"

Despite dealing with their own personal losses in many cases, CUC's employees responded 100% in support of an aggressive restoration plan. Individual roles changed in many cases and people did whatever was necessary to work as a team towards the common goal of restoring power to everyone.

"

Richard Hew
President & Chief Executive Officer (Designate)

You've got the power

Caribbean Utilities Company, Ltd.
457 North Sound Road
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Grand Cayman
Cayman Islands
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Rebuilding Together

Caribbean Utilities Company, Ltd. **2005 Annual Report** trapped

the ivan experience

By Sunday morning, my family of eight had taken refuge among the beams in the roof as there was six feet of sea water inside the house and nearly 10 feet outside. We were trapped! The windows were boarded from outside and the doors wouldn't open because of the water... we couldn't get out. The ocean was literally outside my front door as we could look down and see fish swimming around the yard in unbelievably clear water. We lost everything that day and honestly I had no time to feel frightened or scared. Saving my family was my only priority.

Thomas Bennett
System Operations
George Town

General Data

Cover and Report Feature

An unwelcomed visitor, Hurricane Ivan, a category five storm, blew into Grand Cayman on Saturday, September 11 and stayed for the next two days, wreaking a trail of destruction that left Islanders in wonderment as to how they survived what has now been termed the worst storm ever to hit the Cayman Islands. With overseas assistance from our largest shareholder, Fortis Inc., our T&D contractor, MasTec, Inc., our friends at CARILEC, many local and overseas contractors, businesses and support personnel, the CUC Team completed the restoration process on November 30 to all customers whose premises were approved for reconnection, well within the projected 90-day period.

Our employees went above and beyond the call of duty, continuously working long hours for weeks at a time. Administrative and other temporary support personnel assumed new roles and responsibilities to help in the restoration effort. Most had been through or lost a lot during the storm and still managed to show up for work determined to do their part in restoring power to our community. What some experienced during the storm is an eye-opening, sometimes chilling account of the power of Mother Nature at her worst. Their strength and resolve is testament to the true nature of the Caymanian people.

Contents

Credits

Design and Production:
Neil Murray, Corporate Communications Department

Printing:
Haff-Daugherty Graphics, Hialeah, Florida

About the Islands

The Cayman Islands, a United Kingdom Overseas Territory with a population of approximately 45,000, are comprised of three islands: Grand Cayman, Cayman Brac and Little Cayman. Located 480 miles south of Miami and 180 miles west of Jamaica, the largest island is Grand Cayman with an area of 69.4 square miles. The islands, discovered by Christopher Columbus during his fourth and final voyage in 1503, were originally named "Las Tortugas" for their large turtle population. The islands later became known as "Cayman" representing the Carib word for crocodiles, a large number of which existed at that time. A Governor, presently His Excellency 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.

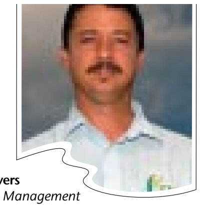
Location

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 114.63 megaWatts (MW), and a new record peak load of 85.03 MW was experienced in September 2004. Our 180 employees are committed to providing a safe and reliable supply of electricity to over 19,000 customers. The Company has been through many challenging and exciting periods but has kept pace with Grand Cayman's rapid development for the past 39 years. Today we are considered one of the most reliable and efficient power companies in the Caribbean.

the ivan experience

It was a truly frightening experience seeing the water rise to nearly three feet around my house because of the storm surge. The water was at my doorstep and we were completely cut off. It was like being in the centre of a lake. The strong winds and battering rain were slowly picking my roof apart until finally portions of the ceiling caved in. We made our way to the drier parts of the house and did what we could to ride out the storm. The eerie, howling wind is a sound I will never forget.



Carlos Rivers
Materials Management
West Bay

Highlights

Financial Results in Brief

	2005 US$	2004 US$	% Change
Operating revenue	92,871,026	106,643,155	- 12.91%
Business interruption insurance	8,148,086	-	N/A
Shareholders' equity	125,724,438	128,924,609*	- 2.48%
Earnings for the year	4,224,302	19,986,779	- 78.86%
Capital expenditures	39,788,209	20,041,232	98.53%
Total assets	290,158,848	288,582,382*	0.55%
Customs duties and turnover fees paid to Government	15,123,471	16,710,485	-9.50%
Interest expense and preference dividends	8,498,195	7,708,623	10.24%
Dividends	9,190,543	17,137,877	- 46.37%
Earnings per Class A Ordinary Share	0.13	0.77	- 83.12%
Dividends per Class A Ordinary Share (paid and declared)	0.330	0.655	- 49.62%
Book value per Class A Ordinary Share	4.82	4.98*	-3.21%
Class A Ordinary Shares			
Market price: High	13.08	14.54	- 10.04%
Low	9.75	12.20	- 20.08%
Year-end	11.00	12.75	- 13.73%

* *Restated (see Note 2)*

Performance

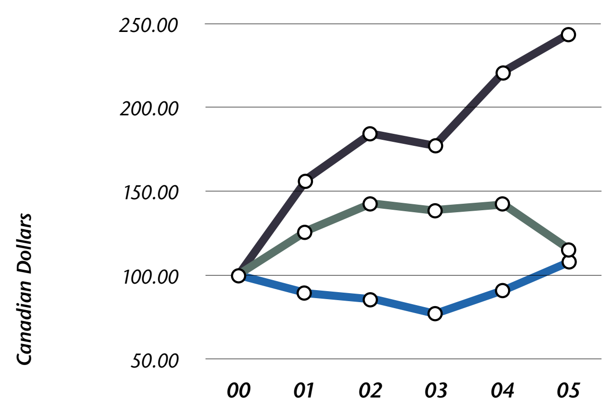
Operating revenues declined by 12.91% and earnings decreased by 78.86%. The decreased revenues and earnings are directly related to the impact of Hurricane Ivan, which passed Grand Cayman in September 2004. Dividends on Class A Ordinary Shares fell by 49.62% from US$0.655 to US$0.330 per share. The Board of Directors did not declare a Class A Ordinary Share dividend for the second quarter due to the Company's recovery from Hurricane Ivan. Quarterly Class A dividend payments were resumed in the third quarter. The Class A Ordinary Shares (CUP.U) traded on the Toronto Stock Exchange at a high of US$13.08 per share in fiscal 2005.

Rate of Exchange

The closing rate of exchange as of April 30, 2005 as reported by the Bank of Canada for the conversion of United States dollars into Canadian dollars was Cdn.$1.2585 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, 2005 for the conversion of Cayman Islands dollars into Canadian dollars was Cdn.$1.510 per CI$1.00. All dollar amounts in this Annual Report are given in United States dollars unless otherwise indicated.

Share Performance

Comparison of five-year cumulative total returns between Cdn.$100.00 invested in CUC Class A Ordinary Shares and the S&P/TSX Composite Index Utilities and S&P/TSX Composite Index.



	00	01	02	03	04	05
CUC	100.00	130.67	143.26	138.76	143.32	118.14
S&P/TSX Composite Index Utilities (Sector)	100.00	152.61	183.37	180.17	217.87	248.74
S&P/TSX Composite Index	100.00	86.06	84.35	73.95	94.21	109.02

the ivan experience

We were luckier than most in East End as we were at a higher elevation. I was concerned for the well being of my family, as I hadn't secured the windows prior to the storm. We experienced leaking through the roof as shingles and tarpaper were torn away by the terrible winds, causing the ceiling to collapse in the rooms. There was not much we could do but pray the roof would hold and thankfully it did. I saw my father's wooden workshop next door simply disintegrate and disappear into the milky surroundings. I will never forget the sound of the wind; it sounded as if several languages were being spoken at the same time as we were pounded relentlessly.

Dennis Connor
Materials Management
East End

To Our Shareholders

2005 was a very challenging year for CUC due to the impact of Hurricane Ivan, which passed Grand Cayman on September 11 and 12, 2004. This category-five storm resulted in widespread destruction across the Island and affected approximately 20% of CUC's transmission and distribution (T&D) system. Despite facing major logistical challenges, CUC successfully completed the restoration of service to all reconnectable customers on Grand Cayman on November 30, 2004, well within the 90-day period that was initially projected.

Our successful restoration programme would not have been possible without the commitment of our employees, many of whom suffered personal losses from the storm, and the assistance of our strategic partners. CUC's largest shareholder, Fortis Inc. of St. John's, Newfoundland, Canada, greatly contributed to the recovery by sending three waves of line crews and operating personnel to Grand Cayman to assist with the rebuilding of lines and customer reconnections. A total of 130 Fortis employees participated in the recovery effort, representing six Fortis operating companies from across Canada and Belize.

