FINANCIAL AND OPERATIONAL HIGHLIGHTS

The following Fourth Quarter 2014 press release should be read in conjunction with the Caribbean Utilities Company Ltd. ("CUC" or the "Company") Management's Discussion and Analysis ("MD&A") and audited consolidated financial statements and notes thereto for the year ended December 31, 2013 in the Company's 2013 Annual Report, with 2012 comparatives, prepared in accordance with accounting principles generally accepted in the United States ("US GAAP"). Financial information in this Fourth Quarter 2014 press release has been prepared in accordance with US GAAP and following the same accounting policies and methods as those used in preparing the most recent interim unaudited consolidated financial statements. The financial statements and analysis in this press release were approved by the Audit Committee.

Financial and Operational Highlights

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

	Three Months Ended December 31, 2014	Three Months Ended December 31, 2013	Twelve Months Ended December 31, 2014	Twelve Months Ended December 31, 2013	Change	% Change
Electricity Sales Revenues	**17,835**	18,109	**73,408**	71,131	**2,277**	3%
Fuel Factor Revenues	**40,357**	40,692	**158,297**	155,089	**3,208**	2%
Operating Revenues	**58,192**	58,801	**231,705**	226,220	**5,485**	2%
Fuel and Lube Costs	**40,357**	40,692	**158,297**	155,089	**3,208**	2%
Other Operating Expenses	**11,554**	11,432	**48,080**	45,991	**2,089**	5%
Total Operating Expenses	**51,911**	52,124	**206,377**	201,080	**5,297**	3%
Earnings for the Period	**5,397**	5,760	**20,815**	20,422	**393**	2%
Cash Flow from Operating Activities	**9,864**	11,403	**46,780**	49,940	**(3,160)**	-6%
Per Class A Ordinary Share:						
Basic Earnings	**0.16**	0.18	**0.68**	0.68	**-**	0%
Dividends Paid	**0.165**	0.165	**0.660**	0.660	**-**	0%
Total Customers (#)	**27,784**	27,364	**27,784**	27,364	**420**	2%
Total Employees (#)*	**199**	190	**199**	190	**9**	5%
Customers per Employee (#)	**140**	144	**140**	144	**(4)**	-3%
System Availability (%)	**99.97**	99.96	**99.96**	99.96	**-**	0%
Peak Load Gross (MW)	**92.7**	93.4	**99.7**	97.4	**2.3**	2%
Millions of kWh:						
Net Generation	**145.5**	150.3	**604.7**	595.6	**9.1**	2%
Kilowatt-Hour Sales	**135.8**	140.3	**564.2**	555.7	**8.5**	2%
Sales per Employee	**0.68**	0.74	**2.84**	2.92	**(0.08)**	-3%

*Total full time CUC employees

EARNINGS

Net earnings for the three months ended December 31, 2014 ("Fourth Quarter 2014") were $5.4 million, a $0.4 million decrease when compared to $5.8 million for the three months ended December 31, 2013 ("Fourth Quarter 2013"). This decrease is attributable to a 3% decline in kiloWatt-hour ("kWh") sales, temporary generation costs and higher consumer services expenses. These items were partially offset by lower maintenance costs for the Fourth Quarter 2014 when compared to the Fourth Quarter 2013.

Net earnings for the twelve months ended December 31, 2014 were $20.8 million, a $0.4 million increase from net earnings of $20.4 million for the twelve months ended December 31, 2013. This increase is attributable to a 2% increase in kWh sales, 1.5% and 1.8% base rate increases effective June 1, 2014 and June 1, 2013 respectively, lower depreciation and maintenance expenses and increased other income. These items were partially offset by higher consumer service expenses, driven by a one-time adjustment to increase the Company's allowance for doubtful accounts.

EARNINGS PER SHARE

After the adjustment for dividends on the preference shares of the Company, earnings on Class A Ordinary Shares for the Fourth Quarter 2014 were $4.8 million, or $0.16 per Class A Ordinary Share, as compared to $5.2 million, or $0.18 per Class A Ordinary Share for the Fourth Quarter 2013. 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 29,196,821 and 28,927,000 for the Fourth Quarter 2014 and the Fourth Quarter 2013, respectively.

After the adjustment for dividends on the preference shares of the Company, earnings on Class A Ordinary Shares for the twelve months ended December 31, 2014 were $19.9 million, or $0.68 per Class A Ordinary Share as compared to $19.5 million, or $0.68 per Class A Ordinary Share for the twelve months ended December 31, 2013. The weighted average Class A Ordinary Shares outstanding were 29,130,536 and 28,891,552 for the twelve months ended December 31, 2014 and December 31, 2013, respectively.

SALES

For the Fourth Quarter 2014, kWh sales were 135.8 million a decrease of 4.5 million kWh or 3% when compared to 140.3 million for the Fourth Quarter 2013. Sales were negatively impacted by cooler weather conditions that affected customer air conditioning usage. The average monthly temperature for the Fourth Quarter 2014 was 79.4 degrees, 3.3 degrees Fahrenheit lower than the average monthly temperature experienced during the Fourth Quarter 2013 of 82.7 degrees.

KiloWatt-hour sales for the twelve months ended December 31, 2014 were 564.2 million kWh, an increase of 8.5 million kWh or 2% when compared to 555.7 million kWh for the twelve months ended December 31, 2013. Sales were positively impacted by a 2% growth in customer numbers.

Total customers as at December 31, 2014 were 27,784, an increase of 2% compared to 27,364 customers as at December 31, 2013.

