World-class innovative service in our growing community

Caribbean Utilities Company, Ltd. 2002 Annual Report

General Data

Cover Feature

Magnificent, breathtaking, amazing... descriptions familiar with Cayman's underwater world. A paradise for the diving enthusiasts and a moving canvas for photographers alike, Cayman's pristine underwater world has remained a premier attraction for visitors to our shores.

Our cover depicts a Queen Angelfish making a quick entrance into the wreck of the "Balboa" through a porthole engulfed with brilliantly coloured corals, fans and marine creatures. The "Balboa", a popular Grand Cayman dive site, was a 375-foot merchant vessel that was shipwrecked in 1932.

The back cover features students Damien White and Shawn Solomon, two of the high school students participating in our 2002 six-week summer Vocational Training Programme. Supervising the students is scholarship recipient and Electrical Technician, Kurt Hislop (centre), who recently returned to the Company after graduating from Conestoga College in Canada with an Electrical Engineering Technician Diploma.

Contents

Credits

Design and Production: *Neil Murray, Corporate Communications Department*

Cover Photograph: *Cathy Church, Cathy Church's Underwater Photo Centre & Gallery, Grand Cayman*

Photography: *Neil Murray, Corporate Communications Department and Miguel Escalante, The Photo Centre*

Printing: *Haff-Daugherty Graphics, Hialeah, Florida*

About the Islands

The Cayman Islands, a United Kingdom Overseas Territory, with an approximate population of 41,900, 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. Bruce Dinwiddy, 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.

Location

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 new record peak load of 75.99 MW was experienced in August 2001. Our 210 employees are committed to providing a safe and reliable supply of electricity to over 19,600 customers. The Company has been through many challenging and exciting periods but has kept pace with Grand Cayman's rapid development for the past 36 years. Today we are considered one of the most reliable and efficient power companies in the Caribbean.

Highlights

Financial Results in Brief

	2002 US$	2001 US$	% Change
Operating revenue	90,124,088	90,089,071	0.04%
Shareholders' equity	112,271,999	106,372,634	5.55%
Earnings for the year	19,275,048	19,305,902	-0.16%
Capital expenditures	29,095,469	35,654,588	-18.40%
Total assets	245,900,574	226,628,216	8.50%
Customs duties and turnover fees paid to Government	15,569,037	15,604,671	-0.23%
Interest expense and preference dividends	5,647,589	3,736,755	51.14%
Dividends	15,497,542	13,903,707	11.46%
Earnings per Class A Ordinary Share	0.77	0.78	-1.28%
Dividends per Class A Ordinary Share (paid and declared)	0.61	0.56	8.93%
Book value per Class A Ordinary Share	4.44	4.23	4.96%
Class A Ordinary Shares			
Market Price: High	13.50	12.50	8.00%
Low	11.00	9.75	12.82%
Year-end	12.33	12.05	2.32%
8% Class C, Series 2 Shares			
Market Price: High	104.00	103.00	0.97%
Low	96.25	97.00	-0.77%
Year-end	100.00	100.05	-0.05%

Performance

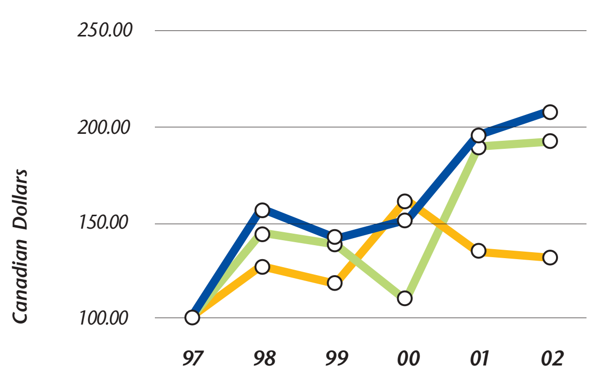
The Company recorded slightly increased revenues and new peaks in demand. Operating revenues grew by 0.04% and earnings decreased slightly by 0.16%. The dividend payout rate continues to exceed 60% of earnings. Dividends on Class A Ordinary Shares increased by 8.93% from US$0.56 to US$0.61 per share. The Class A Ordinary Shares (CUP.U) traded on The Toronto Stock Exchange at a high of US$13.50 per share. CUC's 8% Class C, Series 2 Preference Shares are also listed on The Toronto Stock Exchange (CUP.PR.U).

Rate of Exchange

The closing rate of exchange as of April 30, 2002 as reported by the Bank of Canada for the conversion of United States dollars into Canadian dollars was Cdn.$1.5685 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, 2002 for the conversion of Cayman Islands dollars into Canadian dollars was Cdn.$1.8822 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 returns 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.



	97	98	99	00	01	02
CUC	100.00	154.60	145.77	151.39	197.81	209.03
TSE Gas/Electrical Utilities Index	100.00	147.02	143.57	116.37	186.45	187.63
TSE 300 Index	100.00	130.35	121.28	163.89	141.05	138.25

To Our Shareholders

2002 was a challenging year for CUC and was characterised by the tragedy of September 11, and the United States recession. These incidents have shaken confidence and have had an impact on everyone including CUC. Our performance during the past year was solid but below initial expectations. Earnings for the year remained approximately the same at $19.275 million compared with $19.306 million in 2001. Earnings per Class A Ordinary Share decreased slightly to $0.77 from $0.78 in 2001. The decline was due to lower than expected electricity sales, the foregoing of the 2001 2% ($1.1 million) rate increase, unplanned generation maintenance expenses and restructuring costs related to the phaseout of the Planning & Engineering Division.

CUC achieved a record peak load of 75.99 megaWatts (MW) during fiscal 2002 (August 2001), an 8.3% increase over the previous year's peak. KiloWatt-hour (KWH) net generation increased 5.51% to 448.1 million KWH while reliability was maintained at 99.93%. We also attained an overall customer satisfaction rating of 84% in spring 2002.

The Company increased its dividend by 6.9% to $0.62 annualised per Class A Ordinary Share, reflecting the Company's continuing policy of providing maximum shareholder value.

The Company's capital expenditure programme during the year totalled $29.1 million and focused on substation projects and overhead and submarine transmission line works related to the installation of a looped transmission system. These projects, when completed, will enhance efficiencies and improve reliability. CUC expects to spend $23 million in fiscal 2003 to accommodate future growth estimated at 4.75% over the next year and conservative growth of 4% to 5% over the next five years. Projects such as the $350 million Ritz-Carlton resort and condominiums, the Kirk Harbour Centre shopping and office complex, the UBW Building and others are under construction. Based on current load projections, CUC will engage its generation strategic alliance partner, MAN B&W Diesel AG, to install one 12.25 MW diesel generating unit to be commissioned in summer 2003 to meet the seasonal load peak.

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, 2002. These confirmed a 3% rate increase to customers on August 1, 2002. The increase was a result of the Company's capital investment programme and the effects of foregoing the 2% rate increase, which had been planned on November 1, 2001, for reasons related to September 11.

During the year, the Company announced that it was

Joseph A. Imparato, Chairman, and Peter A. Thomson, President & Chief Executive Officer.

To Our Shareholders

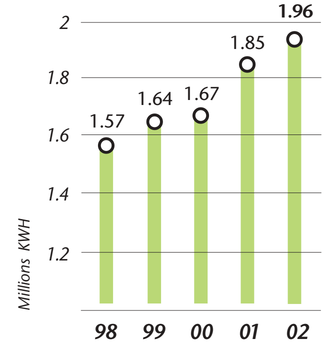
prepared to enter into early discussions with the Government for an extension to its current Licence, which expires in 2011. The existing 15% return on rate base mechanism has always been an area of sensitivity with Government, and in July 2002, we proposed a price cap mechanism for adjusting consumer rates. This is a significant departure from the 15% rate of return formula, as electricity rates will no longer be linked to earnings. Instead, prices will be tied to and move with published inflation indices. Our proposal is pro-active and responsible and is aimed at ensuring future least cost, reliable electricity supply at equitable prices. Through focus on cost control and continued management of capital expenditure, we will have the potential to achieve returns equal to current levels. Under the proposal, CUC would continue to recover fuel costs under its monthly adjustment as well as regulatory and Government levies. To ensure that pricing is equitable, the recommendations of the allocated cost of service study will be considered in the future rate structure.

The Government notified CUC last spring of its intention to instruct the Cayman Islands Auditor General to conduct a special review of our operations. We agreed to this special review as it is viewed as a positive step in our Licence extension discussions with Government.

It is worth noting that in small islands, it would be a mistake to assume that competition in our industry would work. A large number of firms could hardly be encouraged to participate and build infrastructure to create a truly competitive market in a small isolated system. We would like to reaffirm that our proposal for a Licence extension will continue to preserve the financial integrity of CUC, and that we expect to continue as the sole provider of electricity to Grand Cayman's consumers.

The Cayman Islands' economy performed reasonably well during fiscal 2002. Total air arrivals decreased 6.4%, with room occupancy levels down 7% on average over the previous year. Cruise ship passenger arrivals increased 34.2% to 1.4 million. Grand Cayman and the Caribbean area in general are benefiting from increased cruise ship traffic in light of security fears associated with air travel. Combining the Department of Tourism's marketing and advertising efforts with the Cayman Islands' reputation as a safe and clean destination will ensure growth in the stayover tourism sector.