The hurricane relief effort marked the first time that crews from all Fortis utilities joined forces to help a sister utility following a natural disaster such as Ivan, and it once again demonstrated Fortis' strength as a strategic equity partner to CUC. Fortis reacted quickly to CUC's initial call for help by sending the first wave of personnel, materials and equipment to Cayman within a week of the storm. It would not have been possible for us to complete our restoration on time without the assistance of the visiting Fortis crews, who worked closely with our staff to reconnect customers.

We also received assistance from others who contributed labour, equipment and materials. These include MasTec, Inc. of North Carolina, the Barbados Light and Power Company, Bermuda Electric Light Company and Provo Power Company of the Turks & Caicos Islands. The Barbados, Bermuda and Turks and Caicos contingents were deployed by the Caribbean Electric Utility Services Corporation (CARILEC) under its Hurricane Action Plan, which provides assistance to member utilities following the aftermath of a hurricane strike.

We are very grateful to the crews from Fortis, MasTec, Barbados Light and Power, Bermuda Electric and Provo Power for their generous support and dedication to restoring electricity service to our customers.

Cash flow was severely impacted by Ivan due to reduced customer revenues, uninsured losses and necessary capital expenditures. CUC's Hurricane Ivan damage claims to date are $24 million for property and $8.1 million in business interruption (BI) through April 30, 2005. Our uninsured T&D losses total $7.0 million.

CUC has $100 million of insurance in place that includes property coverage for its North Sound Road plant, remote substations and all T&D equipment within 1,000 feet of the main plant and substations; and includes $55 million in BI insurance per annum with a 24-month indemnity period. Terms and coverages also include a maximum $4 million deductible on property insurance and a 45-day deductible on BI insurance, as well as $15 million in machinery breakdown insurance. T&D insurance outside of 1,000 feet from the boundaries of the main plant and substations is excluded, as the Company was unable to obtain T&D coverage at economic rates.

Grand Cayman will continue to recover from the impact of Hurricane Ivan through fiscal 2006. There remains to

Richard Hew, President & Chief Executive Officer (Designate), Peter A. Thomson, President & Chief Executive Officer, and David Ritch, Chairman of the Board of Directors.

scary

the ivan experience

I am one of those eternal optimists who thinks nothing can go wrong. I was certain the worst of the storm would steer clear of us until I looked through the glass in my front door early Sunday morning. It was like you see in the movies, very scary. At about 9:00 a.m., I saw the water rush towards our house and in a matter of seconds we had four feet of water outside. It was only a matter of time before the water found its way inside and it was then we headed into the attic. On a lighter note, sitting in the attic watching our belongings floating below us, I was not sure if I had paid my insurance premium. Luckily I had.

Abraham Mathew
Financial Services
George Town

To Our Shareholders

date some 1,500, or 7%, of our pre-Ivan customers that remain disconnected from the T&D system due to damage to their premises.

Reconstruction of customers' premises has progressed well after a slow start related to insurance settlements on larger claims and shipping congestion, which have now been largely overcome.

Earnings for the year ended April 30, 2005 were $4.2 million compared with $20 million in fiscal year-end 2004, a $15.8 million, or 79%, decrease. The earnings decline was due to the effects of Hurricane Ivan on operating revenue, the writeoff of uninsured T&D assets, an allowance for the net deductible on insured assets, and the loss of revenue during the 45-day BI insurance deductible period following Ivan.

Earnings per Class A Ordinary Share (EPS) for fiscal 2005 were $0.13, a $0.64, or 83.1%, reduction from $0.77 in fiscal 2004.

Year-end operating revenues were $92.9 million compared with $106.6 million in 2004, a $13.7 million, or 12.9%, reduction due to the effects of Hurricane Ivan.

Electricity sales revenue for fiscal 2005, which totalled $68.9 million ($89.7 million budgeted), fell by $16.8 million, or 19.6% from $85.7 million in 2004. This decrease was partially offset by a BI insurance claim of $8.1 million recorded for the period from October 26, 2004 (end of the 45-day BI deductible period) to April 30, 2005. Kilowatt-hour (kWh) sales growth declined by 16.6% year-end, and peak load for April 2005 reached approximately 87% of where it was in April 2004.

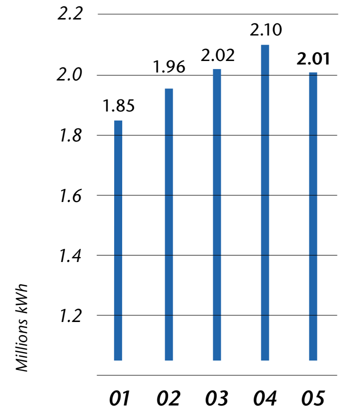
Year-end fiscal 2005 capital expenditures totalled $39.8 million compared with $20 million in 2004. This increase was related to the reconstruction of T&D assets written off from Hurricane Ivan.

Fiscal 2006 planned capital expenditures will decline to $20 million. Major capital projects for fiscal 2006 will include a new gas turbine, an upgrade of Engine Room One, which incurred damage from Ivan, the closing of the 69 kiloVolt (kV) transmission loop to Frank Sound, and general T&D works.

CUC anticipates a summer 2005 peak demand of 80 megaWatts (MW) based on the rate of recovery to date. We expect to return to our pre-Ivan peak load of 85 MW in summer 2006.

A total of 95.43 MW of generating capacity was fully recovered as of June 2005, or over 77% of pre-Ivan capacity. CUC has leased 5.7 MW of capacity for six months beginning in June 2005, with an additional 5.7 MW of capacity being leased and scheduled to arrive on Island by July 2005, to ensure reliability during the peak summer season. The Company has also issued contracts to recover an additional 16.8 MW, representing four Caterpillar engines that were damaged by Ivan, by December 15, 2005.

Sales per Employee
(millions of kWh)



In addition, we have contracted for the addition of an 8.4 MW gas turbine unit for standby purposes to replace the approximately 12.6 MW of Mirrlees capacity that was written off from the storm. These will return the Company to a total capacity of approximately 120 MW as compared to 123 MW before Ivan.

Our new 69/13 kV Hydesville Substation in West Bay was commissioned in April 2005. This indoor substation is similar in structure to those in South Sound and Frank Sound, which received minor, superficial damage from Hurricane Ivan.

The western transmission loop is now in full service, significantly increasing reliability to the West Bay and northern Seven Mile Beach areas. The subsea cable portion of this loop was a key factor in our ability to restore power to the West Bay district within 30 days of Ivan's passing.

We have completed repairs of our high-voltage Rum Point submarine cable, which was damaged by a wayward vessel during the storm. ABB Sweden was contracted to perform the repairs, which will cost approximately $1 million. The repairs allow electricity to flow from either direction in the event of a power outage thus improving reliability in the eastern districts.

Economic recovery following Hurricane Ivan continues to show moderate but steady improvement. The economy grew by 0.9% for calendar 2004 versus a projected 2.8% due to the Ivan-related contraction in the fourth quarter. Government has forecasted growth for years ending June 2006 and June 2007 of 5.4% and 3.7%, respectively. The recovery is boosted by the construction industry with insurance payments flowing into reconstruction and the continuation of major projects such as The Ritz-Carlton, now expected to open this fall, the Cayman Shores Development, Camana Bay, and high-end condominium

On Saturday, eight of us took refuge in my mother's house because "she wasn't leaving her house for any storm". We boarded up as best we could and waited. The swirling, shrieking winds removed the roof in a matter of minutes and we were braving the elements inside our walls. We grabbed what we could see, removed the boards from the porch door and made our way through the blinding rain and unbelievable winds to our trucks and on to the shelter. I later returned and spent the remainder of the day parked behind my neighbour's house. After the storm had passed, I was shocked to see what was left of my hometown. It resembled a war zone.

Ernest Bush
Electrical Maintenance
Bodden Town

To Our Shareholders

projects such as The Meridian, Aqua Bay and Caribbean Club. New home building remains strong although slowed somewhat by the lack of availability of construction services occupied by the rebuilding effort.

