



Caribbean Utilities Company, Ltd.

A N N U A L R E P O R T
2001

general data



Cover Feature

Even after 35 years, traditions live on... a group of kids enjoy a cool Sunday afternoon “pitch” into Hog Sty Bay in the George Town Harbour after a day of sports and play. A lot has changed in 35 years as the rapid pace of development has transformed the George Town skyline, but in the shadow of the National Museum, these youngsters are carrying on where their fathers and their fathers’ fathers left off.

The back cover features students from our 2001 Vocational Training Programme.

The image of the compass used throughout this commemorative Annual Report symbolizes and celebrates Cayman’s maritime heritage as well as the sound navigation that has led CUC’s growth over the years.

Contents

One	Highlights
Two	To Our Shareholders
Five	Thirty-five Years and Growing
Twelve	Management’s Discussion and Analysis
Eighteen	Our Employees
Twenty	Where Your Dollar Went
Twenty-one	Vision and Mission Statements
Twenty-two	Auditors’ Report to the Shareholders
Twenty-three	Balance Sheet
Twenty-four	Statement of Earnings
Twenty-five	Statement of Cash Flows
Twenty-six	Statement of Changes in Shareholders’ Equity
Twenty-seven	Summary of Accounting Policies
Twenty-nine	Notes to Financial Statements
Thirty-six	Ten-Year Summary
Thirty-eight	Directors of the Company
Thirty-nine	Officers of the Company
Forty	Shareholder and Corporate Information

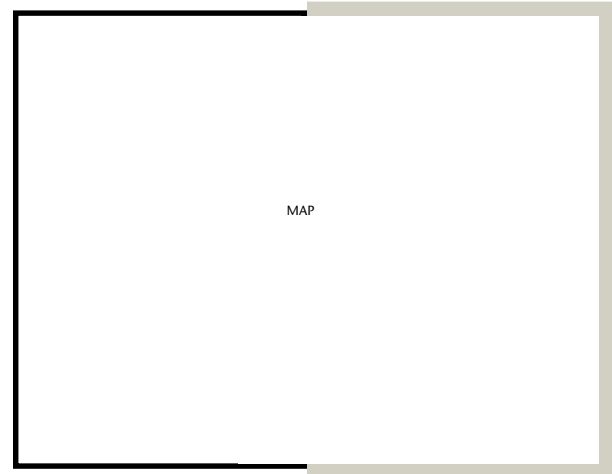
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About the Islands

The Cayman Islands, a United Kingdom Overseas Territory, with an approximate population of 41,000, are comprised of three islands: Grand Cayman, Cayman Brac and Little Cayman. Located 480 miles south of Miami and 180 miles west of Jamaica, the largest island is Grand Cayman with an area of 69.4 square miles. The islands, discovered by Christopher Columbus during his fourth voyage in 1503, were originally named “Las Tortugas” for their large turtle population. A Governor, presently Mr. Peter J. Smith, C.B.E., is appointed by Her Majesty The Queen. A democratic society, Grand Cayman has a Legislative Assembly comprised of representatives elected from each of the Island’s five districts as well as two representatives for the Sister Islands of Cayman Brac and Little Cayman.



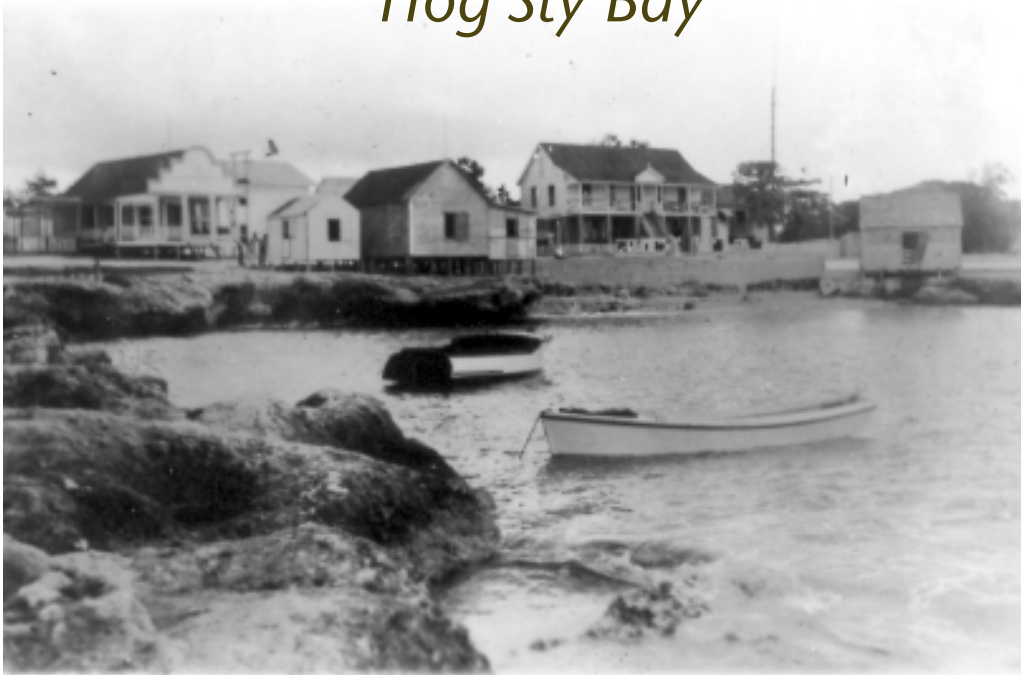
About the Company

Caribbean Utilities Company, Ltd., known locally as “CUC”, commenced operations as the only electric utility in Grand Cayman in May 1966. The Company currently has an installed capacity of 115 megaWatts (MW) and a peak load of 74.4 MW experienced in July 2001. Our 213 employees are committed to providing a safe and reliable supply of electricity to over 19,100 customers. The Company has been through many challenging and exciting periods but has kept pace with Grand Cayman’s rapid development for the past 35 years. Today we are considered one of the most reliable and efficient power companies in the Caribbean.

back in time

1930s

Hog Sty Bay



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in downtown George Town in the 1930s. The building on the left was home to the one of the first generating units on the Island, owned by local entrepreneurial brothers Ed and Charlie Hislop. The brothers are credited with providing initial electrical service to George Town. The powerhouse also served as an ice-cream shop at the time. The two-storey building on the right, which today houses the National Museum, served as the government administration building as well as the courts.



highlights
www.cuc-cayman.com

Financial Results in Brief

	2001 US\$	2000 US\$	% Change
Operating revenue	90,089,071	76,469,248	17.81%
Shareholders' equity	106,372,634	99,057,848	7.38%
Earnings for the year	19,305,902	17,990,775	7.31%
Capital expenditures	35,654,588	43,642,347	-18.30%
Total assets	226,628,216	206,379,885	9.81%
Customs duties and turnover fees paid to Government	15,604,671	16,242,075	-3.92%
Interest expense and preference dividends	3,736,755	3,078,927	21.37%
Dividends	13,903,707	11,481,584	21.10%
Earnings per Class A Ordinary Share	0.78	0.73	6.85%
Dividends per Class A Ordinary Share (Paid and declared)	0.56	0.47	17.02%
Book value per Class A Ordinary Share	4.23	3.97	6.55%
Class A Ordinary Shares			
Market Price: High	12.50	10.70	16.82%
Low	9.75	7.85	24.20%
Year-end	12.05	10.05	19.90%
8% Class C, Series 2 Shares			
Market Price: High	103.00	105.00	-1.90%
Low	97.00	100.00	-3.00%
Year-end	100.05	100.00	0.05%

Performance

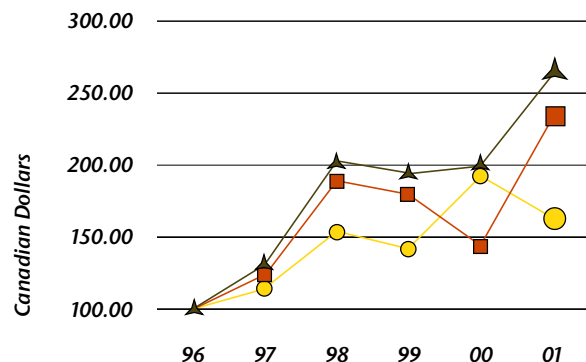
The Company recorded increased revenues, earnings and new peaks in demand. Operating revenues grew by 17.81% and earnings by 7.31%. The dividend payout rate continues to exceed 60% of earnings. Dividends on Class A Ordinary Shares increased by 17.02% from US\$0.47 to US\$0.56 per share. The Class A Ordinary Shares (CUP.U) traded on The Toronto Stock Exchange at a high of US\$12.50 per share. CUC's 8% Class C, Series 2 Preference Shares are listed on The Toronto Stock Exchange (CUP.PR.U).

Rate of Exchange

The closing rate of exchange as of April 30, 2001 as reported by the Bank of Canada for the conversion of United States dollars into Canadian dollars was Cdn.\$1.5366 per US\$1.00. The official exchange rate for conversion of Cayman Islands dollars into United States dollars, as determined by the Cayman Islands Monetary Authority, has been fixed since April 1974 at US\$1.20 per CI\$1.00. Thus, the rate of exchange as of April 30, 2001 for the conversion of Cayman Islands dollars into Canadian dollars was Cdn.\$1.8439 per CI\$1.00. Unless otherwise indicated, all dollar amounts in this Annual Report are given in United States dollars.

Share Performance

Comparison of five-year cumulative total return between Cdn.\$100.00 invested in CUC Class A Ordinary Shares and The Toronto Stock Exchange (TSE) 300 Index and TSE Gas/Electrical Utilities Index.



▲ CUC Index	100.00	130.94	202.44	190.88	198.23	259.03
■ TSE Gas/Electrical Utilities Index	100.00	124.64	183.24	178.94	145.04	232.38
● TSE 300 Index	100.00	118.44	100.00	143.64	194.10	167.05



2001 has been a year of achievement for CUC. More than ever before, our staff have faced new challenges in meeting the growth in electrical demand while maintaining the high standards of reliability and professional service that our customers have come to



Joseph Imparato, Chairman, tracks the location of the 69KV submarine cable laid across the North Sound in May.

expect. We were particularly proud to report the 'A' rating awarded CUC from Standard & Poor's when its coverage of the Company was initiated in January.

Earnings for the year were \$19,305,902, up from \$17,990,775 in fiscal 2000, representing a 7.31% increase. Earnings per Class A Ordinary Share increased by 6.85% from \$0.73 to \$0.78. KiloWatt (KWH) net generation grew to 424.7 million KWH from 398.1 million KWH in 2000, or 6.7%.

New records continue to be achieved as electricity demand peaked at 74.4 megaWatts (MW) this July, which is up 9% over last summer's peak. CUC currently supplies in excess of 19,100 customers, an increase of 4.0% over fiscal 2000.

The Company increased its dividend by 20.8% to

\$0.58 annualised per Class A Ordinary Share, reflecting the Company's continuing policy of providing maximum shareholder value.

Growth in electrical demand is forecast by the Company to remain high at 6.3% over the next year. The current slowdown in the U.S. economy has led to a modest decline in the real estate market and tourism industry, but this has been somewhat offset by continued growth in the international financial services industry. The Cayman Islands continue to be proactive in steps taken to ensure that they are providing the very highest level of financial services in keeping with international standards. Its position as a major international financial centre continues to strengthen (see page 14 of "Management's Discussion and Analysis"). Accordingly, the Cayman Islands does not appear on the Organisation for Economic Cooperation and Development (OECD) blacklist of tax havens, and it was recently removed from the Financial Action Task Force (FATF) blacklist of non-cooperating jurisdictions in the fight against money laundering.

In accordance with the terms of its Licence with the Government of the Cayman Islands, CUC submitted its returns for the year ended April 30, 2001 indicating that CUC is entitled to a 2% increase effective August 1, 2001. Under an agreement with Government, the rate increase will be suspended pending the completion of an electricity rate review. It is contemplated that an agreement with Government on new electricity rates to our customers can be reached by October 31, 2001. The objectives of the review are to ensure that the costs of electrical service associated with CUC's rapid growth are fair, properly allocated and developed to eliminate subsidised consumption. The review is now before Government for consideration.