The following tables present sales and customer highlights:

Customers (#)

	December 31, 2014	December 31, 2013	Change %
Residential	**23,685**	23,358	1%
Commercial	**4,099**	4,006	2%
Total Customers	**27,784**	27,364	2%

Sales

(thousands kWh)

	Three Months Ended December 31, 2014	Three Months Ended December 31, 2013	Twelve Months Ended December 31, 2014	Twelve Months Ended December 31, 2013	Change	% Change
Residential	**63,315**	66,792	**266,742**	261,002	5,740	2%
Commercial	**70,785**	71,789	**290,745**	288,114	2,631	1%
Other (street lighting, etc.)	**1,683**	1,682	**6,740**	6,596	144	2%
Total Sales	**135,783**	140,263	**564,227**	555,712	8,515	2%

OPERATING REVENUES

Operating revenues decreased by $0.6 million, to $58.2 million for the Fourth Quarter 2014 from $58.8 million for the Fourth Quarter 2013 as a result of lower electricity sales revenues and lower fuel factor revenues.

Operating revenues increased 2%, or $5.5 million, to $231.7 million for the twelve months ended December 31, 2014 from $226.2 million for the twelve months ended December 31, 2013. This increase was the result of higher electricity sales revenues and higher fuel factor revenues.

Total operating revenues were as follows:

Revenues

($ thousands)

	Three Months Ended December 31, 2014	Three Months Ended December 31, 2013	Twelve Months Ended December 31, 2014	Twelve Months Ended December 31, 2013	Change	% Change
Residential	**8,206**	8,905	**34,910**	34,592	**318**	1%
Commercial	**9,497**	9,074	**37,981**	36,067	**1,914**	5%
Other (street lighting, etc.)	**132**	130	**517**	472	**45**	10%
Electricity Sales Revenues	**17,835**	18,109	**73,408**	71,131	**2,277**	3%
Fuel Factor Revenues	**40,357**	40,692	**158,297**	155,089	**3,208**	2%
Total Operating Revenues	**58,192**	58,801	**231,705**	226,220	**5,485**	2%

Electricity sales revenue decreased $0.3 million, or 2%, in the Fourth Quarter 2014 to $17.8 million when compared to electricity sales revenues of $18.1 million for the Fourth Quarter 2013. This decrease is attributable to a 3% decline in kWh sales partially offset by the 1.5% base rate increase effective June 1, 2014.

Electricity sales revenue increased $2.3 million, for the twelve months ended December 31, 2014 to $73.4 million when compared to electricity sales revenues of $71.1 million for the twelve months ended December 31, 2013. This increase is attributable to a 2% increase in kWh sales and the 1.5% and 1.8% base rate increases effective June 1, 2014 and June 1, 2013 respectively.

Fuel factor revenues for the Fourth Quarter 2014 totaled $40.4 million, a 1% or $0.3 million decrease from the $40.7 million in fuel factor revenues for the Fourth Quarter 2014. Fuel factor revenues decreased due to a decline in the cost of fuel which reduced the fuel cost charge rate to consumers and a decline in kWh's consumed. The average Fuel Cost Charge rate per kWh charged to consumers for the Fourth Quarter 2014 was $0.28, a 3% decrease when compared to $0.29 per kWh for the Fourth Quarter 2013. Further reductions to the fuel cost charge rate per kWh are expected to occur in 2015 due to a decrease in customs duties levied on diesel fuel imports by the Cayman Islands

Government ("Government"). The Government has announced that this decrease will total to $0.30 per IG. CUC passes through 100% of fuel costs to consumers on a two-month lag basis without mark-up.

Fuel factor revenues for the twelve months ended December 31, 2014 totalled $158.3 million, a $3.2 million increase from the $155.1 million in fuel factor revenues for the twelve months ended December 31, 2013. Fuel factor revenues increased due to higher generation in 2014 (see "Power Generation" section for further details). The average Fuel Cost Charge rate per kWh charged to consumers for the twelve months ended December 31, 2014 was $0.27, comparable to the Fuel Cost Charge rate per kWh for the twelve months ended December 31, 2013.

OPERATING EXPENSES

Total operating expenses for the Fourth Quarter 2014 decreased $0.2 million to $51.9 million from $52.1 million for the Fourth Quarter 2013. The main contributing factors to the decrease in operating expenses were lower maintenance and general and administration expenses, partially offset by higher consumer service expenses and temporary generation costs.

Total operating expenses for the twelve months ended December 31, 2014 increased $5.3 million to $206.4 million from $201.1 million for the twelve months ended December 31, 2013. The main contributing factors to the increase in operating expenses were higher power generation and consumer service expenses, partially offset by lower depreciation and maintenance expenses.

Operating expenses were as follows:

Operating Expenses

($ thousands)

	Three Months Ended December 31, 2014	Three Months Ended December 31, 2013	Twelve Months Ended December 31, 2014	Twelve Months Ended December 31, 2013	Change	% Change
Power Generation Expenses	**41,340**	41,427	**161,832**	158,090	**3,742**	2%
General and Administration	**2,167**	2,349	**8,796**	8,851	**(55)**	-1%
Consumer Service	**659**	431	**3,357**	1,672	**1,685**	101%
Transmission and Distribution	**634**	571	**2,619**	2,200	**419**	19%
Depreciation	**5,957**	5,960	**24,030**	24,351	**(321)**	-1%
Maintenance	**1,074**	1,309	**5,406**	5,610	**(204)**	-4%
Amortization of Intangible Assets	**80**	77	**337**	306	**31**	10%
Total Operating Expenses	**51,911**	52,124	**206,377**	201,080	**5,297**	3%

POWER GENERATION

Power generation costs for the Fourth Quarter 2014 decreased $0.1 million, to $41.3 million when compared to $41.4 million for the Fourth Quarter 2013. Power generation costs for the twelve months ended December 31, 2014 increased $3.7 million to $161.8 million when compared to $158.1 million for the twelve months ended December 31, 2013. The increase is due to a 2% increase in net generation.