Sales per Employee
(millions of KWH)



The financial services industry is undergoing major changes as the Cayman Islands evolve into a fully regulated and transparent, leading international offshore financial services centre focusing on institutional investor services. Commitments to the Financial Action Task Force (FATF), and the Organisation for Economic Cooperation and Development (OECD) and the signing of a tax information exchange agreement with the United States have demonstrated the Cayman Islands' resolve to provide the highest level of financial services in meeting internationally accepted standards.

Our investment in technology continues to pay dividends impacting efficiency and productivity favourably. KWH sales per employee have increased over the last year to 1.96 million KWH, representing an increase of 5.9% over 2001. Average system losses were maintained at 7% over the same period, comparable with North American levels.

We continue to look at the possibility of wind energy. We will finalise a study next year, and if the wind energy is sufficient to make wind turbines feasible on Grand Cayman, the Company will most likely look to outside parties with a proven track record that are interested in installing and operating turbines under a power purchase agreement. In addition, we also continue in the longer term to explore an ocean thermal energy conversion (OTEC) opportunity with Sea Solar Power of the United States.

In this report you will find a more detailed account of the progress we have made, the strategic initiatives that have been adopted and the process of change that we expect to continue this year and beyond. A new long-term strategic

To Our Shareholders

business plan has been initiated by CUC's executive team, which modified the Company's vision and mission statement. Our primary goals under the plan are to increase shareholder value while continuing to fulfil our mission as a world-class energy services provider. The plan is dynamic in nature and will be updated annually and provides an indicator of the success of our management team in implementing our strategy.

In our changing world, nothing is more important to long-term success than capable management and employees who are sensitive to customers' needs. We are proud of our employees who have made the sacrifices necessary to ensure our continued success. We congratulate our Employee of the Year, Earlton Bramble, and we extend our appreciation to the 21 long-serving employees recognised this year who have collectively completed 305 years of service to our Company.

Seven CUC linemen travelled to Belize to assist Belize Electricity Corporation (a Fortis company) with damage repairs to their transmission and distribution system following the passing of Hurricane Iris in October 2001. From left, Gary Whittaker (team leader), Ronald Minzett, Patrick Myrie, Gary Ebanks, Albert McLean, and standing on steps Kenzel Dixon and Lloyd Douglas. On hand to see the team off were Gerry McRobb, Line Manager; Peter A. Thomson, President & C.E.O; Richard Hew, Senior Vice-President & General Manager; and Deborah Bergstrom, Vice-President Human Resources & Administration.

At last year's Annual Meeting, Vice-Chairman and Director, Peter N. Thomson retired from the Board after 25 years, having reached the mandatory retirement age of 75, and at this year's meeting, two Government Directors, Joel Walton and Timothy Hubbell will be replaced by two new Government Directors. We thank all three Directors for their service to CUC.

Building on our past success, CUC will continue to respond to customers' expectations for safe, reliable, low-cost electricity while positioning itself to respond to future challenges by increasing operating efficiencies and maximising our earnings potential.

We congratulate management and staff for their commitment to CUC and solid performance. We are also grateful for your continuing support and trust.

On behalf of the Board of Directors,

Joseph A. Imparato, *Chairman*

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

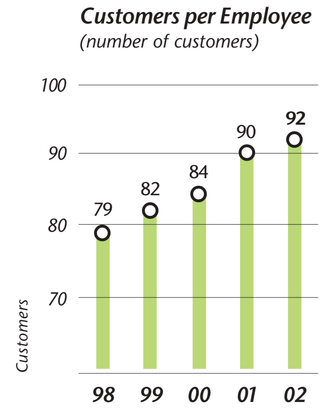
July 31, 2002

Five-Year Strategic Business Plan

2002 presented challenges to CUC and the Cayman Islands. While lower-than-expected growth and unforeseen expenses resulted in CUC's year-end earnings falling below projections, CUC remained financially solid. Management responded proactively to these challenges and expects a recovery to positive earnings growth in fiscal 2003 and beyond. The events of September 11, 2001 and the United States recession spurred the Company to implement a $600,000 austerity programme following the suspension of a 2% rate increase in November 2001. CUC also focused on internal efficiencies, enabling it to maintain its financial strength.

The changing economic climate provided CUC with an opportunity to fortify its long-term strategic focus by formulating a new five-year strategic business plan. The purpose of the strategic business plan is to provide a framework to identify strategic issues critical in the pursuit of CUC's vision and mission, consider different scenarios and provide action plans that execute the chosen strategy. The business plan links a target set of balanced measures or metrics to the strategy and provides an indicator of the success of the management team in its implementation.

CUC's primary goals under the strategic business plan are to increase shareholder value while continuing to fulfil its mission as a world-class energy services provider. The strategic business plan includes the following strategic objectives:



Financial Perspective

CUC's strategic financial objective is to increase shareholder value by producing solid earnings, maintaining a strong balance sheet and sustaining steady dividend growth. Achieving this objective will enable the Company to continue to access capital markets on favourable terms and maintain its Standard & Poor's 'A' rating.

CUC will invest in additional electrical infrastructure and generation capacity over the next five years. This capital expenditure is required to accommodate future growth on Grand Cayman represented by commercial projects such as The Ritz-Carlton resort and condominiums, the Cayman Shores development, Kirk Harbour Centre shopping centre and various residential developments.

Albert McLean, Lineman Foreman, Thomas Ebanks, Industrial Electrician, and Harold Rivers, Lineman Apprentice, install splices to connect sections of the 69KV underground cable. This cable is part of the transmission loop which will enhance the reliability of service to our customers.

CUC is committed to producing strong earnings growth for its investors through cost control, investment in intellectual capital, technological improvements and increased productivity through information technology. The Company will also adhere to a dividend payout policy that enables it to partially finance capital investment through earnings retention while maintaining dividend payout ratios commensurate with peer companies. Depreciation will increase over the next five years due to increased fixed asset investments. Therefore, CUC's strategy is to maximise revenue flow over assets' lives by improving maintenance programmes and investing in state-of-the-art technology that extends the useful lives of assets.

To ensure the continued financial integrity of CUC, management is in negotiations with Government for an extended Licence. As part of its pro-active approach, the Company submitted a Licence extension proposal in July 2002. For a complete discussion, please refer to 'Management's Discussion and Analysis' (page 15).

Customer Perspective

CUC constantly strives to maintain strong, positive relations with its customers, and it regularly conducts residential and commercial surveys to obtain feedback on its performance. The most recent survey in 2002 recorded high customer satisfaction levels in excess of 80%. Survey results have indicated that reliability, world-class customer service and stable electricity rates are the most important qualities to customers, and part of CUC's mission is to ensure that it meets or exceeds expectations on each of these criteria.

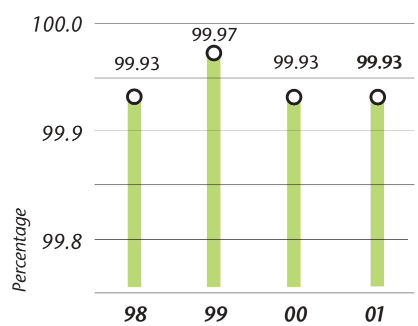
Reliability targets will be achieved by designing, constructing and maintaining a robust, versatile transmission and distribution system with adequate reserve generation capacity to meet energy demand. Initiatives such as indoor substations, concrete poles, looped transmission systems and innovative monitoring and control systems are part of an overall strategy to meet these challenges. CUC has entered into a Phase 2 project agreement with MAN B&W Diesel AG, the Company's generation strategic alliance partner, for the purchase and installation of a third 12.25 MW V48/60 diesel generating unit and auxiliary equipment. This new unit will be online by summer 2003 to meet growing electricity demand and facilitate the timely retirement of fully depreciated, more inefficient units.

CUC will continue to provide friendly and professional customer service while seeking to add value and make business transactions as easy as possible. The Company introduced several online services in 2001 such as CUC Online (account inquiry service providing account balance, billing, consumption and other data) and the Energy Smart Depot (comprehensive energy conservation

Stanton Sheogobind, Supervisor T&D Engineering & Operations, and Gerry McRobb, Line Manager, present a high voltage safety demonstration, "Electric Junction", to educate young people at a CUC-sponsored summer camp, about the generation of electricity and safety.

Lineman Andrew Wood installs lightning protection devices to enhance the reliability of our distribution systems.

System Availability
(data for the year ended December 31)



information). CUC's Energy Smart programme promotes energy conservation and environmental awareness in its community. Customers must become more aware of their ability to lower electricity bills through responsible energy usage.

CUC's long-term goal is to continue to provide electricity service at reliability levels comparable to North American standards and at prices competitive in the Caribbean region. A recently completed pricing comparison by The Association of Caribbean Electric Utilities (CARILEC) confirms that CUC's electricity prices for commercial and residential services are regionally competitive.

CUC is also a participant in the Canadian Electrical Association's (CEA) Annual Reliability Survey. In addition to being among the most reliable utilities in Caribbean, this survey confirms that CUC's reliability indices compare favourably with many North American utilities. CUC's strategy is to continuously enhance its level of service reliability at regionally competitive prices to ensure a high level of customer satisfaction, using the CEA reliability and CARILEC pricing indices as benchmarks.