With the submission of the Final Return and in response to certain statements made publicly by Government about the possibility of Licence renegotiations, CUC has notified Government that the Company has no plans to enter into Licence renegotiations before 2006 as specified under its existing Licence. CUC's Licence dated January 1986, as amended, expires in 2011. CUC has also indicated that it will continue to work with Government to satisfy its concerns regarding rate increases to customers and to suggest constructive compromises where appropriate.

Enhancements to our transmission and distribution (T&D) system were the main focus of our 2001, \$35.7 million capital expenditure programme and this year's

to our shareholders

\$26.3 million programme. The new 69KV North Sound and South Sound Substations are presently online, while the Frank Sound Substation building is nearing completion. Fourteen miles of 69KV transmission submarine cable were laid this May, with completion of



Peter A. Thomson, President & C.E.O. (right), and Richard Hew, Senior Vice-President & General Manager, on the verandah of the recently opened 69KV GIS South Sound Substation.

the Morgan's Harbour/West Bay loop expected this October. The eastern loop will be completed in late 2002. We completed the MAN B&W 24.5 MW generation expansion, and the integrated control system project during fiscal 2001. Generation capacity presently stands at 115 MW. Both the T&D and generation projects were successfully executed under our strategic alliance agreements with partners ABB T&D Power Company, Inc. of the U.S. and MAN B&W Diesel AG of Germany. Our strategic alliance partners continue to provide us

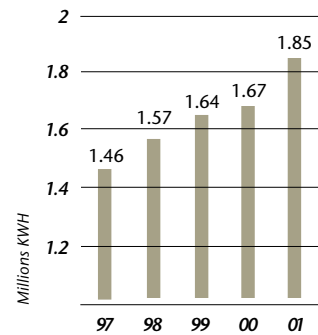
with synergies in areas ranging from training, priority response to technical issues and community involvement. CUC's vocational training programme for high school students is an example of such an initiative and is now entering its third successful year.

The Company's capital investment in technology has and will continue to impact efficiency and productivity favourably. KWH sales per employee have increased over the last year to 1.85 million KWH, representing an increase of 10.8% over 2000. System losses were maintained at 7% in 2000, while our index of reliability to the average customer exceeded 99.93%. CUC conducted an alternative energy study in light of the past years' higher fuel prices. While diesel power is the most efficient, cost-effective and reliable means of providing power to Grand Cayman, the study concluded that wind and Ocean Thermal Energy Conversion (OTEC) sources merit further consideration and investigation. CUC will install wind-monitoring equipment this year to determine the feasibility of wind power and is also pursuing an OTEC opportunity. CUC remains focused on providing increased savings and efficiencies in all areas of its operations.

The commitment of our employees to provide customers with world-class innovative service was reflected in an overall customer satisfaction survey rating of 87% in 2001. Providing a reliable service while embracing new technologies will allow us to not only meet but also exceed our customers' expectations. We are upgrading to automated electronic meters for all commercial and residential customers, have initiated a regular customer bulletin and improved our power outage reporting system. We have also retained a full-time 'Energy Smart' representative to work with our customers to educate them on the benefits of energy conservation and the more efficient use of electricity.

CUC remains committed to ensuring that the skills of employees are aligned with the objectives of the business by supporting opportunities that help

Sales per Employee
(millions of KWH)





to our shareholders

employees reach their full potential. The Company continues to heavily support scholarship initiatives and training programmes. Safety continues to be a priority, and emphasis is placed on safe work policies and



CUC's looped T&D system project continued with the laying of 14 miles of 69KV transmission submarine cable across the North Sound in May 2001. The barge above laid cable in connection with the eastern loop scheduled for completion in late 2002.

procedures. Cross-functional training initiatives and a renewed focus on teamwork are used to bring about progressive changes and greater business knowledge. The Company has identified training and development initiatives with our strategic utility partner Fortis Inc. Exchange programmes started during the year will continue. Synergies between our two companies are exceeding our expectations and provide increased value to both our companies and their shareholders.

The CUC family is deeply saddened by the passing of our dear friend and long serving employee, Elgin Coe, on July 30, 2001. Mr. Coe joined CUC 25 years ago as a Meter Serviceman and served as a Line Planner for the past nine years. We are extremely grateful for and will miss his valuable contributions to our Company.

The Board is extremely proud of its staff, and we cannot praise them enough for their dedication in performing their duties and contributions to our success and growth. We congratulate Wayne McKenzie, our Employee of the Year. We extend our appreciation to the 22 long-serving employees recognised this year who have collectively completed 355 years of service to our Company.

We would like to congratulate Richard Hew on his promotion as CUC's General Manager in May, and to

thank his predecessor, Bruce Drake, for his 13 years of dedicated service to the Company.

In this, our 35th anniversary Annual Report, you will see how CUC's service to Grand Cayman has and



Work is progressing at the Morgan's Harbour/West Bay landing of the 69KV transmission submarine cable project. This landing comprises part of the western loop expected to be completed in October 2001.

continues to provide for the successful development of the Island. As we now move through 2001 and beyond, the CUC team continues to be focused on our 'Mission' to grow CUC as a profitable world-class energy services provider by leveraging bold, adaptive leadership, information technology, customer focus and transparency.

On behalf of the Board of Directors,

[Signed]

Joseph Imparato, *Chairman*

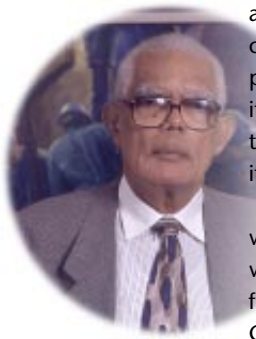
[Signed]

Peter A. Thomson, *President & C.E.O.*

July 31, 2001

thirty-five years and growing

CUC has grown dramatically over the past 35 years and has been a key participant in the changes that have occurred on Grand Cayman during that time. Grand Cayman has historically been known as “the Island time forgot”, and longtime residents and visitors alike marvel at how the Island has evolved from “the old days” when the roads were paved with marl and the modern amenities of today, especially electricity, were not yet available. CUC, for that matter, was simply a small utility with 650 customers, 52 employees and 1.36 MW in installed capacity. While life on Grand Cayman has certainly changed over the years as a result of technology and growth, it is comforting to know that many of the values and surroundings that made the Island appealing in 1966 are still in place today. These values include hard work, respect for the environment and community service. Similarly, CUC is constantly challenged by the demands of providing world-class, innovative service in its growing community but has not forgotten the virtues that helped transform it into what it is today.



Mr. W. Warren Conolly,
O.B.E., J.P.

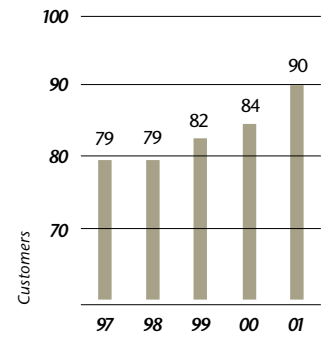
As CUC celebrates its 35th anniversary, it is worthwhile to explore the insights of those who have been involved with the Company from the beginning, such as Mr. W. Warren Conolly, O.B.E., J.P., a well-respected statesman in Cayman’s business and political communities who served as a CUC director from 1966 to 2000 and is now a Director Emeritus.

“The lifestyle of Cayman has completely changed since the arrival of electricity in 1966,” Mr. Warren

recalled. “It’s pretty hard to explain the difficulty people had growing up without electricity, but, of course, when we didn’t have the service and didn’t know about the service, we had to make do. Kerosene lamps and flashlights were the only lights we had. When electricity came to the Island, people bought electric stoves and other equipment and life improved for all.”

Despite its small size, Grand Cayman has progressed into a modern international financial centre and tourism destination as evidenced by the large number of banks, trust and insurance companies, hotels, condominiums and residential and commercial developments throughout the Island. This growth has benefited CUC greatly by expanding its customer base and enabling it to become a leader in hiring and training Caymanians as well as a model of corporate community involvement. However, it has also demanded that the Company continue to provide the safe and reliable service its residential and commercial customers have come to expect, a challenge that continues to exist. “Electricity today is one of the major segments of any development,” Mr. Warren noted. “There would not and could not have been this development if CUC had not

Customers per Employee
(number of customers)



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Harbour Drive in George Town, in the 1960s (left) and now (right). George Town is one of the areas most affected by the development of Grand Cayman’s tourism and financial services sectors. A mainstay over the years has been one of Cayman’s oldest churches, Elmslie Memorial United Church, whose steeple is shown in the background of both photographs.



thirty-five years and growing

maintained its part of the infrastructure as well as it has and continues to do so. CUC has kept its commitment to supply the Island through solid planning and a reliable electrical supply.”

Training

CUC has also remained the employer of choice on Grand Cayman by offering one of the most progressive hiring and training programmes on the Island. “CUC has had a good working relationship with its employees from the beginning,” Mr. Warren said. “It trained its employees and management well back then, and any disputes were settled early. We sent several people overseas for training, but not as much as today. CUC also has a larger scholarship programme today. It is important to understand that most of our employees in



CUC installed a 140-foot exhaust stack to the engine room housing its two MAN B&W generating units. This stack will improve air quality surrounding the plant.



Lineman Foremen Clinton Stewartson and Johnny Ebanks, perform upgrades on de-energised and grounded lines in helping CUC provide world-class, reliable service to its customers.

the old days were self-made men who learned on the job. Quite a few of them previously worked at sea in similar capacities as what they were doing at CUC, as ship engineers and at other jobs. They had good experience with steam engines and boilers, much more than with diesel.”

“I would like to acknowledge CUC’s employees for their hard work and dedication,” Mr. Warren added. “They have served the Company well and are appreciated by the directors, officers and management. CUC means nothing without its loyal staff. They have gone beyond the call of duty over the years and should be commended for their great work. CUC has done very well in hiring and training young Caymanians with the ambition of serving the Company. I implore the young people of today to take their schoolwork seriously and qualify themselves to join CUC so they can be trained and improve their lives.”

“CUC also has a solid pension plan in place and it has provided staff with working conditions that are as good as any on the Island,” Mr. Warren continued. “The Company is a pioneer in Cayman with its Customer Share Purchase Plan and Employee Share Purchase Plan, as these plans are positive for Cayman by resulting in more Caymanian shareholders.”

thirty-five years and growing



CUC commissioned its new 69KV South Sound Substation in November 2000. The substation was constructed by CUC's substation strategic alliance partner, ABB.

Environmental Initiatives

CUC is proactive in environmental matters in its development plans. The Company has invested significant amounts of capital into its environmentally responsible initiatives, focusing on oily waste, air quality and noise.

Oily Waste: CUC commissioned an Oily Waste Separation (OWS) System in January 2000. This system separates oily waste flow from the generating units and cleaning of engine parts into three streams: water, sludge and dirty oil. The environmentally safe water is disposed onsite, and the sludge and dirty oil are

collected in tanks for offshore transportation and processing.

Air: CUC has conducted extensive environmental studies in an effort to improve the quality of air surrounding its power plant. The Company continues to install higher exhaust stacks (chimneys) now up to 140 feet in height to improve air quality.

Noise: CUC installed soundproofing materials in the engine room housing its two MAN B&W generating units, reducing the level of noise transmitted to surrounding areas of the plant.

Alternate Energy

CUC is also investigating the use of alternative power sources to supplement its dependence on diesel-powered technology. A recently completed study indicates that wind and Ocean Thermal Energy Conversion (OTEC) sources merit further consideration. CUC will therefore install wind-monitoring equipment to determine the feasibility of wind power. Sea Solar Power International, Inc. (SSP) of Baltimore, Maryland has approached CUC with a proposal to develop an OTEC plant that would generate 10 MW of electricity and fresh water.