Power generation expenses were as follows:

Power Generation

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

	Three Months Ended December 31, 2014	Three Months Ended December 31, 2013	Twelve Months Ended December 31, 2014	Twelve Months Ended December 31, 2013	Change	% Change
Fuel Costs	**39,769**	40,101	**155,955**	152,648	**3,307**	2%
Lubricating Oil Costs	**588**	591	**2,342**	2,441	**(99)**	-4%
Temporary Generation Costs	**212**	-	**412**	-	**412**	n/a
Other Generation Expenses	**771**	735	**3,123**	3,001	**122**	4%
Total Power Generation Expenses	**41,340**	41,427	**161,832**	158,090	**3,742**	2%

The Company's average price per imperial gallon ("IG") of fuel for the Fourth Quarter 2014 decreased to $4.17 from $4.70 for the Fourth Quarter 2013. The Company's average price per IG of fuel for the twelve months ended December 31, 2014 decreased to $4.56 from $4.74 for the twelve months ended December 31, 2013.

The Company's average price per IG of lubricating oil for the Fourth Quarter 2014 increased to $13.10 from $12.57 for the Fourth Quarter 2013. The Company's average price per IG of lubricating oil for the twelve months ended December 31, 2014 decreased to $12.59 from $12.65 for the twelve months ended December 31, 2013.

Diesel fuel and lubricating oil costs are recovered from consumers within the fuel factor revenues line item. The Fuel Tracker Account is comprised of total diesel fuel and lubricating oil costs to be recovered from consumers.

The objective of the Company's Fuel Price Volatility Management Program as approved by the ERA is to reduce the impact of volatility in the Fuel Cost Charge paid by the Company's customers for the fuel that the Company must purchase in order to provide electric service. Contracts initiated in 2014 utilize call options and call spreads to promote transparency in pricing. The monthly hedging costs and returns are also included within the Fuel Tracker Account.

CUC secured the supply of 7.5 MW of temporary mobile generation following the retirement of 17.5 MW of generation in early 2014. Temporary generation expenses for the Fourth Quarter 2014 totalled $0.2 million. There were no temporary generation expenses for the Fourth Quarter 2013. Temporary generation expenses for the twelve months ended December 31, 2014 totalled $0.4 million. There were no temporary generation expenses for the twelve months ended December 31, 2013.

Other generation expenses for the Fourth Quarter 2014 totaled $0.8 million, a $0.1 million increase when compared to Fourth Quarter 2013. Other generation expenses for the twelve months ended December 31, 2014 totalled $3.1 million an increase of $0.1 million when compared to $3.0 million for the twelve months ended December 31, 2013.

GENERAL AND ADMINISTRATION ("G&A")

G&A expenses for the Fourth Quarter 2014 totaled $2.2 million a $0.1 million or 4% decrease when compared to G&A expenses of $2.3 million for the Fourth Quarter 2013. This decrease was due primarily to increased General Expenses Capitalised ("GEC").

G&A expenses for the twelve months ended December 31, 2014 totaled $8.8 million, a decrease of $0.1 million, or 1%, from $8.9 million for the twelve months ended December 31, 2013. This decrease was due primarily to increased GEC, partially offset by the Company's Performance Share Unit ("PSU") plan.

The Company capitalizes certain overhead costs not directly attributable to specific capital assets but which do relate to the overall capital expenditure program. GEC totaled $0.9 million for the Fourth Quarter 2014, $0.2 million higher than $0.7 million for the Fourth Quarter 2013. GEC totalled $3.6 million for the twelve months ended December 31, 2014, $0.2 million higher than $3.4 million for the twelve months ended December 31, 2013.

CONSUMER SERVICES ("CS")

CS expenses for the Fourth Quarter 2014 totaled $0.7 million an increase of $0.3 million or 75% when compared to CS expenses for the Fourth Quarter 2013. CS expenses for the twelve months ended December 31, 2014 totaled $3.4 million an increase of $1.7 million or 100% when compared to $1.7 million for the twelve months ended December 31, 2013.

The increase seen in Fourth Quarter 2014 and for the twelve months ended December 31, 2014 is attributable to an adjustment to the Allowance for Doubtful Accounts ("AFDA") and expenses associated with additional human resources hired in this area to meet the needs of customers.

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

The effect of this change of estimate was to increase the provision by $0.1 million for the Fourth Quarter 2014. The effect of this change in estimate for the twelve months ended December 31, 2014 was to increase the provision by $1.2 million.

TRANSMISSION AND DISTRIBUTION ("T&D")

T&D expenses for the Fourth Quarter 2014 totaled $0.6 million comparable to the Fourth Quarter 2013.

T&D expenses for the twelve months ended December 31, 2014 totaled $2.6 million an increase of $0.4 million, or 19%, when compared to T&D expenses of $2.2 million for the twelve months ended December 31, 2013. This increase was due primarily to the disposal of obsolete T&D inventory items totalling $0.4 million and additional tree trimming maintenance costs incurred during the twelve months ended December 31, 2014.

DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT ("DEPRECIATION")

Depreciation expenses for the Fourth Quarter 2014 totalled $6.0 million, comparable to the Fourth Quarter 2013.

Depreciation expenses for the twelve months ended December 31, 2014 totalled $24.0 million, a decrease of $0.4 million, or 1%, from $24.4 million for the twelve months ended December 31, 2013. This decrease in depreciation is related to the book retirement of a 7.59 MW generating unit during 2013 and a change in the estimates of useful lives for certain assets.

