Caribbean Utilities Company, Ltd.

2020 Annual Report

Achieving excellence in Safety, Service, Sustainability and Support of the Community

About the Company

Caribbean Utilities Company, Ltd., known locally as "CUC", commenced operations as the only electric utility in Grand Cayman on May 10, 1966. CUC currently has an installed generating capacity of 161 megawatts ("MW"). The record peak load of 113.5 MW was experienced on August 28, 2019. CUC is committed to providing a safe and reliable supply of electricity to over 30,000 customers. CUC has been through many challenging and exciting periods, keeping pace with Grand Cayman's development for over the past 50 years.

About the Cayman Islands

The Cayman Islands, a United Kingdom Overseas Territory with a population of approximately 65,000, are comprised of three islands: Grand Cayman, Cayman Brac and Little Cayman. Located approximately 150 miles south of Cuba, 460 miles south of Miami and 167 miles northwest of Jamaica, the largest island is Grand Cayman with an area of 76 square miles.

A Governor, presently His Excellency Mr. Martyn Roper, is appointed by her Majesty the Queen. A democratic society, the Cayman Islands have a House of Parliament comprised of representatives elected from each of Grand Cayman's five districts as well as representatives from the Sister Islands of Cayman Brac and Little Cayman.

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

Highlights

Financial Results in Brief

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

	Year Ended December 31, 2020	Year Ended December 31, 2019	Change %
Operating Revenues	**177,450**	**203,246**	-13%
Electricity Sales Revenues	**92,760**	**92,010**	1%
Fuel Factor Revenues	**79,658**	**106,346**	-25%
Renewables Revenues	**5,032**	**4,890**	3%
Total Operating Expenses	**148,594**	**173,777**	-14%
Finance Charges	**7,242**	**6,772**	7%
Net Earnings for the Year	**26,065**	**29,100**	-10%
Total Assets	**633,667**	**600,417**	6%
Total Shareholders' Equity	**289,499**	**237,942**	22%
Cash Flow Related to Operating Activities	**66,514**	**62,114**	7%
The following items are fully stated, not in thousands:			
Earnings per Class A Ordinary Share	**0.74**	**0.84**	-12%
Dividends per Class A Ordinary Share (paid and declared)	**0.700**	**0.700**	0%
Book Value per Class A Ordinary Share	**7.80**	**7.10**	10%
Class A Ordinary Shares			
Market Price: High	**17.12**	**17.60**	-3%
Low	**13.26**	**12.25**	8%
Year-end	**14.75**	**16.38**	-10%

Performance

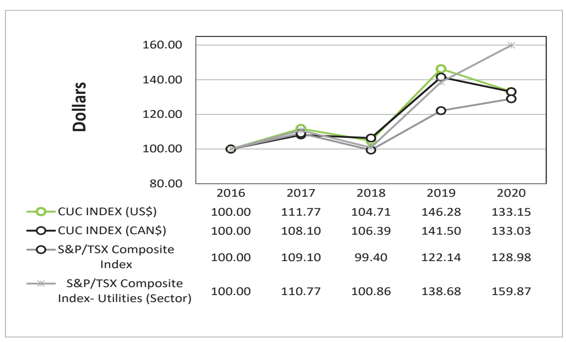
Net earnings for the year ended December 31, 2020 were $26.1 million, a $3.0 million decrease from net earnings of $29.1 million for the year ended December 31, 2019. This decrease is primarily attributable to a 3.5% decrease in kWh sales and higher depreciation costs, higher finance charges and lower other income. Dividends paid and declared on the Class A Ordinary Shares were $0.70 per share. The Class A Ordinary Shares (CUP.U) traded on the Toronto Stock Exchange at a high of $17.12 per share in 2020.

Rate of Exchange

The closing rate of exchange on December 31, 2020 as reported by the Bank of Canada for the conversion of United States dollars into Canadian dollars was Cdn$1.2732 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, 2020 for conversion of Cayman Islands dollars into Canadian dollars was Cdn$1.5278 per CI$1.00 (December 31, 2019: Cdn$1.5586).

Share Performance

The following chart compares the five-year cumulative total returns between Cdn$100.00 and US$100.00 invested in CUC's Class A Ordinary Shares and the S&P/TSX Composite Index - Utilities and S&P/TSX Composite Index.



Information reflected in this Highlights section should be read in conjunction with the Management's Discussion and Analysis for the year ended December 31, 2020 and its associated cautions beginning on page 10 and the Annual Consolidated Financial Statements for the year ended December 31, 2020. All dollar amounts in this Annual Report are stated in United States dollars

Letter to Fellow Shareholders

It is our pleasure to report on the financial performance and operational progress of Caribbean Utilities Company, Ltd. ("CUC" or the "Company") for the year ended December 31, 2020 ("Fiscal 2020").

Overview

2020 will be remembered as the year when the world faced and dealt with the COVID-19 pandemic. The Company, like many other businesses on our islands, was significantly impacted.

However, as the provider of an essential service, the Company continued to deliver reliable electricity supply such that the country could respond to the early challenges of the COVID-19 pandemic. As a result of disruptions to tourist arrivals and policy restrictions to reduce the spread of COVID-19, the Cayman Islands' economy contracted in 2020. The decrease in the tourism industry has resulted in some businesses scaling back or closing down operations. The economy did experience an uptick from local residents who enjoyed staycation packages and frequented the local restaurants. The Company's electricity sales have been impacted by the overall decline in the economy.

We are proud that during Fiscal 2020, the CUC team was able 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 2020 totalled $28.9 million, a $0.6 million decrease from operating income of $29.5 million for the year ended December 31, 2019 ("Fiscal 2019"). This decrease is primarily attributable to a 3.5% decrease in kWh sales and higher depreciation costs in Fiscal 2020. These items were partially offset by 0.9% and 6.6% base rate increases effective June 1, 2019 and June 1, 2020, respectively.

Net earnings for the year ended December 31, 2020 were $26.1 million, a $3.0 million decrease from net earnings of $29.1 million for the year ended December 31, 2019. This decrease is primarily attributable to lower operating income, higher finance charges and lower other income.

After the adjustment for dividends on the preference shares of the Company, earnings on Class A Ordinary Shares for Fiscal 2020 were $25.1 million, or $0.74 per Class A Ordinary Share, as compared to $28.1 million, or $0.84 per Class A Ordinary Share, for Fiscal 2019. 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 34,126,137 and 33,322,444 for the years ended December 31, 2020 and December 31, 2019, respectively. The Company successfully completed its Rights Offering (the "Offering") on October 29, 2020. The Offering raised gross proceeds of $47.8 million through the issue of 3,359,362 Class A Ordinary Shares at a price of $14.24 per Class A Ordinary Share.

Health, Safety and the Environment

The health and safety of all of our employees, contractors and members of the public remains a core value of the Company, and this was particularly tested in 2020. The members of the Emergency Preparedness Committee ("EPC") and the Environmental Health and Safety Department ("EHS") were engaged throughout the entire year implementing the Company's emergency response plans for natural disasters including earthquakes, hurricanes and the COVID-19 pandemic. Numerous health and safety protocols were established to keep staff and the public safe from contracting and spreading the COVID-19 virus and ensuring that the country's power generation systems and electrical grid remained well maintained and reliable. As staff switched to working remotely, the use of technology was pivotal in ensuring that they could continue to work effectively and efficiently, as well as access procedures and policies, continue crucial training, and continue to provide customers with access and support. A Return to the Workplace plan was developed and implemented with staff to ensure that, as restrictions relating to the COVID-19 pandemic were lifted and staff gradually returned to the office, they remained safe. As part of its normal operations, the Company requires specialist technicians from overseas for ongoing maintenance, construction and the testing of new equipment. When bringing overseas technicians to the Island throughout the COVID-19 pandemic, strict adherence was required to comply with Cayman Islands Government's ("the Government") testing and safety protocols along with the Company's health and safety COVID-19 protocols to protect the public and the Company's employees.

In 2020, the Company completed its scheduled proactive safety plan including a review of its safety management system, fleet defence driver safety training, energy control training, a powerline technician foreman safety and leadership workshop, MoveSafe ergonomic training, a safety assessment of the Company's safety maturity to determine future proactive leading indicator targets and public safety awareness communications. The Company's all injury frequency rate for 2020 ended at 3.4 below the three-year average of 3.6, but above the prior year of 2.9.

The Company's Environmental Management System ("EMS") successfully passed the system surveillance audit in 2020, with no minor or major non-conformances identified. The EMS is registered to the International Organization for Standardization ("ISO") environmental standard (ISO 14001:2015) which requires that an external audit of the system be conducted on an annual basis. As part of the EMS, an internal audit of the system is also required. In 2020 this audit was conducted virtually. The Company continued to focus its efforts on reducing green-house gas emissions through many initiatives including: the continued high fuel efficiency performance of its modern power generation fleet at 18.64 kWh/IG in 2020, the utilization of a waste heat recovery system and steam turbine producing electricity using waste heat, the conversion of 70% of all street lighting to LEDs and the purchase of renewable energy from the BMR 5MW solar farm, Customer Owned Renewable Energy ("CORE") power generators and Distributed Energy Resources ("DER").

At December 31, 2020, there were 587 customers connected to the grid through the CORE and DER programmes with 7,735.66 kilowatts of renewable capacity.

Reliability & Customer Service

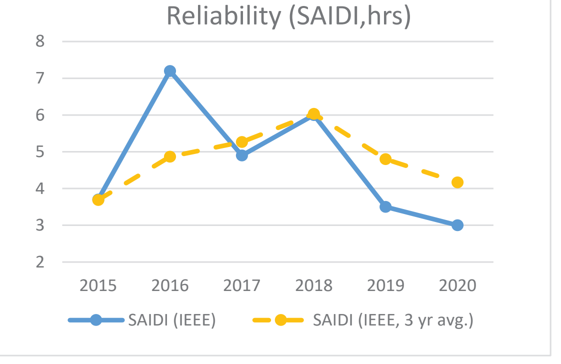
In March 2020, in response to local government restrictions to suppress the spread of COVID-1, CUC's Customer Service Department transitioned to a fully remote working environment. Throughout the lockdown period, customers were able to interact with CUC's Customer Service team via email and telephone. CUC's Customer Service staff were re-allocated to assist with email responses and call handling, and workflows were transitioned to accommodate the increase in electronic document, file processing and the use of electronic signatures.

Customers were allowed to defer payments from March 2020 to June 2020 without disconnection of service, and further extensions were offered for up to the equivalent of four monthly bills. Finance charges were also waived for delinquent balances. As local economic activities resumed, CUC offered its customers extended payment plans, of up to six months. CUC successfully negotiated with the Cayman Islands Utility Regulation and Competition Office (the "OfReg") the delay of a base rate increase from June 2020 until January 2021, with deferred revenues to be recovered over a two-year period in an effort to reduce the short-term costs for customers and bridge the period of economic uncertainty.

In May 2020, CUC launched its semi-annual Customer Satisfaction survey. Results showed a material increase in customer satisfaction, with positive reviews in relation to the remote service interactions. Cognizant that the COVID-19 pandemic may persist locally through the medium-term at varying degrees, and coupled with the positive response to remote service interactions, CUC made the decision to transition to a near-fully remote service model on a permanent basis, even as restrictions on movement, in-person gatherings, and other measures were lifted by the Government.

The Customer Satisfaction survey launched in November 2020 showed a further improvement in customer satisfaction with a score of 78%. CUC has seen an increase in calls handled by 6.9% and emails received by 95.9% from March to November 2020 as compared to the same period in 2019. Focus for 2021 will be on the continued refinement of online and remote service tools to streamline, automate, and improve remote service interactions.

The Company also finalised the development of a prepaid service offering, allowing its customers the opportunity to recover their security deposits and provide increased visibility and control for customers in relation to their day-to-day energy usage and costs.



Throughout the COVID-19 pandemic, the Company continued to work on its five-year Reliability 2.0 programme aimed at providing customers with a maximum of two outage hours per average customer per year consistent with North American reliability standards. Within this programme, a number of initiatives were completed this year including: improvements in vegetation management programme which encourages property owners to plant trees away from power lines, upgrades to generating, transmission and distribution systems, 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 3.1 hours per customer in Fiscal 2020 as compared to 3.5 hours in Fiscal 2019.

Capital Projects

In spite of the many setbacks and delays due to the COVID-19 pandemic, during 2020, the Company completed the first phase and transitioned to its new Technology Centre and Control Room. The new Technology Centre and Control Room is the central point for the supervision and control of CUC's electricity generation, transmission and distribution systems. The building and systems have been upgraded following the original installation in 1999, and now meets current industry standards with all of the features of modern control centres.

Among the features of the new Technology Centre and Control Room are improvements to the working environment for the Control Centre Operators, situational awareness of the power system, communication with field crews, storm and outage management facilities, efficiency and renewable energy integration and management capabilities, with the capacity to expand over the next 10 years.

Significant work has been done on the Seven Mile Beach and Prospect Substations. It is anticipated that they will both be commissioned in 2021. Efforts continued with the tendering process for the 20 megawatt utility-scale battery project which was approved by OfReg in 2019. Battery storage provides the grid stability necessary to integrate higher levels of intermittent renewables.

The Company also developed and submitted a 20 megawatt solar plus battery storage project to OfReg for their consideration. We anticipate that the Company will receive a decision in the near future.

The Company's upgraded Control Room in the newly constructed Technology Centre.

Human Resources and Training

At December 31, 2020, the number of CUC's full-time employee headcount was 229, down approximately 5% from the same December 31, 2019.

The Company maintains a stable employee base of which approximately 86% are Caymanians. The remaining employees represent over 20 other countries from across the globe. In 2020, CUC continued to expand its commitment to a respectful and inclusive work place by renewing the local Gender Equality Cayman Pledge. The Company also remained involved with the Fortis Inc. Diversity and Inclusion initiatives. CUC continues to attract females to its workforce and has seen an increase in the number of females who have joined the Company in technical roles. Overall, approximately 20% of the workforce is female.

In June 2020, following external assessment, the Company retained its Gold accreditation from Investors in People ("IIP") International of the United Kingdom. Since only 17% of IIP certified organisations have received the Gold accreditation, this was a major achievement for CUC and a testament to the commitment of our employees to the IIP standard. The Company first achieved the Gold accreditation in 2017. The IIP standard is a business improvement tool designed to advance an organisation's performance through its people. The IIP standard helps organisations improve performance and realise objectives through the management and development of their employees. CUC is one of just three organisations in the Cayman Islands to have received accreditation.