Wind power is one of the earliest forms of energy and is harnessed by modern windmills utilising lighter, stronger blades. Several hundred windmills have been constructed in the U.S. and Europe, where they operate simultaneously in open areas with steady winds while providing a reliable source of electricity to a multitude of homes. Wind power can thus be an inexpensive and abundant source of energy for the future, and CUC will investigate its potential by erecting two temporary



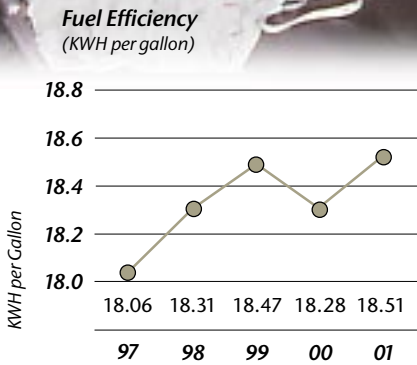
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The George Town Post Office, in the 1940s (left) and today (right). The Post Office, built during the late 1930s, is one of the few buildings that have remained unchanged as Grand Cayman has grown.



thirty-five years and growing



Arney Ebanks, Steam Operations Foreman, re-installs the exhaust valve cage after completing maintenance work on Unit 36, one of CUC's MAN B&W diesel generating units located in the new engine room.

thirty-five years and growing

*“CUC has done very well
hiring and training young Caymanians
with the ambition of serving
the Company.”*



Our third annual vocational training programme for high school students commenced in July. This programme was developed by the Company's Community Involvement Team, in conjunction with its strategic alliance partners, as part of its efforts to help Cayman's youth develop a positive view of the working world and a greater appreciation of the many careers in the electric utility industry.

such as Grand Cayman, and despite the early stages of development and uncertain costs that would be involved in installing this technology, CUC is encouraged by its potential. The Company has entered a non-binding memorandum of understanding with SSP that limits CUC's obligations and does not require it to incur substantial expense in any portion of project development, financing or regulatory approval.

Community Involvement

CUC has also taken the lead in community involvement by focusing on the needs of the youth of Grand Cayman and endeavouring to become a positive influence in their lives. CUC's Community Involvement Team's slogan is "Cayman's Youth Deserve All the Power We've Got," and the Company has continued its record as an excellent corporate citizen and influential community leader by providing volunteers and financial support to many worthy projects, including:

- ✦ The hosting of an annual summer vocational training programme for John Gray High School students with the support of CUC's strategic alliance partners, MAN B&W, ABB and R.W. Beck. This programme is conducted at the CUC plant and combines classroom and hands-on training of basic work and life skills under the supervision of CUC employees.
- ✦ Support of after-school programmes such as the NAYA Sporting Club, the John Gray Memorial Church programme and The Academy programme facilitated by former Jamaican and Cayman Islands National Football coach, Winston Chung.
- ✦ Continuation of friendships with the Lighthouse School and Sunrise Adult Training Centre via regular

wind-monitoring towers before taking further action.

OTEC is a technology that converts solar radiation into electric power by using the ocean's differing layers of temperatures to drive a power-producing cycle. It is a promising alternate energy source for tropical islands



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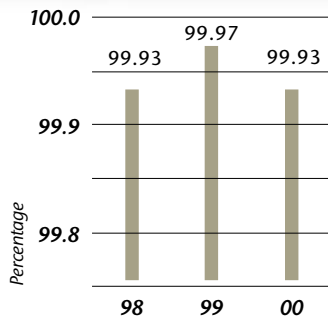
Shedden Road in George Town, in the 1930s (left) and today (right). This area was the main business section on the Island during the 1930s.



thirty-five years and growing



*System Availability
(percentage)*



Albert McLean, Lineman Foreman, performs emergency line work. Safety is a top priority at CUC as emphasis is placed on safe work policies and procedures as well as teamwork.

thirty-five years and growing

*“Electricity today
is one of the major
segments of any development...”*



Employees of ABB T&D Power Company, Inc. and its subcontractors contribute to the submarine cable-laying project by carefully guiding the cable through a designated environmental zone near Cayman Kai. Outcroppings of mangrove were sandbagged for extra protection.

events (e.g., Christmas stocking and Easter egg decoration parties) and participation in the activities of these very special groups.

✦ Completion of the restoration of the North Side and East End Public Beach sites in which CUC volunteers constructed and painted new cabanas, re-roofed and painted existing cabanas and picnic tables and provided garbage drums and other equipment.



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Cardinal Avenue in George Town, in 1969 (left) and today (right). The Thompson Building (middle, background) and the Barclays Building are still prominent features. Today, this busy street is lined with the majority of Cayman’s duty free stores that are frequented daily by tourists and locals alike.

- ✦ Donation of personal computers and software to the John Gray High School computer learning laboratory programme.
- ✦ Participation in a youth summer camp hosted by the Royal Cayman Islands Police Community Relations and Agape Family Worship Centre.
- ✦ The establishment of a CUC Children’s Fund to which employees are invited to make monthly contributions, with all proceeds donated to local charitable organisations as selected by the CUC Corporate Community Involvement Team.

Future of Cayman

CUC has been and will continue to be a prime factor in the development of Grand Cayman and is proud to have served its community over the past 35 years. The Company is confident that it will be able to meet the challenges of the future by growing through bold, adaptive leadership, information technology, customer focus and transparency, all of which would not have been possible without the contributions of those who were with CUC in the beginning.

“It is common knowledge that the foundation is the main part of a building,” Mr. Warren elaborated. “The expertise that was existent in the beginning of CUC has gone a long way in producing the success that followed. The directors, management and employees back then laid a good foundation for what we have now, and the Company is in very good hands today.”



management's discussion and analysis

The following management's discussion and analysis should be read in conjunction with the financial statements included in this Annual Report. Its purpose is to provide supplemental analysis and background material to provide an enhanced understanding of the Company's business and prospects.

Operating Revenues

Operating revenues increased 17.81% (2000:14.03%) to \$90,089,071, up from \$76,469,248 last year. The increase in operating revenues represents a 7.9% increase in basic revenue (2001: \$72,257,581 versus 2000: \$66,969,297), and an 88% increase in fuel adjustment revenue (2000: 112%). Oil prices increased less sharply during the course of the year compared to fiscal 2000. The flattening in the oil price curve during the year accounted for the year-on-year decrease in the growth of fuel adjustment revenue. The Company's Licence provides for adjustments to be made to the rates billed to customers to reflect variations in the cost to the Company of diesel fuel used in the generation of electricity. Such adjustments are made on a monthly basis such that variations in the cost of diesel fuel are passed on directly to customers.

Energy sales grew at a strong 6.5% for the year to 393.3 million KWH. The average annual compounded growth in energy sales over the last five years has been 7.5%. A buoyant economy and increases in residential and commercial customers have driven this growth.



The 48,000-square foot BritCay House in George Town was completed in July 2001 and is one of several large commercial projects scheduled to come online in fiscal 2002.

The economic slowdown in the U.S. during the year did not significantly impact the Cayman Islands economy. The construction sector remained strong, and a number of major commercial projects that were under construction at the commencement of the year were completed and connected to our distribution system. These include the new 231-room Holiday Inn Resort on Seven Mile Beach, the Morritt's Grand Hotel in East End and Harbour Place, a five-story retail and commercial complex located in downtown George Town. Construction of homes and condominiums grew steadily during the year as well, contributing to a 4% growth in customers to 19,198 (2000: 18,463).

In addition, major commercial projects that were still under construction at year-end and are expected to come online next year include the Royal Bank of Canada's new financial centre, Deloitte & Touche's Century Yard project and BritCay House, a 48,000-square foot commercial project. This level of activity suggests that the construction industry will continue to show moderate growth.

The following table presents sales and customer highlights for the years ended April 30:

	2001	2000	Change
Customers (#)			
Residential	16,126	15,533	3.8%
Commercial	3,072	2,930	4.8%
Total Customers	19,198	18,463	4.0%
Sales (1)			
Residential	182,321	170,362	7.0%
Commercial	206,806	195,125	6.0%
Other (street lights, etc.)	4,149	3,935	5.4%
Total sales	393,276	369,422	6.5%
Revenues (2)			
Residential	34,221	31,546	8.5%
Commercial	37,101	34,520	7.5%
Other (street lights, etc.)	936	903	3.7%
Fuel adjustments	17,831	9,500	87.7%
Total operating revenues	90,089	76,469	17.8%

Notes: (1) in thousands of KWH; (2) in thousands of US\$.

management's discussion and analysis

Public Infrastructure

Government's infrastructure spending over the last year was focused primarily on the road system on Grand Cayman. Programmes to construct new major road systems and upgrade existing roads were initiated in recent years to cope with increased traffic resulting from the economic development on the Island. These programmes reached a new level of intensity during the year and resulted in the completion of key intersections, by-passes and routes.

Government's statutory body, The Water Authority of the Cayman Islands, recently completed the East End Water Supply Project designed to provide piped water to the eastern end of Grand Cayman. Reliable piped water and improved roads in the eastern districts of Grand Cayman are part of a physical infrastructure programme aimed at encouraging tourist-related development away from the congested Seven Mile Beach area to the northern and eastern coastal areas of the Island.

The port development project is on track. The new Government, which took office in November 2000, had delayed the plans pending a review. Upon completion of the review, Government recently announced that it would proceed with the \$17 million project, which calls for an increase in the size of the port from 2.6 acres to almost six acres. This will accommodate more shipping activity, including expanded cruise ship-tendering facilities. Government also announced that the Florida

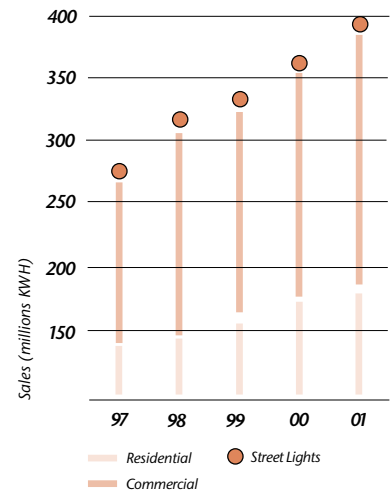
Caribbean Cruise Association had committed financial assistance to the project.

Tourism

The tourism sector, which accounts for about 70% of the country's GDP, registered a modest combined decline of 1% in fiscal 2001. However, the important stayover (air arrival) sector grew by 4% during the year (2001: 334,719; 2000: 321,014). It should be noted that in terms of the macroeconomic effect on the Cayman Islands economy, stayover visitors have a bigger impact as they account for the vast majority of total tourist spending.

Air arrivals benefited from the increase in hotel room inventory with the addition of the previously mentioned Holiday Inn and inauguration of direct air service from Newark and New York by Continental Airlines and Delta Airlines, respectively. The small decline in cruise ship visitors (2001: -3%; 2000: 10%) appears to be the result of interruptions in cruise ship schedules caused by bad weather as opposed to any underlying economic reason.

Residential and Commercial Sales



Royal Bank of Canada's new 40,000-square foot financial centre in George Town was completed in 2001. The new building will replace Royal Bank's previous building that had been in existence since 1964.



The new 231-room Holiday Inn Resort on Seven Mile Beach was completed in 2000.



management's discussion and analysis

The following table presents tourism statistics for the years ended April 30 as restated by the Cayman Islands Government:

Arrivals	2001	2000	1999	1998	1997
By Air	334,719	321,014	330,490	331,580	322,684
By Sea	1,022,643	1,050,983	955,869	842,798	873,507

Source: Department of Tourism, Cayman Islands Government - restated.

Financial Sector

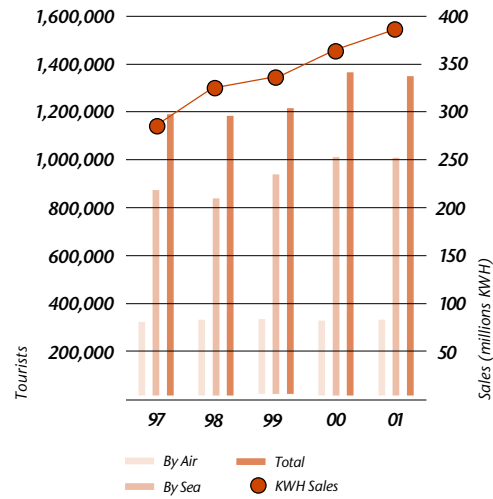
Performance of the financial services sector remains strong. The Cayman Islands Stock Exchange continued to experience strong growth, with an increase in listings of 83.3% and market capitalisation of 66.2%. At the end of December 2000, the number of listings was 385 and market capitalisation stood at \$34.9 billion.