In accordance with its PP&E policy, the Company reviews the estimated useful lives of its fixed assets on an ongoing basis. A review concluded during 2014 indicated that the actual lives of certain T&D and Generation assets were longer than the estimated useful lives used for depreciation purposes in the Company's financial statements. As a result, effective 1 January 2014, the Company changed its estimates of the useful lives of these assets to better reflect the estimated periods during which these assets will remain in service. The affected assets previously averaged useful lives of twenty years which were increased to an average of twenty-five to thirty-five years.

The effect of this change in estimate was to reduce depreciation for the Fourth Quarter 2014 by $0.4 million and for the twelve months ended December 31, 2014 by $1.6 million.

MAINTENANCE

Maintenance expenses for the Fourth Quarter 2014 totaled $1.1 million, a decrease of 15% or $0.2 million when compared to maintenance expenses of $1.3 million for the Fourth Quarter 2013.

Maintenance expenses for the twelve months ended December 31, 2014 totalled $5.4 million, a decrease of $0.2 million from $5.6 million for the twelve months ended December 31, 2013. Maintenance expenses for the twelve months ended December 31, 2014 were expected to be lower than those seen in 2013 due to the quantum of scheduled upgrade projects in 2014. These upgrades relate to the Company's generating units and are of a capital nature. Certain upgrades to generating units are considered capital in nature as the resulting upgrades extend the life or increase the output of the unit.

AMORTIZATION

Amortization of intangible assets for the Fourth Quarter 2014 totaled $0.08 million, comparable to amortization expenses for the Fourth Quarter 2013. Amortization of intangible assets for the twelve months ended December 31, 2014 totalled $0.3 million, comparable to the twelve months ended December 31, 2013.

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

OTHER INCOME AND EXPENSES

Net Other Expenses for the Fourth Quarter 2014 totalled $0.9 million, comparable to the Fourth Quarter 2013. Net Other Expenses for the twelve months ended December 31, 2014 totalled $4.5 million, a decrease of $0.2 million from $4.7 million for the twelve months ended December 31, 2013. This decrease is the result of higher Other Income for the twelve months ended December 31, 2014.

Finance charges for the Fourth Quarter 2014 totaled $2.2 million, comparable to finance charges for the Fourth Quarter 2013. Allowance for Funds Used during Construction ("AFUDC") for the Fourth Quarter 2014 totaled $0.8 a decrease of $0.1 million when compared to $0.9 million for the Fourth Quarter 2013.

Finance charges for the twelve months ended December 31, 2014 totaled $9.1 million, an increase of $0.1 million from $9.0 million for the twelve months ended December 31, 2013. This increase was driven by lower AFUDC partially offset by a reduction in average debt interest costs in the twelve months ended December 31, 2014.

Under the T&D Licence there is a provision for an AFUDC. This capitalisation of the Financing Cost is calculated by multiplying the Company's Cost of Capital rate by the average work in progress for each month. The cost of capital rate for 2014 was 8.0%, as agreed with the ERA in accordance with the T&D Licence, and is reviewed annually. The cost of capital rate for 2013 was 7.5%.

The AFUDC amount for the twelve months ended December 31, 2014 totalled $2.8 million, a $0.4 million decrease when compared to $3.2 million for the twelve months ended December 31, 2013. This decrease was attributable to lower average work in progress for the majority of 2014 when compared to 2013.

Foreign exchange gains and losses are the result of monetary assets and liabilities denominated in foreign currencies that are translated into United States dollars at the exchange rate prevailing on the Balance Sheet date. Revenue and expense items denominated in foreign currencies are translated into United States dollars at the exchange rate prevailing on the transaction date. Foreign exchange gains for the Fourth Quarter 2014 totaled $0.5 million comparable to foreign exchange gains for the Fourth Quarter 2013.

Foreign exchange gains totalled $1.9 million for the twelve months ended December 31, 2014 comparable to foreign exchange gains for the twelve months ended December 31, 2013.

Other income is comprised of pole rental fees, income from pipeline operations, sales of meter sockets, the sale of recyclable metals, income from the Company's subsidiary DataLink and other miscellaneous income. Other income for the Fourth Quarter 2014 totaled $0.8 million comparable to the Fourth Quarter 2013.

Other income totalled $2.7 million for the twelve months ended December 31, 2014, an increase of $0.3 million, from $2.4 million for the twelve months ended December 31, 2013.

Revenues from DataLink are recorded in Other Income in the amount of $0.4 million for the Fourth Quarter 2014, an increase of $0.1 million, from $0.3 million for Fourth Quarter 2013. For the twelve months ended December 31, 2014 revenues from DataLink totalled $0.9 million, an increase of $0.3 million, from $0.6 million for the twelve months ended December 31, 2013.

THE ECONOMY

In October 2014 the Cayman Islands Economics and Statistics Office ("ESO") issued the 2014 Semi-Annual Economic Report. The report indicated that the Cayman Islands Gross Domestic Product ("GDP") was estimated to have expanded at an annualised rate of 2.2% in the first half of 2014. Economic expansion in the second quarter of 2014 was the strongest seen by the Cayman Islands since 2011. The ESO is forecasting Annual GDP growth in 2014 of 1.9% and 2.0% for 2015. CUC's annual sales growth and resource requirements, including numbers of employees, have historically been heavily influenced by the changes in the level of economic activity in the country as illustrated by the GDP.

The Consumer Price Index ("CPI") inflation averaged 1.5% for the first six months of 2014, this change was driven by higher prices for several items led by restaurants and hotels, household equipment, education and transport. The ESO is forecasting 2014 annual inflation of 1.8%.

The value of building permits rose from $111.19 million for the six months ended June 30, 2013 to $322.86 million for the six months ended June 30, 2014, due in large part to the Kimpton Hotel development which is currently under construction.