From the onset of the COVID-19 pandemic, the Human Resources and Employee Development team embarked on a number of initiatives geared towards supporting employees, including assistance with remote working.

The annual employee engagement survey was launched in 2020, and, while there was an overall reduction in the scores, a large number of employees participated and provided thoughtful insights and ideas. Employee engagement results were 75% in 2020 a 5% decrease from 80% in 2019. However, the overall engagement score still reflected a strong position as it was 5% above the benchmark of industry peers.

Leadership development continued to be a key area of focus and involved several initiatives to support all aspects of leadership. While the Institute of Leadership and Management ("ILM") certificate programme was not offered for new participants due to COVID-19, 39 employees across the Company graduated from the programme. Additionally, remote support sessions were held for previous participants and potential employees who would be considered for future cohorts. The programme is designed to equip supervisors and managers with a range of leadership and management skills, focusing on effective techniques for motivating and engaging their team members.

Over the past five years, CUC's Top Talent programme has continued to evolve as part of CUC's commitment to succession planning and employee development. Individuals are selected for this programme based on their ability to ascend to leadership roles across the Company within a 2 to 5 years' timeframe. There were six internal promotions in 2020, one of whom was a member of the Top Talent programme.

The Company continues to value its employees and provide training and development opportunities. Despite the challenges of 2020, programmes were continued remotely, and employees remained committed to formal learning and development. Over 5,500 hours were devoted to employee training in 2020 and additional time was dedicated to informal training, various workshops and to employee coaching. There was a continued focus on safety, enhancing performance, skills development, and recertification. The National Center for Construction Education and Research ("NCCER") curriculum continued to be offered at CUC for various technical programmes with over 20 employees participating. The partnership with Inspire Cayman Training Centre continued as CUC remains their NCCER Accredited Training Sponsor.

In July 2020, the Company celebrated twenty employees who received long service awards for having careers spanning from 20 to 40 years. Together, they have given the Company 490 years of service.

Rewards and recognition efforts continued throughout the year, with 40 employees receiving peer nominations, amongst other company wide recognition efforts. The year concluded with its usual annual awards recognizing various employees. Employees received outstanding awards ranging from Excellence in Safety, to Wellness, to Employee of the Year: Dan Stuber (Employee of the Year); Darren Ebanks (Supervisor of the Year); Andrew Carter (Excellence in Safety); Mechon Ebanks (Jeffrey Broderick Bright Spark Award); Barton Solomon (Individual) and Production Maintenance (Department) - Otis Jackson Golden Wrench Award; and Shane Cato (Individual) and Fleet & Security (Department) - Golden Bucket Award. Neil Murray was the Wellness Champion for 2020.

We are grateful to our staff who have worked hard to achieve these positive results for 2020. CUC thrives from the significant efforts, innovation, and commitment that they have made to the Company over these many years.

Community Involvement

As a result of COVID-19 pandemic, thousands of jobs were lost and many customers experienced difficulties with paying their bills. Our Company provided significant support to many within the Grand Cayman community in the form of distributing supermarket vouchers, delivering care kits for some of our front-line workers and donating laptop computers to the Ministry of Education to help students to complete their schoolwork outside of the classroom.

Summary

2020 was a challenging year for our community, our country and our company. The CUC team fared well and ensured that the Company remained viable.

Keeping the corona virus under control during the first quarter of 2021 is the focus of the Government of the Cayman Islands as they start the distribution of the COVID-19 vaccine. It is anticipated that once the borders reopen, there will be an influx of visitors as well as workers returning to Grand Cayman. This no doubt augurs well for the future of our islands as well as that of our Company. CUC has a resilient network and the Company is well positioned to facilitate the anticipated growth and development of the island.

The achievements during Fiscal 2020 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."

David E. Ritch, OBE, JP
Chairman of the Board of Directors
February 11, 2020

J.F. Richard Hew
President & Chief Executive Officer

Management's Discussion and Analysis

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

The following management's discussion and analysis ("MD&A") should be read in conjunction with the Caribbean Utilities Company, Ltd. ("CUC" or the "Company") consolidated financial statements for the year ended December 31, 2020 (the "2020 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.

The accounting practices, which are disclosed in the notes to the 2020 Financial Statements, result in regulatory assets and liabilities, which would not occur in the absence of rate regulation. In the absence of rate regulation, the amount and timing of recovery or refund by the Company of the costs of providing services, including a fair return on rate base assets, from customers through appropriate billing rates would not be subject to regulatory approval.

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

Financial information is presented in United States dollars unless otherwise specified. The 2020 Financial Statements and MD&A in this Annual Report were approved by the Audit Committee and the Board of Directors.

In December 2017, the Ontario Securities Commission issued a relief order which permits CUC to continue to prepare its financial statements in accordance with U.S. GAAP. The relief extends until the earliest of: (i) January 1, 2024; (ii) the first date of the financial year that commences after the Company ceases to have activities subject to rate regulation; and (iii) 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.

Canadian securities laws allow a reporting issuer to prepare and file its financial statements in accordance with U.S. GAAP by qualifying as a U.S. Securities and Exchange Commission ("SEC") registrant. Without the relief, the Company would be required to become an SEC registrant in order to continue reporting under U.S. GAAP, or adopt IFRS. The IASB has released an interim, optional standard on Regulatory Deferral Accounts and continues to work on a project focusing on accounting specific to rate-regulated activities. It is not yet known when the project will be completed or whether IFRS will, as a result, include a permanent, mandatory standard to be applied by entities with activities subject to rate regulation. In the absence of a permanent standard for rate-regulated activities, the application of IFRS could result in volatility in earnings and earnings per share as compared to that which would otherwise be recognised under U.S. GAAP.

February 11, 2021

Financial and Operational Highlights

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

	Year Ended December 31, 2020	Year Ended December 31, 2019	Change	% Change
Electricity Sales Revenues	**92,760**	92,010	750	1%
Fuel Factor Revenues	**79,658**	106,346	(26,688)	-25%
Renewables Revenues	**5,032**	4,890	142	3%
Total Operating Revenues	**177,450**	203,246	(25,796)	-13%
Fuel & Lube Costs	**79,658**	106,346	(26,688)	-25%
Renewables Costs	**5,032**	4,890	142	3%
Other Operating Expenses	**63,904**	62,541	1,363	2%
Total Operating Expenses	**148,594**	173,777	(25,183)	-14%
Net Earnings for the Year	**26,065**	29,100	(3,035)	-10%
Cash Flow related to Operating Activities	**66,514**	62,114	4,400	7%
Per Class A Ordinary Share:				
Basic Earnings	**0.74**	0.84	(0.10)	-12%
Dividends Paid	**0.700**	0.700	-	0%
Total Customers	**31,293**	30,537	756	2%
Total Employees*	**229**	241	(12)	-5%
Customers per Employee (#)	**137**	127	10	8%
System Availability (%)	**99.97**	99.96	0.01	0%
Peak Load Gross (MW)	**108.6**	113.5	(4.9)	-4%
Millions of kWh:				
Net Generation	**651.5**	678.8	(27.3)	-4%
Total Energy Supplied	**667.0**	692.9	(25.9)	-4%
Kilowatt-Hour Sales	**644.3**	667.7	(23.4)	-4%
Sales per Employee	**2.83**	2.77	0.06	2%

*** Total full time CUC employees**

Corporate and Regulatory Overview

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

The Company is regulated by the Cayman Islands Utility Regulation and Competition Office (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).

The Licences provide for a rate cap and adjustment mechanism ("RCAM") to CUC's return on rate base ("RORB") based on published consumer price indices. CUC's RORB for 2019 was 7.2%. CUC's RORB for 2020 was targeted in the 6.75 to 8.75% range.

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, renewables cost charges and regulatory fees are billed as separate line items. Base rates are subject to an annual review and adjustment each June through the RCAM.

In April 2020, the Company submitted its annual rate adjustment to OfReg for review and approval. The required rate increase as confirmed by OfReg, was 6.6%, with an effective date of June 1, 2020. This required increase was a result of the 2019 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 2019. The change in the base rates as a percentage of the US and Cayman Islands consumer price indices was 100% based on the range of the RORB values. The required rate adjustment of 6.6% can be calculated by applying 100% to the total price level index (60% of the Cayman Islands CPI and 40% of the US CPI) of 6.6%.

As part of its COVID-19 Customer Relief Programme, the Company proposed to OfReg to defer the required June 1, 2020 rate increase until January 1, 2021. During the Third Quarter 2020, OfReg approved the Company's proposal. For the period from June 1, 2020 to December 31, 2020, 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, 2020 was $3.5 million. The amount recorded will be recovered within two years from the effective date of the increase on January 1, 2021.

The Company was also granted approval by OfReg to recover various COVID-19 related expenses, including potential credit losses resulting from suspension of disconnections during the pandemic. A total of $0.7 million was recorded as a regulatory asset and will be recovered through future rates.

During the Third Quarter 2020, the Company submitted its 2021-2025 capital investment plan ("CIP") in the amount of $313.0 million to the OfReg for approval. The Company has also submitted an additional $24.0 million in proposed efficiency and grid enhancement projects for review by the OfReg. These additional projects are expected to be financed by direct recovery mechanism outside of the Company's rate cap and adjustment mechanism and have the potential to provide significant financial or service benefits to consumers. A decision on the proposed 2021-2025 CIP is expected during the First Quarter of 2021.

The Company successfully completed a Rights Offering (the "Offering") on October 29, 2020. Pursuant to the Offering, the Company raised gross proceeds of $47.8 million through the issue of 3,359,362 Class A Ordinary Shares at a price of $14.24 per Class A Ordinary Share. The net proceeds of the Offering were used to repay short-term debt and to finance capital projects.

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.

A licence fee of $2.9 million and a regulatory fee of $1.4 million are payable to the Cayman Islands Government. Both fees apply only to customer billings with consumption over 1,000 kWh per month as a pass-through charge rate of $0.0149 per kWh.

CUC's wholly-owned subsidiary, DataLink, Ltd. ("DataLink"), was incorporated under the Companies Law 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

Global Pandemic

The Coronavirus Disease ("COVID-19") is a highly infectious disease caused by a newly discovered coronavirus, which was first identified in Wuhan, China in 2019.

In March 2020, the World Health Organization declared COVID-19 a global pandemic. The outbreak of COVID-19 initially resulted in the closure in the Cayman Islands of businesses, schools, hotels, restaurants, the seaport, and the airport, as well as travel restrictions, disruptions to supply chains, and workplaces. In June 2020, the Cayman Islands Government eased certain restrictions and allowed some businesses to reopen. The easing of restrictions was completed in a systematic approach and social distancing requirements were relaxed. Hotels and condominiums have offered local residents staycation packages. The airport reopened on October 1, 2020 in a phased manner. In November 2020, it was announced by the Cayman Islands Government that a vaccine has been approved and should be available in the Cayman Islands in a phased in approach starting January 2021 with frontline workers and the most vulnerable receiving the first doses. As of December 31, 2020, the vaccine has already started to be rolled out in the United States, a country that heavily impacts Cayman's tourism. The Cayman Islands Government plans to reopen the Cayman Islands borders in 2021 following the vaccination of the majority of the population.

At this point, the extent to which COVID-19 may impact CUC's financial condition or results of operations remains uncertain and will depend on certain developments, including the continued duration and spread of the outbreak, impact on customers, employees, and vendors all of which cannot be predicted. CUC continues to monitor the rapidly evolving situation and guidance from the Cayman Islands Government and local public health authorities. The Company may take additional actions based on their recommendations (see the "Forward Looking Statements" section of this MD&A for more details on this item).

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.

Earnings

Operating income for the year ended December 31, 2020 ("Fiscal 2020") totalled $28.9 million, a $0.6 million decrease from operating income of $29.5 million for the year ended December 31, 2019 ("Fiscal 2019"). This decrease is attributable to a 3.5% decrease in kWh sales and higher depreciation costs in Fiscal 2020. These items were partially offset by 0.9% and 6.6% base rate increases effective June 1, 2019 and June 1, 2020, respectively. As part of its COVID-19 Customer Relief Programme, OfReg granted the Company approval to defer the collection of the required June 1, 2020 base rate increase of 6.6% until January 1, 2021.

Net earnings for Fiscal 2020 were $26.1 million, a $3.0 million decrease from net earnings of $29.1 million for Fiscal 2019. This decrease is primarily attributable to lower operating income, higher finance charges and lower other income.

Finance charges for Fiscal 2020 totalled $7.2 million, a $0.4 million increase from $6.8 million for Fiscal 2019. This increase is a result of higher interest on long-term debt partially offset by lower interest on short-term debt.

After the adjustment for dividends on the preference shares of the Company, earnings on Class A Ordinary Shares for Fiscal 2020 were $25.1 million, or $0.74 per Class A Ordinary Share, as compared to $28.1 million, or $0.84 per Class A Ordinary Share, for Fiscal 2019. 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 34,126,137 and 33,322,444 for the years ended December 31, 2020 and December 31, 2019, respectively.

Sales

Sales for Fiscal 2020 were 644.3 million kWh, a decrease of 23.4 million kWh or 3.5% when compared to 667.7 million kWh for Fiscal 2019. The decrease was driven by reductions in the Large Commercial customers' kWh consumption due to the impact of the COVID-19 pandemic on the Cayman Islands' economy, partially offset by the increase in Residential customers' kWh consumption and a 2% growth in overall customer numbers in Fiscal 2020 compared to Fiscal 2019. Sales for Fiscal 2020 were also negatively impacted by increased rainfall.

Total customers as at December 31, 2020 were 31,293, an increase of 756 compared to 30,537 customers as at December 31, 2019.

The Seven Mile Beach Substation on West Bay Road is expected to be commissioned in 2021.

Operating Revenues

Operating revenues for Fiscal 2020 totalled $177.5 million, a decrease of $25.7 million from $203.2 million for Fiscal 2019. This decrease in operating revenues was due to lower fuel factor revenue.