Environmental educator Martin Keeley enlightens a group of primary school students about the important role of the Islands' Central Mangrove Wetlands as a sanctuary for marine life. These environmental science field trips are sponsored by CUC.

Employee Development

An integral element of CUC's strategy is to continue to build organisational strength through employee development. The Company's Human Resources mission is to attract high-potential candidates and maintain its employer of choice status by providing career opportunities and competitive compensation while fostering personal growth and development. CUC believes that it will grow as a company without material increases in staff by utilising employees with higher skill sets and embracing technology.

CUC is a leader in employing and developing Caymanians, who represent 90% of the Company's staff and are well represented at the executive, managerial and supervisory levels. This is an impressive achievement considering that half of the Cayman Islands work force is comprised of expatriates,

Eighteen-year employee Whitman Ebanks, Heavy Duty Mechanic, reattaches a dial after an overhaul on a generating unit. Part of the Company's Human Resources mission is to maintain its employer of choice status by providing career opportunities and competitive compensation while fostering personal growth and development.

and CUC is committed to maintaining this percentage.

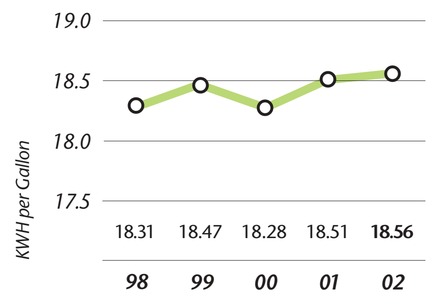
The Company also maintains a scholarship programme for qualified Caymanian students to pursue degrees in engineering, accounting, computer science and other fields from accredited universities and colleges overseas. Three scholarship recipients have recently graduated and returned to the Company, while five additional recipients are currently completing their studies and will also return to CUC upon graduation.

Safety and Environment

CUC is constantly striving to improve its safety performance. It has recently implemented energy control procedures (lockout/tagout) throughout the Company. CUC also uses apprenticeship programmes to conduct safety training and raise the competence of all employees who work in higher-risk areas. CUC's safety record compares favourably with industry averages. This record has improved over time and targets have been set to further reduce injury frequency and severity rates.

The Company's major environmental initiative is the introduction of an environmental management system (EMS) that complies with the internationally recognised ISO 14001 standard. CUC has appointed an Environmental Management Representative to coordinate the EMS activities and ratify and issue the environmental policy and EMS manual. Significant aspects of EMS include fuel and lube oil handling and containment, exhaust emissions and air quality, noise and ground-water management.

Fuel Efficiency
(KWH per gallon)



Community Involvement

Excellent corporate citizenship is a responsibility CUC takes very seriously. It has taken the lead in community involvement by providing voluntarism and financial support to many worthy projects. These initiatives include CUC's annual summer vocational programme for John Gray High School students; its sponsorship of Olympic gold medallist Marion Jones' visit to Grand Cayman in 2001 benefiting the Cayman Islands Athletic Association; its support of afterschool programmes and summer camps for primary school-age children; its friendships with the Lighthouse School and Sunrise Centre via regular events (e.g. Christmas stocking and Easter egg decoration parties); its ongoing public beach restoration programme; and 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. CUC will continue its position as a model community leader by fostering employee voluntarism and providing support to youth-related activities.

CUC was a major sponsor of Olympic track and field gold medallist Marion Jones' five-day visit to Cayman in November 2001. During her visit, she participated in numerous events including Marion's Mile, which attracted 250 runners of all ages. Pictured with Ms. Jones are Chris Huffins, U.S. decathlete and 2000 Olympic bronze medallist, and Cayman's own elite athletes Cydonie Mothersill and Kareem Streete-Thompson.

Outlook

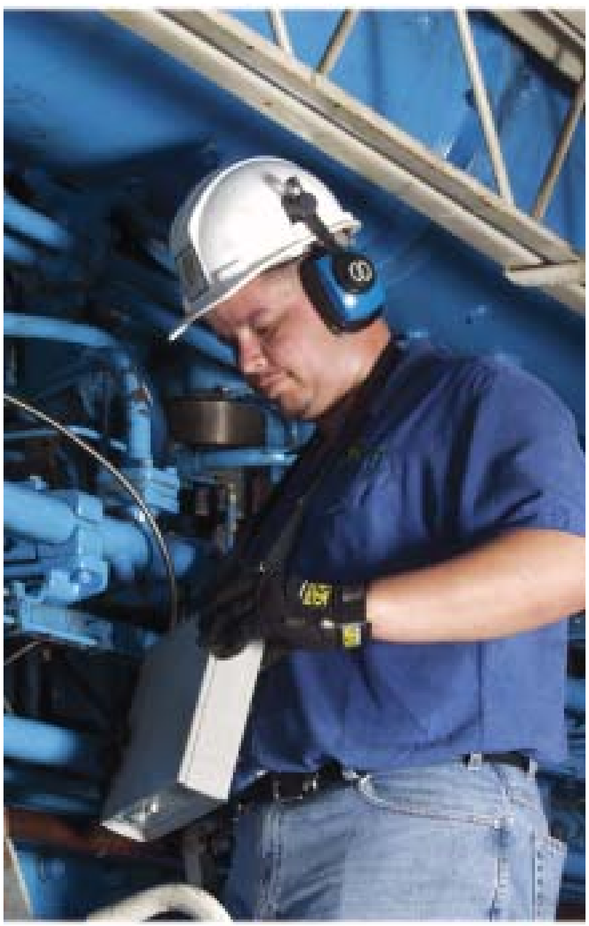
Management forecasts electricity demand growth of 4% to 5% over the next five years. These forecasts are

Joseph Lewandowski and Dario Mayorquin, Heavy Duty Mechanics, insert a valve cage into the cylinder head of a generating unit.

based in part on the Island's development plans as approved by the Cayman Islands Central Planning Authority and historical growth trends. CUC plans to invest more than US$120 million on capital projects over the next five years, based on these projections.

CUC conducted an alternative energy study and concluded that while diesel power is the most efficient, cost-effective and reliable means of providing power to Grand Cayman, wind and OTEC sources merit further consideration and investigation. If proven feasible, these sources may present future opportunities in which CUC's participation would be limited to power purchase arrangements.

Finally, CUC's Community Involvement Team slogan is "Cayman's Youth Deserve All The Power We've Got." Accordingly, the Company will maintain its excellent corporate citizenship and influential community



Jason Burke, Mechanical Technician, uses a pressure analyser to perform diagnostics on a generating unit. Jason, a CUC scholarship recipient, recently graduated from Texas State Technical College with Associate's Degrees, with high honours, in Industrial maintenance Technology and Facilities Management and Engineering.

As part of its efforts to seek alternate sources of energy that are environmentally friendly, the Company erected two 170-foot wind-monitoring towers in 2002 to determine the feasibility of wind power.

leadership by continuing to play an active role in improving the lives of Cayman's youth. CUC will also provide financial support and employee volunteers to worthy youth-oriented projects, just as it has since its inception 36 years ago. For example, CUC will be sponsoring environmental science field-trips for primary school students into the Central Mangrove Wetlands. Focusing on the community is an integral part of CUC's business strategy, and the Company is committed to making Cayman's future a bright one.

CUC looks forward to many years of providing world-class service to its growing community.

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

Overall operating revenues increased 0.04% from $90.089 million in 2001 to $90.124 million. Basic revenue registered a solid 5.52% increase ($76.2 million versus $72.3 million in 2001). Fuel adjustment revenues, on the other hand, decreased 22.18% ($13.9 million versus $17.8 million in 2001). The increase in 2002 basic revenue growth was driven by increased consumption as a consequence of a relatively strong economy, particularly in the first half of the year, and an increase in our customer base. Net generation sales rose 5.42% from 393.3 million KWH in 2001 to 414.6 million KWH, and total customers increased 2.08% from 19,198 in 2001 to 19,598.

The decline in fuel adjustment revenues is reflective of lower fuel prices compared to the same period last year. The Company's Licence with the Government provides for adjustments to be made to the charges billed to customers to reflect variations in the cost of diesel fuel used in the generation of electricity. Such adjustments are made on a monthly basis such that variations in the cost of fuel are recovered directly from consumers.

In the context of world events, the Cayman Islands' economic performance was relatively stable. Stayover tourism declined slightly (down 6.4%), cruise ship-based tourism showed a healthy growth (up 34.2%), the financial industry sector remained steady. Construction, the third major sector of the Cayman Islands economy, remained buoyant. Commercial construction particularly continued at a strong pace, and a number of major commercial projects that were under construction at the commencement of the year were completed and connected to the Company's distribution system. These include the Royal Bank of Canada's new financial centre, King's Sports Centre, the five-story Strathvale House (whose anchor tenant is PricewaterhouseCoopers), Deloitte & Touche's Century Yard office complex, and BritCay House, a 48,000-square foot commercial project.

The forecast for commercial construction remains strong with several major commercial projects currently under or nearing construction. Major upcoming projects include the Kirk Harbour Centre, a 67,000-square foot combined retail shopping and office complex; the Meridian condominium resort; the 50,000-square foot UBW Building in downtown George Town; and The Ritz-Carlton resort and condominium project.