The Cayman Islands have two main industries; financial services and tourism. In relation to the finance industry the country has a well-established offshore center, one of the largest in the world. The Cayman Islands is one of the world's largest banking centers in terms of assets and one of the top jurisdictions for captive insurance companies.

The financial sector continued in 2014 to exhibit a mixed performance. Overall, there were fewer stock exchange listings and bank and trust licences while all other sub-sector indicators marked some improvement driven by an increase in new company registrations. Subdued activity in the 'class B' category for bank and trust licences during the period prolonged anew its downward trend, which reflects the consolidation among subsidiaries and branches of international banks.

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

Indicators for the Financial Services Industry

(for the twelve months ending December 31)

	2014	2013	2012	2011	2010
Bank licences	**198**	213	222	234	246
Mutual funds*	**11,010**	11,379	10,841	9,258	9,438
Mutual fund administrators	**115**	121	124	129	134
Registered Companies	**99,459**	95,530	93,612	92,964	91,206
Captive insurance companies	**793**	788	768	739	738

*The Cayman Islands Mutual Funds (Amendment) Law, 2011, dated December 22, 2011, amended the Mutual Funds Law (2009 Revision) to require all Master Funds, as defined therein, to become registered by the Cayman Islands Monetary Authority ("CIMA"). Registration for these funds was required for the first time in 2012. Previously registration of any such funds was voluntary in nature. As at December 31, 2014 there were 2,685 registered Master Mutual Funds (2013:2,635) and nil as at December 31, 2011 and prior periods.

The country's continued growth in tourism is further demonstrated by the planned Kimpton Hotel. The resort will consist of a pair of 10-story buildings, one housing a 265 room hotel and the other containing 61 condominiums. Six additional resort bungalows will be built along the beach. The resort will also house 5 restaurants. The hotel is planned to be completed in 2016.

The Cayman Islands tourism demographic is largely comprised of visitors from the United States of America ("US"). For 2014 75% of air arrivals to the country were citizens of the US. As such the US economy largely impacts that of the Cayman Islands. 2014 air arrivals were up 11% when compared to 2013 and cruise arrivals increased by 17% when compared to 2013. Air arrivals have a direct impact on the Company's sales growth as these visitors are stay-over visitors who occupy the hotels. Cruise arrivals have an indirect impact as they affect the opening hours of the establishments operating for that market.

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

Tourist Arrivals to the Cayman Islands

(for the twelve months ending December 31)

	2014	2013	2012	2011	2010
By Air	**382,816**	345,387	321,650	309,091	288,272
By Sea	**1,609,555**	1,375,872	1,507,370	1,401,495	1,597,838
Total	**1,992,371**	1,721,259	1,829,020	1,710,586	1,886,110

All data is sourced from the Cayman Islands Government, Cayman Islands Economics & Statistics Office, Cayman Islands Monetary Authority, Cayman Financial Review and Cayman Islands Department of Tourism websites; www.gov.ky www.ESO.ky www.cimoney.com.ky www.caymanfinancialreview.com www.caymanislands.ky www.sb-architects.com.

LIQUIDITY AND CAPITAL RESOURCES

The following table outlines the summary of cash flow:

Cash Flows

($ thousands)

	Three Months Ended December 31, 2014	Three Months Ended December 31, 2013	Twelve Months Ended December 31, 2014	Twelve Months Ended December 31, 2013	Change	% Change
Beginning Cash	**3,467**	3,445	**1,215**	694	**521**	75%
Cash provided by/(used in):						
Operating Activities	**9,864**	11,403	**46,780**	49,940	**(3,160)**	-6%
Investing Activities	**(18,743)**	(7,871)	**(39,774)**	(26,484)	**(13,290)**	-50%
Financing Activities	**27,227**	(5,762)	**13,594**	(22,935)	**36,529**	159%
Ending Cash	**21,815**	1,215	**21,815**	1,215	**20,600**	1,695%

Operating Activities:

Cash flow provided by operations, after working capital adjustments, for the Fourth Quarter 2014, was $9.9 million, a decrease of $1.5 million when compared to $11.4 million for the Fourth Quarter 2013. This decrease was primarily attributable to changes in non-cash working capital balances and lower earnings.

Cash flow provided by operations, after working capital adjustments, for the twelve months ended December 31, 2014, was $46.8 million, a decrease of $3.1 million from $49.9 million for the twelve months ended December 31, 2013. This decrease was primarily due to changes in non-cash working capital balances and changes in regulatory deferrals.

Investing Activities:

Cash used in investing activities totaled $18.7 million for the Fourth Quarter 2014, an increase of $10.8 million from $7.9 million for the Fourth Quarter 2013. This increase is due to higher capital expenditures in the Fourth Quarter 2014. In the Fourth Quarter 2014 the Company made the first payment for the construction of a new 39.7MW diesel power plant which is planned for completion in 2016.

Cash used in investing activities for the twelve months ended December 31, 2014 totaled $39.8 million, an increase of $13.3 million from $26.5 for the twelve months ended December 31, 2013. This increase is due to higher capital expenditures during the twelve months ended December 31, 2014.

Financing Activities:

Cash received from financing activities totaled $27.2 million for the Fourth Quarter 2014 compared to $5.8 million of cash utilised in financing activities in the Fourth Quarter 2013. This increase is due primarily to debt receipts of $50.0 million in long term funding during the Fourth Quarter 2014, compared to no proceeds from debt during the Fourth Quarter 2013.

Cash received from financing activities totalled $13.6 million for the twelve months ended December 31, 2014 compared to $22.9 million of cash utilised in financing activities for the twelve months ended December 31, 2013. During the twelve months ended December 31, 2014, the Company received $65.0 million in debt proceeds, repaid $1.3 million of the overdraft facility and repaid debt of $32.0 million, compared to debt proceeds of $50.0 million, repayment of the overdraft facility totalling to $4.9 million, and debt payments of $50.5 million during the twelve months ended December 31, 2013.