Electricity sales revenue increased $0.8 million for Fiscal 2020 to $92.8 million when compared to electricity sales revenues of $92.0 million for Fiscal 2019. This increase is attributable to higher electricity sales revenues primarily driven by 0.9% and 6.6% base rate increases effective June 1, 2019 and June 1, 2020, respectively. As part of its COVID-19 Customer Relief Programme, OfReg granted the Company approval to defer the collection of the additional revenue relating to the required June 1, 2020 base rate increase of 6.6% until January 1, 2021.

Sales and Customer Highlights	Year Ended December 31, 2020	Year Ended December 31, 2019	Change %
Customers (fully stated, not in thousands)			
Residential	**26,754**	26,023	3%
General Commercial	**4,443**	4,407	1%
Large Commercial	**96**	107	-10%
Total Customers	**31,293**	30,537	2%
Sales (in thousands kWh)			
Residential	**356,590**	342,094	4%
General Commercial	**132,766**	144,587	-8%
Large Commercial	**149,767**	175,522	-15%
Other	**5,194**	5,545	-6%
Total Sales	**644,317**	667,748	-4%
Average Monthly Consumption Per Customer (kWh)			
Residential	**1,129**	1,117	1%
General Commercial	**2,501**	2,766	-10%
Large Commercial	**133,254**	136,963	-3%
Revenues (in thousands of $)			
Residential	**50,189**	46,154	9%
General Commercial	**21,932**	22,773	-4%
Large Commercial	**19,782**	22,234	-11%
Other (street lights etc.)	**857**	849	1%
Fuel Factor	**79,658**	106,346	-25%
Renewables	**5,032**	4,890	3%
Total Operating Revenues*	**177,450**	203,246	-13%

*Total CUC customers and revenue only

Fuel factor revenues for Fiscal 2020 totalled $79.7 million, a $26.6 million decrease from the $106.3 million in fuel factor revenues for Fiscal 2019. The average Fuel Cost Charge rate charged to consumers for Fiscal 2020 was $0.13 per kWh, compared to the Fuel Cost Charge rate of $0.17 per kWh for Fiscal 2019. Fuel factor revenues for Fiscal 2020 decreased when compared to Fiscal 2019 due to a decrease in the price of fuel.

The renewables revenues are a combination of charges from the Customer Owned Renewable Energy ("CORE") programme, Distributed Energy Resources ("DER") and Entropy Cayman Solar Limited, 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 BMR Energy Limited ("BMR Energy") for a 25-year term.

Operating Expenses

Total operating expenses for Fiscal 2020 decreased $25.2 million to $148.6 million from $173.8 million for Fiscal 2019. The main contributing factors to the decrease in operating expenses were lower power generation, general and administration and maintenance expenses. These items were partially offset by higher depreciation expenses.

Operating expenses were as follows:

Operating Expenses ($ thousands)	Year Ended December 31, 2020	Year Ended December 31, 2019	Change	% Change
Power Generation	**89,368**	115,898	(26,530)	-23%
General and Administration	**7,384**	7,952	(568)	-7%
Consumer Services	**3,618**	3,491	127	4%
Transmission and Distribution	**4,358**	4,492	(134)	-3%
Depreciation	**37,563**	35,541	2,022	6%
Maintenance	**5,489**	5,634	(145)	-3%
Amortisation of Intangible Assets	**814**	769	45	6%
Total Operating Expenses	**148,594**	173,777	(25,183)	-14%

Power Generation

Power generation costs for Fiscal 2020 totalled $89.4 million, a $26.5 million or 23% decrease, when compared to $115.9 million for Fiscal 2019. This decrease was a result of lower fuel costs.

Power generation expenses were as follows:

Power Generation ($ thousands) *Fuel, Lubricating Oil and Renewables costs stated net of deferred charges*	Year Ended December 31, 2020	Year Ended December 31, 2019	Change	% Change
Fuel Costs (net of deferred fuel costs)	**78,254**	104,863	(26,609)	-25%
Lubricating Oil Costs (net of deferred lubricating oil costs)	**1,403**	1,483	(80)	-5%
Renewables Costs (net of deferred renewables costs)	**5,031**	4,890	141	3%
Other Generation Expenses	**4,680**	4,662	18	0%
Total Power Generation expenses	**89,368**	115,898	(26,530)	-23%

The Company's average price per imperial gallon ("IG") of fuel for Fiscal 2020 decreased to $2.10 from $2.83 for Fiscal 2019. The Company's average price per IG of lubricating oil for Fiscal 2020 decreased to $9.41 from $9.46 for Fiscal 2019. The average prices of fuel and lubricating oil decreased in Fiscal 2020 due to decreases in global oil prices.

Total energy supplied to the grid for Fiscal 2020 was 667.0 million kWh, a 3.7% decrease when compared to 692.9 million kWh for Fiscal 2019. 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 programme and the BMR Energy Solar Farm.

Net fuel efficiency for Fiscal 2020 of 18.64 kWh per IG decreased when compared to net fuel efficiency for Fiscal 2019 of 18.88 kWh per IG.

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

In March 2011, the OfReg approved the Fuel Price Volatility Management Programme. The objective of the programme is to reduce the impact of volatility in the Fuel Cost Charge rate paid by the Company's customers for the fuel that the Company must purchase in order to provide electricity. A contract initiated in 2020 utilises call options and call spreads to promote transparency in pricing. The monthly hedging costs and returns are also included within the Fuel Tracker Account.

Renewables costs for Fiscal 2020 totalled $5.0 million, an increase of $0.1 million when compared to renewables costs of $4.9 million for Fiscal 2019. The renewables costs are a combination of charges from the CORE programme, DER and the BMR Energy solar farm.

Other generation expenses for Fiscal 2020 totalled $4.7 million, comparable to $4.7 million for Fiscal 2019.

General and Administration ("G&A")

G&A expenses for Fiscal 2020 totalled $7.4 million, a decrease of $0.6 million when compared to $8.0 million for Fiscal 2019. This decrease was due mainly to lower legal fees, performance share unit expenses and personnel costs in 2020 when compared to 2019. These items were partially offset by a decrease in General Expenses Capitalised ("GEC") and an increase in insurance premiums.

The Company capitalises certain overhead costs not directly attributable to specific capital assets but which relate to the overall capital expenditure programme. GEC totalled $5.7 million for Fiscal 2020, $0.3 million lower than the $6.0 million for Fiscal 2019.

Consumer Services ("CS")

CS expenses for Fiscal 2020 totalled $3.6 million, an increase of $0.1 million compared to $3.5 million for Fiscal 2019.

In accordance with its Allowance for Doubtful Accounts policy, the Company maintains an accumulated provision for uncollectible customer accounts receivable that is estimated based on known accounts, historical experience and other currently available information, including the economic environment.

Trade and Other Accounts Receivable

($ thousands)	As at December 31, 2020	As at December 31, 2019
Current	**3,268**	7,532
Past due 31-60 days	**341**	555
Past due 61-90 days	**360**	396
Past due over 90 days	**2,471**	1,973
Total Accounts Receivable	**6,440**	10,456
Less: Allowance for Credit Losses	**(2,303)**	-
Less: Allowance for Doubtful Accounts	**-**	(1,335)
Less: Consumer Deposits	**(11,067)**	(10,520)
Trade Receivables less Allowance for Doubtful Accounts and Consumer Deposits	**(6,930)**	(1,399)

Trade receivables, less allowances for credit losses, and consumer deposits as at December 31, 2020 were ($6.8) million, a decrease of $5.4 million, or 386%, when compared to ($1.4) million as at December 31, 2019. This decrease was primarily related to a decrease in current customer receivables, an increase in the allowance for credit losses and an increase in consumer deposits. Customer receivables decreased by $4.2 million mainly due to a decrease in the current category. Customer deposits as at December 31, 2020 totalled $11.1, an increase of $0.6 million when compared to customer deposits of $10.5 million as at December 31, 2019. The increase in deposits were due to larger deposits in 2020 for new customer accounts.

Transmission and Distribution ("T&D")

T&D expenses for Fiscal 2020 totalled $4.4 million, a decrease of $0.1 million when compared to T&D expenses of $4.5 million for Fiscal 2019. The decrease was mainly due to lower personnel costs partially offset by higher vegetation management costs.

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

Depreciation expense for Fiscal 2020 totalled $37.6 million, an increase of $2.1 million, or 6%, from $35.5 million for Fiscal 2019. This increase in depreciation was due to capital projects completed in prior periods.

Maintenance

Maintenance expenses for Fiscal 2020 totalled $5.5 million, a decrease of $0.1 million from $5.6 million for Fiscal 2019. The decrease is due to lower personnel costs.

Amortisation

Amortisation of intangible assets for Fiscal 2020 totalled $0.8 million comparable to $0.8 million for Fiscal 2019.

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

Other Income and Expenses

Net other expenses for Fiscal 2020 totalled $2.8 million, an increase of $2.4 million from $0.4 million for Fiscal 2019.

Other Income & Expenses

($ thousands)

	Year Ended December 31, 2020	Year Ended December 31, 2019	Change	% Change
Total Interest Costs	**(14,441)**	(14,001)	(440)	3%
AFUDC	**7,199**	7,229	(30)	0%
Total Finance Charges	**(7,242)**	(6,772)	(470)	7%
Foreign Exchange Gain	**1,139**	1,690	(551)	-33%
Other Income	**3,312**	4,713	(1,401)	-30%
Total Net Other Expenses	**(2,791)**	(369)	(2,422)	656%

Finance charges for Fiscal 2020 totalled $7.2 million, an increase of $0.4 million from $6.8 million for Fiscal 2019. This increase was a result of higher interest on long-term debt partially offset by lower interest on short-term debt for Fiscal 2020.

Under the T&D Licence there is a provision for an Allowance for Funds Used During Construction ("AFUDC"). As part of the rate base, this capitalisation of the financing cost is calculated by multiplying the Company's cost of capital rate by the average work in progress for each month. The Company's cost of capital rate is reviewed annually and for 2020 was 7.75% (2019: 8.50%) as agreed with the OfReg in accordance with the T&D Licence.

The AFUDC amount for Fiscal 2020 totalled $7.2 million comparable to $7.2 million for Fiscal 2019.

Foreign exchange gains and losses are the result of monetary assets and liabilities denominated in foreign currencies that are translated into United States dollars at the exchange rate prevailing on the date of the balance sheet. Revenue and expense items denominated in foreign currencies are translated into United States dollars at the exchange rate prevailing on the transaction date. Foreign exchange gains totalled $1.1 million for Fiscal 2020, a $0.6 million decrease when compared to $1.7 million for Fiscal 2019. Foreign exchange gains decreased due to lower foreign currency purchases.

Other income is comprised of income from the third-party customers of DataLink, income from pipeline operations, sale of meter sockets, sale of recyclable materials, performance rewards as part of the T&D Licence and other miscellaneous income. Performance standards as prescribed by the T&D Licence provide a balanced framework of potential penalties or rewards compared to historical performance in the areas of planning, reliability, operating and overall performance. Standards include "zones of acceptability" where no penalties or rewards would apply.

Other income totalled $3.3 million for Fiscal 2020, a decrease of $1.4 million when compared to $4.7 million for Fiscal 2019. This decrease was mainly due to the reversal in Fiscal 2019 of $1.1 million of previous year's bad debt expenses by DataLink. The decrease is also resulting from CUC ceasing disconnection fees and finance charges during 2020 due to the COVID-19 pandemic.

Revenues from DataLink for Fiscal 2020 are recorded in other income in the amount of $1.4 million, a decrease of $0.9 million from $2.3 million for Fiscal 2019.

The Economy

The Cayman Islands Economics and Statistics Office ("ESO") released the Consumer Price Index ("CPI") report for the Third Quarter of 2020 in December 2020. According to the report, the CPI for the Third Quarter of 2020 decreased by 1.6% compared to the Third Quarter of 2019. This decrease was a result of decreases in the prices for recreation and culture, housing and utilities, restaurant and hotels, transport and miscellaneous goods and services. Prices for education, food and non-alcoholic beverages, alcoholic beverages and tobacco, health communication, clothing and footwear and household equipment increased. The ESO is forecasting 2021 annual inflation of 4.5%.

The ESO also issued the First Quarter 2020 Economic Report in November 2020. The report indicated that the Gross Domestic Product ("GDP") expanded by an estimated 1.9% in the first three months of 2020. All sectors of the economy contributed to growth in the first three months of 2020, with the exception of hotels and restaurants including bars which contracted in the first three months of 2020. The sectors with the highest estimated growth were construction, mining and quarrying, manufacturing, electricity and water supply and real estate.

The ESO forecasted annual GDP contraction in 2020 of 7.8% with decreases in tourism, transportation and auxiliary services expected to continue for the remainder of the year due to the impact of the COVID-19 pandemic.

In 2020, the Cayman Islands financial services sector experienced mixed results. Overall, there were fewer bank licences and mutual fund administrators when compared to the prior year. However, there was increased growth in the number of mutual funds, captive insurance companies and registered companies, when compared to the prior year. The Cayman Islands continue to be one of the world's largest banking sectors in terms of assets and one of the top jurisdictions for captive insurance companies in terms of the number of captive insurance companies and total assets under management.

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

Indicators for the Financial Services Industry

(for the years ended December 31)

	2020	2019	2018	2017	2016
Bank Licences	**110**	125	133	148	159
Mutual Funds	**11,312**	10,857	10,992	10,559	10,586
Mutual Fund Administrators	**76**	81	88	97	106
Registered Companies	**111,568**	109,556	107,309	99,327	96,248
Captive Insurance Companies	**679**	672	730	724	740

The tourism sector is the second main pillar of the Cayman Islands economy. The Cayman Islands tourism demographic is largely comprised of visitors from the US. Due to the COVID pandemic, the tourism industry has been shut down since March 2020, however in 2019, 83.3% of air arrivals to the country were citizens of the US. As such, the US economy has a large impact on the Cayman Islands' economy.

Due to the COVID-19 pandemic, the Cayman Islands ports have been mostly closed to tourism since March 2020. As a result, air arrivals decreased by 71%, and cruise arrivals decreased by 71% in Fiscal 2020, when compared to Fiscal 2019. Air arrivals have a direct impact on the Company's sales growth, as such visitors are stay-over visitors who occupy hotels. Cruise arrivals have an indirect impact on the Company's sales growth, as such visitors affect the opening hours of the establishments operating for that market.