Financial services and tourism are the main pillars of the Cayman Islands economy. The financial industry recorded positive growth in mutual funds and insurance company registration and a significant increase in captive insurance premiums. Despite the setback of Hurricane Ivan, the Cayman Islands continue to be an attractive domicile for financial service businesses. The mutual fund sector, in particular, has produced spectacular growth. Cayman is currently the largest global offshore mutual fund centre, as mutual fund registration increased by 28% over 2003 and stood at 5,894 at year-end. Other sectors of the financial industry continue to register growth as well. Offshore insurance licences as at December 31, 2004 were up 7.8% from 694. Strict banking regulations and a tougher stance on anti-money laundering have increased the international credibility of the Cayman Islands as an international offshore financial centre.

Cruise ship tourism is booming following a brief hiatus due to the hurricane. Cruise tourism is an important revenue platform for Government and produces significant economic multiplier effects in the economy through direct receipts and indirectly through infrastructure investment. Following the completion of the Bayshore Mall, a 67,000 square-foot retail shopping centre at the south terminal, a new terminal facility north of the main port area is spurring redevelopment of this section of George Town.

Stay-over tourism, which was rebounding strongly from September 11, 2001 and was projected to attain record numbers when Ivan hit, is now suffering from reduced room capacity. Approximately 40% of the pre-Ivan hotel and condo rooms were available as of April 30, 2005. Repairs to the Hyatt Regency's main property and some condominium complexes have not started as yet, and it may be another year before full room capacity is reinstated.

The finalisation of the 2005 audit indicates that the Company is entitled to a 9.5% rate increase under its current Licence. This shortfall on return on capital employed is primarily as a result of costs and loss of revenue related to the storm's impact.

The Company is sensitive to the magnitude of the indicated tariff increase and the impact it would have on its customers. Therefore, CUC is in discussions with Government on alternative cost recovery methods in an effort to reduce the financial impact on consumers. The Company anticipates that an agreement will be reached by August 1, 2005.

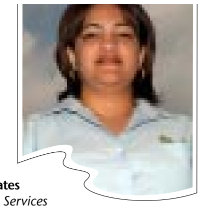
In keeping with our commitment to the preservation of our environment, CUC has sponsored primary school field trips to the Island's Central Mangrove Wetlands and week-long classroom sessions with Environmental Educator Martin Keeley (centre). These activities are designed to promote greater awareness and to educate our youth of the importance of the Wetlands as a sanctuary for marine life as well as the positive effect they have on the environment. Because of the devastation brought on by Hurricane Ivan, this year's school trips focussed on the replanting along our coastlines of Red Mangroves ravaged by deadly waves.

The non-binding Heads of Agreement, entered into between CUC and the Cayman Islands Government in June 2004 in relation to the establishing of an Electricity Regulatory Authority (ERA) and a new regulatory and licensing regime for the electricity industry in the Cayman Islands, expired in October due to the hurricane.

Under the direction of the Government of the day, the 2005 Electricity Regulatory Authority Law was enacted in March 2005 without consultation with CUC. The ERA Law purports to establish a new regulatory and licensing regime for the electricity industry in the Cayman Islands.

The Cayman Islands held general elections in May 2005 that resulted in a change in Government. It is unclear how the change will impact the future status of this law, although it will form part of the Licence renewal negotiations when they recommence later this year. The Company continues to operate under its existing

We were on watch for any signs of leaks and had gone through the exhausting process of trying to soak up the water using mops and towels. I was on my hands and knees when my aunt shouted that water was pouring through the back doors. It was hopeless. Within minutes, the water had covered the downstairs area. The seven of us retreated upstairs as the water continued to rise. It was a scary situation. We could hear the howling winds and were sure the roof would go. Monday morning, belongings in hand, we trudged through the waist-deep murky water to the main road. We were blessed to have survived the wrath of Ivan.



Keisha Yates
Financial Services
George Town

To Our Shareholders

Licence, which expires in January 2011.

Management initiated an organisational restructuring in June 2004 and eliminated 12 positions across the Company, including one executive position. Our total number of employees fell below 200 for the first time in many years as a result. A further reorganisation occurred following the retirement of Deborah Bergstrom, Vice-President Customer and Corporate Services, in May 2005. Management elected not to fill this vacancy and reassigned the responsibilities of this position to the Chief Financial Officer and Vice-President Transmission and Distribution. Furthermore, the position of Executive Vice-President and Chief Operating Officer will be made redundant when the incumbent, Richard Hew, is appointed President and Chief Executive Officer in August 2005. Management estimates that these expense reductions will provide savings of approximately $1.5 million on an ongoing annualised basis.

CUC received in May 2004 ISO 14001:1996 certification of our electric power generation and other activities, products and services at the North Sound Road site. This two-year initiative was undertaken as part of the Company's commitment to environmental responsibility and community leadership. ISO 14001 is an internationally recognised environmental standard developed by the International Organization for Standardization and was confirmed to CUC by the Quality Management Institute.

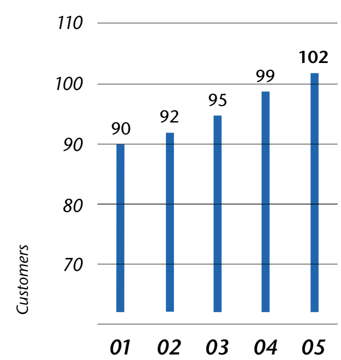
The Company launched several major environmental initiatives throughout the ISO 14001 certification process, including the implementation of an environmental management system (EMS) as required by the standard. CUC is the only organisation in the Cayman Islands to receive ISO 14001 certification.

We are also continuing to use our Energy Smart programme to promote and increase energy conservation and environmental protection awareness among our customers. With fuel prices reaching record highs, customers must become more cognizant of their ability to lower electricity bills through responsible energy usage. Our Customer Service Department offers a number of services, including free residential energy audits, to assist customers in this regard.

CUC continues to monitor the possibility of alternative energy sources for Grand Cayman and is encouraged by the development of ocean thermal energy conversion (OTEC) technology by Sea Solar Power International (SSP). A memorandum of understanding was signed with SSP in 2004 to purchase power from a 10 MW plant to be commissioned by SSP as early as 2007, subject to licensing and other approvals.

We are also currently moving to institute a full and proper Health and Safety Management System following the recent completion of an external safety audit. Our employee Health and Safety Team has prepared an annual action plan to implement the recommendations emanating from the audit.

Customers per Employee
(number of customers)



Corporate governance remains a priority at CUC, as we implemented several initiatives during the year to comply with new Toronto Stock Exchange (TSX) and Canadian Securities Administrators (CSA) requirements and to meet or exceed best practices among North American public companies. These are disclosed in the 2005 Information Circular that has been sent to shareholders with this report. Our corporate governance objectives for fiscal 2006 include the hiring of a full-time Internal Auditor in conjunction with the internal audit function established in 2004.

It is also important to note the Board of Directors is comprised of a majority of outside and unrelated directors, and that the Audit Committee and Nominating and Corporate Governance Committee are entirely comprised of outside and unrelated directors. Both committee mandates are posted to the CUC website.

We welcome Bryan Bothwell, who was elected to the Board of Directors at the 2004 AGM and appointed Chairman of the Audit Committee. Bryan is a retired Caymanian banking executive and brings a wealth of expertise and experience to the Board.

CUC considers itself to be a role model in the Cayman Islands in terms of human resources and corporate citizenship. Our human resources mission is to attract high-potential candidates and maintain our "employer of choice" status by providing career opportunities and competitive compensation, fostering personal growth and development and encouraging community involvement.

For example, we have awarded 21 employee scholarships over the past 10 years and will award two more this year. Our investment has paid off with a strong contingent of young Caymanians who earned their

Unlike most people, I was at work during the hurricane. On my way home on Monday and before turning down our road, I was shocked to see that the entire second floor and the roof of the apartment complex was gone and this I noticed from the main road. As I drove closer I was horrified at the extent of the damage as furniture, clothing, household items, appliances and building material littered the surrounding area. I realised how fortunate we were because I had made the decision to take my family to a safer place after heeding the advice from my landlord prior to the storm making landfall.

Kary Blythe
Security
Spotts

To Our Shareholders

degrees and returned to the Company as accountants, engineers and technicians. Furthermore, our incoming Chief Executive Officer and our current Chief Financial Officer are Caymanians who have risen through the ranks within the Company. More than 90% of our employees are Caymanian in total, and we are proud of our achievements in this area.

CUC is also continuing to work toward certification in Investors In People, which is an internationally recognised human resources standard. We plan to complete certification in fall 2005.

