0.14	16%
Dividends Paid	0.715	0.700	0.015	2%
Total Customers	33,611	33,119	492	1%
Total Full-Time Employees	263	253	10	4%
Customers per Employee (#)	131	131	-	-
System Availability (%)	99.97	99.97	-	-
Peak Load Gross (MW)	124.1	113.6	10.5	9%
Millions of kWh:				
Net Generation	735.4	680.4	55.0	8%
Renewable Energy Generation	22.7	21.9	0.8	4%
Total Energy Supplied	753.6	698.7	54.9	8%
Kilowatt-Hour Sales	727.0	674.1	52.9	8%
Sales per Employee	2.76	2.66	0.10	4%

[3] *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.*

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"). The T&D Licence, which expires in April 2028, contains provisions for an automatic 20-year renewal and the Company has reasonable expectation of renewal until April 2048. The Generation Licence expires in November 2039.

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.

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 2022 was 7.00% (2021: 7.00%). CUC's RORB for 2023 was targeted in the 7.50% to 9.50% range (2022: 6.25% to 8.25%).

CUC's base rates are designed to recover all non-fuel and non-regulatory costs and include per kilowatt-hour ("kWh") electricity charges and fixed facilities charges. Fuel, 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.

On June 1, 2023, following review and approval by the OfReg, the Company increased its base rates by 3.7%. This increase was a result of the 2022 RORB and the increase in the applicable United States ("US") and Cayman Islands consumer price indices, adjusted to exclude food and fuel, for calendar year 2022. The change in the base rates as a percentage of the US and Cayman Islands consumer price indices was 80% based on the range of the RORB values. The required rate adjustment of 3.7% can be calculated by applying 80% to the total price level index (60% of the Cayman Islands CPI and 40% of the US CPI) of 4.6%. All fuel, lubricating oil and renewables costs are passed through to customers without mark-up as a per kWh charge. Rate base is the value of capital upon which the Company is permitted an opportunity to earn a return. The value of this capital is the average of the beginning and ending values for the applicable financial year of: fixed assets less accumulated depreciation, plus the allowance for working capital, plus regulatory assets less regulatory liabilities.

In 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.

Deferral Mechanism

In April 2022, the Company submitted its annual rate adjustment to OfReg for review and approval. The required rate increases as confirmed by OfReg was 5.4%, with an effective date of June 1, 2022. Due to economic conditions 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 a regulatory asset for the year ended December 31, 2022 was $2.8 million and will be recovered within two years through a recovery rates of $0.0019 per kWh from the effective date of January 1, 2023. During the year, $1.4 million was recovered from customers related to the base rate increase deferral.

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. The amount recorded as a regulatory asset for the year ended December 31, 2022 was $6.3 million and was fully recovered from customers during Fiscal 2023 at $0.0089 per kWh with an 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

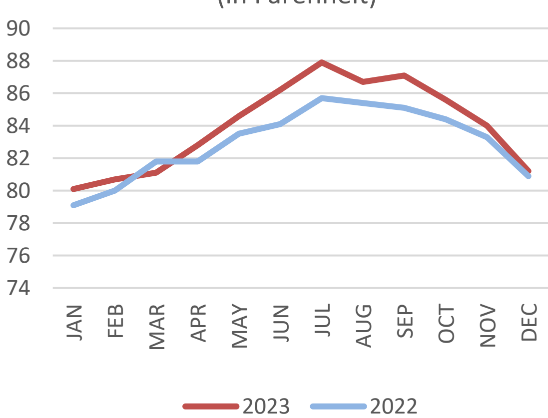
Earnings

Operating income for the year ended December 31, 2023 ("Fiscal 2023") totalled $38.4 million, a $6.3 million increase from operating income of $32.1 million for the year ended December 31, 2022 ("Fiscal 2022"). This increase is primarily attributable to an 8% increase in kWh sales and a 3.7% base rate increase effective June 1, 2023. These factors were partially offset by higher depreciation and general and administration costs.

Net earnings for Fiscal 2023 were $38.7 million, a $5.5 million increase from net earnings of $33.2 million for Fiscal 2022. This increase is primarily attributable to higher operating and other income partially offset by higher finance charges.

After the adjustment for dividends on the preference shares of the Company, earnings on Class A Ordinary Shares for Fiscal 2023 were $37.7 million, or $1.00 per Class A Ordinary Share, as compared to $32.2 million, or $0.86 per Class A Ordinary Share, for Fiscal 2022. 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 37,779,724 and 37,481,959 for the years ended December 31, 2023 and December 31, 2022, respectively.

Comparative Average Temperature (in Farenheit)



Sales and Customer Highlights	Year Ended December 31, 2023	Year Ended December 31, 2022	Change %
Customers *(fully stated, not in thousands)*			
Residential	**28,874**	28,429	2%
General Commercial	**4,627**	4,589	1%
Large Commercial	**110**	101	9%
Total Customers	**33,611**	33,119	1%
Sales *(in thousands kWh)*			
Residential	**396,680**	364,114	9%
General Commercial	**152,924**	144,816	6%
Large Commercial	**172,521**	160,461	8%
Other	**4,898**	4,733	3%
Total Sales	**727,023**	674,124	8%
Average Monthly Consumption Per Customer (kWh)			
Residential	**1,153**	**1,084**	6%
General Commercial	**2,771**	**2,678**	3%
Large Commercial	**138,039**	**138,663**	-
Revenues (in thousands of $)			
Residential	**61,582**	54,346	13%
General Commercial	**27,559**	25,004	10%
Large Commercial	**23,963**	21,334	12%
Other (street lights etc.)	**1,116**	867	29%
Fuel Factor	**166,573**	159,856	4%
Renewables	**6,432**	5,929	8%
Total Operating Revenues*	**287,225**	267,336	7%

**Total CUC customers and revenue only*

Sales

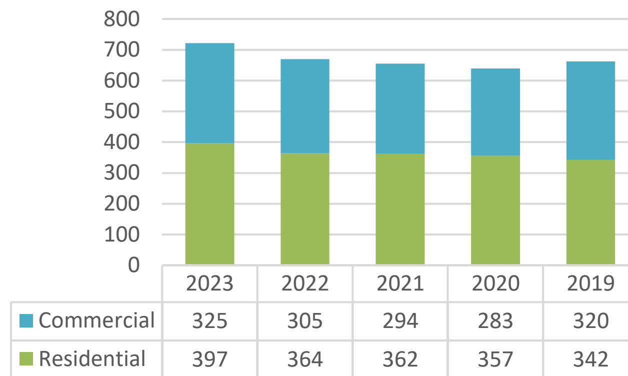
Sales in kWh for Fiscal 2023 were 727.0 million kWh, an increase of 52.9 million kWh or 8% compared to 674.1 million kWh for Fiscal 2022. The increase was driven by the 1% growth in overall customer numbers and a degree increase in average temperature which impacts average consumption of residential and small commercial customers. The average monthly temperature for Fiscal 2023 was 84.0 degrees Fahrenheit when compared to 82.9 degrees Fahrenheit in Fiscal 2022. The hottest summer months in history were recorded during 2023 averaging 87.2 degrees Fahrenheit in Quarter 3 2023. The record peak load of 124.1 MW was experienced on July 18, 2023.

Total customers as at December 31, 2023 were 33,611, an increase of 492 or 1% compared to 33,119 customers as at December 31, 2022.

Operating Revenues

Operating revenues for Fiscal 2023 totalled $287.2 million, an increase of $19.9 million from $267.3 million for Fiscal 2022. This increase in operating revenues was due to higher electricity sales and fuel factor revenues.

Residential and Commercial Sales
(Sales in million kWh)



Electricity sales revenues increased by $12.6 million for Fiscal 2023 to $114.2 million when compared to electricity sales revenues of $101.6 million for Fiscal 2022. This increase is primarily driven by 8% kWh sales growth and the 3.7% base rate increase effective June 1, 2023.

Fuel factor revenues for Fiscal 2023 totalled $166.6 million, a $6.6 million increase from the $160.0 million in fuel factor revenues for Fiscal 2022. The net increase was due to the sales growth partially offset by the decrease in fuel cost. The average Fuel Cost Charge rate charged to consumers for Fiscal 2023 was $0.24 per kWh, compared to the Fuel Cost Charge rate of $0.27 per kWh for Fiscal 2022. The average fuel price per imperial gallon (“IG”) used to determine the fuel cost charge rate to consumers for the year ended December 31, 2023 was $4.24, compared to $4.37 for the year ended December 31, 2022. 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.

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 2023 increased by $13.5 million to $248.8 million from $235.3 million for Fiscal 2022. The main contributing factors to the increase in operating expenses were increase in power generation, transmission and distribution, depreciation and general and administration costs partially offset by lower consumer services and maintenance costs.