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

Tourist Arrivals to the Cayman Islands

(for the years ended December 31)

	2020	2019	2018	2017	2016
By Air	**145,647***	502,739	463,001	418,403	385,451
By Sea	**538,140**	1,831,011	1,921,057	1,728,444	1,711,849
Total	**683,787**	2,333,750	2,384,058	2,146,847	2,097,300

**Total as at November 30, 2020*

The future of the tourism industry is expected to be positively impacted by new construction projects such as the Curio Collection by Hilton Hotel and the Grand Hyatt Grand Cayman Hotel. The Curio Collection by Hilton Hotel will have 80 rooms. The tourism sector is also expected to receive a boost by the new 351-room Grand Hyatt Grand Cayman Hotel and Residences resort on Seven Mile Beach. It is expected to have 25,000 square feet of indoor meeting and event space, making it the largest function space in the Cayman Islands.

Both projects are expected to create additional employment opportunities and increase stay-over tourism. While both projects have had delays due to the inability to get contractors on island due to the shutdown of the seaports due to the COVID-19 pandemic, both projects are expected to resume completion once the Cayman Islands ports reopen pending the arrival of a vaccine.

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 2020 compared to Fiscal 2019:

Cash Flows
($ thousands)

	Year Ended December 31, 2020	Year Ended December 31, 2019	Change	% Change
Beginning Cash	**23,662**	8,686	14,976	172%
Cash Provided By/(Used In):				
Operating Activities	**66,514**	62,114	4,400	7%
Investing Activities	**(56,282)**	(61,598)	5,316	9%
Financing Activities	**11,692**	14,460	(2,768)	-19%
Ending Cash	**45,586**	23,662	21,924	93%

Operating Activities:

Cash flow provided by operations, after working capital adjustments, for Fiscal 2020, was $66.5 million, an increase of $4.4 million from $62.1 million for Fiscal 2019. This increase was primarily due to the movement in other assets, inventory and accounts receivable. The items were partially offset by lower earnings and the movement in regulatory deferrals. The movement in regulatory deferrals was due to decreases in deferred fuel costs due to lower average fuel prices and decreases in the demand rate regulatory asset. These items were partially offset by the increase in the deferred 2020 revenues and the deferred regulatory asset.

Investing Activities:

Cash used in investing activities for Fiscal 2020 totalled $56.3 million, a decrease of $5.3 million from $61.6 million for Fiscal 2019. This decrease was due to lower capital expenditures and higher proceeds on disposed assets.

Financing Activities:

Cash provided by financing activities totalled $11.7 million for Fiscal 2020, a decrease in cash of $2.8 million when compared to $14.5 million of cash provided by financing activities for Fiscal 2019. This decrease is due to lower proceeds of long-term debt issued during 2020, partially offset by higher proceeds from share issues pursuant to the Offering and the repayment of short-term debt in 2019.

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 2021 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 $70.0 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:	
Letter of Guarantee	1,000
Operating, Revolving Line of Credit	10,000
Catastrophe Standby Loan	7,500
Demand Loan Facility - Interim Funding of Capital Expenditures	51,000
Total	**69,500**
Provided by RBC:	
Corporate Credit Card Line	500
Total	**70,000**

As at December 31, 2020, $69.0 million was available under the Company's credit facilities.

Transactions with Related Parties

Related-party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

The related-party transactions for 2020 and 2019 are summarised in the following table.

Related Party Transactions *($ thousands)*	As at December 31, 2020	As at December 31, 2019
Receivables from FortisTCI (a subsidiary of Fortis Inc.)	**-**	5
Receivables from UNS Energy/TEP (a subsidiary of Fortis Inc.)	**7**	-
Total Related Party Receivables	**7**	5

Receivables include but are not limited to travel expenses, hurricane preparedness, membership fees and insurance premiums.

Contractual Obligations

As at December 31, 2020, 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	308,714	14,130	35,039	39,870	219,675
Long-Term Debt Interest	142,734	13,083	23,495	19,875	86,281
Total	**451,448**	**27,213**	**58,534**	**59,745**	**305,956**

Power Purchase Obligation

In 2015, the Company entered into a PPA with BMR Energy Limited, 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. The approximate remaining quantities under the fuel supply contract with RUBiS on an annual basis is 23.0 million IGs for the year ended December 31, 2021. The approximate remaining quantities under the fuel supply contract with Sol on an annual basis is 15.4 million IGs for the year ended December 31, 2021. 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 2020 to Fiscal 2019.

Significant Changes in Balance Sheet

(for the year ended December 31, 2020)

Balance Sheet Account	Increase/ (Decrease) *($ thousands)*	Explanation
Cash and Cash Equivalents	21,924	Increase due to cash provided by operating activities of $66.5 million and cash provided by financing activities of $11.7 million, partially offset by cash used in investing activities of $56.3 million.
Accounts Receivable	(4,984)	Decrease due to lower electricity sales and a decrease in fuel factor revenues.
Inventories	(1,093)	Decrease in fuel inventory due to lower fuel prices.
Property, Plant and Equipment	16,505	Net increase is comprised of (1) capital expenditures of $53.4 million; (2) depreciation expense of $37.6 million; (3) $1.8 million in accrued capital expenditure; (4) $0.8 million from proceeds on disposed assets; and (5) $0.3 million in funds received in aid of construction.
Accounts Payable and Accrued Expenses	(6,385)	Decrease attributable to decreases in fuel costs payable and capital expenditure accruals.
Regulatory Liabilities	1,327	Increase due to government regulatory fee.
Long-Term Debt	(14,017)	Principal payments made on the Company's Senior Unsecured Notes in Fiscal 2020.
Share Premium	51,388	The Company issued 3,359,362 Class A Ordinary shares in connection with the Offering and 259,822 Class A Ordinary Shares through its share purchase plans.
Retained Earnings	1,011	Increase due to net earnings for the year of $26.1 million, offset by dividend payments on the Class A Ordinary Shares of $24.1 million, and dividend payments on the Class B Preference Shares of $1 million.

Capital Resources

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

To 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 60% of the Company's consolidated capital structure, as defined by short-term and long-term debt agreements. As at December 31, 2020, the Company was in compliance with all debt covenants.

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

Capital Structure				
	December 31, 2020 ($ thousands)	**%**	**December 31, 2019 ($ thousands)**	**%**
Total Debt	**307,306**	**51**	322,050	58
Shareholder's Equity	**289,499**	**49**	237,942	42
Total	**596,805**	**100**	559,992	100

The change in the Company's capital structure between December 31, 2020 and December 31, 2019 was driven by an increase in equity resulting from the issuance of Class A Ordinary Shares pursuant to the Offering and a reduction in total debt due to principal payments made on the Company's Senior Unsecured Notes.

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

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

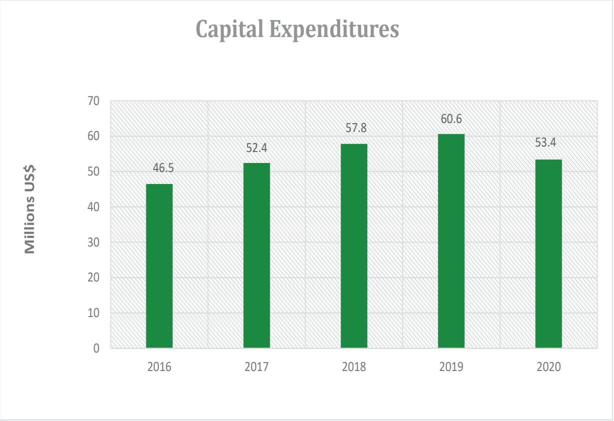
The S&P rating is in relation to long-term corporate credit and senior unsecured debt while the DBRS rating relates to senior unsecured debt.

In November 2020, S&P affirmed the Company's "BBB+ with a negative outlook" rating. The negative outlook on CUC is based on the fact that the COVID-19 pandemic could have a severe impact to the Cayman Island's tourism industry. This in turn could affect CUC's financial measures.

In February 2020, DBRS affirmed the Company's "A" credit rating while maintaining the categorization of low with a Stable trend. Considerations for the rating were a supportive regulatory regime that allows the Company to earn good returns on its rate base and to generate predictable cash flow, limited competition, and no exposure to commodity price risk and only modest regulatory lag associated with the recovery of fuel, nonfuel costs, and capital spending. The ratings also incorporate factors such as CUC's exposure to hurricane risks and the relatively small size of the Company's customer base.

Capital Expenditures

Capital expenditures net of contribution in aid of construction for Fiscal 2020 were $53.4 million, a $7.2 million, or 12 % decrease from $60.6 million in capital expenditures for Fiscal 2019. The capital expenditures for Fiscal 2020 primarily related to:



- Distribution System Extension and Upgrades - $18.8 million.
- Generation Replacement Cost - $11.4 million.
- Scada upgrade - $2.8 million.
- Facility and Auxiliary Asset Replacement Cost – $2.4 million.
- Prospect 69/13 kV substation - $1.7 million.
- Seven Mile Beach 69/13 kilovolt ("kV") substation - $1.1 million.
- Engine Room upgrades - $0.9 million.
- LED Lighting Replacement - $0.9 million.
- Other Plant Building Upgrades - $0.9 million.
- REC 580 Retrofit North Sound, Hydesville & South Sound - $0.8 million.
- AFUDC of $7.2 million was capitalised in Fiscal 2020.
- Contribution in Aid of Construction was $0.3 million.

Capital Expenditures

($ thousands)

	Year Ended December 31, 2020	Year Ended December 31, 2019	Change	% Change	Forecast 2021
Transmission	**3,420**	18,462	(15,042)	-81%	5,687
Distribution	**22,163**	16,719	5,444	33%	21,225
Generation	**20,746**	21,081	(335)	-2%	26,931
Other	**7,080**	4,330	2,750	64%	4,384
Total	**53,409**	60,592	(7,183)	-12%	58,227

The Prospect Substation is expected to be commissioned in 2021.

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, as prior to Covid-19 restrictions, 83.3% of the island's stay-over visitors arrive from the US annually.

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 perceived as 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 2018.

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 Convention, governments are obligated to gather and report information on GHG emissions through the preparation of a national greenhouse gas inventory. The inventory primarily requires the Cayman Islands to quantify as best as possible the country's fuel consumption across a variety of sectors, production processes and distribution means. CUC continues to supply the Department of Environment with data for Cayman's GHG inventory.

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

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 disaster, 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.

Electricity systems are designed to service customers under various contingencies in accordance with good utility practice. The Company is responsible for operating and maintaining their assets in a safe manner, including the development and application of appropriate standards, system processes and/or procedures to ensure the safety of employees, contractors and the general public. The impacts of climate change may disrupt the ability of the Company to safely provide service, which could cause reputational harm and other impacts with a material adverse effect.

Global Pandemic

The development and rapid evolution of the COVID-19 Pandemic has illustrated the risk to global economies, including that of the Cayman Islands, with the closure of businesses, schools, hotels, restaurants, seaports and airports. Steps warranted to protect the health and safety of employees, customers and communities, including actions based on guidance from the Cayman Islands Government and the relevant health authorities inevitably influence the economic conditions in the service area of the Company and impact electricity sales. The evolution of a pandemic increase 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, 2020 for one year under similar terms and coverage as in prior years. Insurance terms and coverage include $100.0 million in property and machinery breakdown insurance and business interruption insurance per annum with a 24-month indemnity period and a waiting period on non-named Wind, Quake and Flood of 60-days. Any Named Wind, Quake and Flood deductible has a 45-day waiting period. All T&D assets outside of 1,000 feet from the boundaries of the main power plant and substations are excluded, as the cost of such coverage is not considered economical. There is a single event cap of $100 million. Each "loss occurrence" is subject to a deductible of $1.0 million, except for windstorm (including hurricane) and earth movement for which the deductible is 2% of the value of each location that suffers loss, but subject to a minimum deductible of $1.0 million and maximum deductible of $4.0 million for all interests combined.

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

In addition to the coverage discussed above, the Company has also purchased an excess layer of an additional $150.0 million limit on property and business interruption (excluding windstorm, earth movement and flood). Other insurance coverage includes, but is not limited to; business interruption which covers losses resulting from the necessary interruption of business caused by direct physical loss or damage to CUC's covered property, and loss of revenues resulting from damage to customers' property.

Defined Benefit Pension Plan

The Company maintains a defined benefit pension plan, which provides a specified monthly benefit on retirement irrespective of individual investment returns. There are currently two participants in the pension plan. The assumed long-term rate of return on pension plan assets for the purposes of estimating pension expense for 2020 is 5%. This compares to assumed long-term rates of return of 5% used during 2019. There is no assurance that the pension plan assets will be able to earn the assumed rate of returns. The loss on pension plan assets during 2020 was 2% (2019: gain of 6%).

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 2020 is 3.2% compared to the discount rate assumed during 2019 of 4.2%.

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.

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 and accrued expenses, consumers' deposits and advances for construction and long-term debt.

Credit Risk

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

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

Liquidity Risk

The Company's financial position could be adversely affected if it failed to arrange sufficient and cost-effective financing to fund, among other things, capital expenditures and the repayment of maturing debt. The ability to arrange such financing is subject to numerous factors, including the results of operations and financial position of the Company, conditions in the capital and bank credit markets, ratings assigned by ratings agencies and general economic conditions. These factors are mitigated by the 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 2021.

The ongoing economic impact of the COVID-19 pandemic may affect CUC's customers' ability to pay their energy bills. During 2020, CUC had various customer relief initiatives, including the suspension of non-payment disconnects and late fees, and payment deferral programs to help ease the financial burden on customers. Disconnections and late fees on unpaid bills resumed in July 2020. As at December 31, 2020, the Company's allowance for credit losses was adjusted to account for the uncertainty of the collection of accounts receivables due to the impact of the COVID-19 pandemic. See Note 6 in the Condensed Consolidated Interim Financial Statements.

In connection with the Offering, the Company raised $47.8 million through the issue of 3,359,362 Class A Ordinary Shares at a price of $14.24 per Class A Ordinary Share. The net proceeds of the Offering were used to re-pay short-term debt of $25.0 million and finance capital projects.

Interest Rate Risk

Long-term debt is issued at fixed interest rates, thereby minimizing cash flow and interest rate exposure. The Company is primarily exposed to risks associated with fluctuating interest rates on its short-term borrowings and other variable interest credit facilities. The current amount of short-term borrowings is $nil (December 31, 2019: $nil).