Following the passing of Hurricane Ivan, we changed our tradition of honouring one staff member as our Employee of the Year. We decided instead to recognise the entire CUC Team for providing exemplary customer service during 2004 and for their continued efforts to help rebuild our community after the storm. Our restoration programme would not have been possible without their contributions. We also extend our appreciation to the 23 long-serving employees recognised this year who collectively completed 360 years of service to the Company.

In July 2005, ABB Sweden completed repairs to the high-voltage submarine cable linking the Company's North Sound Road Plant with Rum Point which was damaged during Hurricane Ivan.

The CUC family was deeply saddened by the sudden passing of Alfonso Green in January 2005. "Mr. Green", as his colleagues affectionately knew him, spent 35 years with the Company and was considered one of our "Veterans of Power." We extend our deepest sympathies to Alfonso's family and friends, for he will be greatly missed.

Prior to Hurricane Ivan, Peter had expressed his intention to retire as President and Chief Executive Officer of CUC at the 2005 AGM. However, following the superb reconstruction efforts of the CUC team, we have every confidence that Richard Hew, Executive Vice-President and Chief Operating Officer, who has been with the Company since 1988, is a capable successor. Peter will remain on the Board of Directors and will be retained as a special consultant to CUC following his retirement. With Mr. Hew as the new Chief Executive supported by the Board of Directors and the rest of the CUC team, we are confident that the Company will continue to be successful.

Finally, on behalf of the Board of Directors, we congratulate management and staff for their outstanding performance in helping us recover from Hurricane Ivan ahead of schedule. Their dedication, commitment and loyalty are greatly appreciated as we continue to provide world-class, reliable service to our customers.

David E. Ritch, *Chairman of the Board of Directors*

Peter A. Thomson, *President & Chief Executive Officer*

July 15, 2005

We ended up in my mother's house and boarded up as best we could. Unfortunately, the roof had been poorly constructed and as the winds and rain increased and shingles and tarpaper peeled away, the water poured into the house. We discovered that collecting the water from the leaks in the ceiling was a waste as the surge from the sea soon rolled in and covered the surrounding area leaving us waist deep in water in the house. We were all terrified as only a few of us could swim. The hard countertops and tabletops were the only high ground and safest place to rest until it was over. It was an ordeal I never want to experience ever again!

Dana Smith
Customer Service
West Bay

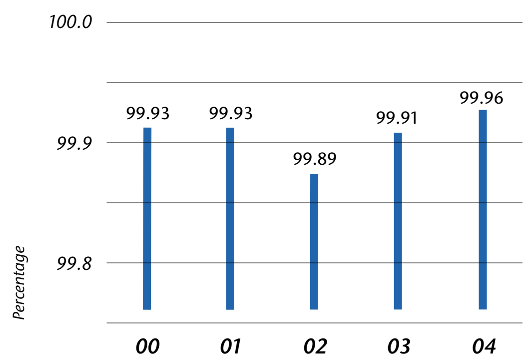
Power to the People

The spirit of Grand Cayman is alive and well following the passing of category-five Hurricane Ivan on September 11 and 12, 2004, as evidenced by CUC's power restoration efforts following the storm. The Company successfully completed the restoration of service to all reconnectable customers on the Island on November 30, 2004, well within the initially projected 90-day period.

CUC's successful recovery would not have been possible without the commitment of our employees and the assistance of our strategic partners. Our staff went above and beyond the call of duty, continuously working 12-hour days for weeks at a time without any breaks. Despite dealing with their own personal losses in many cases, our employees responded 100% in support of an aggressive restoration plan. Individual roles changed in many cases, and people did whatever was necessary to work as a team towards the common goal of restoring service to every customer.

We also realised the need for outside manpower to assist our restoration team in ensuring that customers were reconnected as quickly as possible. Our largest shareholder, Fortis Inc., an electrical utility holding company based in St. John's, Newfoundland, Canada, was particularly integral to the recovery. Fortis contributed greatly by sending three waves of line crews and operating personnel to Grand Cayman to assist with the rebuilding of lines and customer reconnections. A total of 130 Fortis employees participated in the restoration, representing six Fortis operating companies: FortisBC, FortisAlberta, FortisOntario, Maritime Electric Company, Newfoundland Power and Belize Electricity Company.

System Availability
(data for the year ended December 31)



Note: 2004 data does not include Hurricane Ivan-related outages

The restoration efforts following the passing of Hurricane Ivan were completed on schedule largely due to the presence of crews from Fortis Inc. of Canada, MasTec, Inc. of the United States and Caribbean crews under CARILEC's Hurricane Action Plan, which included Bermuda, Barbados and the Turks & Caicos Islands.

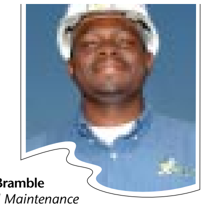
Other partners who contributed labour, equipment and materials include Mastec, Inc. of North Carolina, the Barbados Light and Power Company, Bermuda Electric Light Company and Provo Power Company of the Turks & Caicos Islands. The Barbados, Bermuda and Turks & Caicos contingents were deployed by the Caribbean Electric Utility Services Corporation (CARILEC) under its Hurricane Action Plan, which provides assistance to member utilities following the aftermath of a hurricane strike.

CUC is very grateful to the crews from Fortis, Mastec, Barbados Light and Power, Bermuda Electric and Provo Power for their generous support and dedication to restoring customer service.

We encountered many logistical challenges throughout the restoration. For instance, it was initially difficult to source materials from the United States, as Florida and other Caribbean islands suffered multiple hurricane strikes throughout August and September. Shipping delays and a lack of transportation also presented significant challenges from the beginning. As a result, it

the ivan experience

The rising waist deep water was our biggest concern. It started coming through the sides and under the doors and the drain in the bathtub and sinks. We piled onto the kitchen counters looking to keep dry. We could hear the zinc sheets on the roof being peeled away to the point where we could look up and see the sky. Luckily, the only part of the roof and ceiling that stayed intact was directly above the kitchen so we were safe for now. We made our way to the garage through the receding waters. The cars were flooded but we soaked up the standing water and covered the seats. What a relief it was to finally rest our weary bodies on soft seats.



Earlton Bramble
Electrical Maintenance
George Town

Power to the People

became necessary for CUC to charter two ships and six aircraft to import essential materials, including bucket trucks, transformers, poles and wire, from Belize, Ecuador and the United States, as regular commercial carriers could not accommodate the need for prompt delivery.

Once we overcame these challenges, we were able to stay on track with the 90-day recovery schedule.

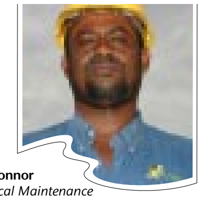
The storm surge and rain from Ivan left us with much of our generating capacity out of service. Because of proper planning for the storm surge, all generation added since 2000 was not severely affected. After two days, we had over 36 megaWatts (MW) of generating capacity to start up the system. Our dedicated staff used all their training to effect the cleanup and start up the system, allowing us to recover the units to stay ahead of the distribution restoration.

The efforts of our Emergency Preparedness Committee reaped great dividends from the storm. We began an extensive hurricane risk assessment process following the passing of Hurricane Gilbert in 1988. This led the Company to strengthen its infrastructure over the years to enable it to recover quickly from an event as devastating as a category-five hurricane such as Ivan. We established hurricane-grade construction standards in the early 1990s that continue to be met for any new capital investment, whether it be for generation, transmission and distribution (T&D) or otherwise. These standards proved to be critical during Hurricane Ivan, and the decisions made over the past 17 years have paid off in the wake of the storm.

For example, our two-story Hurricane Centre at our North Sound Plant was built to withstand 200-mph winds, and it sheltered some of our employees during Ivan and served as the command center immediately following the passing of the hurricane. Our new integrated control room and indoor North Sound, South Sound and Frank

The North Sound Road Power Plant experienced major flooding during the hurricane. Damaged generators and related equipment were repaired to ensure sufficient capacity was made available for the reconnection process.

Who knows how my house was saved from the wrath of the sea, especially when the two houses closest to me were destroyed by the mountainous waves. Each wave that rolled down the main street in East End brought with it fridges, stoves, clothing, boats, building materials... everything you could think of. I battled the wind and rain numerous times as I ventured outside to secure a sheet of zinc here or a piece of plywood there, enough to keep my house intact. My walls shook uncontrollably and I had to puncture my ceiling to let the water out of my roof. It's hard to believe my community had been wiped out; everything near the sea was under water.