The primary reasons for the changes in the Company’s operating expenses for the years ended December 31, 2022 and December 31, 2023 are as follows:

Significant Changes in Operating Expenses

($ in thousands)

Item	Year Ended December 31, 2023	Year Ended December 31, 2022	Change	% Change	Explanation
Power Generation	**177,734**	170,821	6,913	4%	Increase was primarily due to the 8% increase in kWh sales partially offset by decrease in compensation cost due to restructuring in 2022
Depreciation of Property, Plant and Equipment (“PP&E”)	**41,119**	38,018	3,101	8%	Increase was due to the completion of the Seven Mile Beach and Prospect substations in May 2022 and other capital projects completed during the period

Item	Year Ended December 31, 2023	Year Ended December 31, 2022	Change	% Change	Explanation
General and Administration ("G&A")	**13,847**	10,446	3,401	33%	Increase was mainly due to higher compensation cost, insurance premiums and legal fees. These items were partially offset by higher General Expenses Capitalized.
Transmission and Distribution ("T&D")	**6,162**	4,291	1,871	44%	Increase due to restructuring in 2022, partially offset by increase in labour recharge

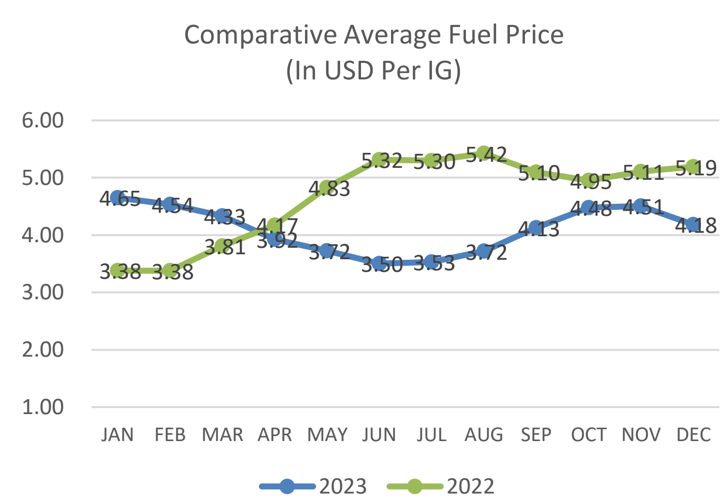
Power Generation

Power generation expenses were as follows:

Power Generation				
($ thousands) *Fuel, Lubricating Oil and Renewables costs stated net of deferred charges*				
	Year Ended December 31, 2023	Year Ended December 31, 2022	Change	% Change
Fuel Costs (net of deferred fuel costs)	**164,182**	157,945	6,237	4%
Lubricating Oil Costs (net of deferred lubricating oil costs)	**2,391**	1,911	480	25%
Renewables Costs (net of deferred renewables costs)	**6,432**	5,929	503	8%
Other Generation Expenses	**4,729**	5,036	(307)	-6%
Total Power Generation expenses	**177,734**	170,821	6,913	4%

The Company's average price per imperial gallon ("IG") of fuel for the year ended December 31, 2023 decreased by 12% to $4.11 in comparison to $4.67 for the twelve months ended December 31, 2022. The Company's average price per IG of lubricating oil for the twelve months ended December 31, 2023, increased by 19% to $16.38 when compared to $13.78 for the twelve months ended December 31, 2022.

During 2022, due to the significant increase in fuel cost, the Cayman Islands Government 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 for energy consumed from July until December 2022.



Total energy supplied to the grid for Fiscal 2023 was 753.6 million kWh, an 8% increase when compared to 698.7 million kWh for Fiscal 2022. 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 2023 of 18.63 kWh per IG slightly decreased when compared to net fuel efficiency for Fiscal 2022 of 18.68 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.

Customer Services

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 Receivable

($ thousands)

	As at December 31, 2023	As at December 31, 2022
Current	**25,625**	19,473
Past due 31-60 days	**1,237**	1,026
Past due 61-90 days	**125**	480
Past due over 90 days	**3,533**	2,897
Total Trade and Other Receivable	**30,520**	23,876
Less: Allowance for Credit Losses	**(2,817)**	(2,241)
Less: Consumer Deposits	**(13,889)**	(12,698)
Net of Allowance of Credit Losses and Customer Deposits	**13,814**	8,937

Trade receivables, less allowances for credit losses, and consumer deposits as at December 31, 2023 were $13.8 million, an increase of $4.9 million when compared to $8.9 million as at December 31, 2022. This increase was related to an increase in current customer receivables partially offset by an increase in allowance for credit losses and consumer deposits. Customer deposits as at December 31, 2023 totalled $13.9 million, an increase of $1.2 million when compared to customer deposits of $12.7 million as at December 31, 2022. The increase in deposits was due to larger deposits in 2023 for new customer accounts.

Other Income and Expenses

Other income and expenses were as follows:

Other Income & Expenses

($ thousands)

	Year Ended December 31, 2023	Year Ended December 31, 2022	Change	% Change
Total Interest Costs	**(18,443)**	(13,553)	(4,890)	36%
Allowance for Funds Used During Construction ("AFUDC")	**11,988**	8,778	3,210	37%
Total Finance Charges	**(6,455)**	(4,775)	(1,680)	35%
Foreign Exchange Gain	**2,253**	1,877	376	20%
Other Income	**4,445**	4,009	436	11%
Total Net Other Income	**243**	1,111	(868)	-78%

Finance charges for Fiscal 2023 totalled $6.5 million, an increase of $1.7 million when compared to $4.8 million for Fiscal 2022.

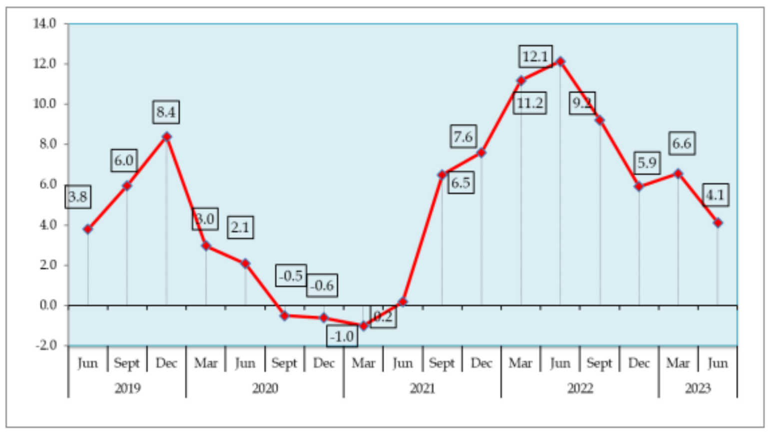
The T&D Licence allows for the capitalisation of the finance cost related to capital projects. AFUDC is calculated by multiplying the Company's cost of capital rate by the average work in progress for each month. The Company's cost of capital rate is reviewed annually. During 2023, the cost of capital was 7.50% (2022: 7.25%) as agreed with the OfReg in accordance with the T&D Licence. The AFUDC amount for Fiscal 2023 totalled $12.0 million, an increase of $3.2 million from $8.8 million for Fiscal 2022.

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 $2.3 million for Fiscal 2023, a $0.4 million increase when compared to $1.9 million for Fiscal 2022. 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. Other income totalled $4.4 million for Fiscal 2023, a $0.4 million increase from $4.0 million for Fiscal 2022. Revenues from DataLink recorded in other income for Fiscal 2023 amounted to $2.1 million, comparable to $2.1 million for Fiscal 2022.

The Economy

In June 2023, credit rating agency Moody's has affirmed the Cayman Islands' Aaa country ceiling rating and stable economic outlook. Moody's has referenced the Cayman Islands' stable political environment, strong policy continuity, sound financial management and economic growth following the COVID-19 pandemic.



Cayman Islands % Change in CPI for Current Quarter over the same Quarter in the prior year, June 2019 – June 2023 Source: https://www.eso.ky/

In July 2023, the Cayman Islands Economics and Statistics Office published the Cayman Islands' Consumer Price Index ("CPI") Report for Second Quarter of 2023. The average CPI in the Second Quarter 2023 was 130.4, higher by 4.1% in comparison to Second Quarter 2022. This represents an increase in the overall index, driven mainly by higher prices of furnishing, household equipment and routine maintenance (10.7%), food and non-alcoholic beverages (7%) and housing and utilities (6%). When compared to the previous quarter ended March 2023, the Second Quarter 2023 CPI fell by 0.1% with the following divisions recording declines in their indices: Food and non-alcoholic beverages (1%), Restaurant and hotels (1%) and Housing and utilities (0.9%).

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)					
	2023	2022	2021	2020	2019
Bank Licences	**87**	94	101	110	125
Mutual Funds*	**13,008**	12,995	12,719	11,312	10,857
Mutual Fund Administrators	**74**	74	75	76	81
Registered Companies*	**119,626**	119,128	99,327	111,568	109,556
Captive Insurance Companies	**708**	686	686	679	672

**Data until September 30, 2023*

The tourism sector is the second main pillar of the Cayman Islands economy. In 2023, the Cayman Islands showed steady growth towards full tourism recovery. Stayover and cruise arrivals to the Cayman Islands maintained an upward momentum with the destination seeing a 105% increase in total visitation compared to the same period in 2022.