In the banking sector, the number of bank and trust licences increased from 571 at the end of December 1999 to 580 as of December 30, 2000. The mutual funds and insurance sectors remained robust. Mutual funds recorded a 32.7% increase, up from 2,271 as at December 1999, to 3,014 registered funds as of December 31, 2000, the single largest annual increase in the sector's history.

Overall growth in the insurance sector was slower than the growth in mutual funds, increasing from a total of 529 licences in 1999 to 545 licences as of the end of December 2000, a 3% increase. However, gross assets increased from \$12 billion to \$14.9 billion, or 24.2%. Captive insurance licences increased from 497 in 1999 to 516 in 2000.

The Organisation for Economic Cooperation and Development (OECD) released a report in 1998 on Harmful Tax Competition with the view of creating a level playing field for its members and all offshore and onshore financial centres. It addressed the impact of tax havens and harmful tax regimes in OECD member and

Tourism and Sales (restated)



non-member countries and their dependencies. The Cayman Islands made an advance commitment to refrain from harmful tax practices in accordance with the OECD's report and, accordingly, it is not on the OECD blacklist of tax havens. This step has reinforced the Cayman Islands' position as a major international financial centre through constructive engagement with the access to OECD capital markets for Cayman Islands investment vehicles. This compromise represents a preservation of the Cayman Islands fiscal regime, including its tax-neutral regime, indirect form of taxation and framework of confidentiality. Implementation of initiatives for effective exchange of information on tax matters will occur over a three to five-year period. This advance commitment demonstrates the Cayman Islands' resolve to provide the very highest level of financial services in keeping with internationally accepted standards.

The Bush Administration of the U.S. has recently indicated that it no longer supports this OECD initiative. A recent statement from Paul H. O'Neill, U.S. Treasury



Growth in Financial Sector

(data for years ended December 31)

	2000	1999	1998	1997	1996
Bank and Trust Licences	580	571	587	594	583
Registered Companies	59,922	50,951	45,169	41,163	37,919
Mutual Funds	3,041	2,271	1,979	1,685	1,335
Mutual Fund Administrators	202	176	161	139	124
Captive Insurance Companies	516	497	485	449	418

Source: Cayman Islands Monetary Authority and The Registrar of Companies.

management's discussion and analysis

Secretary, confirmed, "The United States does not support efforts to dictate to any country what its own tax rates or tax system should be and will not participate in any initiative to harmonize world tax systems."

Certain perceived deficiencies in the Cayman Islands' strict bank secrecy caused it to be identified as non-cooperative "in the fight against money laundering" by the Financial Action Task Force (FATF) on Money Laundering in 2000. The FATF was created at the 1989 G-7 Economic Summit and is a 29-member international group. The Cayman Islands over the past year has passed legislation, enhanced the supervisory and regulatory powers of the Monetary Authority and sent numerous delegations to Europe where senior Cayman Islands officials have indicated their intention to take the necessary steps to address these deficiencies. Accordingly, the Cayman Islands was removed from the FATF blacklist of non-cooperating jurisdictions June 22, 2001.

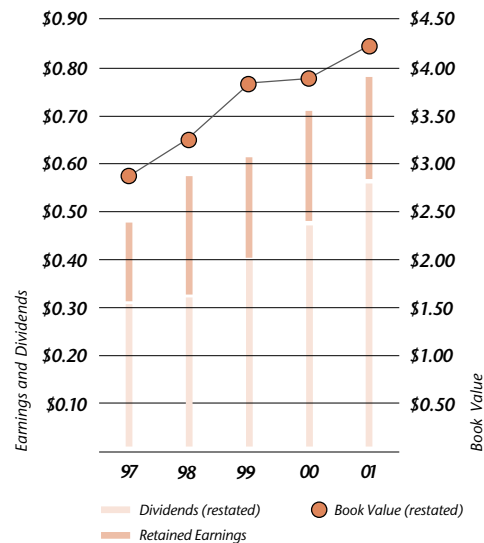
Rates and Licence

In accordance with its Licence, the Company has submitted to the Government of the Cayman Islands its Final Return containing its 2001 audited results confirming that CUC is entitled to a 2% rate increase effective August 1, 2001. The Licence provides for customer tariffs to be adjusted upward or downward



Cricket Square Phase II in George Town was completed in 2001.

Performance per Class A Ordinary Share



each year to provide the Company with a maximum permitted 15% rate of return on its allowable rate base. CUC agreed with Government in May 2001 to suspend any rate increase pending completion of an electric rate review. This review was submitted with the Final Return and is now before Government for consideration. It is anticipated that an agreement on a new electricity rate structure will be reached with Government by October 31, 2001.

The electric rate review was conducted by R.W. Beck and updated its 1994 review. Its objectives were to ensure that the costs of electrical service associated with CUC's rapid growth are fair, properly allocated and developed to eliminate subsidised consumption. The review is interim in nature and recommends that CUC make moderate adjustments to its residential and commercial rate structure until sufficient supporting data can be collected to conduct a full and proper allocated cost of service study, including the development of a demand rate for large consumers. Such studies are traditionally used in North America and form the basis of ensuring fair, cost-based electricity pricing. It is projected that this comprehensive allocated cost of service study would be completed no later than May 2003.

CUC has recommended that Government accept the interim adjustments contained in the interim electric rate review, as they will begin to align electric rates for various customers with the costs to serve those customers. The Company has proposed a compromise to Government regarding rate increases until the



management's discussion and analysis

completion of the allocated cost of service study.

CUC's Licence agreement with Government specifies that renegotiations may commence five years prior to its 2011 expiration. CUC has notified Government that it has no plans to enter Licence renegotiations before 2006.

Operating Expenses

Operating expenses for the years ended April 30 were (US\$ thousands):

	2001	2000	Change
Power generation	44,073	34,823	26.6%
General and administration	7,490	6,548	14.4%
Customer service and promotion	1,188	1,043	13.9%
Distribution	1,843	1,791	2.9%
Depreciation and amortisation	9,416	8,399	12.1%
Maintenance	5,169	5,500	-6.0%
Total operating expenses	69,179	58,104	19.1%

Power generation primarily consists of fuel costs, which increased 30% year-over-year. This increase is mainly due to increased world oil prices during the year. However, greater fuel consumption due to increased energy sales also contributed to higher fuel costs. Fuel prices per imperial gallon increased from an average \$1.45 in 2000 to \$1.74 (20%) in fiscal 2001. Prices in the last quarter of 2001 did show signs of easing as average fuel prices retreated to \$1.62 per imperial gallon.

Contributing to the 14.4% increase in general and



The new Lighthouse School in Red Bay will be ready for the 2001-02 academic year. The Lighthouse School is a Government-operated school for learning-challenged students. This facility will replace the school's previous building in George Town.

administration expenses were increased insurance premiums for property, liability, business interruption and machinery breakdown coverage as well as increased medical premiums. As part of its risk management programme, the Company conducted during the year an asset valuation for insurance purposes and a business interruption risk survey.

Year-over-year depreciation expense increased 12.1%, primarily as a result of the completion and commissioning of the 2000 24.5 MW generation expansion project. The Company was able to minimise the impact of additional depreciation expense by extending the life cycle of certain generation and transmission and distribution assets to conform with industry standards and better reflect the expected useful life of these assets as a result of improvement in design and technology.

The year-over-year decline in maintenance expense is due to lower material cost as a result of improved supply chain management. Also, the catastrophic failure of one of our major generating units contributed to the decrease in generator maintenance expense as it had the knock-on effect of delaying the generator maintenance programme for the year. Additional maintenance of approximately \$247,000 would have been incurred if the maintenance programme had not been so affected. The machinery breakdown damage caused by the failed generating unit is insured and the repaired unit is now back online and a claim is being processed.

Other Income and Expenses

Finance charges increased 21% primarily as a result of ceasing capitalisation of interest during construction, consistent with Canadian GAAP, on capital projects that were completed during the year. Interest during construction amounted to \$3,743,121 in 2001 (2000: \$2,315,411).

Foreign exchange gain decreased by 34% year-on-year. The level of foreign exchange gain reported in 2001 is the normal level of foreign exchange, which results primarily from fuel oil purchases. The Company repaid a long-term loan in 2000, giving rise to extraordinary foreign exchange gains in that year.

Other income includes interest income of \$306,150 (2000: \$158,641) on investments held in insurance reserves, which now totals \$3,391,535 (2000: \$3,085,385).

management's discussion and analysis

Earnings

Earnings for the year grew by a solid 7.31% in 2001 to \$19,305,902 (2000: \$17,990,775). Earnings per share increased to \$0.78 compared with \$0.73 for the previous year. Fully diluted earnings, as disclosed in Note 10 to the Financial Statements, were \$0.78 per Class A Share (2000: \$0.72).

Capital Expenditures

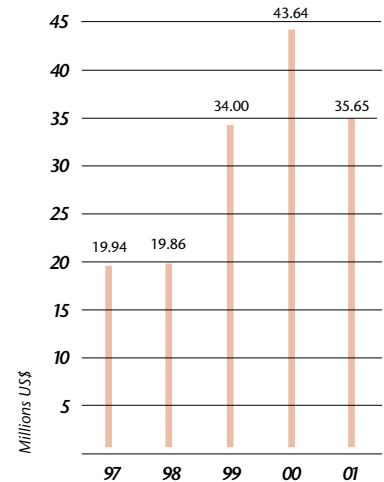
The major thrust of the Company's \$35,654,588 (2000: \$43,642,347) capital expenditure programme during the year was in the T&D area. High growth in recent years and projected system load meant that the Company was at risk of outgrowing its distribution-centered T&D system. The Company signed a seven-year substation and T&D strategic alliance agreement with ABB Power T&D Company, Inc. of the U.S. in 1999 to rebuild its three existing substations and construct five new state-of-the-art, gas-insulated switchgear substations. The agreement also called for the laying of two 69 kiloVolt (KV) submarine transmission lines in the North Sound to complete the loop to the Seven Mile Beach area and the eastern districts.

The entire T&D programme is progressing on schedule. The rebuilt 69KV North Sound Plant Substation and newly constructed 69KV South Sound Substation are presently online. Work has commenced on the 14 miles of 69KV transmission submarine cable

and on a new 69KV substation in Frank Sound. Total expenditures on these and other T&D projects totaled \$17,375,339 in fiscal 2001.

Other major capital projects include the completion and commissioning of the 2000 MAN B&W diesel generation expansion project (2001: \$7,682,958), and the integrated control system (2001: \$3,990,898).

Capital Expenditures



Capital Resources

The Company's strong balance sheet enabled it to achieve an 'A' corporate credit and debt rating from Standard & Poor's (S&P) debt-rating service. The Company was able to capitalise on its strong S&P rating when it placed a private debt offering of \$30 million in 6.67% Senior Unsecured Notes, due June 1, 2016, with two institutional investors in the U.S. The proceeds will be used to finance capital projects and repay short-term indebtedness of \$10 million. The funds will be drawn down in two tranches of \$15 million each June 5, 2001 and October 2, 2001.

The primary reason for the significant increase in the current portion of long-term debt is the planned repayment in early fiscal 2002 of \$10 million dollars of short-term debt to the Royal Bank of Canada, Grand Cayman from the proceeds referred to above.

The Company's strong balance sheet is further supported by strong cash flow from operations. Cash from operations totaled \$29.6 million (2000: \$24.9 million), a substantial portion of which was used to finance a significant part of the Company's investment activities.