Changes in Accounting Policies

The 2020 Annual Consolidated Financial Statements have been prepared following the same accounting policies and methods as those used to prepare the Company's 2019 annual audited consolidated financial statements, except as described below.

Measurement of Credit Losses on Financial Instruments

Effective January 1, 2020, the Company adopted ASU No. 2016-13, *Measurement of Credit Losses on Financial Instruments*, issued in June 2016. Principally, it 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 new 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.

Future Accounting Policies

The Company considers the applicability and impact of all ASUs issued by the Financial Accounting Standards Board ("FASB"). The following updates have been issued by FASB but have not yet been adopted by the Company. Any ASUs not included below 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.

Changes to the Disclosure Requirements for Defined Benefit Plans

ASU No. 2018-14, *Changes to the Disclosure Requirements for Defined Benefit Plans*, issued in August 2018, is effective for CUC as of January 1, 2021 and is to be applied on a retrospective basis for all periods presented. Principally, it modifies the disclosure requirements for employers with defined pension or other post-retirement plans and clarifies disclosure requirements. In particular, it removes the following disclosures: (i) the amounts in accumulated other comprehensive income expected to be recognised as components of net period benefit costs over the next fiscal period; (ii) the amount and timing of plan assets expected to be returned to the employer; and (iii) the effects of a one-percentage-point change on the assumed health care costs and the change in rates on service cost, interest cost and the benefit obligation for post-retirement health care benefits. CUC early adopted this update in the 2019 annual consolidated financial statements.

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, 2020, the Company has a long-term liability of $2.9 million (December 31, 2019: $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, 2020, the net book value of the PP&E was $554.5 million, compared to $538.0 million as at December 31, 2019, increasing as a result of the Company's generation and T&D capital expenditures. Depreciation expense for Fiscal 2020 was $37.6 million ($35.5 million for Fiscal 2019). 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, 2020, 2019 and 2018.

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, 2020	**Year Ended December 31, 2019**	**Year Ended December 31, 2018**
Total Operating Revenues	**177,450**	203,246	194,578
Net Earnings for the Year	**26,065**	29,100	26,770
Earnings on Class A Ordinary Shares	**25,095**	28,130	25,805
Total Assets	**633,667**	600,417	562,754
Long-Term Debt	**293,176**	307,193	242,299
Preference Shares	**250**	250	250
Total Shareholders' Equity	**289,499**	237,942	230,382
Earnings per Class A Ordinary Share	**0.74**	0.84	0.78
Diluted Earnings per Class A Ordinary Share	**0.74**	0.84	0.78
Dividends Declared per Class A Ordinary Share	**0.70**	0.70	0.695
Dividends Declared per Class B Preference Share	**3.88**	3.88	3.86

Comparative results 2020/2019

Operating revenues for Fiscal 2020 totalled $177.5 million, a decrease of $25.7 million from $203.2 million for Fiscal 2019.

Net earnings for Fiscal 2020 were $26.1 million, a $3.0 million decrease from net earnings of $29.1 million for Fiscal 2019. This decrease is primarily attributable to a 3.5% decrease in kWh sales and higher depreciation costs, higher finance charges and lower other income. For a discussion of the reasons for the changes in Operating Revenues, Earnings on Class A Ordinary Shares and Earnings per Class A Ordinary Share, refer to the "Operating Revenues" and "Earnings" sections of this MD&A.

The growth in total assets was mainly due to the distribution system extension and upgrades and generation replacement costs. The decrease in long-term debt was due to debt repayments of $14.9 million in Fiscal 2020.

2020 Fourth Quarter Results

Net earnings for the three months ended December 31, 2020 ("Fourth Quarter 2020") were $7.4 million, a $1.2 million increase when compared to $6.2 million for the three months ended December 31, 2019 ("Fourth Quarter 2019"). This increase was due primarily to lower transmission and distribution costs of $0.8 million (Fourth Quarter 2019: $1.4 million), lower consumer services costs of $0.5 million (Fourth Quarter 2019: $1.0 million), lower maintenance costs of $0.9 million (Fourth Quarter 2019: $1.5 million) and lower other expenses of $0.3 million for Fourth Quarter 2020 (Fourth Quarter 2019: $0.4 million). Following OfReg approval, during the Fourth Quarter 2020 the Company recorded a Regulatory Asset of $0.7 million for recoverable COVID-19 related expenses, including potential credit losses resulting from suspension of disconnections during the pandemic. These items were partially offset by lower kWh sales in the Fourth Quarter 2020 when compared to kWh sales in the Fourth Quarter 2019.

As part of its COVID-19 Customer Relief Programme, OfReg granted the Company approval to defer the required June 1, 2020 base rate increase until January 1, 2021. For the period June 1, 2020 to December 31, 2020 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, 2020 was $3.5 million and will be recovered within two years from the effective date of the increase on January 1, 2021.

The Company was also granted approval by OfReg to recover various COVID-19 related expenses, including potential credit losses resulting from suspension of disconnections during the pandemic. A total of $0.7 million was recorded as a Regulatory Asset and will be recovered through future rates.

After the adjustment for dividends on the preference shares of the Company, earnings on Class A Ordinary Shares for the Fourth Quarter 2020 were $6.8 million, or $0.19 per Class A Ordinary Share, as compared to $5.6 million, or $0.17 per Class A Ordinary Share for the Fourth Quarter 2019.

kWh sales for the Fourth Quarter 2020 were 151.4 million, a decrease of 12.5 million when compared to 163.9 million for the Fourth Quarter 2019. The decrease was driven by reductions in the large commercial customers' kWh consumption partially offset by the increase in residential customers' kWh consumption in Fourth Quarter 2020.

Total operating expenses for the Fourth Quarter 2020 decreased 23% or $10.3 million to $34.7 million from $45.0 million for the Fourth Quarter 2019. The main contributing factors to this decrease were lower transmission and distribution, consumer services and maintenance expenses. These factors were partially offset by lower foreign exchange income.

Cash flow provided by operations, after working capital adjustments, for the Fourth Quarter 2020, was $16.9 million, an increase of $2.4 million when compared to $14.5 million for the Fourth Quarter 2019. This increase was primarily due to changes in non-cash working capital balances. Cash used in investing activities totalled $14.5 million for the Fourth Quarter 2020, a decrease of $5.0 million from $19.5 million for the Fourth Quarter 2019. This decrease was due to lower capital expenditures and higher contributions in aid of construction. Cash provided by financing activities totalled $13.9 million for the Fourth Quarter 2020, an increase of $22.1 million from $8.2 million used in financing activities for the Fourth Quarter 2019. The increase relates to the increase in proceeds from share issues partially offset by higher repayment of short-term debt.

Capital expenditures for the Fourth Quarter 2020 were $13.7 million, a 5.6 million, or 29%, decrease from $19.3 million for the Fourth Quarter 2019.

Quarterly Results

The following table summarises unaudited quarterly information for each of the eight quarters ended March 31, 2019 through December 31, 2020. 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, 2020	**42,399**	**7,382**	**6,751**	**0.19**	**0.19**
September 30, 2020	**43,921**	**10,353**	**10,240**	**0.31**	**0.31**
June 30, 2020	**45,042**	**4,504**	**4,391**	**0.13**	**0.13**
March 31, 2020	**46,088**	**3,826**	**3,713**	**0.11**	**0.11**
December 30, 2019	51,528	6,213	5,580	0.17	0.17
September 30, 2019	56,337	10,404	10,291	0.31	0.31
June 30, 2019	48,037	7,943	7,830	0.24	0.24
March 31, 2019	47,345	4,542	4,429	0.13	0.13

December 2020/December 2019

Net earnings for Fourth Quarter 2020 were $7.4 million, a $1.2 million increase when compared to $6.2 million for Fourth Quarter 2019. This increase was due primarily to lower transmission and distribution costs of $0.8 million (Fourth Quarter 2019: $1.4 million), lower consumer services costs of $0.5 million (Fourth Quarter 2019: $1.0 million), lower maintenance costs of $0.9 million (Fourth Quarter 2019: $1.5 million) and lower other expenses of $0.3 million (Fourth Quarter 2019: $0.4 million). These items were partially offset by lower kWh sales in the Fourth Quarter 2020 when compared to kWh sales in the Fourth Quarter 2019.

After the adjustment for dividends on the preference shares of the Company, earnings on Class A Ordinary Shares for the Fourth Quarter 2020 were $6.7 million, or $0.19 per Class A Ordinary Share, as compared to $5.6 million, or $0.17 per Class A Ordinary Share for the Fourth Quarter 2019.

September 2020/September 2019

Net earnings for the three months ended September 30, 2020 ("Third Quarter 2020") totalled $10.4 million, comparable to net earnings of $10.4 million for the three months ended September 30, 2019 ("Third Quarter 2019").

After the adjustment for dividends on the preference shares of the Company, earnings on Class A Ordinary Shares for the Third Quarter 2020 were $10.2 million, or $0.31 per Class A Ordinary Share, comparable to earnings on Class A Ordinary Shares of $10.3 million or $0.31 per Class A Ordinary Share for the Third Quarter 2019.

June 2020/June 2019

Operating income for the three months ended June 30, 2020 ("Second Quarter 2020") totalled $5.6 million, a decrease of $2.6 million when compared to operating income of $8.2 million for the three months ended June 30, 2019 ("Second Quarter 2019"). The decrease is primarily attributable to lower electricity sales revenues and higher depreciation, maintenance and consumer services expenses.

Net earnings for Second Quarter 2020 totalled $4.5 million, a decrease of $3.4 million from $7.9 million in Second Quarter 2019. In addition to the items impacting operating income, net earnings were also negatively impacted by higher finance charges driven by higher long-term debt and lower AFUDC.

After the adjustment for dividends on the preference shares of the Company, earnings on Class A Ordinary Shares for Second Quarter 2020 were $4.4 million, or $0.13 per Class A Ordinary Share, compared to earnings on Class A Ordinary Shares of $7.8 million, or $0.24 per Class A Ordinary Share for Second Quarter 2019.

March 2020/March 2019

Operating income for the three months ended March 31, 2020 ("First Quarter 2020") totalled $4.7 million, a decrease of $0.3 million when compared to operating income of $5.0 million for three months ended March 31, 2019 ("First Quarter 2019"). The decrease was due to higher depreciation and transmission and distribution costs in First Quarter 2020. These items were partially offset by higher electricity sales and lower general and administration costs.

Net earnings decreased $0.7 million from $4.5 million in First Quarter 2019 to $3.8 million in First Quarter 2020. The decrease in net earnings is due primarily to higher depreciation, transmission and distribution and finance charges. These items were partially offset by higher electricity sales and lower general and administration costs.

After the adjustment for dividends on the preference shares of the Company, earnings on Class A Ordinary Shares for the First Quarter 2020 were $3.7 million, or $0.11 per Class A Ordinary Share, compared to earnings on Class A Ordinary Shares of $4.4 million, or $0.13 per Class A Ordinary Share, for the First Quarter 2019.

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, 2020; 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, 2020.

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, 2020.

There have been no changes in the Company's ICFR that occurred during the year ended December 31, 2020 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Outlook

During the Third Quarter 2020, the Company submitted its 2021-2025 CIP in the amount of $313.0 million to OfReg for approval. The Company also submitted an additional $24.0 million in proposed efficiency and grid enhancement projects for review by the OfReg. These additional projects are expected to be financed by a direct recovery mechanism outside of the Company's rate cap and adjustment mechanism and have the potential to provide significant financial or service benefits to consumers. A decision on the proposed 2021-2025 CIP is expected during the First Quarter 2021.

As part of its COVID-19 Customer Relief Programme, the Company proposed to OfReg to defer the required June 1, 2020 rate increase until January 1, 2021. During the Third Quarter 2020, OfReg approved the Company's proposal. For the period from June 1, 2020 to December 31, 2020, 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, 2020 was $3.5 million. The amount recorded will be recovered within two years from the effective date of the increase on January 1, 2021.

The Company was also granted approval by OfReg to recover various COVID-19 related expenses, including potential credit losses resulting from suspension of disconnections during the pandemic. A total of $0.7 million was recorded as a Regulatory Asset and will be recovered through future rates.

Subsequent Events: Outstanding Share Data

As at February 11, 2021 the Company had issued and outstanding 37,095,463 Class A Ordinary Shares and 250,000 9% Cumulative Participating Class B Preference Shares.

The number of Class A Ordinary Shares that would be issued if all outstanding stock options were exercised as at February 11, 2021 is as follows:

Exercise of Options into Class A Ordinary Shares As at February 11, 2021	**Number of Class A Ordinary Shares**
Stock Options	1,000

Additional information, including the Company's most recent Annual Information Form, is available on SEDAR at *www.sedar.com* and on the Company's website at *www.cuc-cayman.com*. The information contained on, or accessible through, either of these websites is not incorporated by reference into this document.

Management's Responsibility for Financial Reporting

The accompanying Annual Consolidated Financial Statements of Caribbean Utilities Company, Ltd. and all information in the 2020 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 2020 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 2020 Annual Report were reviewed by the Audit Committee and, on their recommendation, were approved by the Board of Directors of the Company. Deloitte LLP, independent auditors appointed by the shareholders of the Company upon recommendation of the Audit Committee, have performed an audit of the Annual Consolidated Financial Statements and their report follows.

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

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

Independent Auditor's Report

To the Shareholders 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, 2020 and 2019, 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, 2020 and 2019, 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 Matters

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, 2020. 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 Notes 1 and 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; and
- 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 and will 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 the 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 Brian Groves.