Lowell Connor
Mechanical Maintenance
East End

Power to the People

Sound gas insulated substations, the backbone of our electrical T&D infrastructure, were constructed to withstand a category-five hurricane and were unaffected by the storm. Our 36 MW engine room commissioned in 2000 was operational within days of Ivan's passage due to the superior building and civil engineering design recommended by our strategic alliance partner, MAN B&W, in 1998. Our damage from Ivan may well have been catastrophic had we not invested in this infrastructure and established these standards.

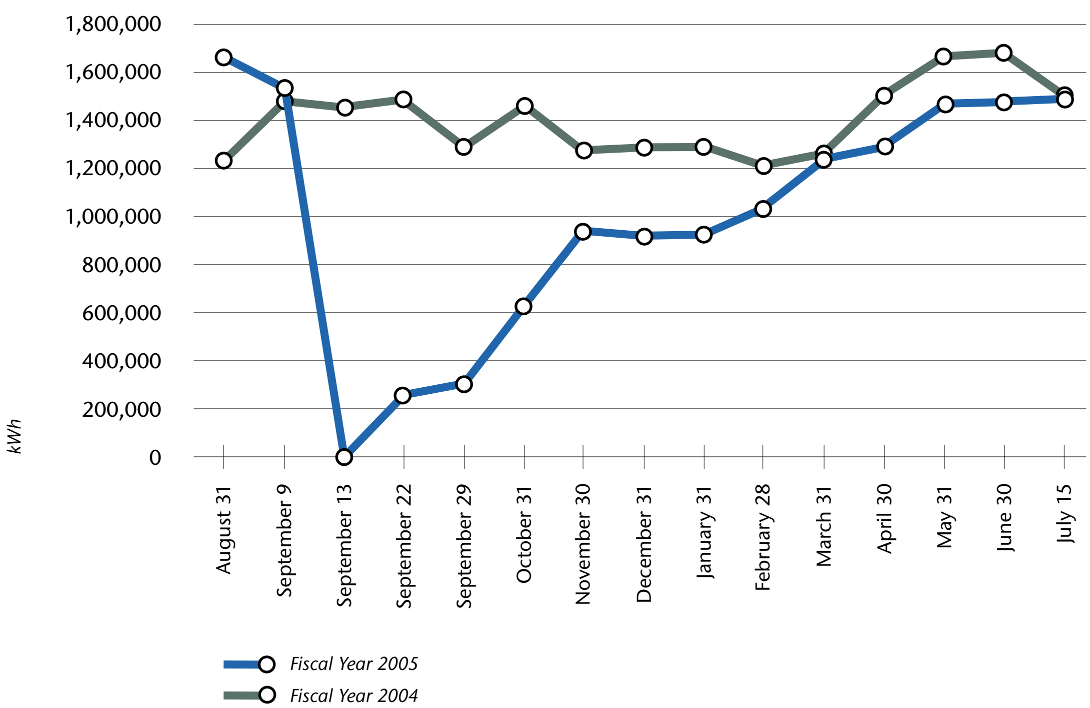
In addition, our recently completed North Sound submarine cable enabled us to reconnect customers in West Bay within four weeks, or two months earlier than if we had not installed the cable. Moreover, we only lost 388 out of 12,236 wooden poles and six out of 226 concrete transmission poles, a further testament to their quality design and construction.

These examples illustrate in hindsight that we made the right decisions in building our plant and T&D facilities, and to have done otherwise would have been catastrophic for Grand Cayman. While Ivan affected 20% of our T&D system, we must continue to design and build our electrical and generation infrastructure to withstand category-five storms. To do otherwise would jeopardise our ability to provide a world-class, reliable service to our customers.

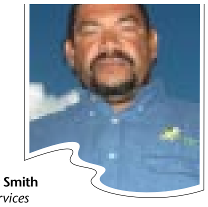
With 100% of our customers without power immediately following Ivan, there were only two strategies to deploy: Manage the customers' expectations and reconnect quickly! Our ability to coordinate these two strategies led to a successful restoration. We appreciate the words of encouragement from our customers and thank them for their understanding and patience as our crews worked tirelessly to restore service across the Island. Having this level of cooperation certainly made the restoration effort much smoother.

We faced many challenges during the restoration effort, but had it not been for our emergency preparedness plan and overseas partners such as Fortis, working along with the CUC team, the timely and safe re-energisation to the Island would not have materialised as originally promised. Ivan has illustrated what can be achieved with proper planning and teamwork. CUC is very appreciative of the commitment of our employees and over 200 relief workers who made this happen. Well done to all of you.

Gross Generation by Day



First to go was a piece of zinc, which was flapping in the wind above my room. As the rain poured in through the opening in the roof, the ceiling came down. The wind was blowing so hard the entire house was shaking. In the blink of an eye, the remainder of the roof was torn away and I headed outside through the side door. As I opened the door, the water came rushing in and I struggled through the doorway into the 'lake' outside. I made my way through the neck-deep, murky water, covering my eyes from the blinding rain as I literally swam to a friend's house that I knew would need help with his family. Surprise was my only emotion. Surprised that the ocean could get this far inland. We were now part of the ocean.



Mallory Smith
Fleet Services
George Town

Power to the People

As with most employees, crews from Line Operations continuously worked long hours for weeks following the hurricane, completing major transmission and distribution system reconstruction and service connections.

horrifying

the ivan experience

"Get everybody together. We have to get out now. The roof is not going to take much more!" These were my final instructions prior to relocating my 12 family members from my parents' home to my house next door just before their roof blew off. Fortunately, in preparing for the storm, I had tied rope between the two houses that we could use as a handrail to make it through the nearly three feet of water, which had swallowed our neighbourhood. This was the most horrifying part of the ordeal because we had young children to deal with as well as my father who was ill.

Frank Watler
Engineeering Services
Pease Bay

Images of Ivan

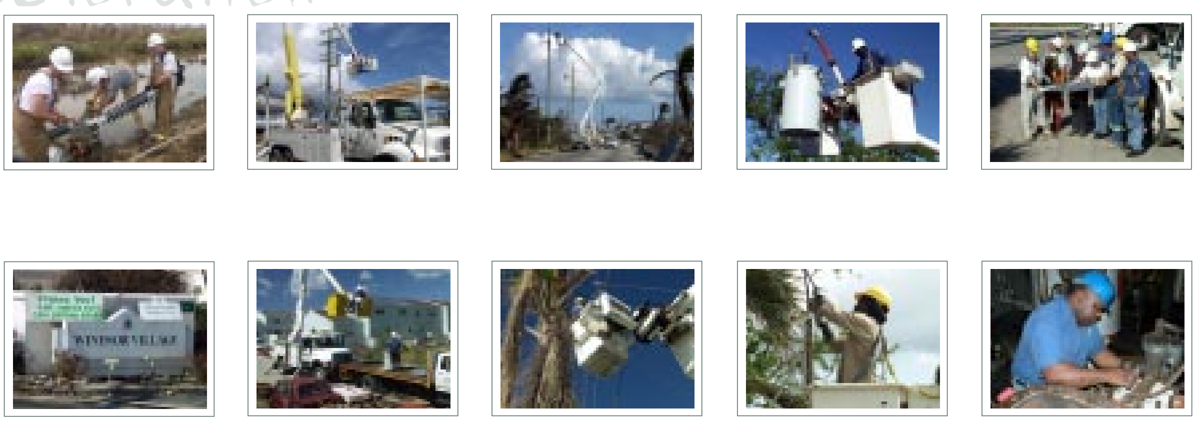
September 11 and 12, 2004 will live in the memory of the people of the Cayman Islands forever. The eye of the storm passed a mere 21 miles off the capital of George Town, close enough for the enormous storm to cause catastrophic damage to most buildings and bring down 394 of our power poles. Many images have been published in books and calendars and on the Internet following the storm, but the following images portray our story... what CUC and its employees witnessed and experienced before and during those turbulent hours, and the three months of restoration. The dedication, commitment and sacrifice displayed by all our employees and supporting relief workers was inspiring. This is some of what we saw...

before

during

after

restoration



t h e   i v a n   e x p e r i e n c e

I had up to 16 people in my house including friends, family, young children and an eight-month pregnant wife. The storm surge rolled in on Sunday morning and the water outside was up to four feet in no time. I had spent Friday and Saturday preparing the windows and installing extra hurricane straps in the roof, and most of Sunday shuffling between rooms placing containers to catch the water leaking from the ceiling. Before I could secure the front door, it blew in from the force of the water outside and instantly I had two feet of water downstairs, soaking furniture and destroying everything on the floor. I never dreamed there would be so much water.