During the year, the Company issued an aggregate of 269,395 Class A Ordinary Shares pursuant to the following share plans: the Company's Customer Share Purchase Plan, Employee Share Purchase Plan, Employee Long Service Bonus Plan, Executive Stock Option Plan and Dividend Reinvestment Plan.



Buckingham Square Phase II on West Bay Road was completed in 2001 and features a new Cayman National Bank branch.



our employees

long service awards



Twenty-two dedicated employees were honoured for 10, 15, 20, 25 and 35 years of service at the 2001 Long Service Awards ceremony held in April.

retirements



Original "Veterans of Power" Selbert Jackson (left) and Stanton Ebanks (right) retired from the Company after 35 years of service. Bert and Stanton were with the Company since its beginning in 1966. Presenting commemorative plaques was Chairman Joe Imperato.



Bruce Drake, Executive Vice-President & General Manager (centre), retired from the Company after 14 years of service. Sharing in the celebrations were his wife Maxine and Peter A. Thomson, President & C.E.O.

our most valuable asset

employee of the year



Computer Technician and 2000 Employee of the Year
Wayne McKenzie.

These employees were rewarded for performing exemplary internal and external customer service, which has positively impacted the Company's development.

customer service awards



Earlton Bramble, Electrical Technician II, and Hinsley Hurlston, Industrial Electrician Helper.



Jason Burke, currently attending Texas State Technical College on a CUC engineering scholarship.



Karen Edie and Neil Murray, Corporate Communications Officers, and Caren Thompson, Manager Corporate Communications.



Emily Pearson, Human Resources Officer, and Lisa Galbraith, Purchasing Officer.



Dennis Connor, Stores Foreman, and Gary Whittaker, Supervisor Line Maintenance.



where your dollar went

“a Caribbean pie chart”

Approximately 88% of our registered shareholders are resident in the Cayman Islands. They receive quarterly dividends on their investment.

12¢
Dividends



23¢
Fuel & Oil



Our generators consumed 23 million gallons of diesel fuel and 150,000 gallons of lube oil this year to meet electrical demand.

31¢
Capital Expenditures



US\$35.7 million was spent on upgrading the transmission and distribution system, and connecting over 1,000 customers.

13¢
Duty to Government



Duty to Government on fuel and materials amounted to over US\$15.1 million.

4¢
Loans & Loan Interest



US\$4.3 million was paid in interest and principal repayments on loans and preference shares.

17¢
Labour & Materials



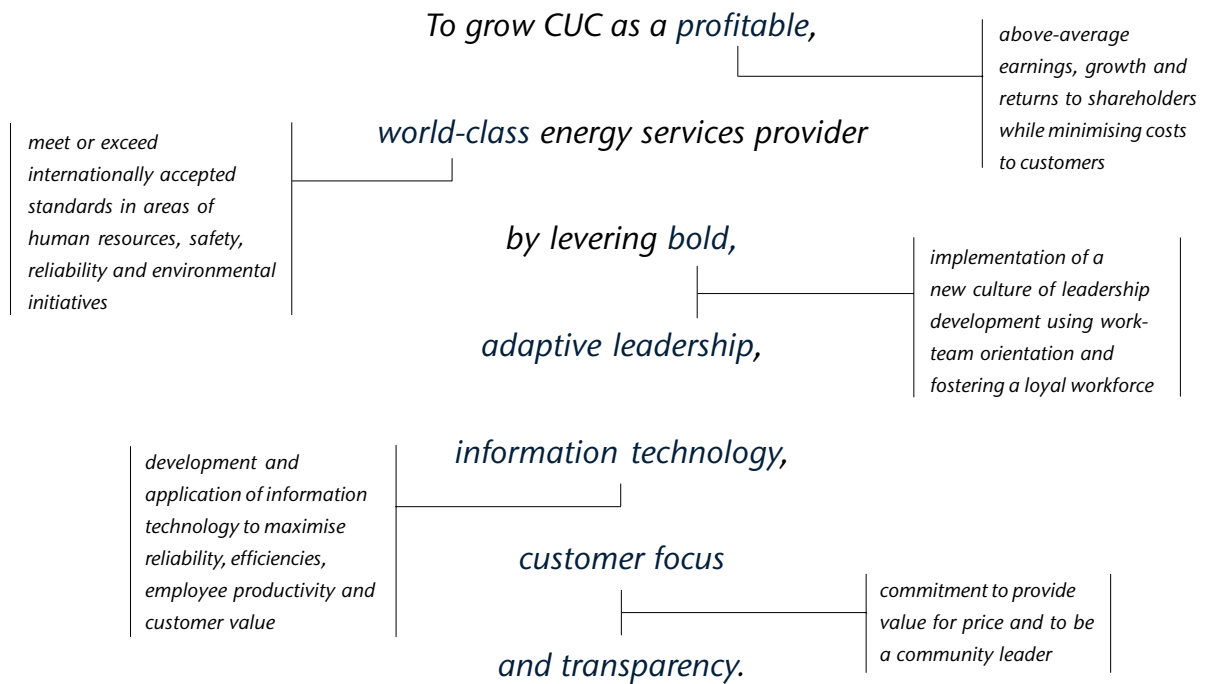
Our dedicated employees and well-maintained equipment provide a safe and reliable electricity service.

The cakes and puddings representing sections of the pie chart are traditional Caribbean desserts. Featured are Carrot Cake (Fuel & Oil), Sweet Potato Pudding (Duty to Government), Banana Bread (Labour & Materials), Cassava Cake (Loans & Loan Interest), Coconut Bread (Capital Expenditures) and Corn Meal Pudding (Dividends).

our vision

World-class innovative service in our growing community!

our mission



auditors' report to the shareholders
of Caribbean Utilities Company, Ltd.

We have audited the balance sheets of Caribbean Utilities Company, Ltd. (the "Company") as at April 30, 2001 and April 30, 2000 and the statements of earnings, changes in shareholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at April 30, 2001 and April 30, 2000 and the results of its operations, the changes in its shareholders' equity and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

[Signed]

PricewaterhouseCoopers
Chartered Accountants
Grand Cayman, Cayman Islands

July 12, 2001

b a l a n c e s h e e t

as at April 30, 2001 (expressed in United States Dollars)

	Note	2001 \$	2000 \$
Assets			
<i>Current Assets</i>			
Cash and due from banks		2,738,475	11,078,009
Accounts receivable	2	8,594,582	6,901,492
Inventories		3,148,057	3,033,962
Prepayments		672,354	579,843
		15,153,468	21,593,306
<i>Long-term Investments</i>	4	3,391,535	3,085,385
<i>Property, Plant and Equipment</i>	3	204,161,088	177,740,856
<i>Other Assets</i>	5	3,922,125	3,960,338
		226,628,216	206,379,885
Total Assets			
Liabilities and Shareholders' Equity			
<i>Current Liabilities</i>			
Current portion of long-term debt	6	12,773,668	735,160
Accounts payable and accrued expenses		16,214,048	12,984,033
Consumers' deposits		2,799,219	3,017,551
Consumers' advances for construction		25,554	40,718
Dividends declared		3,470,137	2,822,613
		35,282,626	19,600,075
<i>Long-term debt</i>	6	72,957,956	75,706,962
<i>Redeemable Preference Shares</i>	7	12,015,000	12,015,000
		120,255,582	107,322,037
<i>Shareholder's Equity</i>			
Share capital	8	1,677,592	1,661,556
Share premium		76,799,018	88,806,170
Redetermination surplus		996,113	1,349,058
Retained earnings		26,899,911	7,241,064
		106,372,634	99,057,848
		226,628,216	206,379,885
Total Liabilities and Shareholders' Equity			

Approved for issuance on behalf of Caribbean Utilities Company, Ltd.'s Board of Directors by:

[Signed]

Joseph A. Imparato
Director

[Signed]

Peter A. Thomson
Director

*The accompanying Summary of Accounting Policies and Notes form an integral part of these Financial Statements.
Auditors' Report page twenty-two.*

statement of earnings

for the year ended April 30, 2001 (expressed in United States Dollars)

	Note	2001 \$	2000 \$
Operating Revenues			
Electricity Sales		72,257,581	66,969,297
Fuel factor		17,831,490	9,499,951
		<hr/> 90,089,071	<hr/> 76,469,248
Operating Expenses			
Power generation		44,072,567	34,823,240
General and administration	14	7,490,045	6,548,131
Customer service and promotion		1,188,191	1,043,342
Distribution		1,843,345	1,790,974
Depreciation and amortisation		9,415,926	8,398,714
Maintenance		5,168,735	5,499,763
		<hr/> 69,178,809	<hr/> 58,104,164
Operating Income		<hr/> 20,910,262	<hr/> 18,365,084
Operating Income/(Expenses)			
Interest expense and preference dividends		(3,736,755)	(3,078,927)
Foreign exchange gain		715,427	1,075,882
Other income		1,416,968	1,628,736
		<hr/> (1,604,360)	<hr/> (374,309)
Earnings for the Year	10	<hr/> 19,305,902	<hr/> 17,990,775

The accompanying Summary of Accounting Policies and Notes form an integral part of these Financial Statements.
Auditors' Report page twenty-two.

statement of cash flows

for the year ended April 30, 2001 (expressed in United States Dollars)

	2001 \$	2000 \$
Operating Activities		
Earnings for the year	19,305,902	17,990,775
Item not affecting working capital:		
Depreciation and amortisation	9,415,926	8,398,714
(Profit)/loss on disposal of fixed assets	(39,055)	93
Decrease/(increase) in deferred gain on foreign exchange	27,000	(68,423)
	28,709,773	26,321,159
 Net increase/(decrease) in non-cash working capital balances related to operations	 912,569	 (1,399,536)
	29,622,342	24,921,623
Financing Activities		
Proceeds from debt financing	10,000,000	32,631,568
Repayments of debt	(710,498)	(6,122,925)
Dividends paid	(13,256,183)	(11,092,439)
Net proceeds from issue of ordinary share capital	1,912,591	55,548,776
Net payments to redeem ordinary share capital	–	(53,705,211)
Preference shares redeemed	–	(2,000,100)
	(2,054,090)	15,259,669
Investing Activities		
Purchase of investments	(306,150)	(158,586)
Proceeds of sale of fixed assets	52,952	28,308
Purchase of property, plant and equipment	(35,654,588)	(43,642,347)
	(35,907,786)	43,772,625
Decrease in Net Cash	(8,339,534)	(3,591,333)
Net Cash – Beginning of Year	11,078,009	14,669,342
Net Cash – End of Year	2,738,475	11,078,009
Supplemental disclosure of cash flow information:		
Cash interest paid during the year	6,848,968	6,453,756

*The accompanying Summary of Accounting Policies and Notes form an integral part of these Financial Statements.
Auditors' Report page twenty-two.*

statement of changes in shareholders' equity

(expressed in United States Dollars)

	<i>Share Capital</i>							
	Class A Ordinary Shares		9% Cumulative Participating Class B Preference Shares		Share Premium \$	Retained Earnings \$	Redetermination Surplus \$	Total Shareholders' Equity \$
	Number of Shares	Amount \$	Number of Shares	Amount \$				
Balance at April 30, 1999	23,175,885	1,379,517	250,000	250,000	51,215,595	36,157,977	1,702,004	90,705,093
Issue of Ordinary Shares (net) (Note 8)	5,288,262	314,777	–	–	55,233,998	–	–	55,548,775
Redemption of Ordinary Shares (net) (Note 8)	(4,750,000)	(282,738)	–	–	(17,643,423)	(35,779,050)	–	(53,705,211)
Dividends	–	–	–	–	–	(11,481,584)	–	(11,481,584)
Earnings for the year	–	–	–	–	–	17,990,775	–	17,990,775
Transfer from Redetermination Surplus	–	–	–	–	–	352,946	(352,946)	–
Balance at April 30, 2000	23,714,147	1,411,556	250,000	250,000	88,806,170	7,241,064	1,349,058	99,057,848
Issue of Ordinary Shares (net) (Note 8)	269,395	16,036	–	–	1,896,555	–	–	1,912,591
Redemption of Ordinary Shares (net) (Note 8)	–	–	–	–	–	–	–	–
Dividends	–	–	–	–	(13,903,707)	–	–	(13,903,707)
Earnings for the year	–	–	–	–	–	19,305,902	–	19,305,902
Transfer from Redetermination Surplus	–	–	–	–	–	352,945	(352,945)	–
Balance at April 30, 2001	23,983,542	1,427,592	250,000	250,000	76,799,018	26,899,911	996,113	106,372,634

Twenty-five years ago in 1976 retained earnings for the year was US\$2,168,172.