Deloitte LLP

Chartered Professional Accountants

St. John's, Canada
February 11, 2021

Consolidated Balance Sheets

(expressed in thousands of United States Dollars)

	Note	As at December 31, 2020	As at December 31, 2019
Assets			
Current Assets			
Cash		**45,586**	23,662
Accounts Receivable (Net of Allowance for Credit Losses and Doubtful Accounts of $2,303 and $1,335)	6	**4,137**	9,121
Related Party Receivables	21	**7**	5
Regulatory Assets	7	**18,197**	18,144
Inventories	8	**3,437**	4,530
Prepayments		**3,755**	2,980
Total Current Assets		**75,119**	58,442
Property, Plant and Equipment, net	9	**554,491**	537,986
Intangible Assets, net	10	**3,744**	3,598
Other Assets	4	**313**	391
Total Assets		**633,667**	600,417
Liabilities and Shareholders' Equity			
Current Liabilities			
Accounts Payable and Accrued Expenses	11	**18,992**	25,377
Regulatory Liabilities	7	**2,625**	1,298
Current Portion of Long-Term Debt		**14,130**	14,857
Consumers' Deposits and Advances for Construction		**11,286**	10,520
Current Portion Lease Liability	4	**80**	76
Total Current Liabilities		**47,113**	52,128
Defined Benefit Pension Liability	19	**2,891**	1,827
Long-Term Debt	12	**293,176**	307,193
Other Long-Term Liabilities	4,14	**988**	1,327
Total Liabilities		**344,168**	362,475
Commitments and Contingency	22,23		
Shareholders' Equity			
Share Capital[1]		**2,458**	2,243
Share Premium		**181,671**	130,283
Retained Earnings		**108,292**	107,281
Accumulated Other Comprehensive Loss		**(2,922)**	(1,865)
Total Shareholders' Equity		**289,499**	237,942
Total Liabilities and Shareholders' Equity		**633,667**	600,417

See accompanying Notes to Annual Consolidated Financial Statements

Agreed on behalf of the Board of Directors by:

David E. Ritch, OBE, JP
Director

J.F. Richard Hew
Director

[1] Consists of Class A Ordinary Shares of 37,095,463 and 33,476,279 issued and outstanding as at December 31, 2020 and 2019 and Class B Preference Shares of 250,000 and 250,000 issued and outstanding as at December 31, 2020 and 2019, 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, 2020	Year Ended December 31, 2019
Operating Revenues			
Electricity Sales		**92,760**	92,010
Fuel Factor		**79,658**	106,346
Renewables		**5,032**	4,890
Total Operating Revenues	5	**177,450**	203,246
Operating Expenses			
Power Generation		**89,368**	115,898
General and Administration		**7,384**	7,952
Consumer Services		**3,618**	3,491
Transmission and Distribution		**4,358**	4,492
Depreciation		**37,563**	35,541
Maintenance		**5,489**	5,634
Amortisation of Intangible Assets		**814**	769
Total Operating Expenses		**148,594**	173,777
Operating Income		**28,856**	29,469
Other (Expenses)/Income:			
Finance Charges	18	**(7,242)**	(6,772)
Foreign Exchange Gain	20	**1,139**	1,690
Other Income		**3,312**	4,713
Total Net Other (Expenses)		**(2,791)**	(369)
Net Earnings for the Year		**26,065**	29,100
Preference Dividends Paid- Class B		**(970)**	(970)
Earnings on Class A Ordinary Shares		**25,095**	28,130
Weighted-Average Number of Class A Ordinary Shares Issued and Fully Paid (in thousands)	15	**34,126**	33,322
Earnings per Class A Ordinary Share	15	**0.74**	0.84
Diluted Earnings per Class A Ordinary Share	15	**0.74**	0.84
Dividends Declared per Class A Ordinary Share		**0.700**	0.700

See accompanying Notes to Annual Consolidated Financial Statements

Consolidated Statements of Comprehensive Income

(expressed in thousands of United States Dollars)

	Year Ended December 31, 2020	Year Ended December 31, 2019
Net Earnings for the Year	**26,065**	29,100
Other Comprehensive Loss:		
Net Actuarial Loss	**(1,122)**	(725)
Amortisation of Net Actuarial Loss	**65**	27
Total Other Comprehensive Loss	**(1,057)**	(698)
Comprehensive Income	**25,008**	28,402

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, 2019	**33,476**	**1,993**	**250**	**130,283**	**(1,865)**	**107,281**	**237,942**
Net earnings	**-**	**-**	**-**	**-**	**-**	**26,065**	**26,065**
Common share issuance and stock options plans	**3,619**	**215**	**-**	**51,388**	**-**	**-**	**51,603**
Defined benefit plans	**-**	**-**	**-**	**-**	**(1,057)**	**-**	**(1,057)**
Dividends on common shares	**-**	**-**	**-**	**-**	**-**	**(24,084)**	**(24,084)**
Dividends on preference shares	**-**	**-**	**-**	**-**	**-**	**(970)**	**(970)**
As at December 31, 2020	**37,095**	**2,208**	**250**	**181,671**	**(2,922)**	**108,292**	**289,499**
As at December 31, 2018	33,232	1,978	250	126,837	(1,167)	102,484	230,382
Net earnings	-	-	-	-	-	29,100	29,100
Common share issuance and stock options plans	244	15	-	3,446	-	-	3,461
Defined benefit plans	-	-	-	-	(698)	-	(698)
Dividends on common shares	-	-	-	-	-	(23,333)	(23,333)
Dividends on preference shares	-	-	-	-	-	(970)	(970)
As at December 31, 2019	33,476	1,993	250	130,283	(1,865)	107,281	237,942

See accompanying Notes to Annual Consolidated Financial Statements

Consolidated Statements of Cash Flows

(expressed in thousands of United States Dollars)

	Note	Year Ended December 31, 2020	Year Ended December 31, 2019
Operating Activities			
Net Earnings for the year		**26,065**	29,100
Items not affecting cash:			
Depreciation		**37,563**	35,541
Amortisation of Intangible Assets		**814**	769
Amortisation of Deferred Financing Costs		**134**	125
Change in Non-Cash DataLink Adjustment	23	**-**	1,085
		64,576	66,620
Net changes in working capital balances related to operations:			
Accounts Receivable		**4,984**	3,478
Inventory		**1,093**	(1,079)
Prepaid Expenses		**(775)**	(649)
Accounts Payable		**(6,385)**	(9,481)
Net Change in Regulatory Deferrals		**1,274**	4,243
Other		**1,747**	(1,018)
Cash flow related to operating activities		**66,514**	62,114
Investing Activities			
Purchase of Property, Plant and Equipment		**(56,472)**	(60,507)
Proceeds from Sale of Property, Plant and Equipment		**-**	42
Costs related to Intangible Assets		**(965)**	(1,261)
Proceeds on Disposed Asset		**827**	-
Contributions in Aid of Construction		**328**	128
Cash flow related to investing activities		**(56,282)**	(61,598)
Financing Activities			
Proceeds from Long-Term Debt Financing		**-**	80,000
Repayment of Short-Term Debt		**-**	(30,000)
Repayment of Long-Term Debt		**(14,857)**	(12,714)
Decrease in Bank Overdraft		**-**	(1,993)
Dividends Paid		**(25,054)**	(24,294)
Net Proceeds from Share Issuance		**51,603**	3,461
Cash flow related to financing activities		**11,692**	14,460
Increase in net cash		**21,924**	14,976
Cash - Beginning of year		**23,662**	8,686
Cash - End of year		**45,586**	23,662
Supplemental disclosure of cash flow information:			
Interest paid during the year		**14,371**	13,233

See accompanying Notes to Annual Consolidated Financial Statements

Notes to Annual Consolidated Financial Statements

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

1. Nature of Operations and Consolidated Financial Statement Presentation

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

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

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

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

All intercompany balances and transactions have been eliminated on consolidation.

Rate Regulated Operations

CUC's base rates are designed to recover all non-fuel and non-regulatory costs and include per kilowatt-hour ("kWh") electricity charges and fixed facilities charges. Fuel cost charges, renewables costs and regulatory fees are billed as separate line items. Base rates are subject to an annual review and adjustment each June through the Rate Cap and Adjustment Mechanism ("RCAM").

In April 2020, the Company submitted its annual rate adjustment to OfReg for review and approval. The required rate increase as confirmed by OfReg, was 6.6%, with an effective date of June 1, 2020. This required increase was a result of the 2019 return on rate base ("RORB") and the increase in the applicable United States ("US") and Cayman Islands consumer price indices, adjusted to exclude food and fuel, for calendar year 2019. The change in the base rates as a percentage of the US and Cayman Islands consumer price indices was 100% based on the range of the RORB values. The required rate adjustment of 6.6% can be calculated by applying 100% to the total price level index (60% of the Cayman Islands CPI and 40% of the US CPI) of 6.6%.

As part of its COVID-19 Customer Relief Programme, the Company proposed to OfReg to defer the required June 1, 2020 rate increase until January 1, 2021. During the Third Quarter 2020, OfReg approved the Company's proposal. For the period from June 1, 2020 to December 31, 2020, 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, 2020 was $3.5 million. The amount recorded will be recovered within 2 years from the effective date of the increase on January 1, 2021.

The Company was also granted approval by OfReg to recover various COVID-19 related expenses, including expected credit losses resulting from suspension of disconnections during the pandemic. A total of $0.7 million was recorded as a Regulatory Asset and will be recovered through future rates.

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

2. Summary of Significant Accounting Policies

These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP"). The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The Company's significant accounting policies relate to:

Revenue Recognition
The majority of the Company's revenue is generated from electricity sales to customers based on published tariff rates, as approved by the OfReg. Electricity is metered upon delivery to customers and recognised as revenue using OfReg approved rates when consumed. Meters are read each month and bills are issued to customers based on these readings. As a result, revenues/kWhs recorded as at December 31, 2020 are based upon actual bills for the period with the exception of the additional revenues relating to the 6.6% base rate increase effective June 1, 2020.

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, 2020 and 2019, 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
Effective January 1, 2020, the Company adopted ASU No. 2016-13, *Measurement of Credit Losses on Financial Instruments*, issued in June 2016. Principally, it 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 new 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, GEC and AFUDC. Line inventory that is foreseeable as capitalisable is included in PP&E less provision for obsolescence. Major spare parts and stand-by equipment to be used during more than one 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 governments for the cost of utility capital assets. These contributions are recorded as a reduction in the cost of utility capital assets and are being 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.

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

Effective January 1, 2019, the Company adopted Accounting Standards Update ("ASU") 2016-02, Leases, that requires lessees to recognise a right-of-use asset and lease liability for all leases with a lease term greater than 12 months, along with additional disclosures (Note 4).

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 prevailing market price for the participant's account on the Investment Date.

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

Employee Share Purchase Plan (ESPP")
The Company provides interest-free advances to employees to purchase Class A Ordinary Shares, with such advances recovered through payroll deductions over the next year. The maximum semi-annual participation is 1,000 Class A Ordinary Shares per employee. The ESPP is non-compensatory as shares purchased by the employee are obtained at the prevailing market value at the time of purchase. The amount owing to the Company from employees is included as an offset to Share Capital and Share Premium on the Balance Sheet (2020: $0.3 million, 2019: $0.4 million).

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

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

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

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

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

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

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

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

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

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

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

3. Future Accounting Policies

Changes to the Disclosure Requirements for Defined Benefit Plans

ASU No. 2018-14, *Changes to the Disclosure Requirements for Defined Benefit Plans*, issued in August 2018, is effective for CUC as of January 1, 2021 and is to be applied on a retrospective basis for all periods presented. Principally, it modifies the disclosure requirements for employers with defined pension or other post-retirement plans and clarifies disclosure requirements. In particular, it removes the following disclosures: (a) the amounts in accumulated other comprehensive income expected to be recognised as components of net period benefit costs over the next fiscal period; (b) the amount and timing of plan assets expected to be returned to the employer; and (c) the effects of a one-percentage-point change on the assumed health care costs and the change in rates on service cost, interest cost and the benefit obligation for post-retirement health care benefits. CUC early adopted this update in the 2019 annual consolidated financial statements.

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.

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

Operating Leases		
($ thousands)	**Classification**	**As at December 31, 2020**
Operating Lease Assets	Other Assets	303
Current Portion Lease Liability	Current Portion of Lease Liability	80
Noncurrent Operating Lease Liability	Other Long-Term Liabilities	229

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

Lease Cost			
($ thousands)	**Classification**	**Three Months Ended December 31, 2020**	**Twelve Months Ended December 31, 2020**
Operating Lease Costs	Operating Expenses – Consumer Services	22	90
Variable Lease Costs	Operating Expenses – Consumer Services	1	3
Total Lease Costs		**23**	**93**

Operating lease cost as of December 31, 2020 approximated $0.1 million.

As of December 31, 2020, the Company had the following future minimum lease payments:

Future Minimum Lease Payments	
($ thousands)	Operating Lease
2021	94
2022	97
2023	97
2024	50
Thereafter	-
Total	338
Less: Imputed Interest	(29)
Present Value of Lease Liability	309

Note: Minimum lease payments exclude payments to lessor for variable insurance and common area maintenance.

5. Operating Revenues

Operating Revenues ($ thousands)	Year Ended December 31, 2020	Year Ended December 31, 2019	Change %
Electricity Sales Revenues			
Residential	**50,189**	46,154	9%
Commercial	**41,714**	45,007	-7%
Other (street lighting etc.)	**857**	849	1%
Total Electricity Sales Revenues	**92,760**	92,010	1%
Fuel Factor	**79,658**	106,346	-25%
Renewables	**5,032**	4,890	3%
Total Operating Revenues	**177,450**	203,246	-13%

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.

As part of its COVID-19 Customer Relief Programme, OfReg granted approval to the Company to defer the required June 1, 2020 base rate increase until January 1, 2021. For the period June 1, 2020 to December 31, 2020 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, 2020 was $3.5 million and will be recovered within 2 years from the effective date of the increase on January 1, 2021.

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") programme and BMR Energy Limited ("BMR Energy"), 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, 2020**	**As at December 31, 2019**
Billings to Consumers*	**5,916**	10,241
Other Receivables	**524**	215
Allowance for Doubtful Accounts	**-**	(1,335)
Allowance for Credit Losses	**(2,303)**	-
Total Accounts Receivable, net	**4,137**	9,121

*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, 2019 to December 31, 2020 is listed in the following table.