Recent changes in Cayman Islands planning regulations are expected to stimulate the construction industry in the medium to long term. The most significant of these changes is the increase in permitted height of buildings from four stories to seven stories. Others changes are designed to streamline the planning process and make it more efficient.

The model of the $350 million Ritz-Carlton Resort, which is scheduled to open in 2003, comprises 365 hotel rooms, 71 oceanfront condominiums and a 9-hole Greg Norman golf course. The Resort is located on a 144-acre site on the world-famous Seven Mile Beach.

The $12 million expansion by The Port Authority will commence in September 2002 with an anticipated completion in early 2004. The project includes a two-storey 7,000-square foot building comprising a third cruise ship terminal, duty free shops and a restaurant.

Management's Discussion and Analysis

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

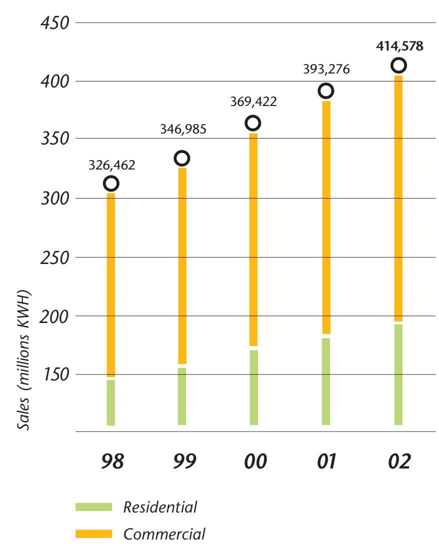
	2002	2001	Change
Customers (#)			
Residential	16,448	16,126	2.00%
Commercial	3,150	3,072	2.54%
Total customers	19,598	19,198	2.08%
Sales (1)			
Residential	193,962	182,321	6.38%
Commercial	216,342	206,806	4.61%
Other	4,274	4,149	3.01%
Total sales	414,578	393,276	5.42%
Revenues (2)			
Residential	36,494	34,221	6.64%
Commercial	38,953	37,101	4.99%
Other (street lights, etc.)	800	936	-14.53%
Fuel adjustments	13,877	17,831	-22.17%
Total operating revenues	90,124	90,089	0.04%

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

Economic Growth

The Cayman Islands' economy grew 1.5% in calendar 2001, which is an indication of intrinsically strong fundamentals despite lower economic growth in the United States (to which the Cayman Islands' economy is closely linked) and the effects of September 11. With much of its immediate infrastructure projects completed, Government's focus shifted from physical development to sustainable economic development and business growth policies. To this end, a number of initiatives were announced and implemented by Government, which were aimed at promoting sustainable economic growth. For example, Government announced in January 2002 that it would establish an investment bureau within the Ministry of Development as a one-stop facility for foreign and local investors to promote and facilitate investment in the local economy. In addition, Government announced that it would establish a Growth Management Board (GMB) to promote balance growth, including full consideration of economic, environmental and social issues in the development of the Cayman Islands. Further, the GMB would process all development projects valuing in excess of $300,000. In an effort to cut red tape and streamline the planning approval process for investors, the GMB would consolidate representation from all existing authorities relating to planning matters (on these projects) and make recommendation to Executive Council (the cabinet). Also, Government established the Cayman Islands Development Bank in January 2002 with the expressed objective of promoting long-term development projects.

Residential and Commercial Sales



Paralleling policies designed to improve the climate for business development and fostering economic growth, Government also announced a number of infrastructure projects. The most important of these are the redevelopment of the George Town cruise ship port, the development of a new cargo dock and mega-yacht facilities on the eastern end of the Island and the expansion of the Owen Roberts International Airport (the country's main international airport).

The most eminent of these is the George Town dock redevelopment project. Government announced in February 2002 that it had come to an agreement with the Florida Caribbean Cruise Association (FCCA) to partially fund the $17 million project, which calls for an increase in the size of the port from 2.6 acres to almost 6 acres.

Tourism

The tourism sector showed remarkable resilience against the backdrop of devastating international events during the course of the year. The sector, which accounts for approximately 70% of the country's gross domestic product (GDP), had mixed but encouraging results for the year. Total air arrivals decreased approximately 6.4% to 313,277 as a result of a decline in stayover tourism following the September 11 attacks and the effects of the United States recession. Room occupancy levels were down 7% on average over the previous year. A recovering United States economy and the recent increase in air arrivals from New York, Toronto and London bode well for the future of tourism. The combination of the Department of Tourism's marketing and advertising efforts, and the

Management's Discussion and Analysis

Cayman Islands' reputation as a high-quality destination will sustain continued growth in stayover tourism.

Cruise ship passenger arrivals increased 34.2% to 1,372,364 in 2001. Grand Cayman and the Caribbean area are benefiting from increased cruise ship traffic in light of security fears associated with air travel. The FCCA plans to invest $10 million in upgrading the port facilities to accommodate more passengers, which should result in more commerce in the central George Town area.

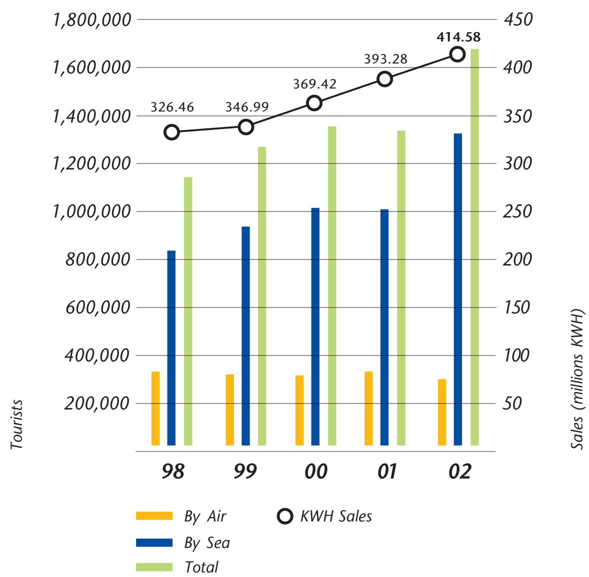
The following table presents tourism statistics for the years ended April 30, as restated by the Cayman Islands Government.

Arrivals	2002	2001	2000	1999	1998
By Air	313,277	334,719	321,014	330,490	331,580
By Sea	1,372,364	1,022,643	1,050,983	955,869	842,798

Source: Department of Tourism, Cayman Islands Government.

The 67,000-square foot Kirk Harbour Centre shopping and office complex is scheduled for completion in November 2003.

Tourism and Sales



Financial Sector

Generally, the financial services industry was unaffected by the events of September 11. However, the industry is undergoing major changes as the Cayman Islands evolves into a fully regulated, transparent, leading international offshore financial services centre. The Financial Action Task Force (FATF), created at the 1989 G7 Economic Summit, removed the Cayman Islands from its blacklist of non-cooperating jurisdictions on money laundering on June 22, 2001. Furthermore, advance commitments to the Organisation for Economic Cooperation and Development and the signing of a tax information exchange with the United States have demonstrated the Cayman Islands' determination to remain a global leader in offshore financial services.

The financial services sector continues to grow while focusing on institutional investor services. The Cayman Islands Stock Exchange continued to show growth with an 8.6% increase in listings to 418, representing an aggregate market capitalisation of $38.1 billion. Registered mutual funds increased 20% to 3,648 funds while insurance industry gross assets increased 2.4% to $15 billion. The Cayman Islands had 64,495 registered companies and 543 registered captive insurance companies as of December 31, 2001, reflecting increases of 7.6% and 5.2%, respectively, from 2000. Bank and trust licences fell from 580 in 2000 to 545.

The drop in bank and trust licences is partially a result of mergers and consolidations in the international financial industry. In addition, there were some retrenchments in this area as a consequence of a new policy introduced by the Monetary Authority requiring banks to establish a physical presence or surrender their licences. Approximately 24 banks opted to surrender their licences. The continued strength of the Cayman Islands as an international financial centre can be seen in the table at the foot of this page.

Rates and Licence

Capital expenditures of $29.1 million and the impact of forgoing the 2% rate increase for reasons related to the September 11 terrorist attacks have necessitated a 3% across-the-board increase in our basic tariff structure in August 2002. The Company's Licence provides for customer tariffs to be adjusted upward or downward each year to provide the Company with a 15% rate of return on its Rate Base.

Licence Extension Proposal

CUC submitted a pro-active proposal to Government in July 2002 to extend its current Licence and replace the 15% return on rate base mechanism for adjusting consumer rates with a price cap mechanism. Under the proposal, electricity rates will be tied to and move with published inflation indices. CUC anticipates that, under the new regulatory framework, it will have the potential to achieve returns equal to current levels.

Under the proposal, CUC would continue to recover fuel costs, regulatory costs and Government levies. Recommendations of allocated cost of service studies will also be taken into consideration for setting tariffs to ensure an equitable rate structure.

CUC is in negotiations with Government regarding the proposal, the final terms of which will be subject to Board of Directors approval. The current Licence, which is due to expire in 2011, will remain in full force until a definitive extension is agreed to with Government.

Allocated Cost of Service Study

CUC has commenced a full and proper allocated cost of service study with the view of completing it no later than May 2003. The objectives of the study are to ensure fair, cost-based electricity pricing, to eliminate subsidised consumption and to develop a demand rate for large consumers. The study, which is being conducted by R. W. Beck consulting engineers of the United States, may contain certain recommendations to Government to adjust the electricity rates between the customer categories to align the rates with the relative cost of service.