FINANCIAL POSITION

The following table is a summary of significant changes to the Company's balance sheet from December 31, 2013 to December 31, 2014:

Significant changes in Balance Sheets
(from December 31, 2013 to December 31, 2014)

Balance Sheet Account	Increase (Decrease) *($ millions)*	Explanation
Cash and Cash Equivalents	20.6	Increase due to cash provided by operating activities of $46.8 million and cash from financing activities of $13.6 million, partially offset by cash used in investing activities of $39.8 million.
Accounts Receivable	(4.4)	Primarily due to increased allowance for doubtful accounts and lower fuel billings in the Fourth Quarter 2014.
Regulatory Assets	(0.8)	Decrease attributable to lower fuel costs.
Inventories	(1.7)	Decrease in value of fuel inventory due to lower fuel costs.
Property, Plant and Equipment	15.4	Net increase is comprised of capital expenditures of (1) $39.5 million (2) depreciation expense of $24.0 million (3) $0.2 million in accrued capital expenditure (4) $0.3 million in contributions in aid of construction.
Bank Overdraft	(1.3)	Full repayment of bank overdraft.
Accounts Payable and Accrued Expenses	(5.3)	Decreased payable related to lower fuel costs.
Current Portion of Long-Term Debt	(3.0)	Decrease due to full repayment of Company's 7.64% Senior Unsecured Note Loan Note in June 2014.
Long-Term Debt	36.0	Increase due to $50.0 million in debt proceeds received in the Fourth Quarter 2014, partially offset by principal payments made on the Company's Senior Unsecured Notes.
Share Premium	2.0	The Company issued 200,359 shares through its share purchase plans.

CAPITAL RESOURCES

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

To help ensure access to capital, the Company targets a long-term capital structure containing approximately 45% equity, including preference shares, and 55% debt. The Company's objective is to maintain investment-grade credit ratings. The Company sets the amount of capital in proportion to risk. The debt to equity ratio is managed through various methods such as the Class A Ordinary Share rights offering that occurred in 2008 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, 2014, the Company was in compliance with all debt covenants.

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

Capital structure	**December 31, 2014 ($ millions)**	**%**	**December 31, 2013 ($ millions)**	**%**
Total Debt	**252.0**	**58**	219.0	55
Shareholder's Equity	**179.8**	**42**	178.3	45
Total	**431.8**	**100**	397.3	100

During the twelve months ended December 31, 2014, the Company's capital structure increased $34.5 million to $431.8 million from $397.3 million at December 31, 2013. This increase is due to higher total debt and a $1.5 million increase in shareholder's equity.

During the Fourth Quarter 2014, the Company closed on a $50 million private placement consisting of $30 million 3.65% Senior Unsecured Notes due November 25, 2029, $5 million 3.85% Senior Unsecured Notes due November 25, 2034, and $15 million 4.53% Senior Unsecured Notes due November 25, 2046.

During the twelve months ended December 31, 2014, the Company received $65.0 million in debt financing and repaid debt of $32.0 million, including $15 million of short term debt. For the twelve months ended December 31, 2014 shareholders' equity increased by $1.5 million to $179.8 million when compared to $178.3 million for the twelve months ended December 31, 2013. This increase in shareholder's equity was primarily attributable to the issuance of 200,359 shares and an increase in retained earnings, partially offset by an increase in accumulated other comprehensive loss

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

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

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

The A- rating reflects S&P's positive view of the Company's current position as the sole provider of generation services, and the Company's licensed position as the sole provider of T&D services. The rating also reflects S&P's positive view of regulatory support and stable cash flows offset by the economic uncertainty and the limited history of the regulator.

The DBRS "A" rating reflects a supportive regulatory regime, solid credit metrics and a stable island economy and the demand for electricity. Impacting the rating were such factors as hurricane event risk and small size of customer base.

CREDIT FACILITIES

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

Short-Term Financing

($ millions)

Credit Facilities	December 31, 2014
Corporate Credit Card Line	0.5
Letter of Credit	0.5
Operating, Revolving Line of Credit	7.5
Catastrophe Standby Loan	7.5
Demand Loan Facility- Interim Funding of Capital Expenditures	31.0
Total	**47.0**

Of the total above, $46.0 million was available at December 31, 2014.

CAPITAL EXPENDITURES

Capital expenditures for the Fourth Quarter 2014 were $18.4 million, a $10.9 million, or 145% increase from $7.5 million in capital expenditures for the Fourth Quarter 2013. In the Fourth Quarter 2014 the Company made the first payment for the construction of a new 39.7MW diesel power plant which is planned for completion in 2016.

Capital expenditures for the twelve months ended December 31, 2014 were $39.5 million, a $10.2 million, or 26% increase from $29.3 million in capital expenditures for the same period of the previous year. Included within the various 2014 projects is AFUDC totaling to $2.8 million.

OFF BALANCE-SHEET ARRANGEMENTS

Disclosure is required of all 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. The Company has no such off-balance sheet arrangements as at December 31, 2014.

BUSINESS RISKS

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

Economic Conditions

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

Regulation

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

Insurance – Terms and Coverage

The Company renewed its insurance policy as at July 1, 2014 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 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 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 rate regulated accounting and differs from the GAAP treatment of a loss being recognized on the statement of earnings. The amount charged to accumulated depreciation is net of any proceeds received in conjunction with the disposal of the asset. Insurance proceeds are included within the criteria.