The accompanying Summary of Accounting Policies and Notes form an integral part of these Financial Statements.
Auditors' Report page twenty-two.

summary of accounting policies

for the year ended April 30, 2001 (expressed in United States Dollars)

The financial statements of Caribbean Utilities Company, Ltd. (the “Company”) have been prepared in accordance with Canadian Generally Accepted Accounting Principles. Principal accounting policies are as follows:

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

Cash and Due from Banks

Cash and due from banks comprises cash on hand, bank demand deposits and bank fixed deposits maturing within three months.

Accounts Receivable

Accounts receivable are included in the balance sheet after making a provision for doubtful accounts.

Inventories

Inventories, which include fuel and lube oil, are valued at the lower of cost (including freight) on a first-in, first-out basis and net realisable value.

Property, Plant and Equipment

Property, plant and equipment is stated on the basis of an appraised valuation at November 30, 1984 with subsequent additions at cost.

The cost of additions to property, plant and equipment is the original cost of contracted services, direct labour and material, interest on funds used during construction and indirect charges for administration and other expenses.

Interest during construction is capitalised monthly based on the cost of the long-term borrowings.

Depreciation is provided on cost or appraised value of fixed assets, except for freehold land which is not depreciated, 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	50
Motor vehicles	5 to 15
Equipment and Computers	5 to 20

Long-Term Investments

Long-term investments are stated at cost. When there has been a loss in value of investments that is other than a temporary decline, the investments will be written down to recognise the loss.

Other Assets

Other assets, excluding deferred foreign exchange gains, fuel costs and debt issue expenses, are being amortised over 30 years on a straight-line basis commencing with the year ended April 30, 1976.

Fuel Factor and Deferred Fuel Costs

Pursuant to the terms of the Licence (Note 1), the Company is entitled to recover from consumers any increase in the cost of fuel over a set base cost price. These costs are recovered in subsequent periods in the form of a surcharge on consumer billings known as the “Fuel Factor”.

Costs incurred and not yet recovered from consumers pursuant to the Fuel Factor are deferred and offset against the relating future revenues recovered from consumers. Movements in deferred fuel costs are recorded as movements in non-cash working capital balances in the Statement of Cash Flows.

(Summary of Accounting Policies continued on page twenty eight)

Auditors' Report page twenty-two.

summary of accounting policies

for the year ended April 30, 2001 (expressed in United States Dollars)

Deferred Debt Issue Expenses

Deferred debt issue expenses are being amortised over the term of the debt on a straight-line basis from the dates of the relevant debt issue closings.

Redetermination Surplus

The redetermination surplus which arose primarily from a revaluation of property, plant and equipment in November 1984 is being credited to retained earnings over 20 years commencing with the year ended April 30, 1985.

Foreign Exchange

Current assets and current liabilities denominated in foreign currencies, including long-term debt payable within one year, are translated to United States Dollars at the year-end rates of exchange, and the resulting gains or losses are included in the results for the year.

The portion of long-term debt denominated in foreign currencies and not payable within one year is translated to United States Dollars at the year-end rates of exchange. Exchange gains or losses arising therefrom are deferred and are amortised over the remaining term of the long-term debt.

At April 30, 2001 the year-end rates of exchange used in the financial statements were:

Pounds Sterling to US Dollars: US\$1.00 = STG 0.70 (2000: STG 0.64)
Italian Lira to US Dollars: US\$1.00 = Lira 2183.41 (2000: Lira 2117.99)

The rate of exchange between US Dollars and Cayman Islands Dollars is fixed at US\$1.00 = CI\$0.84.

Operating Revenue

Revenue derived from the sale of electricity is taken to income on a bills-rendered basis. No account is taken of unread consumption at the end of the financial year.

Other Income

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

Segmental Information

The Company operates in one business segment, electricity generation and distribution, 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 after taking into account transaction costs that would be incurred to exchange or settle the underlying financial instrument. Where financial instruments with an immediate or short-term maturity are considered to approximate to 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 predetermined 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 or subsequent events.

Executive Stock Option Plan

The Company grants options to purchase Class A Ordinary Shares under the Executive Stock Option Plan. No compensatory expense is recognised for options granted or shares purchased under option. On exercise of options, proceeds up to the par value of the shares issued are credited to ordinary share capital, any proceeds in excess of the par value of shares issued are credited to share premium in the period in which the options are exercised.

notes to financial statements

for the year ended April 30, 2001 (expressed in United States Dollars)

1. *Incorporation, Activity and Licence*

The Company was incorporated on April 30, 1966 under the laws of the Cayman Islands. West Indies Power Corporation Limited ("WIPCO"), a company incorporated under the laws of the Cayman Islands, owns 31.7% (2000: 32.1%) of the issued Class A Ordinary Shares of the Company while Fortis Energy-Bermuda Ltd. ("the Fortis group") owns 19.8% (2000: 20.0%).

The Company's principal activity is to generate and distribute electricity in their exclusive licence area of Grand Cayman, Cayman Islands, under a licence from the Government of the Cayman Islands ("Government") originally dated May 10, 1966, amended November 1, 1979 and renewed for a further 25 years on January 17, 1986. Amendments to the 25 year licence (the "Licence") dated January 17, 1986, as amended by a Supplementary Licence dated October 16, 1989, have been negotiated and incorporated into a further Supplementary Licence executed on November 15, 1994.

There is a provision in the Licence for subscribers' tariffs to be adjusted each year to provide the Company with a rate of return of 15% on capital employment as defined in the Licence. The 15% rate of return is fixed for the term of the Licence and does not take into consideration actual interest charges, unless they are in excess of 15% per annum, and costs of capital incurred by the Company.

Within 21 days of the end of each financial year, the Company is obliged to furnish the Government with an Interim Return setting out the results of the operations for that financial year. Not later than three months after the end of such financial year, the Company is under an obligation to submit to the Government audited accounts together either with a certificate by the auditors certifying that the particulars in the Interim Return accord with the audited accounts or alternatively with a Final Return which does so accord with the audited accounts. Also submitted to the Government at this stage is a recommendation by the auditors as to what adjustments, if any, are necessary to the tariff rates by way of increases or decreases to give effect to the provision for the 15% rate of return.

Additionally, the Licence provides for adjustments to be made to the rates billed to consumers to reflect variations in the cost to the Company of diesel fuel used in the generation of electricity. Such adjustments are made on a monthly basis.

The Licence also requires the Company to pay duty on all foreign purchases at the rate of 10%, to pay duty on fuel at the rate of CI\$0.50 per imperial gallon and to pay a turnover fee of 5/8 of 1% based on the previous year's revenue, payable quarterly in arrears.

2. *Accounts Receivable*

	2001	2000
	\$	\$
Billings to consumers	7,442,479	6,625,549
Due from Directors	11,255	22,633
Employee Share Purchase Plan	47,592	45,461
Due from WIPCO	2,299	1,580
Insurance claim receivable	765,090	—
Other receivables	325,867	206,269
	8,594,582	6,901,492

Insurance Claim Receivable

The Company's claim for coverage for the Unit 14 generator breakdown was agreed to with the insurance underwriters. A portion of this claim was received as an advance payment in 2001 with the agreement that the balance would be paid upon the completion of the repairs, which is expected to be in October 2001.

Employee Share Purchase Plan

The Company provides interest-free advances to employees to purchase Class A Ordinary Shares, with such advances recovered through payroll deductions over the next 12 months. The maximum semi-annual participation is 1,000 Class A Ordinary Shares per employee. Employees can participate in the Plan on either May 1 or November 1 of each year.

Auditors' Report page twenty-two.

notes to financial statements
 for the year ended April 30, 2001 (expressed in United States Dollars)

3. Property, Plant and Equipment

	Cost/Appraised Value \$	Accumulated Depreciation \$	2001 Net \$	Cost/Appraised Value \$	Accumulated Depreciation \$	2000 Net \$
Transmission and Distribution	102,179,432	26,634,287	75,545,145	80,836,519	24,481,858	56,354,661
Generation	143,864,503	37,946,475	105,918,028	133,750,318	33,084,874	100,665,444
Other:						
Land	1,170,193	—	1,170,193	1,170,193	—	1,170,193
Buildings	14,404,729	1,981,986	12,422,743	12,219,440	1,700,642	10,518,798
Equipment, Motor Vehicles and Computers	16,486,118	7,381,139	9,104,979	15,050,037	6,018,277	9,031,760
Total Other	32,061,040	9,363,125	22,697,915	28,439,670	7,718,919	20,720,751
Property, Plant and Equipment	278,104,975	73,943,887	204,161,088	243,026,507	65,285,651	177,740,856

Included in Property, Plant and Equipment are a number of capital projects in progress with a total cost to date of \$47,236,775 (2000: \$57,530,465). These projects relate primarily to the North Sound Plant 69KV Substation, Integrated Control System (ICS) and the Supervisory Control and Data Acquisition (SCADA) project as well as several transmission and distribution projects.

Also included in generation and transmission and distribution is freehold land with a cost of \$4,807,404 (2000: \$4,807,404).

In addition, engine spares with a net book value of \$7,618,455 (2000: \$6,395,994) are included in generation.

During the year, the Company capitalised interest of \$3,743,121 (2000: \$2,315,411).

Fixed assets pledged as security are detailed in Note 6.

4. Long-Term Investments

Long-term investments are largely comprised of U.S. Government mortgage and asset-backed securities with a market value of \$3,288,188 (2000: \$2,840,585). The Company does not consider that the diminution in value is of a permanent nature and has not recognised the resulting unrealised loss.

5. Other Assets

	2001 \$	2000 \$
Other assets	167,949	201,435
Deferred (gain)/loss on foreign exchange	(17,987)	9,013
Deferred debt issue expense	1,311,309	1,374,492
Deferred fuel costs	2,460,854	2,375,398
	<u>3,922,125</u>	<u>3,960,338</u>

notes to financial statements
for the year ended April 30, 2001 (expressed in United States Dollars)

6. Long-Term Debt

	2001	2000
	\$	\$
LIBOR + 1.50% Royal Bank – Bridging Facility	10,000,000	–
8.47% Senior Unsecured Loan Notes due 2010	15,000,000	15,000,000
6.47% Senior Unsecured Loan Notes due 2013	25,000,000	25,000,000
7.64% Senior Unsecured Loan Notes due 2014	30,000,000	30,000,000
6.20% European Investment Bank #2 due 2005	1,416,019	1,710,554
3.00% European Investment Bank #3 due 2009	3,815,605	4,231,568
0% MaK America due 2002	500,000	500,000
	85,731,624	76,442,122
Less: Current portion	12,773,668	735,160
	75,957,956	75,706,962

Long-term debt repayments per fiscal year are estimated as follows:	Year	\$
	2002	12,773,668
	2003	2,278,344
	2004	2,313,232
	2005	4,845,384
	2006	7,482,821
	2007 and later	56,038,175
		85,731,624

All long-term debt is denominated in Cayman Islands or United States dollars with the following exceptions:

	Currency Denominated in	US\$ Equivalent
European Investment Bank	Lira	159,782
European Investment Bank	Sterling	155,720

The Company has a line of credit with Royal Bank of Canada (“RBC”) comprising:

1. \$4,000,000 Revolving overdraft line
2. \$1,000,000 Term Loan
3. \$1,500,000 Stand-by Term Loan
4. \$6,500,000 Stand-by Letters of Credit

Pursuant to the above facility agreements, RBC agreed to grant letters of credit in favour of European Investment Bank (“EIB”) up to the sum of US\$6.5 million (or the equivalent in other acceptable currencies) to secure the obligations of the Company to EIB in respect of finance contracts (dated April 18, 1990 and January 14, 1997) in the same aggregate amount.