Government Financial Audit and Special Review of CUC

The Cayman Islands Government notified CUC last spring of its intention to instruct the Cayman Islands Auditor General to conduct a special review of the Company's operations. CUC agreed to this special review as it is viewed as a positive step in the Company's ongoing Licence extension discussions with Government. The special review should be completed by September. CUC does not expect the special review, when completed, to result in any material change to its operations.

Prior to this special review, the public accounting firm of Ernst & Young (E&Y) was appointed by the Cayman Islands Government to conduct an independent audit of

Disney Cruise Lines began visiting Grand Cayman in May 2002 bringing 2,700 passengers to our shores. Old meets new as budding fishermen practice throwing their lines while a more seasoned fisherman prepares his catch in view of the visiting cruise ship.

Growth in Financial Sector

(data for years ended December 31)

	2001	2000	1999	1998	1997
Bank and Trust Licences	545	580	571	587	594
Registered Companies	64,495	59,922	50,951	45,169	41,163
Mutual Funds	3,648	3,041	2,271	1,979	1,685
Mutual Fund Administrators	217	202	176	161	139
Captive Insurance Companies	543	516	497	485	449

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

Management's Discussion and Analysis

CUC's financial affairs in 2001. The Company's Licence includes a provision for an independent audit of the Company's financial affairs to be conducted at Government's expense. CUC views these audits as consistent with its own policy of openness and transparency. E&Y completed the financial audit in October 2001 and submitted its findings to Government. The Company received a preliminary financial audit report, which concluded that the 2001 audited results were correct in all material respects.

Operating Expenses

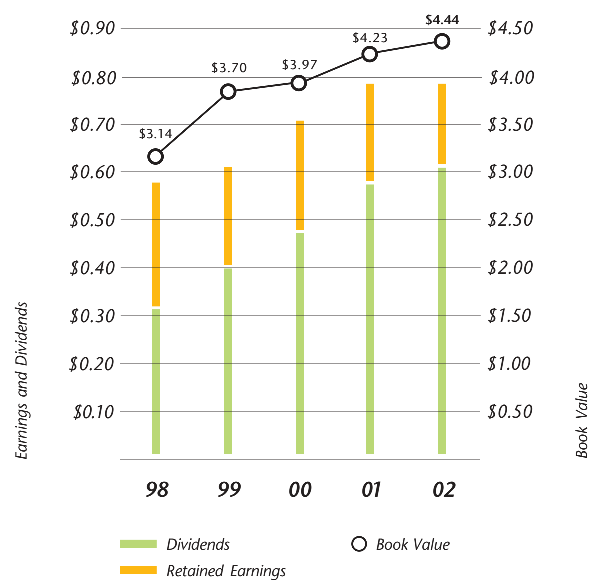
Operating expenses for the years to April 30 were as follows (US$ thousands);

	2002	2001	Change
Fuel and lube oil costs	37,792	40,448	-6.6%
Other generating costs	4,075	3,625	12.4%
General and administration	7,653	7,490	2.2%
Customer service and promotion	1,269	1,188	6.8%
Distribution	1,765	1,843	-4.2%
Depreciation and amortisation	10,358	9,416	10.0%
Maintenance	4,709	5,169	-8.9%
	29,829	28,731	3.8%
Total operating expenses	67,621	69,179	-2.3%

Operating expenses, exclusive of fuel and lube, increased 3.8% from $28.7 million in 2001 to $29.8 million. Fuel and lube, which is CUC's most significant operating expense, fell 6.6% from $40.5 million in 2001 to $37.8 million due to generally lower fuel prices during the year. The 12% increase in other generating costs is due primarily to increased Caterpillar contract costs and

King's Sports Centre, a 35,000-square foot indoor sports facility, opened in April 2002, featuring basketball, volleyball, football, skating, squash, a gym, nutritional centre, physiotherapy, rock climbing and a snack bar. The facility is the first of its kind in the Cayman Islands.

Performance per Class A Ordinary Share



additional water usage. Overall, operating expenses fell 2.3% to $67.6 million.

The Company completed several major capital projects in 2002 resulting in the commencement of depreciation as well as the expensing of previously capitalised interest. Depreciation rose 10.0% to $10.4 million while interest expense, including preference dividends, increased 51.1% to $5.7 million.

Customer service and promotion expense rose 6.8% year-over-year due to increased customer service-related initiatives, including direct payment and demand-side management. The Company views an intimate, customer-driven relationship with its customers as a key strategy.

Unit 14, which suffered a catastrophic failure late in the previous year, was brought back online after extensive capital work that saw the complete rebuilding of the unit to near new condition. This resulted in the extension of the economic useful life of this unit. In addition, other units were inspected and improvement work carried out, which extended the economic useful life on these units. Year-over-year maintenance expense fell by 8.9% as a consequence.

The Company completed a corporate restructuring in which it merged its Planning & Engineering Division with the Production Division, resulting in the renamed Production & Engineering Division. The phaseout cost approximately $120,000 to implement and is a direct benefit of CUC's strategic alliances with ABB T&D Power Company of the United States and MAN B&W Diesel AG of Germany, which have standardised the planning and engineering of future expansions.

Other Income and Expenses

Finance charges increased by 74% as a result of ceasing capitalisation of interest during construction on capital projects that were completed during the year. Interest during construction (IDC) amounted to $2,409,183 in 2002 (2001: $3,743,121).

Foreign exchange gain increased by 66% year-on-year. Foreign exchange, which results primarily from fuel oil purchases, was augmented by foreign exchange gains resulting from the repayment of debt totalling $12.8 million (Royal Bank bridging facility: $10 million; 8.47% Senior Unsecured Note due 2010: $1.5 million; European Investment Bank: $0.8 million; and MaK America: $0.5 million).

Other income includes interest income of $189,059 (2001: $306,150) on investments held in insurance reserves, which now total $3,580,595 (2001: $3,391,535).

Insurance

The Company maintains property insurance (for the estimated replacement cost of buildings, plant generating equipment and substations), business interruption insurance, and machinery breakdown insurance, with major international insurers to provide compensation in the event of hurricane damage, mechanical breakdown or other catastrophes, subject to a loss limit of $100 million. This loss limit is effective with the 2002 policy renewal. CUC also maintains liability insurance policies, and employee-related insurance coverages. In recent years, the insurance industry worldwide has experienced extraordinary losses, and property insurance for T&D assets has become very limited. Based on quotations received during the July 2002 insurance renewal process, CUC concluded that T&D insurance is uneconomical and it has decided not to obtain this coverage. In order to cover increased deductibles and uninsured risks, CUC maintains segregated insurance reserves in the amount of $3.5 million as well as a $1.5 million standby line of credit.

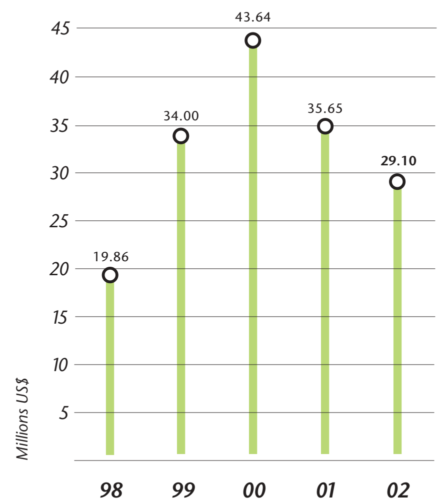
Earnings

Earnings for 2002 were slightly lower than 2001 earnings at $19.275 million (2001: $19.306). Earnings per Class A Ordinary Share decreased to $0.77 from $0.78 in 2001. Fully diluted earnings, as disclosed in Note 10 to the financial statements, were $0.75 per Class A Share (2001: $0.76).

Capital Expenditures

The main focus of capital expenditure continues to be in T&D. Capital expenditures totalled $29.1 (including capitalised interest of $2.4) during the year. The entire T&D programme is progressing on schedule. The 69KV submarine cable has been laid, and testing is progressing smoothly. The overland portion of the loop system, which extends the 69KV distribution system to the new substation in Frank Sound, has been energised and was commissioned in August 2002.

Capital Expenditures



Capital Resources

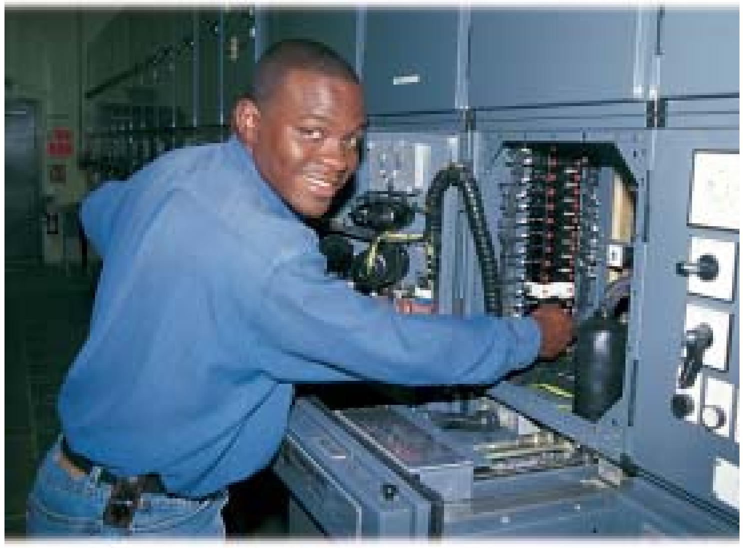
During the year, the Company raised $30 million in the private debt market in the United States. The proceeds from these $30 million, 6.67% Senior Unsecured Notes due 2016 were used to repay the Royal Bank bridging loan of $10 million and partially finance the Company's capital expenditures.