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

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

Credit Risk

There is risk that CUC may not be able to collect all of its accounts receivable and other assets. This does not represent a significant concentration of risk. The requirement 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. CUC manages credit risk primarily by executing its credit collection policy, including the requirement for security deposits and the application of a Finance Charge on overdue accounts beyond 60 days, through the resources of its customer service department. The Finance Charge was approved by the ERA in late 2014 with an effective date of January 1, 2015.

Trade and other accounts receivable

($ thousands)

	As at December 31, 2014	As at December 31, 2013
Current	**9,224**	11,914
Past due 31-60 days	**1,628**	2,018
Past due 61-90 days	**516**	594
Past due over 90 days	**4,397**	4,314
Total Accounts Receivable	**15,765**	18,840
Less: Allowance for doubtful accounts	**(1,481)**	(195)
Less: Consumer Deposits	**(5,364)**	(4,998)
Net Exposure	**8,920**	13,647

As at December 31, 2014, the net exposure on the balance sheet is $8.9 million.

Critical Accounting Estimates

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

Quarterly Results

The table "Quarterly Results" summarises unaudited quarterly information for each of the eight quarters ended March 31, 2013 through December 31, 2014. This information has been obtained from CUC's unaudited interim Financial Statements, which in the opinion of Management, have been prepared in accordance with US GAAP. These operating results are not necessarily indicative of results for any future period and should not be relied upon to predict future performance.

Quarterly results

($ thousands, except basic and diluted earnings per ordinary share)

	Operating Revenue	Net Earnings	Income applicable to Class A Ordinary Shares	Earnings per Class A Ordinary Share	Diluted Earnings per Class A Ordinary Share
December 31, 2014	58,192	5,397	4,806	0.16	0.16
September 30, 2014	63,437	6,221	6,108	0.21	0.21
June 30, 2014	56,571	5,749	5,636	0.20	0.20
March 31, 2014	53,505	3,448	3,335	0.11	0.11
December 31, 2013	58,801	5,760	5,169	0.18	0.18
September 30, 2013	59,547	6,048	5,935	0.21	0.21
June 30, 2013	55,346	5,716	5,603	0.19	0.19
March 31, 2013	52,525	2,898	2,785	0.10	0.10

Outlook

On October 3, 2014 the ERA announced that CUC was the successful bidder for new generation capacity. CUC will develop and operate a new 39.7 megawatts ("MW") diesel power plant including two 18.5 MW diesel generating units and a 2.7 MW waste heat recovery steam turbine. The project cost is estimated at $85 million and the plant will be commissioned no later than June 2016.

In December 2014 the ERA approved CUC's 2015-2019 Capital Investment Plan in the amount of $234 million. Generation expansion costs related to the recent bid award are included in the approved CIP in the amount of CUC's competitive bid.

Consolidated Balance Sheets

(expressed in thousands of United States Dollars)

Unaudited	As at December 31, 2014	As at December 31, 2013
Assets		
Current Assets		
Cash and Cash Equivalents	**21,815**	1,215
Accounts Receivable	**14,284**	18,645
Regulatory Assets	**23,543**	24,373
Inventories	**3,517**	5,185
Prepayments	**2,793**	2,703
	65,952	52,121
Property, Plant and Equipment	**394,680**	379,329
Other Assets	**1,594**	1,509
Intangible Assets	**3,174**	2,791
Total Assets	**465,400**	435,750
Liabilities and Shareholders' Equity		
Current Liabilities		
Bank Overdraft	**-**	1,258
Accounts Payable and Accrued Expenses	**26,318**	31,633
Related Party Payables	**16**	10
Regulatory Liabilities	**145**	242
Current Portion of Long-Term Debt	**14,000**	17,000
Consumers' Deposits and Advances for Construction	**5,461**	4,998
	45,940	55,141
Defined Benefit Pension Liability	**1,415**	283
Long-Term Debt	**238,000**	202,000
Other Long term Liabilities	**210**	34
Total Liabilities	**285,565**	257,458
Shareholders' Equity		
Share Capital	**1,992**	1,980
Share Premium	**83,044**	81,023
Additional Paid in Capital	**463**	479
Retained Earnings	**95,722**	95,064
Accumulated Other Comprehensive Loss	**(1,386)**	(254)
Total Shareholders' Equity	**179,835**	178,292
Total Liabilities and Shareholders' Equity	**465,400**	435,750

Consolidated Statements of Earnings

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

Unaudited	**Three Months Ended December 31, 2014**	**Three Months Ended December 31, 2013**	**Twelve Months Ended December 31, 2014**	**Twelve Months Ended December 31, 2013**
Operating Revenues				
Electricity Sales	**17,835**	18,109	**73,408**	71,131
Fuel Factor	**40,357**	40,692	**158,297**	155,089
Total Operating Revenues	**58,192**	58,801	**231,705**	226,220
Operating Expenses				
Power Generation	**41,340**	41,427	**161,832**	158,090
General and Administration	**2,167**	2,349	**8,796**	8,851
Consumer Services	**659**	431	**3,357**	1,672
Transmission and Distribution	**634**	571	**2,619**	2,200
Depreciation	**5,957**	5,960	**24,030**	24,351
Maintenance	**1,074**	1,309	**5,406**	5,610
Amortization of Intangible Assets	**80**	77	**337**	306
Total Operating Expenses	**51,911**	52,124	**206,377**	201,080
Operating Income	**6,281**	6,677	**25,328**	25,140
Other (Expenses)/Income:				
Finance Charges	**(2,181)**	(2,172)	**(9,115)**	(9,018)
Foreign Exchange Gain	**464**	484	**1,917**	1,927
Other Income	**833**	771	**2,685**	2,373
Total Net Other (Expenses)/Income	**(884)**	(917)	**(4,513)**	(4,718)
Earnings for the Period	**5,397**	5,760	**20,815**	20,422
Preference Dividends Paid- Class B	**(591)**	(591)	**(930)**	(930)
Earnings on Class A Ordinary Shares	**4,806**	5,169	**19,885**	19,492
Weighted-Average Number of Class A Ordinary Shares Issued and Fully Paid (in thousands)	**29,197**	28,927	**29,131**	28,892
Earnings per Class A Ordinary Share	**0.16**	0.18	**0.68**	0.68
Diluted Earnings per Class A Ordinary Share	**0.16**	0.18	**0.68**	0.68
Dividends Declared per Class A Ordinary Share	**0.165**	0.165	**0.660**	0.660