Allowance for Credit Losses		
($ thousands)		**Twelve Months Ended December 30, 2020**
Beginning of Year	$	(1,335)
Credit Loss Expensed		(1,255)
Write-offs		325
Recoveries		(38)
End of Year		(2,303)

7. Regulatory Assets and Liabilities

Regulatory Assets and Liabilities
($ thousands)

Asset/Liability	Description	As at December 31, 2020	As at December 31, 2019
Regulatory Assets	Fuel Tracker Account (a)	**13,892**	17,497
Regulatory Assets	Derivative contract (b)	**27**	-
Regulatory Assets	Miscellaneous Regulatory Assets (c)	**137**	164
Regulatory Assets	Demand Rate Recoveries(e)	**-**	483
Regulatory Assets	Deferred 2020 Revenues (f)	**3,482**	-
Regulatory Assets	Deferred COVID-19 Costs (g)	**659**	-
Total Regulatory Assets		**18,197**	18,144
Regulatory Liabilities	Government & Regulatory Tracker Account (d)	**(2,541)**	(1,298)
Regulatory Liabilities	Demand Rate Recoveries(e)	**(84)**	-
Total Regulatory Liabilities		**(2,625)**	(1,298)

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, 2020, the revenue shortfall had been recovered and the account had a credit balance of $0.1 million as of December 31, 2020.

f) Deferred Base Rate revenues - As part of its COVID-19 Customer Relief Programme, OfReg granted the Company approval to defer the required June 1, 2020 rate increase to January 1, 2021. For the period from June 1, 2020 to December 31, 2020, 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, 2020 was $3.5 million. The amount recorded will be recovered within two years from the effective date of the increase on January 1, 2021.

g) Deferred COVID-19 Costs - The Company was granted approval by OfReg to recover various COVID-19 related expenses, including potential bad debts resulting from suspension of disconnections during the pandemic. The COVID-19 related expenses were recorded as a Regulatory Asset and will be recovered through future rates.

8. Inventories

The composition of inventories is shown in the table below:

Inventories		
($ thousands)	As at December 31, 2020	As at December 31, 2019
Fuel	**2,795**	3,937
Lubricating Oil	**248**	214
Line Spares	**197**	168
Network & Fiber Equipment	**197**	211
Inventories	**3,437**	4,530

9. Property, Plant and Equipment

Property, Plant and Equipment ($ thousands)	Cost	Accumulated Depreciation	Net Book Value December 31, 2020
Transmission & Distribution (T&D)	**459,462**	**170,245**	**289,217**
Generation	**484,788**	**251,298**	**233,490**
Other:			
Land	**10,446**	**-**	**10,446**
Buildings	**22,832**	**13,630**	**9,202**
Equipment, Motor Vehicles and Computers	**34,420**	**22,644**	**11,776**
Total of T&D, Generation and Other	**1,011,948**	**457,817**	**554,131**
Telecommunications Assets	**471**	**111**	**360**
Property, Plant and Equipment	**1,012,419**	**457,928**	**554,491**

Property, Plant and Equipment ($ thousands)	Cost	Accumulated Depreciation	Net Book Value December 31, 2019
Transmission & Distribution (T&D)	430,646	156,864	273,782
Generation	466,364	228,514	237,850
Other:			
Land	5,304	-	5,304
Buildings	22,562	13,085	9,477
Equipment, Motor Vehicles and Computers	32,235	21,059	11,176
Total of T&D, Generation and Other	957,111	419,522	537,589
Telecommunications Assets	551	154	397
Property, Plant and Equipment	957,662	419,676	537,986

Included in PP&E are a number of capital projects in progress with a total cost to date of $88.8 million (December 31, 2019: $66.7 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 $5.0 million (December 31, 2019: $5.0 million). In addition, line inventory with a cost of $4.3 million (December 31, 2019: $4.1 million) is included in T&D. Engine spares with a net book value of $13.9 million (December 31, 2019: $13.9 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 2020 was 7.75% (2019: 8.5%) and will be adjusted annually. As a result, during Fiscal 2020, the Company recognised $7.2 million in AFUDC (2019: $7.2 million). GEC of $5.7 million was recognised for the year ended December 31, 2020 (2019: $6.0 million).

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

10. Intangible Assets

Intangible Assets ($ thousands)	Cost	Accumulated Amortisation	Net Book Value December 31, 2020
Deferred Licence Renewal Costs	**1,890**	**1,198**	**692**
DataLink, Ltd. Deferred Licence Renewal Costs	**200**	**117**	**83**
Computer Software	**10,062**	**7,277**	**2,785**
Other Intangible Assets in Progress	**127**	**18**	**109**
Trademark Costs	**75**	**-**	**75**
Intangible Assets	**12,354**	**8,610**	**3,744**

Intangible Assets	Cost	Accumulated Amortisation	Net Book Value December 31, 2019
Deferred Licence Renewal Costs	1,890	1,103	787
DataLink, Ltd. Deferred Licence Renewal Costs	200	103	97
Computer Software	9,097	6,572	2,525
Other Intangible Assets in Progress	127	13	114
Trademark Costs	75	-	75
Intangible Assets	11,389	7,791	3,598

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)	2021	2022	2023	2024	2025
Computer Software	418	779	752	939	572
Licence Renewal Costs	113	113	113	113	113
Amortisation of Intangible Assets	**531**	**892**	**865**	**1,052**	**685**

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

	As at December 31, 2020	As at December 31, 2019
Computer Software	**3.0 years**	3.0 years
Deferred Licence Renewal costs	**9.22 years**	8.32 years
Datalink Deferred Licence Renewal Costs	**6.25 years**	7.25 years
Total weighted-average amortisation period	**4.25 years**	4.04 years

11. Accounts Payable and Accrued Expenses

Accounts Payable and Accrued Expenses		
($ thousands)	As at December 31, 2020	As at December 31, 2019
Fuel Cost Payable	**10,988**	16,567
Trade Accounts Payable & Accrued Expenses	**4,427**	5,500
Accrued Interest	**1,633**	1,696
Dividends Payable	**637**	637
Other Accounts Payable	**1,307**	977
Total Accounts Payable and Accrued Expenses	**18,992**	25,377

12. Long-Term Debt

Long-Term Debt		
($ thousands)	As At December 31, 2020	As At December 31, 2019
5.96% Senior Unsecured Loan Notes due 2020	**-**	3,000
5.65% Senior Unsecured Loan Notes due 2022	**8,000**	12,000
7.50% Senior Unsecured Loan Notes due 2024	**22,857**	28,571
4.85% Senior Unsecured Loan Notes due 2026	**12,857**	15,000
3.34% Senior Unsecured Loan Notes due 2028	**10,000**	10,000
3.65% Senior Unsecured Loan Notes due 2029	**30,000**	30,000
5.10% Senior Unsecured Loan Notes due 2031	**25,000**	25,000
3.90% Senior Unsecured Loan Notes due 2031	**40,000**	40,000
3.54% Senior Unsecured Loan Notes due 2033	**40,000**	40,000
3.85% Senior Unsecured Loan Notes due 2034	**5,000**	5,000
3.83% Senior Unsecured Loan Notes due 2039	**20,000**	20,000
4.53% Senior Unsecured Loan Notes due 2046	**15,000**	15,000
4.64% Senior Unsecured Loan Notes due 2048	**20,000**	20,000
4.14% Senior Unsecured Loan Notes due 2049	**40,000**	40,000
4.14% Senior Unsecured Loan Notes due 2049	**20,000**	20,000
	308,714	323,571
Less: Current portion of Long-Term Debt	**(14,130)**	(14,857)
Less: Deferred Debt Issue Costs	**(1,408)**	(1,521)
	293,176	307,193

The current portion of long-term debt includes annual principal payments $4.0 million for the 5.65% Note, $5.7 million for the 7.50% Note, $2.1 million for the 4.85% Note and $2.3 million for the 5.10% 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	$
2021	14,130
2022	15,558
2023	19,481
2024	19,935
2025	19,935
2026 and later	219,675
Total	**308,714**

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, 2020	As at December 31, 2019
Authorised:		
Class A Ordinary Shares of CI$0.05 each	**60,000,000**	60,000,000
9% Cumulative Participating Class B Preference Shares of $1.00 each	**250,000**	250,000
Class C Preference Shares of $1.00 each	**419,666**	419,666
Cumulative Participating Class D Share of CI$0.56 each	**1**	1
Issued and Outstanding (Number of Shares):		
Class A Ordinary Shares	**37,095,463**	33,476,279
Class B Preference Shares	**250,000**	250,000
Issued and Outstanding ($ Amount):		
Class A Ordinary Shares	**2,208,063**	1,992,636
Class B Preference Shares	**250,000**	250,000
Total Class A Ordinary Shares & Class B Preference Shares	**2,458,063**	2,242,636

14. Share Based Compensation Plans

Share Options

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

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

Subject to certain amendments requiring shareholder approval, the Board of Directors may amend or discontinue the ESOP at any time without shareholder approval subject to TSX regulations, provided, however, that any amendment that may materially and adversely affect any option rights previously granted to a participant under the ESOP must be consented to in writing by the participant.

Share Options	Year Ended December 31, 2020 Number of Options	Weighted Average Exercise Price per Share	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value ($ thousands)
Outstanding, Beginning of Year	**1,000**	**9.66**	**2.22**	**-**
Outstanding, End of Year	**1,000**	**9.66**	**1.20**	**-**
Vested, End of the Year	**1,000**	**9.66**	**1.20**	**-**

Share Options	Year Ended December 31, 2019 Number of Options	Weighted Average Exercise Price per Share	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value ($ thousands)
Outstanding at Beginning of Year	45,000	9.66	3.23	-
Exercised	(44,000)	9.66	-	291
Outstanding, End of Year	1,000	9.66	2.22	-
Vested, End of the Year	1,000	9.66	2.22	-

The following table summarises additional information related to the stock options during 2020 and 2019:

Share Options ($ thousands)	Year Ended December 31, 2020	Year Ended December 31, 2019
Stock options exercised:		
Cash received for exercise of options	**-**	425
Intrinsic value realised by employees	**-**	291

Performance Share Unit ("PSU") Plan

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

PSUs outstanding as at December 31, 2020 relate to grants in March 2018 in the amount of 27,649, March 2019 in the amount of 37,032 and March 2020 in the amount of 27,555. 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, 2020, an expense of $0.2 million (December 31, 2019: $0.7 million) was recognised in earnings with respect to the PSU plan.

As at December 31, 2020, the total liability related to outstanding PSUs is $0.8 million (December 31, 2019: $1.0 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 34,126,137 and 33,322,444 for the years ended December 31, 2020 and December 31, 2019 respectively.

The weighted average number of Class A Ordinary Shares used for determining diluted earnings were 34,126,498 and 33,322,829 for the years ended December 31, 2020 and December 31, 2019, 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.

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

Financial Instruments				
($ thousands)	As at December 31, 2020		As at December 31, 2019	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Long-Term Debt, including Current Portion*	**307,306**	**320,224**	322,050	323,034
Fuel Option Contracts	**27**	**27**	-	-

*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 Company's current option contracts expire in November 2021.

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 $69.0 million at December 31, 2020 ($49.0 million at December 31, 2019).

Short-Term Financing

($ thousands) Credit Facilities	Total Credit Financing Facilities December 31, 2020	Total Utilised December 31, 2020	Total Available December 31, 2020
Provided by Scotia:			
Letter of Guarantee	1,000	500	500
Operating, Revolving Line of Credit	10,000	-	10,000
Catastrophe Standby Loan	7,500	-	7,500
Demand Loan Facility- Interim Funding of Capital Expenditures	51,000	-	51,000
Total	69,500	500	69,000
Provided by RBC:			
Corporate Credit Card Line*	500	500	-
Short – Term Financing	70,000	1,000	69,000

*. Included in accounts payable and accrued expenses

Short-Term Financing			
($ thousands)			
Credit Facilities	Total Credit Financing Facilities December 31, 2019	Total Utilised December 31, 2019	Total Available December 31, 2019
Provided by Scotia:			
Letter of Guarantee	1,000	500	500
Operating, Revolving Line of Credit	10,000	-	10,000
Catastrophe Standby Loan	7,500	-	7,500
Demand Loan Facility- Interim Funding of Capital Expenditures	31,000	-	31,000
Total	49,500	500	49,000
Provided by RBC:			
Corporate Credit Card Line*	500	500	-
Short – Term Financing	50,000	1,000	49,000

*. Included in Accounts payable and accrued expenses

A commission at a rate of 0.65% per annum is levied on the Letter of Guarantee 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 LIBOR plus 1.15% per annum for periods of 30, 60, 90, 180 or 360 days. 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. Finance Charges

The composition of finance charges was as follows:

Finance Charges		
($ thousands)	Year Ended December 31, 2020	Year Ended December 31, 2019
Interest Costs - Long-Term Debt	**14,015**	13,185
Other Interest Costs	**426**	816
AFUDC *	**(7,199)**	(7,229)
Finance Charges	**7,242**	6,772

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

19. 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 2020 amounted to $1.2 million (Fiscal 2019: $1.1 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, 2020.

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, 2020**	**As at December 31, 2019**
Equity Assets	**54%**	52%
Fixed Income Investments	**25%**	25%
Money Market Funds	**5%**	10%
Cash and Cash Equivalents	**16%**	13%
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, 2020

	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	**3,468**	**-**	**-**	**3,468**
Fixed Income Investments	**-**	**1,621**	**-**	**1,621**
Money Market Funds	**-**	**349**	**-**	**349**
Cash and Cash Equivalents	**1,032**	**-**	**-**	**1,032**
Asset Allocation	**4,500**	**1,970**	**-**	**6,470**

Asset Allocation
($ thousands)

As at December 31, 2019

	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	3,407	-	-	3,407
Fixed Income Investments	-	1,640	-	1,640
Money Market Funds	-	704	-	704
Cash and Cash Equivalents	840	-	-	840
Asset Allocation	4,247	2,344	-	6,591

Pension Plan		
($ thousands)	**As at December 31, 2020**	**As at December 31, 2019**
Project Benefit Obligation		
Balance beginning of year	**8,418**	7,325
Interest Cost	**264**	301
Actuarial losses / (gains)	**1,027**	1,129
Benefit payments	**(348)**	(337)
Balance end of year	**9,361**	8,418
Plan Assets		
Fair value, beginning of year	**6,591**	6,203
Actual return on plan assets	**226**	706
Employer contributions to plan	**-**	19
Benefit payments	**(347)**	(337)
Fair value, end of year	**6,470**	6,591
Funded Status - deficit	**(2,891)**	(1,827)
During the year ended December 31, 2020 $0.01 million (December 31, 2019: $0.01 million) was recorded as compensation expense, which comprises the following:		
Interest cost	**264**	301
Expected return on plan assets	**(321)**	(302)
Amortisation of actuarial losses	**66**	28
Net periodic benefit cost	**9**	27
Significant assumptions used:		
Discount rate during year (%)	**3.20**	4.20
Discount rate at year end (%)	**2.40**	3.20
Rate of compensation increase (%)	**3.00**	3.00
Expected long-term rate of return on plan assets (%)	**5.00**	5.00

The accumulated benefit obligation as at December 31, 2020 was $9.4 million (December 31, 2019: $8.4 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, 2020**	**As at December 31, 2019**
Liabilities:		
Defined Benefit Pension Liabilities	**2,891**	1,827

The following tables provide the components of other comprehensive loss for the years ended December 31, 2020 and 2019:

Other Comprehensive Income/(Loss)		
($ thousands)	**As at December 31, 2020**	**As at December 31, 2019**
Net actuarial (loss) / gain arising during the year	**(1,122)**	(725)
Amortisation or settlement recognition of net actuarial gain	**65**	27
Total changes recognised in other comprehensive income/ (loss)	**(1,057)**	(698)

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, 2020**	**As at December 31, 2019**
Net actuarial (loss)	**(2,921)**	(1,865)
Cumulative employer contributions in excess of net periodic benefit cost	**30**	38
Net liability amount recognised in statement of financial position	**(2,891)**	(1,827)

Net actuarial losses of $0.1 million and past service costs of nil are expected to be amortised from accumulated other comprehensive loss into net benefit costs in 2021.