Retained earnings increased to $46.5 million, up from $26.9 in 2001, as the Company continued to pay dividends on its 9% Cumulative, Participating Class B Preference Shares and Class A Ordinary Shares from Share Premium.

Cash from operations totalled $27.2 million (2001: $29.6 million) provided funding for a substantial portion of the Company's investment activities.

The Company issued an aggregate of 203,943 (2001:269,395) Class A Ordinary Shares during the year pursuant to the following share plans: Executive Stock Option Plan, Customer Share Purchase Plan, Employee Share Purchase Plan, Employee Long Service Bonus Plan, and Dividend Reinvestment Plan.

Our Employees



Earlton Bramble, Substation Maintenance Foreman and 2001 Employee of the Year

expertise

training

knowledge

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

Albert McLean, Lineman Foreman

Ruth Williams, Manager General Services, and Yvonne Crumbie, Executive Secretary to the President & C.E.O. and Senior Vice-President & General Manager

Thomas Ebanks, Industrial Electrician

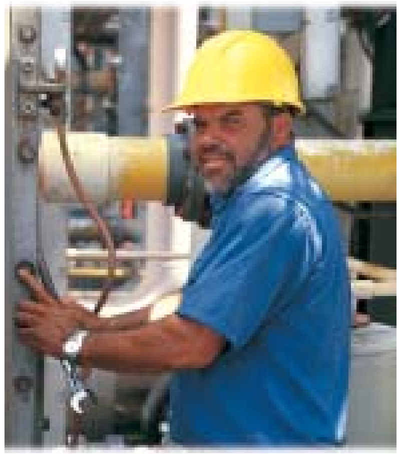
commitment

Customer Serv

Our Most Valuable Asset

quality service

dedication



Arney Ebanks, Steam Operations Foreman

Harold Rivers, Lineman Apprentice III

customer focus

Michael Powell, Lineman Foreman

teamwork

Jeffrey Thacker, Applications Support; Abraham Mathew, Senior Accountant & Financial Analyst; Sherree Riley, Financial & Systems Accountant; and Letitia Lawrence, Manager Financial Services

hard work

Geovany Rodriquez, Heavy Duty Mechanic

Vaughn Wilks, Lineman Apprentice III

ice Awardees

Where Your Dollar Went

14¢
Dividends
Approximately 75% of our registered shareholders are resident in the Cayman Islands. They receive quarterly dividends on their investment.

26¢
Capital Expenditures
US$29.1 million was spent on upgrading the transmission and distribution system, and connecting over 400 new customers.

14¢
Duty to Government
Duty to Government on fuel and materials amounted to over US$15 million.

22¢
Fuel & Oil
Our generators consumed 24 million gallons of diesel fuel and 175,000 gallons of lube oil this year to meet electrical demand.

17¢
Labour & Materials
Our dedicated team of over 210 employees and well-maintained equipment provide a safe and reliable electricity service.

7¢
Loans & Loan Interest
US$7.8 million was paid in interest and principal repayments on loans and preference shares.

CUC has over 3,940 transformers installed on its distribution lines. These transformers are used to step down higher distribution voltage to levels usable by our customers.

Financial Information

World-class innovative service in our growing community

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, 2002 and April 30, 2001 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, 2002 and April 30, 2001 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.

PricewaterhouseCoopers

PricewaterhouseCoopers
Grand Cayman, Cayman Islands

July 19, 2002

Balance Sheet

As at April 30, 2002 (expressed in United States Dollars)

	Note	2002 $	2001 $
Assets			
Current Assets			
Cash and due from banks		4,920,607	2,738,475
Accounts receivable	2	6,769,856	8,594,582
Inventories		3,050,750	3,148,057
Prepayments		754,348	672,354
		15,495,561	15,153,468
Long-term Investments	4	3,580,595	3,391,535
Property, Plant and Equipment	3	223,046,033	204,161,088
Other Assets	5	3,778,385	3,922,125
Total Assets		245,900,574	226,628,216
Liabilities and Shareholders' Equity			
Current Liabilities			
Current portion of long-term debt	6	2,291,704	12,773,668
Current portion of redeemable preference shares	7	6,007,500	–
Accounts payable and accrued expenses		12,122,812	16,214,048
Consumers' deposits and advances for construction		2,807,386	2,824,773
Dividends declared		3,717,386	3,470,137
		26,946,788	35,282,626
Long-term debt	6	100,674,287	72,957,956
Redeemable Preference Shares	7	6,007,500	12,015,000
Total Liabilities		133,628,575	120,255,582
Shareholders' Equity			
Share capital	8	1,689,731	1,677,592
Share premium		63,411,196	76,799,018
Redetermination surplus		643,168	996,113
Retained earnings		46,527,904	26,899,911
Total Shareholders' Equity		112,271,999	106,372,634
Total Liabilities and Shareholders' Equity		245,900,574	226,628,216

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

Joseph A. Imparato
Director

Peter A. Thomson
Director

The accompanying Summary of Accounting Policies and Notes form an integral part of these Financial Statements.
Auditors' Report page 22

Statement of Earnings

For the year ended April 30, 2002 (expressed in United States Dollars)

	Note	2002 $	2001 $
Operating Revenues			
Electricity sales		76,247,442	72,257,581
Fuel factor		13,876,646	17,831,490
Total Operating Revenue		90,124,088	90,089,071
Operating Expenses			
Power generation		41,867,068	44,072,567
General and administration	14	7,653,356	7,490,045
Customer service and promotion		1,268,567	1,188,191
Distribution		1,764,986	1,843,345
Depreciation and amortisation		10,357,718	9,415,926
Maintenance		4,709,387	5,168,735
Total Operating Expenses		67,621,082	69,178,809
Operating Income		22,503,006	20,910,262
Operating Income/(Expenses)			
Interest expense and preference dividends		(5,647,589)	(3,736,755)
Foreign exchange gain		1,189,427	715,427
Other income		1,230,204	1,416,968
Total Net Other Expenses		(3,227,958)	(1,604,360)
Earnings for the Year	10	19,275,048	19,305,902

The accompanying Summary of Accounting Policies and Notes form an integral part of these Financial Statements.
Auditors' Report page 22

Statement of Changes in Shareholders' Equity

(Expressed in United States Dollars)

	Share Capital							
	Class A Ordinary Shares		9% Cumulative Participating Class B Preference Shares					
	Number of Shares	Amount $	Number of Shares	Amount $	Share Premium $	Retained Earnings $	Redetermination Surplus $	Total Shareholders' Equity $
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
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
Issue of Ordinary Shares (net) (Note 8)	203,943	12,139	–	–	2,109,720	–	–	2,121,859
Dividends	–	–	–	–	(15,497,542)	–	–	(15,497,542)
Earnings for the year	–	–	–	–	–	19,275,048	–	19,275,048
Transfer from Redetermination Surplus	–	–	–	–	–	352,945	(352,945)	–
Balance at April 30, 2002	24,187,485	1,439,731	250,000	250,000	63,411,196	46,527,904	643,168	112,271,999

The accompanying Summary of Accounting Policies and Notes form an integral part of these Financial Statements. Auditors' Report page 22

Statement of Cash Flows

For the year ended April 30, 2002 (expressed in United States Dollars)

	2002 $	2001 $
Operating Activities		
Earnings for the year	19,275,048	19,305,902
Item not affecting working capital:		
Depreciation and amortisation	10,357,718	9,415,926
Profit on disposal of fixed assets	(58,500)	(39,055)
(Increase)/decrease in deferred gain on foreign exchange	(17,987)	27,000
	29,556,279	28,709,773
Net (increase)/decrease in non-cash working capital balances related to operations	(2,312,165)	912,569
Cash flow provided by Operating Activities	27,244,114	29,622,342
Financing Activities		
Proceeds from debt financing	30,000,000	10,000,000
Repayments of debt	(12,765,633)	(710,498)
Dividends paid	(15,250,292)	(13,256,183)
Net proceeds from issue of ordinary share capital	2,121,859	1,912,591
Cash flow provided by/(used in) Financing Activities	4,105,934	(2,054,090)
Investing Activities		
Net purchase of investments	(189,060)	(306,150)
Proceeds of sale of fixed assets	116,613	52,952
Purchase of property, plant and equipment	(29,095,469)	(35,654,588)
Cash flow used in Investing Activities	(29,167,916)	(35,907,786)
Increase/(decrease) in Net Cash	2,182,132	(8,339,534)
Net Cash – Beginning of Year	2,738,475	11,078,009
Net Cash – End of Year	4,920,607	2,738,475
Supplemental disclosure of cash flow information:		
Interest received during the year	101,051	218,660
Interest paid during the year	6,332,225	6,848,968

The accompanying Summary of Accounting Policies and Notes form an integral part of these Financial Statements.
Auditors' Report page 22

Summary of Accounting Policies

For the year ended April 30, 2002 (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

Fuel and lube oil are carried at cost. Line inventory is carried at cost less provision for obsolescence. Fuel, lube oil and line inventory are classified as inventory on the balance sheet. Engine spares are carried at cost less provision for obsolescence and are classified as generating equipment under property, plant and equipment on the balance sheet. Inventories are consumed/utilised on a first-in-first-out basis.