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)

	2023	2022	2021	2020	2019
By Air	**429,284**	180,624	2,212	121,819	502,739
By Sea	**1,270,981**	426,293	-	538,140	1,831,011
Total	**1,700,265**	606,917	2,212	659,959	2,333,750

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 2023 compared to Fiscal 2022:

Cash Flows

($ thousands)

	Year Ended December 31, 2023	Year Ended December 31, 2022	Change	% Change
Beginning Cash	**7,948**	7,360	588	8%
Cash Provided By/(Used In):				
Operating Activities	**80,781**	56,188	24,593	44%
Investing Activities	**(101,215)**	(97,191)	(4,024)	4%
Financing Activities	**16,473**	41,591	(25,118)	-60%
Ending Cash	**3,987**	7,948	(3,961)	-50%

Operating Activities:

Cash flow provided by operations, after working capital adjustments, for Fiscal 2023, was $80.8 million, an increase of $24.6 million from $56.2 million for Fiscal 2022. This increase was due to the movement in regulatory deferrals which include recoveries of deferred fuel and deferred revenue and movement in accounts receivable and inventories, partially offset by movement in accounts payable.

Investing Activities:

Cash used in investing activities for Fiscal 2023 totalled $101.2 million, an increase of $4.0 million from $97.2 million for Fiscal 2022. This increase was primarily due to higher capital expenditures during Fiscal 2023. Significant projects include generation, transmission, and distribution upgrades and the Battery Energy Storage System.

Financing Activities:

Cash provided by financing activities totalled $16.5 million for Fiscal 2023, a decrease of $25.1 million when compared to $41.6 million of cash provided by financing activities for Fiscal 2022. This net decrease was mainly due to reduction in debt financing and increase in loan repayments and dividend payments during 2023.

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 2024 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, 2023, $22.4 million was available under the Company's credit facilities (2022: $82.0 million).

Contractual Obligations

As at December 31, 2023, 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	390,545	70,935	39,870	35,583	244,157
Long-Term Debt Interest	189,653	15,034	27,706	24,741	122,172
Total	**580,198**	**85,969**	**67,576**	**60,324**	**366,329**

Power Purchase Agreement ("PPA")

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. Negotiations are underway to finalize new fuel supply contracts with Sol and RUBis and both suppliers are currently operating on bridging agreement based on the existing fuel supply contracts. The approval of the new fuel supply contracts is expected by March 31, 2024. 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 2023 to Fiscal 2022.

Significant Changes in Balance Sheet

(for the year ended December 31, 2023)

Balance Sheet Account	Increase/ (Decrease) *($ thousands)*	Explanation
Cash and Cash Equivalents	(3,961)	Net decrease due to cash provided by operating activities of $80.8 million and financing activities of $16.5 million offset by cash used in investing activities of $101.2 million.
Accounts Receivable	6,068	Increase due to higher kWh electricity sales.
Regulatory Assets	(7,348)	Decrease due to lower fuel and renewable costs which are passed through to customers without mark-up and the recovery of 2022 deferred revenues and deferred fuel.
Inventories	(2,261)	Decrease due to decrease in average fuel cost at yearend.
Property, Plant and Equipment	58,203	Increase due to capital expenditures for the period, partially offset by increase in accumulated depreciation.
Accounts Payable and Accrued Expenses	(5,127)	Decrease attributable to decreases in fuel costs payable offset by higher capital expenditure accruals and accrued interest.
Bank Overdraft	8,637	Increase due to utilization of the overdraft facility to support short term cash needs.
Short-Term Debt	51,000	Drawdown on short-term facility to meet capital expenditure obligations during Fiscal 2023.
Long-Term Debt	(19,820)	Decrease due to principal payments made on the Company's Senior Unsecured Notes in Fiscal 2023.
Share Premium	4,276	Increase due to the issuance of 343,472 Class A Ordinary Shares through its share purchase plans.
Retained Earnings	10,678	Increase due to net earnings for the year of $38.7 million, offset by dividend payments on the Class A Ordinary Shares of $27.0 million and 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, 2023, the Company was in compliance with all debt covenants.

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

Capital Structure	December 31, 2023 ($ thousands)	%	December 31, 2022 ($ thousands)	%
Total Debt	**389,145**	**55**	357,511	54
Shareholder's Equity	**324,742**	**45**	308,234	46
Total	**713,887**	**100**	665,745	100

The change in the Company's capital structure between December 31, 2023 and December 31, 2022 was a net effect of short-term debt acquired during the year and principal payments of $19.8 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+/ Negative

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.

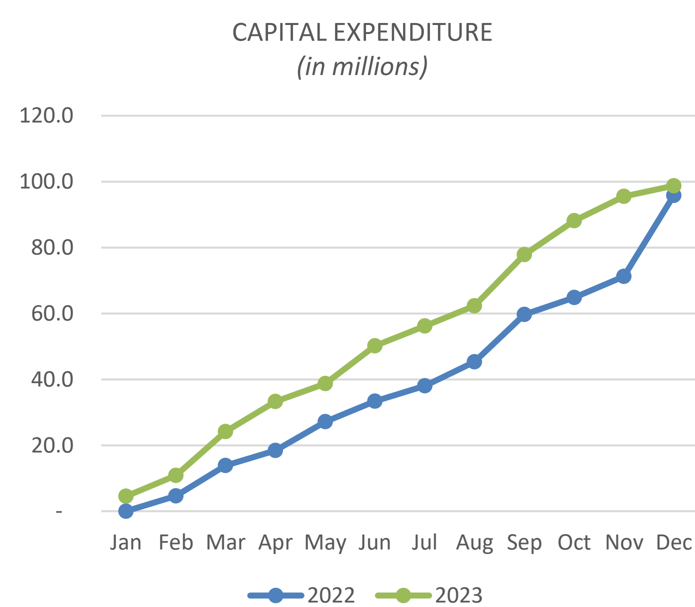
In February 2024, DBRS Morningstar affirmed the Company's "A" credit rating while maintaining the categorization of low with a Stable trend. The current ratings reflect (1) CUC's key credit metrics for 2022 and the first nine months of 2023 are strong within the current rating category; (2) cash flow stability that continues to benefit from CUC having no exposure to fuel price risk and only reasonable regulatory lag associated with the recovery of non-fuel and non-regulatory costs as well as capital spending; and (3) the Company's liquidity that remains solid, reflecting sizable credit facilities, and minimal long-term debt due in the near term.

In May 2023, S&P affirmed its stable rating outlook of the Company with the expectation that CUC will continue to generate stable and predictable stand-alone cash flows that are consistently above the downgrade threshold while focusing on its core regulated utility business. In November 2023, following the review of Fortis Inc., S&P revised its outlook from stable rating to negative due to rising physical risks. S&P has assessed the elevated exposure to physical events, including wildfires, storms, hurricanes and flooding as an effect of climate change.

Capital Expenditures

Capital expenditures net of contribution in aid of construction for Fiscal 2023 were $97.6 million, a $1.8 million or 2% increase from $95.8 million in capital expenditures for Fiscal 2022. The capital expenditures for Fiscal 2023 primarily related to:

- Distribution System Extension and Upgrades - $29.0 million.
- Generation Replacement - $17.7 million.
- Engine Room 5 Dual Fuel Conversion - $12.6 million
- Battery Energy Storage System - $11.3 million.
- Alternate Energy Technologies – $5.8 million.
- AFUDC of $12.0 million was capitalised in Fiscal 2023 compared to $8.8 million in Fiscal 2022.



Capital Expenditures					
($ thousands)					
	Year Ended December 31, 2023	Year Ended December 31, 2022	Change	% Change	Forecast 2024
Transmission	**5,233**	6,661	(1,428)	-21%	9,213
Distribution	**29,748**	28,542	1,206	4%	36,216
Generation	**60,709**	57,838	2,871	5%	63,350
Other	**1,902**	2,720	(818)	-30%	13,236
Total	**97,592**	95,761	1,831	2%	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 2023.

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.

In July 2023, the Cayman Islands' Ministry of Sustainability & Climate Resiliency and the Energy Policy Council led a five-year review of the National Energy Policy ("NEP") and Implementation Plan. Approved in 2017, the initial NEP covered the period 2017 – 2037 and will be reviewed every five years, not only to monitor and report on progress, but also to reset the targets and implementation plans in recognition of opportunities that will arise from the constantly changing technological environment. The NEP seeks to establish a framework with which all stakeholders can identify, which sets the stage for the achievement of the territory's energy goals and considers the imperative need to reduce greenhouse gas emissions, thereby lowering the carbon footprint of the Cayman Islands. The revised NEP covers the period from 2023 to 2040 and focuses on renewable energy, energy conservation methods and the promotion of energy efficiency. The revised NEP is currently being reviewed by Cabinet.