During 2021, the Company is expected to make contributions of $0.009 million to the defined benefit pension plan.

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

($ thousands)	**Total**
2021	354
2022	362
2023	371
2024	379
2025	388
2026-2029	2,057

20. Foreign Exchange

The closing rate of exchange on December 31, 2020 as reported by the Bank of Canada for the conversion of US dollars into Canadian dollars was Cdn$1.2732 per US$1.00. 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, 2020 for conversion of Cayman Islands dollars into Canadian dollars was Cdn$1.5278 per CI$1.00 (December 29, 2019: Cdn$1.5586).

21. Related Party Transactions

Related-party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

The related-party transactions for 2020 and 2019 are summarised in the following table.

Related Party Transactions *($ thousands)*	As at December 31, 2020	As at December 31, 2019
Receivables from FortisTCI (a subsidiary of Fortis Inc.)	**-**	5
Receivables from UNS Energy/TEP (a subsidiary of Fortis Inc.)	**7**	-
Total Related Party Receivables	**7**	5

Receivables include but are not limited to travel expenses, hurricane preparedness, membership fees and insurance premiums.

22. Commitments

As at December 31, 2020, the Company's consolidated commitments in each of the next five years and for periods thereafter are as follows:

Commitments ($thousands)	Total	2021	2022-2023	2024-2025	2026 Onward
Letter of Guarantee	500	500	-	-	-
Lease Liability	338	94	194	50	-
Commitments	**838**	**594**	**194**	**50**	**-**

During 2015, the Company entered into a Power Purchase Agreement ("PPA") with BMR Energy Limited, 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. The approximate remaining quantities under the fuel supply contract with RUBiS on an annual basis is 23.0 million IGs for the year ended December 31, 2021. The approximate remaining quantities under the fuel contract with Sol on an annual basis is 15.4 million IGs for the year ended December 31, 2021. 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, 2020 was $2.9 million (December 31, 2019: $3.9 million). This amount includes all fuel held in CUC's bulk fuel storage tanks, service tanks and day tanks located at the North Sound Road Power Plant.

23. Contingency

On July 11, 2017, OfReg issued ICT 2017-1 Determination Pole Attachment Reservation Fees. The OfReg's decision was that DataLink's charge of reservation fees in the manner provided for in the current contracts was, in its view, contrary to the Information and Communication Technology Authority Law (2011 Revision).

As a result of a legal review and assessment of the Directives contained in ICT 2017 - 1, DataLink sought a stay of the decision and permission to apply for Judicial Review from the Cayman Islands Grand Court. Both the stay and permission to apply for Judicial Review were granted on August 11, 2017. A Grand Court hearing was held over five days beginning on June 4, 2018. On July 24, 2019, a final judgement was delivered stating that the decision of the regulator issued in ICT 1-2017 was ultra vires. In the Third Quarter of 2019, DataLink reversed a liability in the amount of $1.1 million.

In December 2019, OfReg issued a new Consultation (ICT 2019 – 2) on the subject of Reservation Fees, including the draft determination from the ICT 2017 - 1, to interested parties and ICT licencees. DataLink submitted a response to the Consultation papers on February 28, 2020. A response to DataLink's submission remains pending.

Ten-Year Summary (Unaudited, supplementary)

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

	2020	**2019**
Operating Revenues	**177,450**	203,246
Other Revenues and Adjustments	**4,451**	6,403
Total Revenues	**181,901**	209,649
Operating Expenses	**148,594**	173,777
Income before Interest	**33,307**	35,872
Finance Charges	**7,242**	6,772
Net Earnings for the Year	**26,065**	29,100
Capitalisation:		
Class A Ordinary Shares (nominal value)	**2,208**	1,993
9% Cumulative Participating Class B Preference Shares (nominal value)	**250**	250
Share Premium	**181,671**	129,816
Long-Term Loans	**307,306**	322,050
Total Capitalisation	**491,435**	454,109
Capital Expenditures	**53,409**	60,592
Earnings per Class A Ordinary Share ($/Share)	**0.74**	0.84
Dividends per Class A Ordinary Share ($/Share)	**0.700**	0.700
Book value per Class A Ordinary ($/Share)	**7.83**	7.10
Statistical Record:		
Net kWh Generation (millions of kWh)	**651.5**	678.8
Net kWh Sales (millions of kWh)	**644.3**	667.7
Peak Load (MW) Gross	**108.6**	113.5
Plant Capacity (MW)	**160.95**	160.95
Total Customers (actual number)	**31,293**	30,537

Ten-Year Summary

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

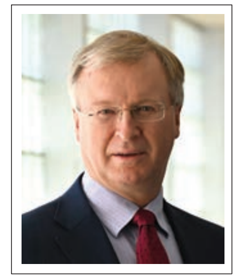
2018	2017	2016	2015	2014	2013	2012	2011
194,578	170,941	161,702	188,880	231,705	226,220	223,549	218,099
6,061	4,934	5,079	4,876	4,602	4,300	4,199	4,032
200,639	175,875	166,781	193,756	236,307	230,520	227,748	222,131
166,192	143,561	134,802	163,613	206,377	201,080	200,932	193,082
34,447	32,314	31,979	30,143	29,930	29,440	26,816	29,049
7,677	8,539	6,768	7,301	9,115	9,018	9,125	8,659
26,770	23,775	25,211	22,842	20,815	20,422	17,691	20,390
1,978	1,964	1,943	1,927	1,742	1,730	1,715	1,704
250	250	250	250	250	250	250	250
126,370	123,376	119,096	116,201	83,044	81,023	78,524	76,806
255,013	271,596	222,746	236,594	252,000	219,000	188,500	204,000
383,611	397,186	344,035	354,972	337,036	302,003	268,989	282,760
57,992	52,408	47,207	77,947	39,472	29,323	30,788	39,624
0.78	0.70	0.75	0.71	0.68	0.68	0.58	0.68
0.695	0.680	0.675	0.66	0.66	0.66	0.66	0.66
6.92	6.78	6.74	6.62	6.14	6.13	6.03	6.04
641.8	654.3	650.3	623.7	604.7	595.6	587.1	594.0
628.8	621.8	606.7	582.0	564.2	555.7	547.8	554.0
103.6	105.6	103.4	100.7	99.7	97.4	95.9	99.0
160.95	160.95	160.95	131.65	131.65	149.54	149.54	151.2
29,822	29,160	28,678	28,204	27,784	27,364	27,035	26,636

Board of Directors

David E. Ritch, OBE, JP *^
Chairman of the Board
of Directors
Caribbean Utilities
Company, Ltd.
Attorney-at-Law
Ritch and Conolly
Grand Cayman

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

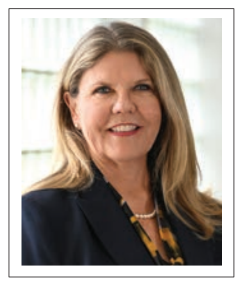
Peter A. Thomson
Retired Executive
Caribbean Utilities
Company, Ltd.
Grand Cayman



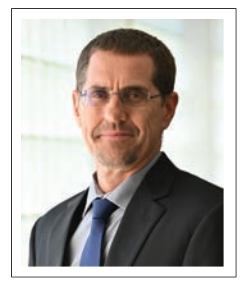
Gary Smith ^
Executive Vice President
of Eastern Canadian &
Caribbean Operations
Fortis Inc.
St. John's
Canada

Eddinton M. Powell, JP *
Retired President & CEO
FortisTCI
Providenciales
Grand Cayman

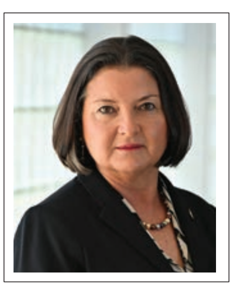
Lynn R. Young
President and Chief
Executive Officer
Belize Electric
Company Ltd.
Belize



Sheree L. Ebanks *
Chief Executive Officer
Cayman Islands Institute
of Professional
Accountants
Grand Cayman



Woodrow Foster ^
Managing Director
Foster's
Grand Cayman



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

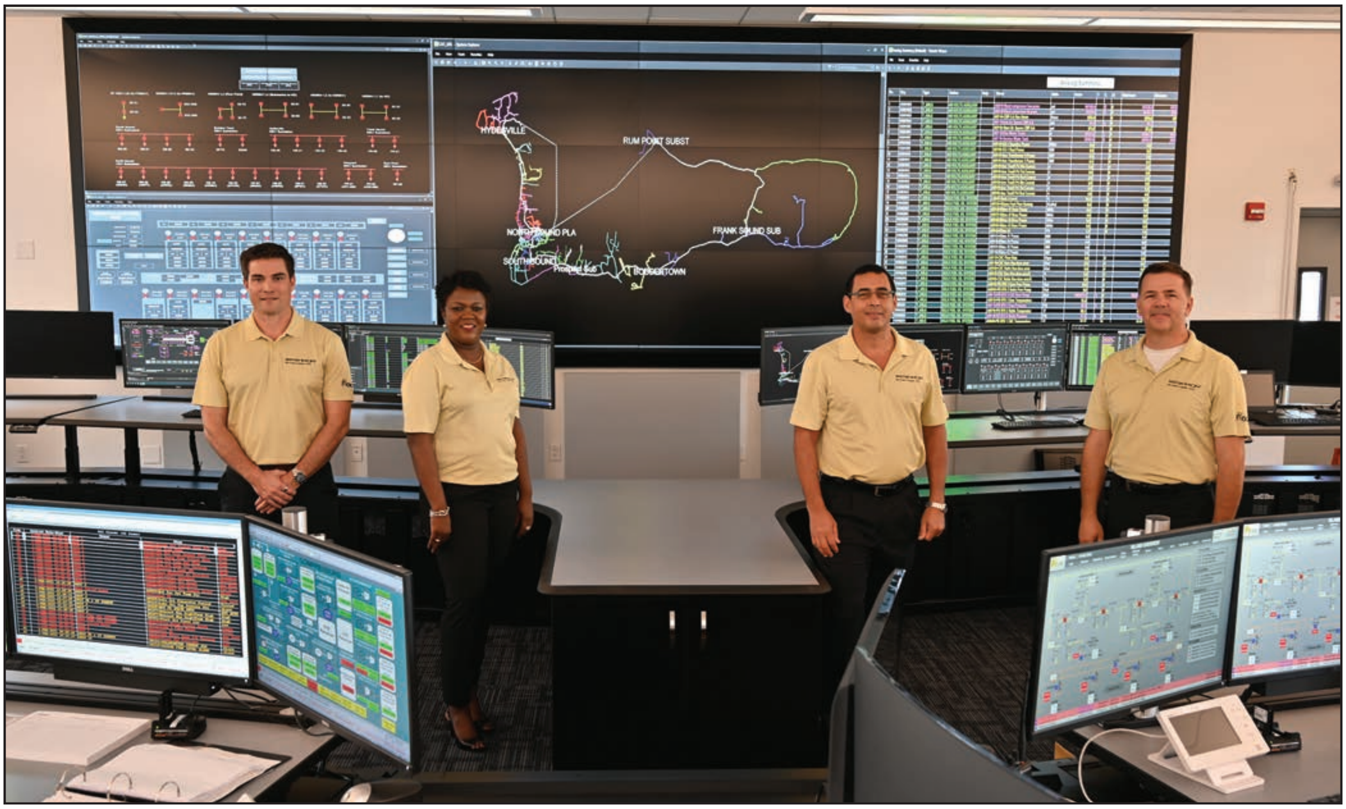
Sophia Harris ^
Retired Managing
Partner
Bedell Cristin
Grand Cayman

Mark Macfee *
Retired President
Yello Media Group
Grand Cayman

Robert Scott Hawkes
President & CEO
FortisOntario Inc.
Ontario
Canada

* *Member Audit Committee (Chairperson Sheree L. Ebanks)*
^ *Member Nominating and Corporate Governance Committee (Chairperson: David E. Ritch)*

Executive Officers



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

David C. Watler
Vice President Operations

Shareholder and Corporate Information

Shareholders

Registered shareholders as of December 31, 2020 were as follows:

Class of Shares	*Shareholders*	*Shares Held*
Class A Ordinary Shares	2,148	37,095,463
9% Class B Preference Shares	122	250,000

Fortis Energy (Bermuda) Ltd., a wholly-owned subsidiary company of Fortis Inc., held 22,204,229 Class A Ordinary Shares, or 60% of the outstanding shares as of December 31, 2020. Approximately 15% 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 11, 2021 at noon. 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

AST Trust Company (Canada)
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: inquiries@astfinancial.com
Website : www.astfinancial.com/ca-en
(Acting as principal agent)

Caribbean Utilities Company, Ltd.

Company Secretary
P.O. Box 38, Grand Cayman KY1-1101, CAYMAN ISLANDS
Telephone: (345) 949-5200
Fax: (345) 949-4621
E-mail: investor@cuc.ky
Website: www.cuc-cayman.com
(Acting as co-agent)

Toronto Stock Exchange Listing

The 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
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