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 related overheads, materials, and interest on funds used during construction.

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	20 to 50
Motor vehicles	5 to 15
Equipment and Computers	3 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 two months, 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 over the subsequent two months. Movements in deferred fuel costs are recorded as movements in non-cash working capital balances in the Statement of Cash Flows.

Auditors' Report page 22

Summary of Accounting Policies

For the year ended April 30, 2002 (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, 2002 the year-end rates of exchange used in the financial statements were:

Pounds Sterling to US Dollars:	US$1.00 =	STG 0.69 (2001: STG 0.70)
Euro to US Dollars:	US$1.00 =	Euro 1.11 (2001: Euro 1.13)

The Company translates its Cayman Islands Dollars to US Dollars at a fixed rate of CI$0.84 to US$1.00.

Operating Revenue

Revenue derived from the sale of electricity is taken to income on a bills-rendered basis.

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.

Dividends

Dividends are accrued when declared. In accordance with the Companies Law of the Cayman Islands, the Company may declare and pay dividends out of the share premium account provided that, immediately following the date on which the dividend is proposed to be paid, the Company is able to meet its debts as they fall due.

Auditors' Report page 22

Notes to Financial Statements

For the year ended April 30, 2002 (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 31.4% (2001: 31.7%) of the issued Class A Ordinary Shares of the Company while Fortis Energy-Bermuda Ltd. ("the Fortis group") owns 21.6% (2001: 19.8%).

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.

On August 1, 2001, the Company was entitled to a 2% rate increase based on the terms of the Licence. However, as a result of a proposal by the Company and following the events of September 11, 2001, the Company agreed to suspend and later waive this rate increase on a without prejudice basis (Note 18).

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 $0.60 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*

	2002 $	2001 $
Billings to consumers	6,227,129	7,442,479
Due from Directors	23,896	11,255
Employee Share Purchase Plan	46,158	47,592
Due from WIPCO	17,158	2,299
Insurance claim receivable	–	765,090
Other receivables	455,515	325,867
	6,769,856	8,594,582

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.

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For the year ended April 30, 2002 (expressed in United States Dollars)

3. Property, Plant and Equipment

	Cost/Appraised Value $	Accumulated Depreciation $	2002 Net $	Cost/Appraised Value $	Accumulated Depreciation $	2001 Net $
Transmission and Distribution	115,063,001	28,483,158	86,579,843	102,179,432	26,634,287	75,545,145
Generation	155,753,151	41,078,288	114,674,863	143,864,503	37,946,475	105,918,028
Other:						
Land	1,170,193	–	1,170,193	1,170,193	–	1,170,193
Buildings	16,778,842	3,306,052	13,472,790	16,946,428	2,949,641	13,966,787
Equipment, Motor Vehicles and Computers	14,757,408	7,609,064	7,148,344	13,944,419	6,413,484	7,530,935
Total Other	32,706,443	10,915,116	21,791,327	32,061,040	9,363,125	22,697,915
Property, Plant and Equipment	303,522,595	80,476,562	223,046,033	278,104,975	73,943,887	204,161,088

Included in Property, Plant and Equipment are a number of capital projects in progress with a total cost to date of $34,069,473 (2001: $47,236,775). These projects relate primarily to the North Sound Plant 69KV Substation, the "Completion of Loops" project as well as several other transmission and distribution projects.

Also included in generation and transmission and distribution is freehold land with a cost of $4,807,404 (2001: $4,807,404).

In addition, engine spares with a net book value of $7,669,224 (2001: $7,618,455) are included in generation.

During the year, the Company capitalised interest of $2,409,183 (2001: $3,743,121).

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 $3,580,595 (2001: $3,288,188).

During the year, the Company changed its investment strategy from buy-and-hold to trading, and accordingly recognised these investments as short-term rather than long-term. However, at the end of the year, the Company re-evaluated this change and reverted to a buy-and-hold basis. As at April 30, 2002, these investments were re-classified to long-term at the prevailing market value of $3,580,595. This market value will be the cost of the investments going forward.

5. Other Assets

	2002 $	2001 $
Other assets	182,388	167,949
Deferred gain on foreign exchange	–	(17,987)
Deferred debt issue expense	1,386,228	1,311,309
Deferred fuel costs	2,209,769	2,460,854
	3,778,385	3,922,125

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6. *Long-Term Debt*

	2002 $	2001 $
LIBOR + 1.50% Royal Bank – Bridging Facility	–	10,000,000
8.47% Senior Unsecured Loan Notes due 2010	13,500,000	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
6.67% Senior Unsecured Loan Notes due 2016	30,000,000	–
6.20% European Investment Bank #2 due 2005	1,079,145	1,416,019
3.00% European Investment Bank #3 due 2009	3,386,846	3,815,605
0% MaK America due 2002	–	500,000
	102,965,991	85,731,624
Less: Current portion	2,291,704	12,773,668
	100,674,287	72,957,956

Long-term debt repayments per fiscal year are estimated as follows:

Year	$
2003	2,291,704
2004	2,321,770
2005	4,855,421
2006	7,482,822
2007	7,497,632
2008 and later	78,516,642
	102,965,991

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

	Currency Denominated in	US$ Equivalent
European Investment Bank	Euro	122,523
European Investment Bank	Sterling	125,136

The Company has financing facilities with Royal Bank of Canada ("RBC") comprising:

1. $5,000,000 Revolving overdraft line
2. $1,000,000 Term Loan
3. $1,500,000 Stand-by Term Loan
4. $4,500,000 Stand-by Letters of Credit
5. $10,000,000 demand loan facility for interim funding of expenditures

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$4.5 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$4.5 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 entered into a private placement agreement with unrelated third parties under which the Company issued US$30,000,000 6.67% Senior Unsecured Loan Notes due June 1, 2016.

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's"), 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.

*(**6. Long-Term Debt** continued on page 32)*

For the year ended April 30, 2002 (expressed in United States Dollars)

6. *Long-term Debt (continued)*

Disbursement of the funds is subject to the prior approval of EIB. As at April 30, 2002, included within cash and due from banks is an amount totalling $774 (2001: $253,223) which represents the Company's contribution into the restricted account.

7. *Redeemable Preference Shares*

	2002 $	2001 $
Authorised:		
419,666 (2001: 419,666) Class C Preference Shares of $1.00 each (non-voting)		
Issued and fully paid:		
120,150 (2001: 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	6,007,500	–
	6,007,500	12,015,000

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

8. *Share Capital*

	2002 $	2001 $
Authorised:		
60,000,000 (2001: 60,000,000) Class A Ordinary Shares of CI$0.05 each		
250,000 (2001: 250,000) 9% Cumulative, Participating Class B Preference Shares of $1.00 each (non-voting)		
1 Cumulative, Participating Class D Preference Share of CI$0.56 (non-voting)		
Issued and fully paid:		
24,187,485 (2001: 23,983,542) Class A Ordinary Shares	1,439,731	1,427,592
250,000 (2001: 250,000) 9% Cumulative, Participating Class B Preference Shares ($1.00 par value) issued at a premium of $19.00 per share	250,000	250,000
	1,689,731	1,677,592

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) 92,643 (2001: 42,695) Class A Ordinary Shares were issued under the Customer Share Purchase and Dividend Reinvestment Plans at between $12.04 and $12.49 (2001: $10.00 and $11.72) per share.

b) 19,500 (2001: 7,900) Class A Ordinary Shares were issued under the Employee Share Purchase Plan at prices between $10.05 and $12.04 (2001: $11.21 and $11.72) per share.

c) 91,800 (2001: 218,800) Class A Ordinary Shares were issued under the Executive Stock Option Plan (Note 9) at between $6.02 and $11.00 (2001: $4.98 and $11.00) per share.

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Notes to Financial Statements

For the year ended April 30, 2002 (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 and is currently set at 1,348,925.

	2002		2001	
	Number of options	Weighted average exercise price per share $	Number of options	Weighted average exercise price per share $
Outstanding at beginning of year	812,000	10.16	490,800	8.70
Granted	515,000	11.46	560,000	10.05
Exercised	(91,800)	8.74	(218,000)	6.57
Forfeited	–	–	(20,000)	10.53
Outstanding and exercisable at end of year	1,235,200	10.64	812,000	10.16

The total number of options exercisable at year end is 434,055 (2001: 258,000).

The following table summarises the information about stock options outstanding at April 30, 2002:

Range of Exercise Prices	Number of Options outstanding at April 30, 2002	Remaining contractual life	Number exercisable at April 30, 2002
$10.05 – $11.46	1,235,200	1 – 9.22 years	434,055

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.