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 in 2020 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, 2023 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 with a 24-month indemnity period and a waiting period on non-named Wind and other perils of 60-days. Any Named Wind, Quake and Flood occurrence has a 45-day waiting period. All T&D assets outside of 1,000 feet from the boundaries of the main power plant and substations are excluded, as the cost of such coverage is not considered economical. There is a single event cap of $100 million for Named Wind, Quake or Flood and $250 million otherwise. Each "loss occurrence" is subject to a deductible of $1.0 million, except for Named Wind (including hurricane) and Quake 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.

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 2023 is 5.9%. This compares to assumed long-term rates of return of 5% used during 2022. There is no assurance that the pension plan assets will be able to earn the assumed rate of returns. The gain on pension plan assets during 2023 was 43% due to the investment performance (2022: loss of 32%).

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 2023 is 5.2% compared to the discount rate assumed during 2022 of 2.8%.

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 2023.

The ongoing economic impact from rising fuel cost and global inflationary environment may affect CUC's customers' ability to pay their energy bills.

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 $51.0 million (December 31, 2022: $nil).

Accounting Policies

The 2023 Annual Consolidated Financial Statements have been prepared following the same accounting policies and methods as those used to prepare the Company's 2022 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, 2023, the Company has a long-term liability of $0.5 million (December 31, 2022: $1.8 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, 2023, the net book value of the PP&E was $695.2 million, compared to $637.0 million as at December 31, 2022, increasing as a result of the Company's generation and T&D capital expenditures. Depreciation expense for Fiscal 2023 was $41.1 million compared to $38.0 million for Fiscal 2022. 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, 2023, 2022 and 2021.

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, 2023	Year Ended December 31, 2022	Year Ended December 31, 2021
Total Operating Revenues	**287,225**	267,336	198,478
Net Earnings for the Year	**38,660**	33,179	30,319
Earnings on Class A Ordinary Shares	**37,690**	32,209	29,349
Total Assets	**777,807**	726,539	634,150
Short Term Debt and Current Portion of Long Term Debt	**70,935**	19,481	15,558
Long Term Debt	**318,210**	338,030	277,733
Preference Shares	**250**	250	250
Total Shareholders' Equity	**324,742**	308,234	297,878
Earnings per Class A Ordinary Share	**1.00**	0.86	0.79
Diluted Earnings per Class A Ordinary Share	**1.00**	0.86	0.79
Dividends Declared per Class A Ordinary Share	**0.715**	0.700	0.700
Dividends Declared per Class B Preference Share	**3.94**	3.88	3.88

Comparative results 2023/2022

Operating revenues for Fiscal 2023 totalled $287.2 million, an increase of $19.9 million from $267.3 million for Fiscal 2022.

Net earnings for Fiscal 2023 were $38.7 million, a $5.5 million increase from net earnings of $33.2 million for Fiscal 2022. 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 transmission & distribution system extension and upgrades and generation replacement and upgrades.

2023 Fourth Quarter Results

Net earnings for the three months ended December 31, 2023 ("Fourth Quarter 2023") were $9.5 million, a $0.5 million increase when compared to $9.0 million for the three months ended December 31, 2022 ("Fourth Quarter 2022"). This increase was due to higher electricity sales revenues of $28.8 million (Fourth Quarter 2022: $26.0 million), lower maintenance costs of $0.8 million (Fourth Quarter 2022: $1.4 million) and lower consumer services costs of $1.2 million (Fourth Quarter 2022: $1.6 million), offset by higher transmission and distribution cost of $1.8 million (Fourth Quarter 2022: $1.0 million), and higher general and administration expenses of $3.4 million (Fourth Quarter 2022: $2.7 million).

After the adjustment for dividends on the preference shares of the Company, earnings on Class A Ordinary Shares for the Fourth Quarter 2023 were $8.9 million, or $0.23 per Class A Ordinary Share, as compared to $8.3 million, or $0.22 per Class A Ordinary Share for the Fourth Quarter 2022.

Sales for the Fourth Quarter 2023 were 179.7 million kWh, an increase of 10.2 million kWh when compared to 169.5 million kWh for the Fourth Quarter 2022. The increase was driven by an increase in the large commercial and residential customers' kWh consumption in Fourth Quarter 2023.

Total operating expenses for the Fourth Quarter 2023 decreased by 7% or $4.7 million to $65.3 million from $70.0 million for the Fourth Quarter 2022. The main contributing factors to this decrease were due to lower maintenance and consumer services costs offset by higher depreciation and transmission and distribution costs.

Cash flow provided by operations, after working capital adjustments, for the Fourth Quarter 2023, was $15.1 million, an increase of $9.9 million when compared to $5.2 million for the Fourth Quarter 2022. This increase was primarily due to changes in non-cash working capital balances particularly the recovery of deferred fuel and deferred revenue. Cash used in investing activities totalled $22.1 million for the Fourth Quarter 2023, a decrease of $9.3 million from $31.4 million for the Fourth Quarter 2022. This decrease was due to lower capital expenditures. Cash provided by financing activities totalled $4.5 million for the Fourth Quarter 2023, a decrease of $20.9 million from $25.4 million provided by financing activities for the Fourth Quarter 2022. This net decrease was mainly due to reduction in debt financing and increase in loan repayments and dividend payments during 2023.

Capital expenditures for the Fourth Quarter 2023 were $23.9 million, a $6.1 million, or 20%, decrease from $30.0 million for the Fourth Quarter 2022.

Quarterly Results

The following table summarises unaudited quarterly information for each of the eight quarters ended March 31, 2022 through December 31, 2023. 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)

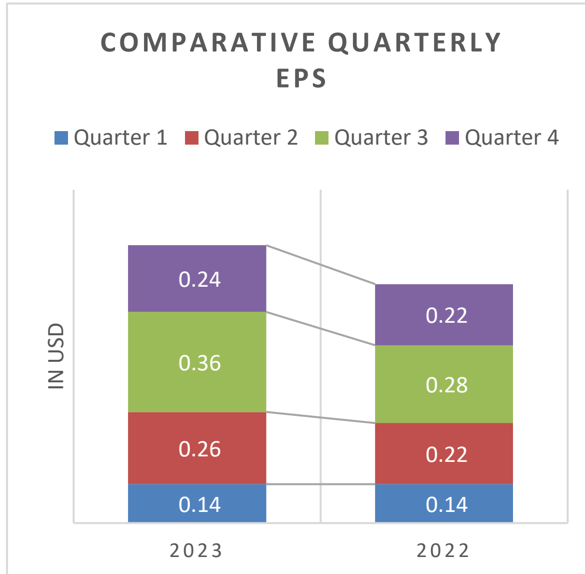
	Operating Revenue	Net Earnings	Earnings on Class A Ordinary Shares	Earnings per Class A Ordinary Share	Diluted Earnings per Class A Ordinary Share
December 31, 2023	**74,702**	**9,523**	**8,890**	**0.24**	**0.24**
September 30, 2023	**73,574**	**13,936**	**13,824**	**0.36**	**0.36**
June 30, 2023	**67,868**	**9,988**	**9,876**	**0.26**	**0.26**
March 31, 2023	**71,081**	**5,213**	**5,100**	**0.14**	**0.14**
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 2023/December 2022

Net earnings for the three months ended December 31, 2023 ("Fourth Quarter 2023") were $9.5 million, a $0.5 million increase when compared to $9.0 million for the three months ended December 31, 2022 ("Fourth Quarter 2022"). This increase was due to higher electricity sales revenues of $28.8 million (Fourth Quarter 2022: $26.0 million), lower maintenance costs of $0.8 million (Fourth Quarter 2022: $1.4 million) and lower consumer services costs of $1.2 million

(Fourth Quarter 2022: $1.6 million), offset by higher transmission and distribution cost of $1.8 million (Fourth Quarter 2022: $1.0 million), higher depreciation of $10.6 million (Fourth Quarter 2022: $9.4 million) and higher general and administration expenses of $3.4 million (Fourth Quarter 2022: $2.7 million).

After the adjustment for dividends on the preference shares of the Company, earnings on Class A Ordinary Shares for the Fourth Quarter 2023 were $8.9 million, or $0.24 per Class A Ordinary Share, as compared to $8.3 million, or $0.22 per Class A Ordinary Share for the Fourth Quarter 2022.



September 2023/September 2022

Operating income for the Third Quarter 2023 totalled $13.9 million, an increase of $3.7 million compared to operating income of $10.2 million for the Third Quarter of 2022. This increase was primarily attributable to the 10% increase in kWh sales and the 5.4% and 3.7% base rate increases effective June 1, 2022 and June 1, 2023, respectively, partially offset by higher general and administration and transmission and distribution expenses.

Net earnings for Q3 2023 were $13.9 million, a $3.5 million or 34% increase from net earnings of $10.4 million for Q3 2022. This increase was primarily attributable to higher operating income partially offset by higher finance charges.