As security for the above facilities, RBC has been granted fixed and floating charge debentures totalling US\$6.5 million over all assets of the Company (other than land on which the office building is situated). The RBC debentures represent a first charge over the Company’s assets.

During the year, the Company obtained a one-year US\$10,000,000 unsecured loan facility from RBC.

Pursuant to a finance contract with EIB dated January 14, 1997 for an aggregate maximum facility of an amount equivalent to 4,000,000 European Currency Units (“ECU”), the Company pays a subsidised interest at the greater of 3% or the average prevailing rate of comparable loans at the time of drawdown less 3.25%. Under the agreement, notional interest equal to the subsidy is paid into a restricted-use funding account held by the Company. These funds can only be used for certain projects mitigating the effect of the Company’s activities on the environment. Disbursement of the funds is subject to the prior approval of EIB. As at April 30, 2001, included within cash and due from banks is an amount totalling \$253,223 (2000: \$119,554) which represents the Company’s contribution into the restricted account.

notes to financial statements
for the year ended April 30, 2001 (expressed in United States Dollars)

7. Redeemable Preference Shares

	2001	2000
	\$	\$
Authorised:		
419,666 (2000: 419,666) Class C Preference Shares of \$1.00 each (non-voting)		
Issued and fully paid:		
120,150 (2000: 120,150) 8.0% Cumulative, Redeemable Class C Series 2 Preference Shares (US\$1.00 par value plus US\$99.00 premium)	12,015,000	12,015,000
	12,015,000	12,015,000
Less: Current portion	-	-
	12,015,000	12,015,000

The 8% Cumulative, Redeemable Class C Series 2 Preference Shares are redeemable at the issue price of \$100 as follows: August 20, 2002: 60,075 and June 20, 2003: 60,075.

8. Share Capital

	2001	2000
	\$	\$
Authorised:		
60,000,000 (2000: 60,000,000) Class A Ordinary Shares of C1\$0.05 each		
250,000 (2000: 250,000) 9% Cumulative, Participating Class B Preference Shares of \$1.00 each (non-voting)		
1 Cumulative, Participating Class D Preference Share of C1\$0.56 (non-voting)		
Issued and fully paid:		
23,983,542 (2000: 23,714,147) Class A Ordinary Shares	1,427,592	1,411,556
250,000 (2000: 250,000) 9% Cumulative, Participating Class B Preference Shares (US\$1.00 par value) issued at a premium of US\$19.00 per share	250,000	250,000
	1,677,592	1,661,556

At the sole option of the Directors, the Company is entitled to redeem all or any of the 9% Cumulative, Participating Class B Preference Shares at any time upon receipt by the Company of an application to redeem such shares.

Share Capital movements for the year are summarised as follows:

- a) 42,695 (2000: 84,537) Class A Ordinary Shares were issued under the Customer Share Purchase Plan and Dividend Reinvestment Plans at between \$10.00 and \$11.72 (2000: \$8.82 and \$10.39) per share.
- b) 7,900 (2000: 12,725) Class A Ordinary Shares were issued under the Employee Share Purchase Plan at prices between \$11.21 and \$11.72 (2000: \$8.82 and \$11.59) per share.
- c) 218,800 (2000: 441,000) Class A Ordinary Shares were issued under the Executive Stock Option Plan (Note 9) at between \$4.98 and \$11.00 (2000: \$4.38 and \$6.02) per share.
- d) In March 2000, 4,750,000 Class A Ordinary Shares were issued to the Fortis group at \$11.50 per share. These shares were issued as part of a strategic alliance developed with the Fortis group. As part of the strategic alliance, two senior executives of the Fortis group have been appointed to the Board of Directors of the Company.
- e) In April 2000, 4,750,000 Class A Ordinary Shares were redeemed from public shareholders in an issuer bid at \$11.50 per share.

notes to financial statements
for the year ended April 30, 2001 (expressed in United States Dollars)

9. Share Options

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

The exercise price per share in respect of options is equal to the fair market value of the Class A Ordinary Shares on the date of grant. Each option is for a term not exceeding 10 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.

	Number of options	2001 Weighted average exercise price per share \$	Number of options	2000 Weighted average exercise price per share \$
Outstanding at beginning of year	490,800	8.70	941,800	7.19
Granted	560,000	10.05	—	—
Exercised	(218,800)	6.57	(441,000)	5.42
Forfeited	(20,000)	10.53	(10,000)	11.00
Outstanding and exercisable at end of year	812,000	10.16	490,800	8.70

As at April 30, 2001, the position with respect to outstanding unexercised options was as follows:

Date of Grant	Number of Class A Ordinary Shares under Option	Exercise Price	Term of Option
August 1, 1996	35,000	\$ 6.020	5 years
May 2, 1998	242,000	\$11.000	5 years
June 8, 2000	535,000	\$10.050	5 years

10. Earnings Per Class A Ordinary Share

Basic earnings per Class A Ordinary Share are calculated using the weighted daily average number of Class A Ordinary Shares in issue and after adjustment for the dividends on Class B Preference Shares.

	2001 \$	2000 \$
Earnings for the year	19,305,902	17,990,775
Dividends for Cumulative Participating Class B Preference Shares	(735,000)	(675,000)
Earnings for the year applicable to Class A Ordinary Shares	18,570,902	17,315,775
Weighted daily average number of Class A Ordinary Shares in issue	23,828,052	23,808,086
Basic earnings per Class A Ordinary Share	0.78	0.73
Fully diluted earnings per Class A Ordinary Share	0.78	0.72

Fully diluted earnings per Class A Ordinary Share shows the effect on earnings per Class A Ordinary Share which would result if all dilutive stock options outstanding for the year ended April 30, 2001 had been exercised at the beginning of the year. The options granted on May 2, 1998 were anti-dilutive as at April 30, 2001.

(10. Earnings Per Class A Ordinary Share continued on page thirty-four)

notes to financial statements

for the year ended April 30, 2001 (expressed in United States Dollars)

10. Earnings Per Class A Ordinary Share (continued)

The assumption is made that dilutive stock options for the purchase of Class A Ordinary Shares at between \$6.02 and \$10.05 had been exercised on May 1, 2000 or date of issuance of the option if later, and that the funds derived therefrom had been invested to produce an annual return of 7.5%. The amount of income computed was \$270,771 (2000: \$230,438).

11. Directors' and Officers' Remuneration

The Company has a total of 14 (2000: 13) executive officers, of whom 7 (2000: 5) are also Directors. For the financial year of the Company ended April 30, 2001, the aggregate cash compensation paid to such executive officers for services during such year was \$2,216,271 (2000: \$2,081,016).

12. Capital Commitments

The Company has signed a seven-year Strategic Alliance with ABB Power T&D Company, Inc. ("ABB") for major transmission and distribution (T&D) system projects which commenced in September 1998. The Company also signed a 10-year agreement with MAN B&W for generation projects that commenced in February 1999.

As part of the Strategic Alliance with ABB, the Company has signed various contracts worth \$35,626,609, including the design and construction of the North Sound Plant 69KV Substation Rebuild. The contract price is for an amount of \$16,097,859 with commitments of approximately \$3.6 million outstanding as of April 30, 2001. In addition, the Company has signed various further contracts with ABB for the design and construction of other plant including a new substation in Frank Sound, a new substation in Seven Mile Beach and a submarine cable project to close the transmission loop between Frank Sound and West Bay. The total commitments on these other projects are \$19,528,750, of which approximately \$15.5 million is outstanding as of April 30, 2001 and will be completed over the next three years.

13. Insurance Coverage – Transmission and Distribution Assets

The Company maintains business interruption, machinery breakdown and property insurance (for the estimated replacement cost of buildings and generating plant) with major international insurers.

Included in plant and equipment are certain transmission and distribution assets with an estimated replacement cost of \$47,800,000 (2000: \$56,443,338). The Company has obtained \$10 million in insurance coverage for these certain transmission and distribution assets for the fiscal year ended April 30, 2001 (2000: \$10 million). In addition, the Company maintains a stand-by line of credit (Note 6) and a further \$3,288,188 (2000: \$2,840,585) in investments (Note 4) to cover uninsured losses.

14. Provident and Pension Plans

Up to May 31, 1998, all full-time employees of the Company were required as a term of employment to contribute 5% of their annual wages or salary up to the defined contribution Provident Plan, and the Company matched such contributions. The Company made a contribution of 7.5% of wages or salary in respect of employees that had completed 15 years of continuous service and had attained the age of 55 years. Additional contributions may have been made by employees.

Effective June 1, 1998, all Caymanian employees of the Company were required to become members of a new 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, 1998 (the "Law"). All non-Caymanian employees were required to join effective January 1, 1999. Contributions are being made and will continue to be made to the new Pension Plan at the minimum rates permissible under the Law. Contributions to the Provident Plan will continue under the historical contribution structure net of the amount of contributions to the new Pension Plan. It is anticipated that compulsory contributions to the Provident Plan will effectively cease in 2003, but employees may continue to make contributions on a voluntary basis. The Provident Plan will continue in existence until all benefits are paid out or the trustee terminates the Provident Plan in accordance with the terms of the Trust Deed.

(14. Provident and Pension Plans continued on page thirty-five)

notes to financial statements

for the year ended April 30, 2001 (expressed in United States Dollars)

14. *Provident and Pension Plans* (continued)

Both the Provident Plan and Pension Plan are administered by an independent trustee.

The combined expenses for the Provident and Pension Plans for the year amounted to \$704,156 (2000: \$645,307) and are included in general and administration expenses.

15. *Concentration of Credit Risk*

The Company does not believe it is subject to any significant concentration of credit risk. Cash balances are largely in place with major financial institutions. Long-term investments are predominantly in United States government-backed securities and major corporations, and all positions are held by one major financial institution as custodian on behalf of the Company. Accounts receivable are largely derived from sales of electricity supplied to consumers throughout Grand Cayman. In addition, the Company holds consumer deposits of \$2,799,291 (2000: \$3,017,551) by way of security.

16. *Fair Value of Financial Assets and Liabilities*

The carrying amounts reported in the Balance Sheets at April 30, 2001 and 2000 for cash, accounts receivable and accounts payable approximate fair values due to the immediate or short-term maturities of these financial instruments.

The fair value of the redeemable preference shares is approximately \$11.9 million (2000: \$11.9 million).

The fair value of the long-term debt is approximately \$88.1 million (2000: \$74.3 million).

17. *Taxation*

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

18. *Subsequent Event*

On May 29, 2001, the Company submitted their Interim Return containing their 2001 unaudited results indicating that, subject to final audit, the Company would be entitled to a 2% rate increase effective August 1, 2001. The Company has agreed with the Government that any rate increase will be suspended, pending completion of an electricity rate review. It is contemplated that an agreement with Government on new electricity rates can be reached by October 31, 2001. The Company does not believe that the rate review will have a negative impact on the Company.

In addition, the Company entered into a private placement agreement with unrelated third parties under which the Company will issue US\$30,000,000 6.67% Senior Unsecured Notes due June 1, 2016. The first tranche in the amount of US\$15 million was drawn down in June 2001 while the second tranche of US\$15 million is scheduled to close in October 2001. The proceeds will be used to repay the US\$10,000,000 bridging loan in June and October 2001.