James Moore
Mechanical Maintenance
West Bay

Management's Discussion and Analysis

Eddinton M. Powell, J.P.
Vice-President Finance
& Corporate Services
& Chief Financial Officer

The following management's discussion and analysis should be read in conjunction with the financial statements included in the Caribbean Utilities Company, Ltd. (CUC or the Company) 2005 Annual Report. Its purpose is to provide supplemental analysis and background material to provide an enhanced understanding of the Company's business and prospects.

This material has been prepared in accordance with National Instrument 51-102 relating to Management's Discussion and Analysis. The material that follows contains forward-looking statements. By their very nature, forward-looking statements are subject to certain risks and uncertainties that may cause actual results to vary from plans, targets and estimates. Such risks and uncertainties include, but are not limited to, general economic, market and business conditions, regulatory developments, weather, competition, etc. CUC cautions readers that should certain risks or uncertainties materialise, or should underlying assumptions prove incorrect, actual results may vary significantly from those expected. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Overview

CUC, a vertically integrated utility, operates the only electric utility on Grand Cayman, Cayman Islands pursuant to a 25-year exclusive Licence from the Cayman Islands Government ("Government"), expiring in 2011. Under the terms of the Licence, the Company is permitted to earn a rate of return on its rate base of 15%.

In July 2002, CUC submitted a Licence extension proposal to Government that included a price cap rate-setting mechanism to replace the current rate setting mechanism. A non-binding Heads of Agreement was signed by the Company and the Government in July 2004, but has expired following Hurricane Ivan (the "hurricane"), a category five hurricane that impacted the Cayman Islands on September 11 and 12, 2004.

On May 11, 2005, a new Government was elected in the Cayman Islands. CUC will meet with the new Government in the near future concerning the Licence extension. The current Licence remains in full force and effect until 2011 or until replaced by a new Licence by mutual agreement.

Significant One-Time Item

In September 2004, the hurricane significantly affected the Island and the Company. The effects of the hurricane were devastating and damage to the Island was widespread. In fact, it is estimated that approximately 83% or 13,535 units of the total housing stock of dwellings in Grand Cayman suffered some degree of damage according to the Economic Commission for Latin America and the Caribbean ("ECLAC"). To date, there are still approximately 7% of pre-hurricane consumers who remain unconnected because of damage to their property.

As with other property on the Island, both the

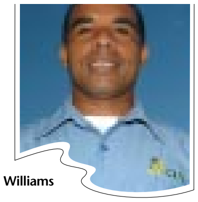
Costs Associated with Hurricane Ivan

	Loss or Cost $ millions	Insurance Recoveries $ millions	Net $ millions	Earnings per Share Impact
Inventories	1.3	1.3	0	0.00
T&D Property, Plant and Equipment	7.0	0	7.0	(0.28)
Other Property, Plant and Equipment	17.3	15.3	2.0	(0.08)
Revenue Losses Associated with Hurricane Ivan				
Business Interruption	5.6	0.6	5.0*	(0.20)

* *The $5 million net loss relates to the lost income during the deductible period which ended October 25, 2004.*

the ivan experience

Concern was what I felt most especially when the front door of my apartment was forced open by the rising water, which quickly engulfed my downstairs furniture. I watched helplessly from the top of the stairs as the water rose to nearly four feet and then my ceiling began to show signs of collapsing. I was keeping an eye on the window A/C unit in one of the rooms which eventually was blown inside causing further damage to the ceiling as the rain poured in through the open window. A lull in the wind and rain afforded us the opportunity to evacuate and find our way to a shelter. I remember the togetherness of the people during and after those fateful few days.



Donovan Williams
Security
George Town

Management's Discussion and Analysis

generating plant and infrastructure of the Company suffered extensive damage from wind and water.

The effects of the hurricane are reflected in the financial results of the current year and will have an ongoing impact as well. As a result of the hurricane the Company has recognised a write down to its property, plant and equipment of $19.5 million for assets that were damaged by the storm. A significant portion of these costs will be reimbursed under the Company's insurance policy. However, the majority of transmission and distribution ("T&D") assets were excluded from cover. It is noted that it is not uncommon for utility companies to exclude T&D assets from insurance coverage due to the fact that in recent years, this type of coverage has been very expensive and uneconomical. In addition, there has been an effect on revenue earned during the year due to the interruption of the Company's business operations. While the Company does maintain business interruption ("BI") insurance, the policy is subject to a time deductible of 45 days. Uninsured costs and losses incurred by the Company in relation to the hurricane are approximately $14 million.

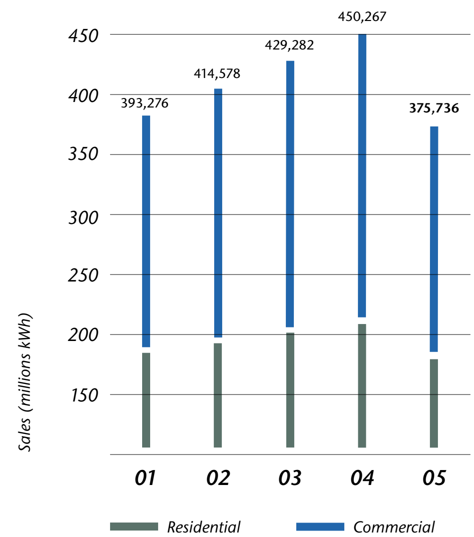
Operating Revenues

Operating revenues decreased to $92.9 million, 12.9% lower than 2004 revenues of $106.6 million. This reflects a 19.6% decrease in basic electricity revenue ($68.9 million versus $85.7 million in 2004). This decrease is primarily due to the hurricane. It is noted that this decrease was partially offset by the BI insurance claim of $8.1 million recorded for the period from October 26, 2004 (end of the BI deductible period) to April 30, 2005. Fuel adjustment revenue increased 14.8% ($24 million versus $20.9 million in 2004), which reflects the increase in fuel prices. 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 monthly adjustments allow CUC to recover the variations in the cost of fuel from consumers. There is a two-month lag between the time the cost of fuel is incurred and when it is recovered through the fuel factor.

Kilowatt-hour ("kWh") sales fell 16.6% from 450.3 million kWh in 2004 to 375.7 million kWh. Total customers as at April 30, 2005 decreased 10% from 21,127 as at April 30, 2004 to 19,011.

The Company achieved a record peak load of 85.03 megaWatts ("MW") before the hurricane, representing a 7.6% increase over last year's peak load of 79.06 MW. Net generation decreased 19.0% to 393.5 million kWh from 485.6 million kWh in 2004.

Residential and Commercial Sales

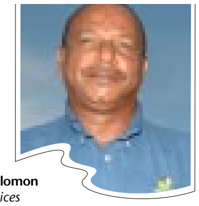


The following table presents sales and customer highlights for the year ended April 30, 2005:

	2005	2004	Change
Customers (#)			
Residential	16,085	17,815	-9.71%
Commercial	2,926	3,312	-11.65%
Total customers	19,011	21,127	-10.02%
Sales (1)			
Residential	171,599	212,768	-19.35%
Commercial	199,740	232,832	-14.21%
Other (street lighting, etc.)	4,397	4,667	-5.79%
Total sales	375,736	450,267	-16.55%
Revenues (2)			
Residential	32,377	41,440	-21.87%
Commercial	35,851	43,483	-17.55%
Other (street lighting, etc.)	664	787	-15.63%
Fuel adjustments	23,979	20,933	14.55%
Total operating revenues	92,871	106,643	-12.91%

Notes: (1) in thousands of kWh; (2) in thousands of $

As the six of us gathered in the master bedroom we could feel the floor vibrating because of the wind blowing underneath my house which is on stilts. Huddled on the bed we heard the zinc roof tearing away and suddenly it was gone leaving only the rafters and the beams. We headed for the washroom at the rear of the house where we sheltered for awhile before deciding to brave the elements and head next door. My wife and children formed a human chain clinging to each other as they slowly made their way through the blinding rain and strong winds to our neighbour's house. I stayed and tried to salvage some of the children's clothes but it was useless.



Henry Solomon
Fleet Services
East End

Management's Discussion and Analaysis

The Economy

Since the hurricane, the Cayman Islands economy continues to show moderate but steady improvement. The economy grew by 0.9% for calendar year 2004 versus a projected 2.8% due to the hurricane-related contraction in the fourth quarter. The Government's growth forecast for years ending June 2006 and June 2007 is 5.4% and 3.7%, respectively. The economic recovery is boosted by the construction industry with insurance payments flowing into reconstruction and the continuation of major projects such as the 144-acre, $350 million Ritz-Carlton, the first phase of the 300-acre Cayman Shores Development, Camana Bay, and high-end condominium projects such as The Meridian, Aqua Bay and Caribbean Club. New home building remains strong although slowed somewhat by the lack of availability of construction services occupied by the rebuilding effort.