After the adjustment for dividends on the preference shares of the Company, earnings on Class A Ordinary Shares for Q3 2023 were $13.8 million, or $0.36 per Class A Ordinary Share, as compared to $10.3 million, or $0.28 per Class A Ordinary Share for Q3 2022.

June 2023/June 2022

Operating income for the Second Quarter 2023 totalled $9.9 million, an increase of $1.8 million compared to operating income of $8.1 million for the Second Quarter of 2022. This increase was primarily attributable to the 8% increase in kWh sales and the 5.4% and 3.7% base rate increase effective June 1, 2022 and June 1, 2023, respectively, partially offset by higher depreciation and general and administration cost.

Net earnings for Q2 2023 were $10.0 million, a $1.7 million or 20% increase from net earnings of $8.3 million for Q2 2022. This increase was primarily attributable to higher operating income partially offset by higher finance charges.

After the adjustment for dividends on the preference shares of the Company, earnings on Class A Ordinary Shares for Q2 2023 were $9.9 million, or $0.26 per Class A Ordinary Share, as compared to $8.2 million, or $0.22 per Class A Ordinary Share, for Q2 2022.

March 2023/March 2022

Operating income for the First Quarter 2023 totalled $5.3 million, an increase of $0.1 million compared to operating income of $5.2 million for the First Quarter of 2022. This increase was primarily attributable to the 6% increase in kWh sales and a 5.4% base rate increase effective June 1, 2022 offset by higher depreciation and general and administration cost.

Net earnings for Q1 2023 were $5.2 million, a $0.3 million decrease from net earnings of $5.5 million for Q1 2022. This decrease was primarily attributable to higher finance charges partially offset by higher other income.

After the adjustment for dividends on the preference shares of the Company, earnings on Class A Ordinary Shares for Q1 2023 were $5.1 million, or $0.14 per Class A Ordinary Share, as compared to $5.4 million, or $0.14 per Class A Ordinary Share, for Q1 2022.

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, 2023; 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, 2023.

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, 2023.

There have been no changes in the Company's ICFR that occurred during the year ended December 31, 2023 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Outlook

With the strong economic growth in the Cayman Islands, combined with record high average temperatures, the Company is expecting growth in the demand of electricity in 2024 and beyond. The T&D licence mandates the Company to maintain adequate reserves margins of power and requires the Company to identify additional capacity needs three years in advance. While the Company continues its efforts on integrating additional utility-scale renewable energy, small-scale temporary generation will be utilised to reliably meet base load and accommodate the expected demand growth. CUC is committed to dispatching generating capacity prudently in accordance with the licence's least-cost principle.

During 2023, the Company contracted to lease an additional 5MW of Temporary Generation ("Block Two") to meet the increasing energy demand. The lease period is for a minimum of 12 calendar months with option to renew commencing on the day the equipment was received by the Company in September 2023. In January 23, 2024, OfReg granted the Company approval for all rental fees and costs associated with Block Two to be treated as a Regulatory Asset until the end of the lease term. At the end of the rental period, this will be recovered from the customer through an approved Z factor rate. The period of recovery is pending discussion and approval from OfReg.

With the increasing physical risk and continuing impact of climate change, CUC has since established a more progressive approach to system hardening and resiliency of existing and proposed electrical utility infrastructure in Grand Cayman. As a result, standards have been set that will, on average, ensure that the infrastructure will have the capacity for weathering sustained winds of 108mph, with a safety factor allowance increasing potential resiliency to a Category 3 hurricane on the Saffir-Simpson scale. For transmission infrastructure, some additional measures have been utilized such as limited undergrounding, concrete poles, and indoor Gas Insulated Switchgear ("GIS") substations. During 2023, the undergrounding of the main 69kV transmission circuit between Butterfield Round-a-bout and Jacques Scott's Plaza has been completed which is about 2,000 feet or approximately one-third of a mile. CUC continues to support the undergrounding of distribution line for major private developments and government-initiated projects such as the George Town Revitalization and the road widening projects.

In September 2022, the Company signed an Agreement with the technology group Wärtsilä for the supply of two 10-megawatt Battery Energy Storage System ("BESS") to CUC. This project, which will be CUC's first energy storage facility, will allow for increased renewable energy capacity on Grand Cayman. It is also anticipated that this project will lower fuel costs and improved fuel efficiency by up to 5% to 6% and a proportionate reduction of CO_2 emissions. It will also increase CUC's level of reliability and its power quality. The 20-megawatt BESS is expected to be commissioned during the first half of 2024 at the Hydesville and Prospect substations.

In 2022, the Company initiated and received regulatory approval for an infrastructure project for dual-fuel conversion of five MAN generating units totalling 68MW of capacity. This Life Cycle Upgrade project aims to reliably meet base load and capacity needs while the Company continues its focus on integrating additional utility-scale renewable energy projects. 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 commencement of the first unit upgrade is scheduled for January 2024 and upgrade of two units are expected to be complete in 2024.

In September 2023, in its continuous effort to reduce the cost of energy production and carbon emissions, the Company sought qualification submissions from prospective natural gas suppliers. In line with the Cayman Islands National Energy Policy and the Company's Integrated Resource Plan, CUC is committed to increase the use of cleaner energy and reduce greenhouse gas emissions over the long term. The Request for Proposal will be finalized and issued to market by March 31, 2024.

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 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 RFP.

In October 2023, the Company submitted its 2024-2028 Capital Investment Plan ("CIP") in the amount of $390.1 million to OfReg for approval, which includes $62 million in alternative energy and resiliency projects. OfReg's decision on the proposed 2024-2028 CIP is anticipated in February 2024.

In November 2023, as required by the T&D License every five years, the Company completed and submitted a Cost of Service Study to OfReg. The purpose of the Study is to determine how base rates should be rebalanced to reflect the allocated cost of service to respective customer groups. OfReg's decision on the cost of service study is anticipated during the first quarter of 2024.

Subsequent Events: Outstanding Share Data

At February 9, 2024, the Company had issued and outstanding 38,008,196 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 2023 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 2023 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 2023 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.

Signed "Letitia T Lawrence"

Letitia T. Lawrence
Vice President Finance, Corporate Services
& Chief Financial Officer
Caribbean Utilities Company, Ltd.

Signed "JF Richard Hew"

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, 2023 and 2022, 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, 2023 and 2022, 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, 2023. 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 9, 2024

Consolidated Balance Sheets

(expressed in thousands of United States Dollars)

	Note	As at December 31, 2023	As at December 31, 2022
Assets			
Current Assets			
Cash		**3,987**	7,948
Accounts Receivable (Net of Allowance for Credit Losses of $2,817 and $2,241)	6	**27,703**	21,635
Regulatory Assets	7	**34,562**	41,910
Inventories	8	**5,690**	7,951
Prepayments		**4,289**	4,003
Total Current Assets		**76,231**	83,447
Property, Plant and Equipment, net	9	**695,155**	636,952
Intangible Assets, net	10	**4,556**	4,180
Other Assets	4	**1,865**	1,960
Total Assets		**777,807**	726,539
Liabilities and Shareholders' Equity			
Current Liabilities			
Accounts Payable and Accrued Expenses	11	**37,565**	42,692
Regulatory Liabilities	7	**611**	913
Bank Overdraft	17	**8,637**	-
Short Term Debt	17	**51,000**	-
Current Portion of Long-Term Debt	12	**19,935**	19,481
Consumers' Deposits and Advances for Construction	18	**13,972**	12,838
Current Portion Lease Liability	4	**1,944**	1,092
Total Current Liabilities		**133,664**	77,016
Defined Benefit Pension Liability	20	**472**	1,848
Long-Term Debt	12	**318,210**	338,030
Other Long-Term Liabilities	4,14	**719**	1,411
Total Liabilities		**453,065**	418,305
Shareholders' Equity			
Share Capital[4]		**2,512**	2,491
Share Premium		**194,299**	190,023
Retained Earnings		**128,255**	117,577
Accumulated Other Comprehensive Loss		**(324)**	(1,857)
Total Shareholders' Equity		**324,742**	308,234
Total Liabilities and Shareholders' Equity		**777,807**	726,539

See accompanying Notes to Annual Consolidated Financial Statements

Agreed on behalf of the Board of Directors by:

Signed "Sheree Ebanks"
Sheree L. Ebanks
Chairperson of the Board of Directors

Signed "JF Richard Hew"
J.F. Richard Hew
Director

[4] Consists of Class A Ordinary Shares of 38,008,196 and 37,664,724 issued and outstanding as at December 31, 2023 and 2022 and Class B Preference Shares of 249,500 and 249,500 issued and outstanding as at December 31, 2023 and 2022, 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, 2023	Year Ended December 31, 2022
Operating Revenues			
Electricity Sales		114,220	101,551
Fuel Factor		166,573	159,856
Renewables		6,432	5,929
Total Operating Revenues	5	287,225	267,336
Operating Expenses			
Power Generation		177,734	170,821
General and Administration		13,847	10,446
Consumer Services		4,435	4,621
Transmission and Distribution		6,162	4,291
Depreciation		41,119	38,018
Maintenance		4,617	6,098
Amortisation of Intangible Assets		894	973
Total Operating Expenses		248,808	235,268
Operating Income		38,417	32,068
Other (Expenses)/Income:			
Finance Charges	19	(6,455)	(4,775)
Foreign Exchange Gain	21	2,253	1,877
Other Income		4,445	4,009
Total Net Other Income		243	1,111
Net Earnings for the Year		38,660	33,179
Preference Dividends Paid- Class B		(970)	(970)
Earnings on Class A Ordinary Shares		37,690	32,209
Weighted-Average Number of Class A Ordinary Shares Issued and Fully Paid (in thousands)	15	37,780	37,482
Earnings per Class A Ordinary Share	15	1.00	0.86
Diluted Earnings per Class A Ordinary Share	15	1.00	0.86
Dividends Declared per Class A Ordinary Share		0.715	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, 2023	Year Ended December 31, 2022
Net Earnings for the Year	38,660	33,179
Other Comprehensive Loss:		
Net Actuarial (loss) /gain	1,441	(45)
Amortisation of Net Actuarial Loss	92	73
Total Other Comprehensive Income	1,533	28
Comprehensive Income	40,193	33,207

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, 2022	37,665	2,241	250	190,023	(1,857)	117,577	308,234
Net earnings	-	-	-	-	-	38,660	38,660
Common share issuance and redemption	343	21	-	4,276	-	-	4,297
Defined benefit plans	-	-	-	-	1,533	-	1,533
Dividends on common shares	-	-	-	-	-	(27,012)	(27,012)
Dividends on preference shares	-	-	-	-	-	(970)	(970)
As at December 31, 2023	38,008	2,262	250	194,299	(324)	128,255	324,742
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 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

See accompanying Notes to Annual Consolidated Financial Statements

Consolidated Statements of Cash Flows

(expressed in thousands of United States Dollars)

	Year Ended December 31, 2023	Year Ended December 31, 2022
Operating Activities		
Net Earnings for the year	38,660	33,179
Items not affecting cash:		
Depreciation	41,119	38,018
Amortisation of Intangible Assets	894	973
Amortisation of Deferred Financing Costs	122	113
	80,795	72,283
Net changes in working capital balances related to operations:		
Accounts Receivable	(6,068)	(10,292)
Inventory	2,261	(2,674)
Prepaid Expenses	(286)	539
Accounts Payable	(4,513)	13,476
Net Change in Regulatory Assets and Regulatory Liabilities	7,046	(17,561)
Other	1,546	417
Cash flow related to operating activities	80,781	56,188
Investing Activities		
Purchase of Property, Plant and Equipment	(100,277)	(96,018)
Costs related to Intangible Assets	(1,275)	(1,207)
Proceeds on Disposed Asset	95	33
Contributions in Aid of Construction	242	1
Cash flow related to investing activities	(101,215)	(97,191)
Financing Activities		
Increase in Bank Overdraft	8,637	-
Proceeds from Debt Financing	51,000	120,000
Repayment of Short-Term Debt	-	(40,000)
Repayment of Long-Term Debt	(19,481)	(15,558)
Dividends Paid	(25,084)	(24,477)
Net Proceeds from Share Issuance	1,401	1,626
Cash flow related to financing activities	16,473	41,591
(Decrease)/Increase in net cash	(3,961)	588
Cash - Beginning of year	7,948	7,360
Cash - End of year	3,987	7,948
Supplemental disclosure of cash flow information:		
Interest paid during the year	18,370	12,932

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, 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"). The T&D Licence, which expires in April 2028, contains provisions for an automatic 20-year renewal and the Company has reasonable expectation of renewal until April 2048. The Generation Licence expires in November 2039.

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"). On June 1, 2023, following review and approval by the OfReg, the Company increased its base rates by 3.7%. This increase was a result of the 2022 RORB and the increase in the applicable United States ("US") and Cayman Islands consumer price indices, adjusted to exclude food and fuel, for calendar year 2022. The change in the base rates as a percentage of the US and Cayman Islands consumer price indices was 80% based on the range of the RORB values. The required rate adjustment of 3.7% can be calculated by applying 80% to the total price level index (60% of the Cayman Islands CPI and 40% of the US CPI) of 4.6%. All fuel, lubricating oil and renewables costs are passed through to customers without mark-up as a per kWh charge.

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. Due to economic conditions 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 a regulatory asset for the year ended December 31, 2022 was $2.8 million and will be recovered within two years through a recovery rates of $0.0019 per kWh from the effective date of January 1, 2023. During the year, $1.4 million was recovered from customers related to the base rate increase deferral.

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. The amount recorded as a regulatory asset for the year ended December 31, 2022 was $6.3 million and was fully recovered within the year at $0.0089 per kWh with an effective date of January 1, 2023.

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, 2023 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, 2023 and 2022, 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

Dividend Reinvestment Plan (the “Plan”)

All dividends payable on Class A Ordinary Shares recorded for participation in the Plan, including Class A Ordinary Shares acquired and retained under the Plan, will be used by CUC to purchase additional Class A Ordinary Shares at the average market price calculated using of the closing prices of Class A Ordinary Shares on the Toronto Stock Exchange (“TSX”) over a specified period.

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 average market price calculated using of the closing prices of Class A Ordinary Shares on the Toronto Stock Exchange (“TSX”) over a specified period.
The amount owing to the Company from employees is included as an offset to Share Capital and Share Premium on the Balance Sheet (2023: $0.4 million, 2022: $0.4 million).

Performance Share Unit ("PSU") Plan
The Company also records the liabilities associated with its PSU Plan 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 TSX Utilities Capped Index (TTUT) 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 was received by the Company in November 2022.

In 2023, the Company contracted to lease an additional 5MW of Temporary Generation to meet reliably the growing generation needs. The lease period is for a minimum of 12 calendar months, with option to renew, commencing on the day the equipment is received by the Company. 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, 2023	As at December 31, 2022
Operating Lease Assets	Other Assets	1,854	1,951
Current Portion Lease Liability	Current Portion of Lease Liability	1,944	1,092
Non-current Operating Lease Liability	Other Long-Term Liabilities	-	766

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

($ thousands)	Classification	Year Ended December 31, 2023	Year Ended December 31, 2022
Operating Lease Costs	Operating Expenses	204	97
Variable Lease Costs	Operating Expenses	4	4
Total Lease Costs		208	101

Total payments made related to the lease of Temporary Generation amounted to $1.3 million for the year ending December 31, 2023. OfReg has approved that all rental fees and costs associated with the temporary rental generation units contracted in 2022 will be treated as Regulatory Assets to be amortized over a 10-year period (Note 7i.). The additional Temporary Generation contracted in 2023 will be recovered from the customer through an approved Z-factor rate (Note7j).

As of December 31, 2023, the Company had the following future minimum lease payments:

Future Minimum Lease Payments	
($ thousands)	Operating Lease
2024	**1,686**
2025	-
2026	-
Thereafter	-
Total	**1,686**
Less: Imputed Interest	**(35)**
Present Value of Lease Liability	**1,651**

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, 2023	Year Ended December 31, 2022	Change %
Electricity Sales Revenues			
Residential	**61,582**	54,346	13%
Commercial	**51,522**	46,338	11%
Other (street lighting etc.)	**1,116**	867	29%
Total Electricity Sales Revenues	**114,220**	101,551	12%
Fuel Factor	**166,573**	159,856	4%
Renewables	**6,432**	5,929	8%
Total Operating Revenues	**287,225**	267,336	7%

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, 2023	As at December 31, 2022
Billings to Consumers*	**28,250**	23,156
Other Receivables	**2,270**	720
Allowance for Credit Losses	**(2,817)**	(2,241)
Accounts Receivable, net	**27,703**	21,635

*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, 2022 to December 31, 2023 is listed in the following table.