	2002	2001
Earnings for the year	$ 19,275,048	19,305,902
Less: Preferred dividends	$ (825,000)	(735,000)
Earnings for the year for basic and diluted earnings per share	$ 18,450,048	18,570,902
Weighted average number of Class A Ordinary Shares	24,086,162	23,828,052
Plus: Potential dilutive effect of unexercised options	392,635	651,593
Weighted average number of Class A Ordinary Shares used for determining diluted earnings per share	24,478,797	24,479,645
Basic earnings per Class A Ordinary Share	$ 0.77	0.78
Diluted earnings per Class A Ordinary Share	$ 0.75	0.76

*(**10. Earnings Per Class A Ordinary Share** continued on page 34)*

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10. Earnings Per Class A Ordinary Share *(continued)*

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, 2002 had been exercised at the beginning of the year.

The Company has adopted the new Canadian Institute of Chartered Accountants Standard #3500 "Earnings Per Share" (CICA #3500). The standard requires the disclosure of the calculation of basic and diluted earnings per share, and the use of the treasury stock method for calculating the dilutive impact of warrants and stock options. There was no impact of the change on basic earnings per share. Prior year figures have been restated and the impact of the change on diluted earnings per share is to decrease the previously reported amount by $0.02.

11. Directors' and Officers' Remuneration

During the year ended April 30, 2002, the Company had a total of 14 (2001: 14) executive officers, of whom 6 (2001: 7) were also Directors. For the financial year of the Company ended April 30, 2002, the aggregate cash compensation paid to such executive officers for services during such year was $2,141,183 (2001: $2,216,271).

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. 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 Company also signed a 10-year agreement with MAN B&W for generation projects that commenced in February 1999. The total commitments outstanding are $2.6 million (2001: $23.1 million).

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 $68 million (2001: $47.8 million). This value excludes substations which are covered in the main property policies. The Company has obtained limited insurance coverage of $5 million (2001: $10 million) up to July 22, 2002 for transmission and distribution assets with limited coverage thereafter. In addition, the Company maintains a standby line of credit (Note 6) and a further $3,580,595 (2001: $3,288,188) 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 (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 fiscal year 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 35)*

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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 $712,039 (2001: $704,156) 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 $2,794,098 (2001: $2,799,219) by way of security.

16. *Fair Value of Financial Assets and Liabilities*

The carrying amounts reported in the balance sheets at April 30, 2002 and 2001 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 (2001: $11.9 million).

The fair value of the long-term debt is approximately $104.9 million (2001: $88.1 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.

The Company is levied customs duties of $0.60 per imperial gallon of diesel fuel it imports. In addition, the Company pays customs duties of 10% on all other imports. These costs are fully recovered from the Company's customers.

18. *Subsequent Events*

On May 21, 2002, the Company submitted their Interim Return containing their 2002 unaudited results indicating that, subject to the final audit, the Company would be entitled to a 3% rate increase effective August 1, 2002.

In July 2002, the Company entered into discussions with Government with a view to replacing the permitted rate of return on allowable assets formula, as stipulated under the current Licence, with an alternate mechanism by which the Company may implement electricity rate increases as and when needed. The likely outcome of these discussions and the related impact on the Company's operations is not presently determinable.

In addition, the Company entered into a short-term bridging loan agreement of $15 million with RBC. $13 million was drawn down in June 2002 while a second draw down of $2 million is scheduled for October 2002. The $15 million short-term loan is financed through a $10 million demand loan facility for interim funding of capital expenditure and is due approximately 18 months from initial draw down. The remaining $5 million is an operating overdraft facility which is repayable upon demand.

Finally, 60,075 8% Cumulative Redeemable Class C Series 2 Preference Shares were redeemed on June 20, 2002 at the issue price of $100 per share plus interest accrued at that date.

19. *Comparative Figures*

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

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Ten-Year Summary

Except where noted, expressed in United States Dollars, thousands

	2002	2001
Operating revenues	90,124	90,089
Other revenues and adjustments	2,420	2,133
Total revenues	92,544	92,222
Operating expenses	67,621	69,179
Income before interest	24,923	23,043
Interest expense and preference dividends	5,648	3,737
Earnings for the year	19,275	19,306
Capitalisation:		
Class A Ordinary Shares (nominal value)	1,440	1,428
9% Cumulative Participating Class B Preference Shares (nominal value)	250	250
Share Premium	63,411	76,799
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 ($100 each)	–	–
Long-term loans	102,966	85,732
Total capitalisation	180,082	176,224
Capital expenditures	29,095	35,655
Earnings per Class A Ordinary Share ($/Share)	0.77	0.78
Dividends per Class A Ordinary Share ($/Share)	0.61	0.56
Book value per Class A Ordinary Share	4.44	4.23
Statistical Record:		
Net KWH generation (millions of KWH)	448.10	424.71
Net KWH sales (millions of KWH)	414.58	393.28
Peak load (MW) gross	75.99	70.18
Plant capacity (MW)	115.10	115.10
Total customers (actual number)	19,598	19,198

2000	*1999*	*1998*	*1997*	*1996*	*1995*	*1994*	*1993*
76,469	67,058	66,478	61,047	55,741	50,850	48,226	44,979
2,705	1,870	1,784	1,688	1,457	1,112	1,676	1,144
79,174	68,928	68,262	62,735	57,198	51,962	49,902	46,123
58,104	50,802	51,776	49,759	44,998	40,693	38,602	37,244
21,070	18,126	16,486	12,976	12,200	11,269	11,300	8,879
3,079	3,704	3,616	2,666	2,557	2,738	3,527	3,650
17,991	14,422	12,870	10,310	9,643	8,531	7,773	5,229
1,412	1,380	1,307	1,294	1,191	1,169	1,154	921
250	250	250	250	250	250	250	250
88,806	51,216	38,892	37,040	29,896	28,693	28,101	14,635
12,015	12,015	12,015	12,015	–	–	–	–
–	2,000	5,000	8,000	10,000	10,000	10,000	10,000
76,442	49,933	26,263	26,263	29,524	16,882	19,054	25,368
178,925	116,794	83,727	84,862	70,861	56,994	58,468	51,174
43,642	34,131	19,868	19,949	13,486	9,297	7,463	11,768
0.73	0.63	0.57	0.46	0.46	0.41	0.43	0.31
0.47	0.41	0.36	0.33	0.30	0.27	0.24	0.22
3.97	3.70	3.14	2.88	2.60	2.49	2.33	1.77
398.09	376.28	347.52	311.00	292.50	276.99	261.24	245.84
369.42	346.94	326.46	287.29	273.50	254.58	238.20	222.23
65.76	61.11	56.33	50.74	47.38	44.60	42.80	38.80
94.92	94.92	88.37	72.64	71.41	71.29	71.29	71.29
18,463	17,349	16,353	15,482	14,768	14,118	13,471	13,028

Directors of the Company

***Philip A. Barnes**, C.P.A.* ^
Financial Controller
TransOcean Bank & Trust Ltd.
Grand Cayman

***Ian L. Boxall**, J.P., T.E.P.* * +
Attorney-at-Law
Grand Cayman

Frank J. Crothers * +
Vice-Chairman
Bahamas

***Bruce D.C. Drake**, B.E., P. Eng.* * +
Retired Executive
Grand Cayman

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
Caribbean Utilities Company, Ltd.
Grand Cayman

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

Peter N. Thomson °
Retired Executive
Bahamas

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

Officers of the Company

Joseph A. Imparato
Chairman

Peter A. Thomson
President & Chief Executive Officer

Frank J. Crothers
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 & Chief Financial Officer

***Robert L. Smith**. B.S.E.E.*
Vice-President Production & Engineering

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

Shareholders and Corporate Information

Shareholders

Registered shareholders as of April 30, 2002 were as follows:

Class of Shares	*Shareholders*	*Shares Held*
Class A Ordinary Shares	1,667	24,187,485
9% Class B Preference Shares	124	250,000
8% Class C, Series 2 Preference Shares	18	120,150

1,277 Class A Ordinary registered 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 Meeting

Shareholders of Caribbean Utilities Company, Ltd. are invited to attend the Annual General Meeting of the Company to be held Friday, October 25, 2002 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 numbers 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 CI$25 (US$30) per purchase and up to a total of CI$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

Duplicate Annual Reports

While every effort is made to avoid duplications, some shareholders may receive extra reports as a result of multiple share registrations. Shareholders wishing to consolidate these accounts should contact the Registrar and Transfer Agents.

Registrar and Transfer Agents

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

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Edwin J. Bowyer

CUC's General Manager from 1976 to 1986

Mr. Bowyer in the Control Room at the CUC Power Plant, circa 1988.

The Board of Directors, management and staff congratulate Mr. Bowyer, former General Manager, who was named on the Queen's Birthday honour list for 2002 for his contribution to the growth and development of the electrical industry on Grand Cayman. He received the Cayman Islands Certificate and Badge of Honour.

Arriving from Jamaica with his wife Mary in 1976, Mr. Bowyer undertook the task of improving the Company's reliability; power cuts were the norm during those days.

During his tenure, Mr. Bowyer and his crew of dedicated professionals, who he refers to as "the guys", were attributed with the development of the Island's first electrical systems.

One of the major accomplishments made while he was with CUC was the construction of the 69KV transmission line that continues to be extended across the Island.

After retiring in 1986, Mr. and Mrs. Bowyer decided to remain in Grand Cayman. His love for writing resulted in the publication of two books.

Even today, Mr. Bowyer visits the Company at least once per week.

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