Financial services and tourism are the mainstay of the Cayman Islands economy. The financial industry recorded positive growth in mutual funds and insurance company registration and a significant increase in captive insurance premiums. Despite the setback of the hurricane, the Cayman Islands continue to be an attractive domicile for financial services businesses. The mutual fund sector has seen significant growth. Cayman is currently the largest global offshore mutual fund centre. Mutual fund registration in 2004 increased by 23% over 2003 and there were a total of 5,894 mutual funds registered at year-end. Other sectors of the financial industry continue to register growth as well. There were 694 offshore insurance licences at December 31, 2004, an increase of 7.8% from 644 at December 2003. Increased banking regulations and a tougher stand on anti-money laundering have potentially increased the international credibility of the Cayman Islands as an international offshore financial centre.

Cruise ship tourism is continuing to increase, despite a slow period following the hurricane. Cruise tourism is a vital revenue sector for the Government and produces significant economic effect in the

Growth in Financial Sector

(data for years ended December 31)

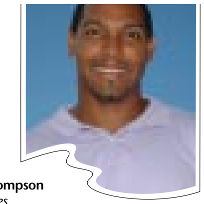
	2004	2003	2002	2001	2000
Bank and Trust Licences	322	471	508	545	580
Registered Companies	70,133	68,078	65,259	64,495	59,922
Mutual Funds	5,894	4,808	4,285	3,648	3,041
Mutual Fund Administrators	173	195	230	217	202
Captive Insurance Companies	694	644	600	543	516

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

© DavidWolfePhotography.com

The 144-acre Ritz-Carlton on world-famous Seven Mile Beach houses 69 luxury beach-front residences as well as a hotel section which is adjoined by an elevated walkway above West Bay Road. The resort is scheduled for completion in October 2005.

At first, we were okay with only the rainwater to contend with but in a matter of seconds, the time it took me to get upstairs, my wife screamed in horror as there was now three feet of water outside the front door. The storm surge had brought the sea to our doorstep. We could see the water level halfway up our glass sliding doors in the back. The water began pouring in through the sides and under the doors and downstairs was under five feet of water in no time. We salvaged what we could and headed upstairs. We sat in amazement as the water rose to just below the landing on the staircase. All this time the walls shook with the fury of the hurricane.



John Thompson
IT Services
George Town

Management's Discussion and Analysis

economy through direct receipts and indirectly through infrastructure investment. A new north-terminal facility is generating the redevelopment of that section of George Town.

Stay-over tourism has suffered due to reduced room capacity following the hurricane. Pre-hurricane information indicated that 2004 would be a year of record numbers. For example, as stated in a report completed by ECLAC, the hurricane hit when the sector was experiencing a comeback after the Island had experienced an almost continuous decline since 1998. This report further stated that expectations for the 2004/2005 season remained strong and in fact, pre-hurricane forecasts showed total tourist arrivals near record highs.

It is also noted that to date, only 43% of pre-hurricane hotel and condo rooms are available. Repairs to the Hyatt Regency and many condominium complexes have not yet begun and it may be at least another year before full room capacity is reinstated. The advertised completion date of The Ritz Carlton is October 2005. Once The Ritz-Carlton is open, room inventory will grow significantly with its additional 365 guest rooms.

Tourist Statistics

The following table presents tourist statistics for the year ended April 30, 2005:

Arrivals	2005	2004	2003	2002	2001
By Air	188,103	307,154	298,723	313,277	321,014
By Sea	1,663,168	1,938,060	1,676,652	1,372,364	1,050,983

Source: Department of Tourism, Cayman Islands Government.

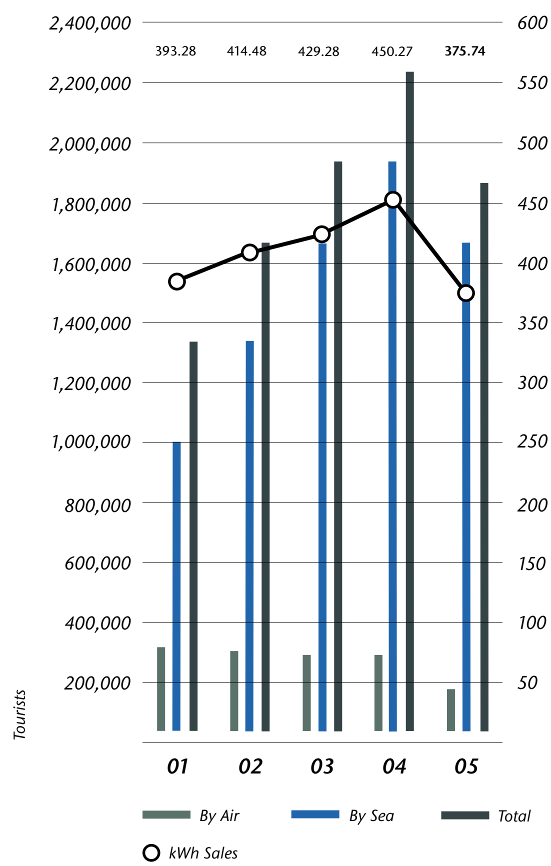
Government

The country went to the polls on May 11, 2005 and elected a new Government. The priorities of the new administration will be to rebuild infrastructure that was badly damaged by hurricane. Management believes that the new Government will pursue a balanced pro-business policy.

Rates and Extended Licence Proposal Update

CUC submitted to the Government on May 25, 2005 its interim return containing its year-end 2005 unaudited results indicating that, subject to final audit and review by Government, CUC, under its current licence, is entitled to a 9.0% rate increase effective August 1, 2005. The finalisation of the 2005 audit indicates a 9.5% rate increase. This shortfall on return on capital employed is primarily as a result of additional costs incurred from the hurricane and the loss of revenue during that time.

Tourism and Sales



The Company is sensitive to the magnitude of the indicated tariff increase and the impact it would have on the economy at this time. Therefore, the Company has submitted a cost recovery proposal to the Government to recover the direct costs and losses relating to the hurricane over three years in the form of a surcharge. The proposal also includes freezing basic rates for three years. This proposal relates only to Hurricane Ivan related costs. Any future catastrophic event would be subject to a similar cost recovery (to be agreed at that time) or the rate adjusting mechanism of the current Licence. The surcharge approximates a 4.7% increase in basic rates.

CUC's exclusive right to generate, distribute, transmit and supply electricity on Grand Cayman expires on January 17, 2011. The Company has the right to enter into negotiations for renewal in 2006. As stated in the 2004 Annual Report, the Company and the Government reached a non-binding Heads of Agreement ("HoA") tentative agreement for a plan that would allow for

Five hours of bailing water was my sole task that fateful Sunday. As the storm surge came in, I watched in shock as my neighbour's car slowly disappeared beneath the murky water. It was hard to believe how quickly the water was rising outside. It had to be nearly six feet deep. In no time at all, I had four inches of water throughout my downstairs as the water seeped in under the front door and through the dryer vent in the utility room. Bailing and prayer were the only things keeping the water from rising inside my apartment. It's hard to relive what we experienced.

Dac Moore
Engineering Services
West Bay

Management's Discussion and Analysis

competition on new generating capacity and grant extended licences to CUC to operate on Grand Cayman for an additional 20 years from 2004. This document was to form the basis of the new Licence that was expected to have been signed in late summer 2004. However, due to the hurricane, the HoA expired. The Company has recently met with the newly elected Government and has expressed a desire to resume Licence negotiations in the near future.

The Electricity Regulatory Authority Law came into effect on April 12, 2005. The new law provides for a new body, the Electricity Regulatory Authority, to govern the generation and transmission and distribution of electricity in the Cayman Islands. This law does not supercede CUC's rights under its existing Licence which expires in 2011.