Allowance for Credit Losses		
($ thousands)	As at December 31, 2023	As at December 31, 2022
Beginning of Year	**(2,241)**	(1,976)
Credit Loss Expensed net of deferral	**(582)**	(285)
Write-off	**23**	20
Recoveries	**(17)**	-
Allowance for Credit Losses, net	**(2,817)**	(2,241)

7. Regulatory Assets and Liabilities

Regulatory Assets and Liabilities			
($ thousands)			
Asset/Liability	Description	As at December 31, 2023	As at December 31, 2022
Regulatory Assets	Fuel Tracker Account (a)	**30,408**	31,040
Regulatory Assets	Derivative contract (b)	**-**	61
Regulatory Assets	Miscellaneous Regulatory Assets (c)	**56**	83
Regulatory Assets	Government & Regulatory Tracker Account (d)	**35**	1,211
Regulatory Assets	Deferred 2022 Revenues (g)	**1,382**	2,770
Regulatory Assets	Deferred Fuel Revenues (h)	**-**	6,342
Regulatory Assets	Temporary Generation Lease 2022 (i)	**1,515**	403
Regulatory Assets	Temporary Generation Lease 2023 (j)	**1,166**	-
Total Regulatory Assets		**34,562**	41,910
Regulatory Liabilities	Demand Rate Recoveries(e)	**(243)**	(243)
Regulatory Liabilities	Deferred COVID-19 Costs (f)	**(269)**	(540)
Regulatory Liabilities	Deferred Fuel Revenues (h)	**(99)**	-
Regulatory Liabilities	Derivative contract (b)	**-**	(130)
Total Regulatory Liabilities		**(611)**	(913)

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, 2023, the account had a credit balance of $0.2 million.

f) 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. Actual bad debts were lower than the original estimates resulting in a regulatory liability of $0.5 million which will be payable to customers within two years through future rates from January 1, 2023. As at December 31, 2023, a total of $0.3 million was remaining to be paid to customers.

g) 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, 2023 was $1.4 million. During the year, $1.4 million was recovered from customers related to the base rate increase deferral.

h) 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 was fully recovered during the year.

i) Temporary Generation Lease 2022 – 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 will charge the amortized amount of the total charges annually against Earnings.

j) Temporary Generation Lease 2023 - During 2023, the Company contracted to lease an additional 5MW of Temporary Generation ("Block Two") to meet the increasing energy demand. The lease period is for a minimum of 12 calendar months with the option to renew commencing on the day the equipment was received by the Company in September 2023. In January 23, 2024, OfReg granted the Company approval for all rental fees and costs associated with Block Two to be treated as a Regulatory Asset until the end of the lease term. At the end of the rental period, the amount will be recovered from the customer through an approved Z factor rate. The period of recovery is pending discussion and approval from OfReg.

8. Inventories

Inventories ($ thousands)	As at December 31, 2023	As at December 31, 2022
Fuel	**4,960**	7,410
Lubricating Oil	**317**	193
Line Spares	**387**	280
Network & Fiber Equipment	**26**	68
Total Inventories	**5,690**	7,951

9. Property, Plant and Equipment

Property, Plant and Equipment ($ thousands)	Cost	Accumulated Depreciation	Net Book Value December 31, 2023
Transmission & Distribution (T&D)	**587,542**	**212,783**	**374,759**
Generation	**606,255**	**316,266**	**289,989**
Other:			
Land	**10,446**	**-**	**10,446**
Buildings	**22,912**	**15,178**	**7,734**
Equipment, Motor Vehicles and Computers	**36,833**	**24,947**	**11,886**
Total of T&D, Generation and Other	**1,263,988**	**569,174**	**694,814**
Telecommunications Assets	**472**	**131**	**341**
Property, Plant and Equipment	**1,264,460**	**569,305**	**695,155**

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

Included in PP&E are a number of capital projects in progress with a total cost to date of $140.9 million (December 31, 2022: $121.7 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, 2022: $9.0 million) intended for future generation and T&D expansion. In addition, line inventory with a cost of $10.0 million (December 31, 2022: $6.8 million) is included in T&D. Engine spares with a net book value of $13.8 million (December 31, 2022: $13.6 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 2023 was 8.5% (2022: 7.25%) and will be adjusted annually. As a result, during Fiscal 2023, the Company recognised $12.0 million in AFUDC (2022: $8.8 million). GEC of $9.1 million was recognised for the year ended December 31, 2023 (2022 $7.8 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, 2023
Deferred Licence Renewal Costs	1,890	1,483	407
DataLink, Ltd. Deferred Licence Renewal Costs	200	157	43
Computer Software	13,757	9,820	3,937
Other Intangible Assets in Progress	127	33	94
Trademark Costs	75	-	75
Total Intangible Assets	**16,049**	**11,493**	**4,556**

Intangible Assets	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

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)	2024	2025	2026	2027	2028
Computer Software	421	1,000	965	1,093	458
Licence Renewal Costs	113	113	113	103	32
Amortisation of Intangible Assets	534	1,113	1,078	1,196	490

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

	As at December 31, 2023	As at December 31, 2022
Computer Software	2.84 years	3.71 years
Deferred Licence Renewal costs	6.95 years	7.63 years
Datalink Deferred Licence Renewal Costs	3.25 years	4.25 years
Total weighted-average amortisation period	3.35 years	3.78 years

11. Accounts Payable and Accrued Expenses

Accounts Payable and Accrued Expenses		
($ thousands)	As at December 31, 2023	As at December 31, 2022
Fuel Cost Payable	28,354	32,625
Trade Accounts Payable & Accrued Expenses	5,505	6,292
Accrued Interest	2,009	2,057
Dividends Payable	634	633
Other Accounts Payable	1,063	1,085
Total Accounts Payable and Accrued Expenses	37,565	42,692

12. Long-Term Debt

Long-Term Debt		
($ thousands)	As At December 31, 2023	As At December 31, 2022
7.50% Senior Unsecured Loan Notes due 2024	**5,713**	11,429
4.85% Senior Unsecured Loan Notes due 2026	**6,429**	8,571
3.34% Senior Unsecured Loan Notes due 2028	**7,143**	8,571
3.65% Senior Unsecured Loan Notes due 2029	**25,714**	30,000
5.10% Senior Unsecured Loan Notes due 2031	**18,182**	20,455
3.90% Senior Unsecured Loan Notes due 2031	**40,000**	40,000
3.54% Senior Unsecured Loan Notes due 2033	**36,364**	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**	80,000
	339,545	359,026
Less: Current portion of Long-Term Debt	**(19,935)**	(19,481)
Less: Deferred Debt Issue Costs	**(1,400)**	(1,515)
	318,210	338,030

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, $0.5 million for the 3.85% 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	$
2024	19,935
2025	19,935
2026	19,935
2027	17,792
2028	17,792
2029 and later	244,156
Total	**339,545**

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, 2023	As at December 31, 2022
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$0.56 each	1	1
Issued and Outstanding (Number of Shares):		
Class A Ordinary Shares	38,008,196	37,664,724
Class B Preference Shares	249,500	249,500
Issued and Outstanding ($ Amount):		
Class A Ordinary Shares	2,262,393	2,241,948
Class B Preference Shares	249,500	249,500
Total Class A Ordinary Shares & Class B Preference Shares	2,511,893	2,491,448

14. 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 TSX Utilities Capped Index (TTUT).

PSUs outstanding as at December 31, 2023 relate to grants in 2021 in the amount of 31,304, 2022 in the amount of 31,674 and 2023 in the amount of 63,783. 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, 2023, an expense of $0.3 million (December 31, 2022: $0.3 million) was recognised in earnings with respect to the PSU plan. As at December 31, 2023, the total liability related to outstanding PSUs is $0.7 million (December 31, 2022: $0.6 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 37,779,724 and 37,481,959 for the years ended December 31, 2023 and December 31, 2022 respectively.

The weighted average number of Class A Ordinary Shares used for determining diluted earnings were 37,779,724 and 37,481,959 for the years ended December 31, 2023 and December 31, 2022, 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, 2023. The estimated fair value of the Company's financial instruments are as follows:

Financial Instruments				
($ thousands)	As at December 31, 2023		As at December 31, 2022	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Long-Term Debt, including Current Portion*	**338,145**	**298,988**	357,511	341,125
Fuel Option Contracts	-	-	(130)	(130)

*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 $22.4 million at December 31, 2023 ($82.0 million at December 31, 2022).

In March 2023, 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 $15.0 million was drawn in July 2023 and $6.0 million in December 2023. The total of $51.0 million short term debt will be repaid in 2024.

Short-Term Financing

($ thousands) Credit Facilities	Total Credit Financing Facilities December 31, 2023	Total Utilised December 31, 2023	Total Available December 31, 2023
Provided by Scotia:			
Mastercard Agreement	500	-	500
Letter of Credit**	13,000	-	13,000
Operating, Revolving Line of Credit	10,000	8,637	1,363
Catastrophe Standby Loan	7,500	-	7,500
Demand Loan Facility- Interim Funding of Capital Expenditures***	51,000	51,000	-
Total	82,000	59,637	22,363
Provided by RBC:			
Corporate Credit Card Line*	500	500	-
Short – Term Financing	82,500	60,137	22,363

* 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 and 2023.

*** The weighted average interest rate was approximately 6.61%.

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

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 $13.9 million as at December 31, 2023 ($12.7 million at December 31, 2022). Advances for construction as December 31, 2023 amounted to $0.1 million comparable to $0.1 million at December 31, 2022.

19. Finance Charges

The composition of finance charges was as follows:

Finance Charges ($ thousands)	Year Ended December 31, 2023	Year Ended December 31, 2022
Interest Costs - Long-Term Debt	15,933	12,689
Other Interest Costs	2,510	864
AFUDC *	(11,988)	(8,778)
Finance Charges	6,455	4,775

*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 2023 amounted to $1.4 million (Fiscal 2022: $1.3 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, 2023.