19. *Comparative Figures*

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

t e n - y e a r s u m m a r y
except where noted, expressed in United States Dollars, thousands

	<i>2001</i>	<i>2000</i>
Operating revenues	90,089	76,469
Other revenues and adjustments	2,133	2,705
Total revenues	<u>92,222</u>	<u>79,174</u>
Operating expenses	69,179	58,104
Income before interest	23,043	21,070
Interest expense and preference dividends	3,737	3,079
Earnings for the year	<u>19,306</u>	<u>17,991</u>
 Capitalisation:		
Class A Ordinary Shares (nominal value)	1,428	1,412
9% Cumulative Participating Class B Preference Shares (nominal value)	250	250
Share Premium	76,799	88,806
8% Cumulative Fixed Term Class C, Series 2 Preference Shares (\$100 each)	12,015	12,015
8.5% Cumulative Redeemable Class C, Series 1 Preference Shares (\$100 each)	—	—
Long-term loans	85,732	76,442
Total capitalisation	<u>176,224</u>	<u>178,925</u>
Capital expenditures	35,655	43,642
Earnings per Class A Ordinary Share (\$/Share)	0.78	0.73
Dividends per Class A Ordinary Share (\$/Share)	0.56	0.47
Book value per Class A Ordinary Share	4.23	3.97
 Statistical Record:		
Net KWH generation (millions of KWH)	424.71	398.09
Net KWH sales (millions of KWH)	393.28	369.42
Peak load (MW) gross	70.18	65.76
Plant capacity (MW)	115.10	94.92
Total customers (actual number)	19,198	18,463

ten-year summary

except where noted, expressed in United States Dollars, thousands

1999	1998	1997	1996	1995	1994	1993	1992
67,058	66,478	61,047	55,741	50,850	48,226	44,979	39,533
1,870	1,784	1,688	1,457	1,112	1,676	1,144	1,117
68,928	68,262	62,735	57,198	51,962	49,902	46,123	40,650
50,802	51,776	49,759	44,998	40,693	38,602	37,244	33,246
18,126	16,486	12,976	12,200	11,269	11,300	8,879	7,404
3,704	3,616	2,666	2,557	2,738	3,527	3,650	2,816
14,422	12,870	10,310	9,643	8,531	7,773	5,229	4,588
1,380	1,307	1,294	1,191	1,169	1,154	921	913
250	250	250	250	250	250	250	250
51,216	38,892	37,040	29,896	28,693	28,101	14,635	14,290
12,015	12,015	12,015	—	—	—	—	—
2,000	5,000	8,000	10,000	10,000	10,000	10,000	—
49,933	26,263	26,263	29,524	16,882	19,054	25,368	27,098
116,794	83,727	84,862	70,861	56,994	58,468	51,174	52,551
34,131	19,868	19,949	13,486	9,297	7,463	11,768	15,167
0.63	0.57	0.46	0.46	0.41	0.43	0.31	0.28
0.41	0.36	0.33	0.30	0.27	0.24	0.22	0.20
3.70	3.14	2.88	2.60	2.49	2.33	1.77	1.72
376.28	347.52	311.00	292.50	276.99	261.24	245.84	238.08
346.94	326.46	287.29	273.50	254.58	238.20	222.23	209.50
61.11	56.33	50.74	47.38	44.60	42.80	38.80	39.40
94.92	88.37	72.64	71.41	71.29	71.29	71.29	71.29
17,349	16,353	15,482	14,768	14,118	13,471	13,028	12,552

directors of the company

Philip A. Barnes, C.P.A. ^

Financial Controller
TransOcean Bank & Trust Ltd.
Grand Cayman

Ian L. Boxall, J.P. **

Attorney-at-Law
Boxalls
Grand Cayman

Frank J. Crothers**

Vice-Chairman
Bahamas

Bruce D.C. Drake, B.E., P. Eng.

Retired Executive
Grand Cayman

Timothy C. Hubbell ^

Senior Assistant Secretary
Ministry for Planning, Communications & Works
Cayman Islands Government
Cayman Islands

Joseph A. Imparato**

Chairman
Grand Cayman

Robert D. Imparato, MBA, ACIS

Assistant Corporate Secretary
Grand Cayman

H. Stanley Marshall

President & Chief Executive Officer
Fortis Inc.
St. John's, Newfoundland
Canada

David E. Ritch, J.P.

Attorney-at-Law
Ritch & Conolly
Grand Cayman

Karl W. Smith

Vice-President Finance & Chief Financial Officer
Fortis Inc.
St. John's, Newfoundland
Canada

Peter A. Thomson

President & Chief Executive Officer
Grand Cayman

Peter N. Thomson**

Vice-Chairman
Bahamas

A. Joel Walton ^

Deputy Financial Secretary
Cayman Islands Government
Grand Cayman

W. Warren Conolly, O.B.E., J.P. °

Retired Attorney-at-Law
Grand Cayman

* Member Audit Committee * Member Remuneration Committee ^ Government Director ° Director Emeritus

1966

J.E. Andars
W.W. Conolly
D.H. Elliott
J.A. Ewald, Jr.
W.T. Farrington
A. Herrington
E.E. Kirkconnell
A.D. Langford
E.S. Levas
R.M. Odear
J.S. Shropshire

1971

W.W. Conolly
J.A. Ewald, Jr.
W.T. Farrington
L.R. Ingels
E.E. Kirkconnell
E.S. Levas
R.M. Montjoy, III
R.M. Odear
B.A. Parkhurst
J.F. Redding
J.S. Shropshire
J. Templeton
S. Updike

1976

W.W. Conolly
J.A. Ewald, Jr.
W.T. Farrington
L.R. Ingels
E.E. Kirkconnell
A.D. Langford
E.S. Levas
R.M. Odear
B.A. Parkhurst
J.F. Redding
J.S. Shropshire
J. Templeton
S. Updike

1981

W.W. Conolly
F.J. Crothers
E. Foster
J.H. Gaffney
D.R. Kester
R. Lenz
P.J. Mayne
T.O. Mudd
R.M. Odear
J.F. Smith
P.D. Thomas
P.N. Thomson
K. Tibbetts
T.N. Unwin
W.I. Wood

1986

E.W. Bowyer
I.L. Boxall
W.W. Conolly
F.J. Crothers
Hon. B.O. Ebanks
D.H. Foster
J.A. Imparato
D. Johns
Hon. V. Johnson
P.J. Mayne
K. Rankine
P.D. Thomas
P.A. Thomson
P.N. Thomson
T.N. Unwin

1991

E.W. Bowyer
I.L. Boxall
E. Bush
W.W. Conolly
F.J. Crothers
J. Foley
D.H. Foster
Hon. L. Hurlston
J.A. Imparato
D.E. Ritch
P.A. Thomson
P.N. Thomson

1996

P.A. Barnes
D.A. Bishop
I.L. Boxall
Hon. W.M. Bush
W.W. Conolly
F.J. Crothers
B.D.C. Drake
D.H. Foster
J.A. Imparato
D.E. Ritch
P.A. Thomson
P.N. Thomson
A.J. Walton

officers of the company

Joseph A. Imparato
Chairman

Peter A. Thomson
President & Chief Executive Officer

Frank J. Crothers
Vice-Chairman

Peter N. Thomson
Vice-Chairman

J.F. Richard Hew, B.S.E.E., MBA, P. E.
Senior Vice-President & General Manager

William J.N. Forsythe, B. Com., F.C.A.
Senior Vice-President & Chief Information Officer

Ian L. Boxall, J.P.
General Counsel

Deborah E. Bergstrom, B.A.
Vice-President Human Resources & Administration

R. Scott Hawkes, B. Com., LL. B., FCIS
Company Secretary

Robert D. Imparato, MBA, ACIS
Assistant Corporate Secretary

Eddinton M. Powell, M. Acc.
Vice-President Finance

Robert L. Smith, B.S.E.E.
Vice-President Production

J. Lee Tinney, B.S.E.E., P. Eng.
Vice-President Transmission & Distribution

M. Jerome Wallace, B.E., P. Eng.
Vice-President Planning & Engineering

1966

J.A. Ewald, Jr.
E.S. Levas
R.M. Odear
J.S. Shropshire

1971

J.A. Ewald, Jr.
E.S. Levas
R.M. Odear
J.S. Shropshire

1976

J.A. Ewald, Jr.
C.D. Ireland
E.S. Levas
R.M. Odear
J.S. Shropshire

1981

F.J. Crothers
J.A. Ewald, Jr.
P.J. Mayne
T.O. Mudd
P.D. Thomas

1986

E.J. Bowyer
F.J. Crothers
W.J.N. Forsythe
P.D. Thomas
P.A. Thomson
P.N. Thomson

1991

I.L. Boxall
F.J. Crothers
B.D.C. Drake
W.J.N. Forsythe
R.S. Hawkes
J.A. Imparato
P.A. Thomson
P.N. Thomson

1996

I.L. Boxall
F.J. Crothers
B.D.C. Drake
W.J.N. Forsythe
R.S. Hawkes
J.A. Imparato
E.M. Powell
E.W. Powell
S.R. Reid
R.L. Smith
P.A. Thomson
P.N. Thomson

shareholders and corporate information

Shareholders

Registered shareholders as of April 30, 2001 were as follows:

Class of Shares	Shareholders	Shares Held
Class A Ordinary Shares	1,613	23,983,545
9% Class B Preference Shares	124	250,000
8% Class C, Series 2 Preference Shares	21	120,150

1,427 Class A Ordinary shareholders holding approximately 45% of the outstanding shares are resident in the Cayman Islands, while the balance are resident overseas. Holders of Preference Shares are primarily resident in the Cayman Islands.

Annual General and Special Meeting

Shareholders of Caribbean Utilities Company, Ltd. are invited to attend the Annual General and Special Meeting of the Company to be held Friday, October 26, 2001 at noon at the Marriott Beach Resort on West Bay Road, Grand Cayman. If you are unable to attend, please complete and return the form of proxy in accordance with the instructions set out in the accompanying meeting materials.

Dividends

Class A Ordinary Shares:

Quarterly dividends are customarily paid during the first week of March, June, September and December. Record dates are normally three weeks prior to payable dates.

Class B and C 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 number in right column).

Customer Share Purchase Plan

The Customer Share Purchase Plan (CSPP) was launched in January 1995 and provides an opportunity for customers resident in the Grand Cayman to invest in the Company. Customers may make cash payments of not less than C\$25 (US\$30) per purchase and up to a total of C\$12,000 (US\$14,400) 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 Plan may be obtained from CUC's Customer Service Department.

Solicitors

Hunter & Hunter
P.O. Box 190 GT
Grand Cayman

Auditors

PricewaterhouseCoopers
P.O. Box 258 GT
Grand Cayman

Principal Banker

Royal Bank of Canada
P.O. Box 245 GT
Grand Cayman

Registrar and Transfer Agents

CIBC Mellon Trust Company
P.O. Box 7010 Adelaide Street Postal Station
Toronto, Ontario, Canada M5C 2W9
Telephone: (416) 813-4600
Answerline™: (416) 643-5500 or 1-800-387-0825
(Toll free throughout North America)
Fax: (416) 643-5501
Website: www.cibcmellon.ca
(Acting as principal agent)

Caribbean Utilities Company, Ltd.
P.O. Box 38 GT, Grand Cayman, Cayman Islands
Attention: Assistant to the Company Secretary
Telephone: (345) 949-5200
Fax: (345) 949-4621
Website: www.cuc-cayman.com
E-mail: sparky@cuc-cayman.com
(Acting as co-agent)

Toronto Stock Exchange Listings

The Company's Class A Ordinary and 8% Class C, Series 2 Preference Shares are listed for trading in U.S. funds on The Toronto Stock Exchange. The stock symbols are "CUP.U" for Class A Ordinary Shares and "CUP.PR.U" for the 8% Class C, Series 2 Preference Shares. There is no income or withholding tax applicable to holders of Class A Ordinary or Preference Shares under the existing laws of the Cayman Islands.

Registered Office

Caribbean Utilities Company, Ltd.
P.O. Box 38 GT, Grand Cayman, Cayman Islands
Attention: Assistant to the Company Secretary
Telephone: (345) 949-5200
Fax: (345) 949-4621
Website: www.cuc-cayman.com
E-mail: sparky@cuc-cayman.com



Caribbean Utilities Company, Ltd.

PO Box 38 GT Grand Cayman Cayman Islands Tel (345) 949 5200 Fax (345) 949 5203
E-mail sparky@cuc-cayman.com Website www.cuc-cayman.com