Consolidated Statements of Comprehensive Income

(expressed in thousands of United States Dollars)

Unaudited	Three Months Ended December 31, 2014	Three Months Ended December 31, 2013	Twelve Months Ended December 31, 2014	Twelve Months Ended December 31, 2013
Earnings for the Period	**5,397**	5,760	**20,815**	20,422
Other Comprehensive Income/(Loss):				
Amounts arising during the period				
Defined Benefit Pension plans:				
Net actuarial (loss)/gain	**(1,214)**	1,084	**(1,214)**	1,085
Reclassification to net income				
Defined Benefit Pension plans:				
Amortization of prior service costs	**22**	62	**82**	248
Amortization of net actuarial loss	**-**	33	**-**	133
Total Other Comprehensive Income	**(1,192)**	1,179	**(1,132)**	1,466
Comprehensive Income	**4,205**	6,939	**19,683**	21,888

Consolidated Statements of Shareholders' Equity

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

Unaudited	Class A Ordinary Shares (in thousands)	Class A Ordinary Shares Value ($)	Preference Shares ($)	Share Premium ($)	Additional Paid-in Capital ($)	Accumulated Other Comprehensive Loss ($)	Retained Earnings ($)	Total Equity ($)
As at January 1, 2014	**29,060**	**1,730**	**250**	**81,023**	**479**	**(254)**	**95,064**	**178,292**
Net Earnings	-	-	-	-	-	-	20,815	20,815
Common share issuance and stock options plans	200	12	-	2,021	(16)	-	-	2,017
Defined benefit plans	-	-	-	-	-	(1,132)	-	(1,132)
Dividends on common shares	-	-	-	-	-	-	(19,227)	(19,227)
Dividends on preference shares	-	-	-	-	-	-	(930)	(930)
As at December 31, 2014	**29,260**	**1,742**	**250**	**83,044**	**463**	**(1,386)**	**95,722**	**179,835**
As at January 1, 2013	**28,806**	**1,715**	**250**	**78,524**	**450**	**(1,720)**	**94,647**	**173,866**
Net Earnings	-	-	-	-	-	-	20,422	20,422
Common share issuance and stock options plans	254	15	-	2,499	29	-	-	2,543
Defined benefit plans	-	-	-	-	-	1,466	-	1,466
Dividends on common shares	-	-	-	-	-	-	(19,075)	(19,075)
Dividends on preference shares	-	-	-	-	-	-	(930)	(930)
As at December 31, 2013	**29,060**	**1,730**	**250**	**81,023**	**479**	**(254)**	**95,064**	**178,292**

Consolidated Statements of Cash Flows

(expressed in thousands of United States Dollars)

Unaudited	Three Months Ended December 31, 2014	Three Months Ended December 31, 2013	Twelve Months Ended December 31, 2014	Twelve Months Ended December 31, 2013
Operating Activities				
Earnings for the period	**5,397**	5,760	**20,815**	20,422
Items not affecting cash:				
Depreciation	**5,957**	5,960	**24,030**	24,351
Amortization of Intangible Assets	**80**	77	**337**	306
Non-cash Pension Expenses	**22**	-	**-**	-
Amortization of Deferred Financing Costs	**34**	59	**156**	194
Stock-based Compensation	**1**	7	**(17)**	28
	11,491	11,863	**45,321**	45,301
Net change in non-cash working capital balances related to operations	**(6,043)**	(3,980)	**726**	3,320
Net Change in Regulatory Deferrals	**4,416**	3,203	**733**	1,319
Cash flow related to operating activities	**9,864**	11,086	**46,780**	49,940
Investing Activities				
Purchase of Property, Plant and Equipment	**(18,367)**	(7,461)	**(39,472)**	(29,323)
Costs related to Intangible Assets	**(376)**	(107)	**(643)**	(200)
Insurance funds received	**-**	-	**-**	2,505
Contributions in Aid of Construction	**-**	(320)	**320**	498
Proceeds on sale of Property, Plant and Equipment	**-**	17	**21**	36
Cash flow related to Investing Activities	**(18,743)**	(7,871)	**(39,774)**	(26,484)
Financing Activities				
Proceeds from Debt Financing	**50,000**	-	**65,000**	50,000
Repayment of Debt	**(18,000)**	(3,000)	**(32,000)**	(50,500)
(Decrease)/Increase in Bank Overdraft	**(455)**	1,258	**(1,258)**	(4,942)
Dividends Paid	**(4,937)**	(4,574)	**(20,184)**	(20,005)
Net Proceeds from Share Issues	**619**	871	**2,036**	2,512
Cash flow related to financing activities	**27,227**	(5,445)	**13,594**	(22,935)
Increase in net cash and cash equivalents	**18,348**	(2,230)	**20,600**	521
Cash and cash equivalents - Beginning of period	**3,467**	3,445	**1,215**	694
Cash and cash equivalents - End of period	**21,815**	1,215	**21,815**	1,215
Supplemental disclosure of cash flow information:				
Interest paid during the period	**5,565**	6,041	**11,634**	11,990