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, 2023	As at December 31, 2022
Equity Assets	60%	66%
Fixed Income Investments	25%	32%
Money Market Funds	-	1%
Cash Alternatives	13%	-
Cash and Cash Equivalents	2%	1%
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, 2023

	Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)	Total
Equity Assets	3,671	-	-	3,671
Fixed Income Investments	-	1,524	-	1,524
Money Market Funds	-	6	-	6
Cash Alternatives	810	-		810
Cash and Cash Equivalents	114	-	-	114
Asset Allocation	4,595	1,530	-	6,125

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

Pension Plan		
($ thousands)	As at December 31, 2023	As at December 31, 2022
Project Benefit Obligation		
Balance beginning of year	6,400	8,613
Interest Cost	323	235
Actuarial loss/(gains)	248	(2,087)
Benefit payments	(374)	(361)
Balance end of year	6,597	6,400
Plan Assets		
Fair value, beginning of year	4,553	6,718
Actual gain/(loss) return on plan assets	1,946	(1,804)
Employer contributions to plan	-	-
Benefit payments	(374)	(361)
Fair value, end of year	6,125	4,553
Funded Status (deficit)	(472)	(1,848)
During the year ended December 31, 2023 $0.2 million (December 31, 2022: $0) was recorded as compensation income, which comprises the following:		
Interest cost	323	235
Expected return on plan assets	(258)	(327)
Amortisation of actuarial losses	92	73
Net periodic benefit cost	157	(19)
Significant assumptions used:		
Discount rate during year (%)	5.20	2.80
Discount rate at year end (%)	5.00	5.20
Expected long-term rate of return on plan assets (%)	5.90	5.00

The accumulated benefit obligation as at December 31, 2023 was $6.6 million (December 31, 2022: $6.4 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, 2023	As at December 31, 2022
Liabilities:		
Defined Benefit Pension Liabilities	472	1,848

The following tables provide the components of other comprehensive loss for the years ended December 31, 2023 and 2022:

Other Comprehensive Income		
($ thousands)	As at December 31, 2023	As at December 31, 2022
Net actuarial gain/(loss) arising during the year	1,441	(45)
Amortisation or settlement recognition of net actuarial gain	92	73
Total changes recognised in other comprehensive income	1,533	28

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, 2023	As at December 31, 2022
Net actuarial (loss)	**(324)**	(1,857)
Cumulative employer contributions in excess of net periodic benefit cost	**(148)**	9
Net liability amount recognised in statement of financial position	**(472)**	(1,848)

Net actuarial loss of nil and past service costs of nil are expected to be amortised from accumulated other comprehensive loss into net benefit costs in 2024. During 2024, the Company's expected contributions to the defined benefit pension plan will be $0.2 million.

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

($ thousands)	Total
2024	383
2025	391
2026	399
2027	407
2028	416
2029-2031	2,180

21. Foreign Exchange

The closing rate of exchange on December 31, 2023 as reported by the Bank of Canada for the conversion of US dollars into Canadian dollars was Cdn$1.3226 per US$1.00 (December 31, 2022: Cdn$1.3544). 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$1.5871 per CI$1.00 (December 31, 2022: Cdn$1.6253).

22. Commitments

As at December 31, 2023, the Company's consolidated commitments in each of the next five years and for periods thereafter are as follows:

Commitments ($thousands)	Total	2024	2025-2026	2027-2028	2029 Onward
Letter of Guarantee	1,000	1,000	-	-	-
Lease Liability	1,686	1,686	-	-	-
Commitments	**2,686**	**2,686**	**-**	**-**	**-**

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. Negotiations are underway to finalize new fuel supply contracts with Sol and RUBis and both suppliers are currently operating on bridging agreement based on the existing fuel supply contracts. The approval of the new fuel supply contracts is expected by March 31, 2024. 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, 2023 was $5.0 million (December 31, 2022: $7.4 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)

	2023	2022
Operating Revenues	**287,225**	267,336
Other Revenues and Adjustments	**6,698**	5,886
Total Revenues	**293,923**	273,222
Operating Expenses	**248,808**	235,268
Income before Interest	**45,115**	37,954
Finance Charges	**6,455**	4,775
Net Earnings for the Year	**38,660**	33,179
Capitalisation:		
Class A Ordinary Shares (nominal value)	**2,262**	2,241
9% Cumulative Participating Class B Preference Shares (nominal value)	**250**	250
Share Premium	**194,299**	190,023
Long-Term Loans	**338,145**	357,511
Total Capitalisation	**534,956**	550,025
Capital Expenditures	**97,591**	95,761
Earnings per Class A Ordinary Share ($/Share)	**1.00**	0.86
Dividends per Class A Ordinary Share ($/Share)	**0.715**	0.700
Book value per Class A Ordinary ($/Share)	**8.51**	8.18
Statistical Record:		
Net kWh Generation (millions of kWh)	**735.4**	680.4
Net kWh Sales (millions of kWh)	**727.0**	674.1
Peak Load (MW) Gross	**124.1**	113.6
Plant Capacity (MW)	**165.55**	165.55
Total Customers (actual number)	**33,611**	33,119

Ten-Year Summary

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

2021	2020	2019	2018	2017	2016	2015	2014
198,478	177,450	203,246	194,578	170,941	161,702	188,880	231,705
4,904	4,451	6,403	6,061	4,934	5,079	4,876	4,602
203,382	181,901	209,649	200,639	175,875	166,781	193,756	236,307
168,255	148,594	173,777	166,192	143,561	134,802	163,613	206,377
35,127	33,307	35,872	34,447	32,314	31,979	30,143	29,930
4,808	7,242	6,772	7,677	8,539	6,768	7,301	9,115
30,319	26,065	29,100	26,770	23,775	25,211	22,842	20,815
2,224	2,208	1,993	1,978	1,964	1,943	1,927	1,742
250	250	250	250	250	250	250	250
185,687	181,671	129,816	126,370	123,376	119,096	116,201	83,044
293,291	307,306	322,050	255,013	271,596	222,746	236,594	252,000
481,452	491,435	454,109	383,611	397,186	344,035	354,972	337,036
60,202	53,409	60,592	57,992	52,408	47,207	77,947	39,472
0.79	0.74	0.84	0.78	0.70	0.75	0.71	0.68
0.700	0.700	0.700	0.695	0.680	0.675	0.66	0.66
7.94	7.80	7.10	6.92	6.78	6.74	6.62	6.14
662.0	651.5	678.8	641.8	654.3	650.3	623.7	604.7
660.5	644.3	667.7	628.8	621.8	606.7	582.0	564.2
111.2	108.6	113.5	103.6	105.6	103.4	100.7	99.7
160.95	160.95	160.95	160.95	160.95	160.95	131.65	131.65
32,185	31,293	30,537	29,822	29,160	28,678	28,204	27,784

Board of Directors

Seated:

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

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

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

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

Standing:

Mark Macfee *
Retired President
Yello Media Group
Grand Cayman

Jennifer Frizelle *
Retired Partner
KPMG
Grand Cayman

Sophia Harris ^
Retired Managing Partner
Bedell Cristin
Grand Cayman

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

Karen Gosse^^
Vice President, Finance
Fortis Inc.
St John's, Newfoundland, Canada

Kay Menzies *
President & Chief Executive Officer
Fortis Belize Limited
Belize

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

Left to Right:

Sacha N. Tibbetts
Vice President Customer Services & Technology

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

J.F. Richard Hew
President & Chief Executive Officer

Stephen Jay
Vice President, Energy Operations

Claire Stafford
Company Secretary & Data Protection Officer

Shareholder and Corporate Information

Shareholders

Registered shareholders as of December 31, 2023 were as follows:

Class of Shares	*Shareholders*	*Shares Held*
Class A Ordinary Shares	2,208	38,008,196
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 58% of the outstanding shares as of December 31, 2023. 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 7, 2024 at 3 pm. 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

Caribbean Utilities Company, Ltd.
457 North Sound Road
P.O. Box 38, Grand Cayman KY1-1101, CAYMAN ISLANDS
Telephone: (345) 949-5200
Fax: (345) 949-4621
E-mail: *investor@cuc.ky*
Website: *www.cuc-cayman.com*

Cover Photo: *Newly installed Turtle-friendly Streetlight in Governor's Beach, Grand Cayman. A turtle-friendly light is designed with wavelengths that minimise disturbance to nestling sea turtles. It typically emits long-wavelength, amber or red light as these colours are less likely to disorient hatchlings and nestling female turtles. CUC has installed 62 turtle-friendly streetlights all over the island.*

Credits:

Cover Photo: Neil Murray
Corporate Communications Department
Caribbean Utilities Company, Ltd.

You've got the power

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Certified System
North Sound Road Site
ISO 14001
QMI-SAI Global

INVESTORS IN PEOPLE™
We invest in people Gold