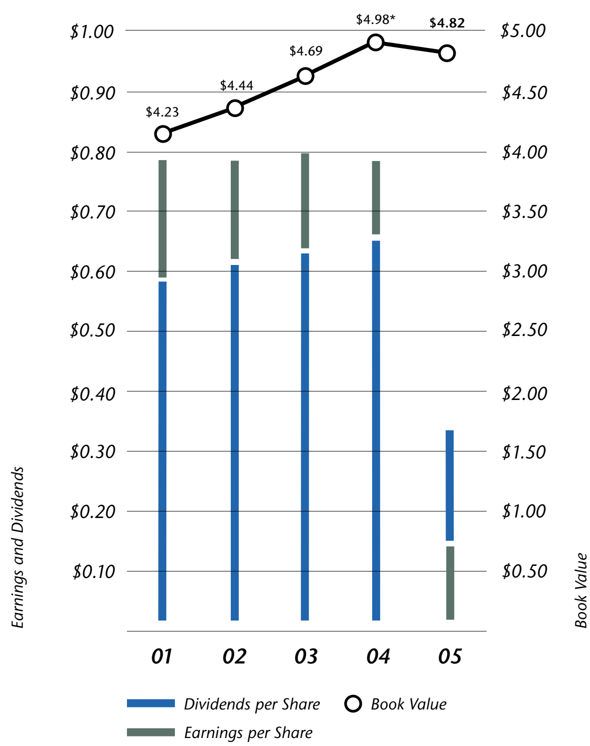
Operating Expenses

Operating expenses for the years to April 30, 2005 were as follows ($ thousands):

	2005	2004	Change
Fuel and lube oil costs	45,019	46,760	-3.7%
Other generating costs	3,266	3,416	-4.4%
General and administration	9,818	8,658	13.4%
Customer service and promotion	1,437	1,284	11.9%
Distribution	8,371	2,166	286.5%
Depreciation and amortisation	13,264	12,508	6.0%
Maintenance	9,015	6,431	40.2%
	45,171	34,463	31.1%
Total operating expenses	90,190	81,223	11.0%

The Meridian, a six-storey, 33-unit luxury condominium complex on pristine Seven Mile Beach, is scheduled for completion in September 2005.

Performance per Class A Ordinary Share



** Restated (see Note 2)*

Overall, operating expenses increased 11.1% from $81.2 million in 2004 to $90.2 million in 2005. The overall increase was primarily due to the costs associated with the hurricane. Actual expenses related to the storm totalled $9.0 million in 2005 whereas 2004 had no related expense.

However, power generation expenses decreased for the year ($48.3 million in 2005 compared with $50.2 million in 2004, a 3.8% decrease), the decrease in these expenses was due to lower generation following the hurricane and the deferral of $1.7 million in fuel costs in the fourth quarter. These fuel costs are matched against the future collection of fuel factor revenues.

General and administrative expenses increased 13.4% year-over-year. The primary factors contributing to this increase are a one-time charge of $559,249 relating to severance packages for positions made redundant in the first quarter and the amortisation of the Company defined benefit plan for the retired chairman. The Company expects the redundancies to result in future annual savings of approximately $1.5 million.

The increase in T&D expenses is due primarily to a charge of $7.0 million for the write-off and repairs of

We could literally hear the house being torn apart as shingles and guttering peeled away with the wind. Our ceiling sheetrock cracked as the pressure in the house slowly built-up and the winds pummeled the doors and boarded windows. Eventually, we lost all the plywood covering the windows. One by one, the windows shattered or were loosened by flying debris. The water outside rose quickly and we soon had nearly a foot inside as it came up through the plumbing and under the doors. We jumped onto our countertops and tables and watched in disbelief as the water destroyed everything. It was an experience I will never forget... truly horrifying.

Elizabeth Whittaker
Customer Service
Newlands

Management's Discussion and Analysis

uninsured T&D assets damaged by the hurricane.

Increased maintenance cost of $6.4 million in 2004 compared to $9.0 million in 2005 was due mainly to a charge of $2.0 million for the net insurance deductible on insured assets. Under the terms of its insurance coverage the Company can opt to accept indemnity value on pre-1990 assets. The Company decided not to repair three older vintage Mirlees units that were approaching the end of their useful lives, and instead agreed to settle on indemnity value for these assets. The indemnity value was netted against the insurance deductible.

Other Income and Expenses

Other income and expenses include the BI insurance claim. CUC filed a claim for a BI loss of $8.1 million through the end of April 30, 2005. Based on the current rate of recovery, the Company projects the claim for fiscal 2006 to be approximately $6.4 million.

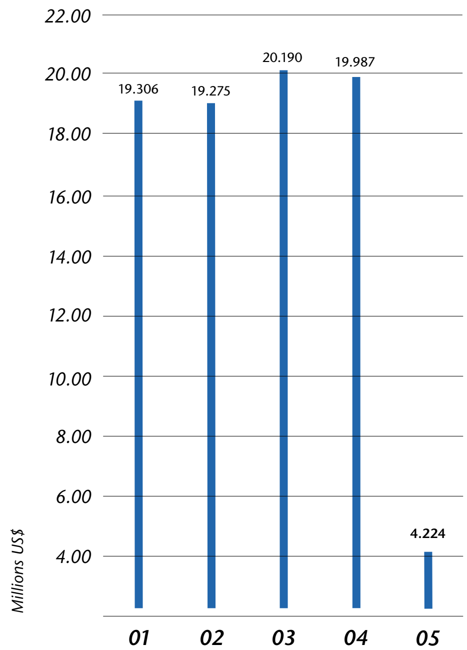
Typically, the ultimate recovery under a BI policy is highly judgmental and subject to substantial negotiations between the insured and the insurer. Given the subjectivity of the ultimate settlement and the lengthy claim coverage period (24 months), many contingencies may exist in the actual amount recovered.

Interest expensed increased by 10.2% due to expensing interest that was previously being capitalised during the construction of related assets. These projects are now completed and interest capitalisation to these projects has ceased.

Foreign exchange gain decreased by 21.5% due to lower United States dollar purchases by the Company. Foreign exchange gains result primarily from the purchases of fuel oil.

The 3,250 square-foot Hydesville Substation in West Bay, the fourth in a series of indoor substations, was commissioned in April 2005. The new substation houses four new distribution feeders which enhances reliabilty of electrical service in West Bay.

Earnings



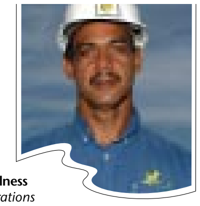
Insurance

The Company has property, machinery breakdown and BI insurance on its generation assets, property and substations. Terms and coverage include $100 million in property insurance; $55 million in BI insurance per annum with a 24-month indemnity period and a 45-day deductible; and $15 million in machinery breakdown insurance. All T&D outside of 1,000 feet from the boundaries of the main plant and substations is excluded as the cost of such coverage is not considered economical. There is a single event cap of $100 million. Each "loss occurrence" is subject to a deductible of $1 million, except for windstorm (which includes hurricane) for which the deductible is 2% of the value of each location that suffers loss, but subject to a minimum deductible of $1 million and maximum deductible of $4 million for all interests combined.

The Company has recently provided a formal property damage claim of $24 million. In addition, a BI claim of $8.1 million described above was submitted for the period of loss to April 30, 2005. The Company estimates BI claims for the total indemnity period will approximate $17.3 million.

the ivan experience

We prepared as best we could by stacking items on cupboards, beds and counters. We watched as the water began rising outside; it covered our porch and car and then it was up to our windows. The back door gave-in to the water pressure and we could do nothing to hold back the flow. It sounded like a river running through our house as we took shelter in the attic. It was up to four feet in a few hours and crested at five feet three inches (I measured the watermark on our walls sometime afterwards). It was the longest day ever in our attic, tired of battling the elements and waiting for help and the storm to blow over.



Gerry Holness
Line Operations
George Town

Management's Discussion and Analysis

During the year, the insurers made a $10 million advance payment in relation to the Company's claim. Subsequent to year end, an additional $5 million payment was made with another $2 million approved and pending.

Earnings

Earnings for 2005 declined 79% to $4.2 million compared with 2004 earnings of $20.0 million. Earnings per Class A Ordinary Share decreased to $0.13 in 2005 from $0.77 in 2004. Fully diluted earnings were $0.13 per Class A Share as compared to $0.77 in 2004.

The major contributing factors to this decrease in earnings were the effects of the hurricane on operating revenue, the write-off of uninsured T&D degraded assets, the allowance for the net deductible on insured assets, and the loss of revenue during the BI deductible period.

Capital Expenditures

CUC's capital expenditures during the year totalled $39.8 million compared to $20.0 million in 2004. This increase was mainly due to the reconstruction of T&D assets which were written off. Major capital projects included the completion of the Hydesville Substation as well as repairs of the submarine cable to Rum Point which which was damaged during the hurricane.

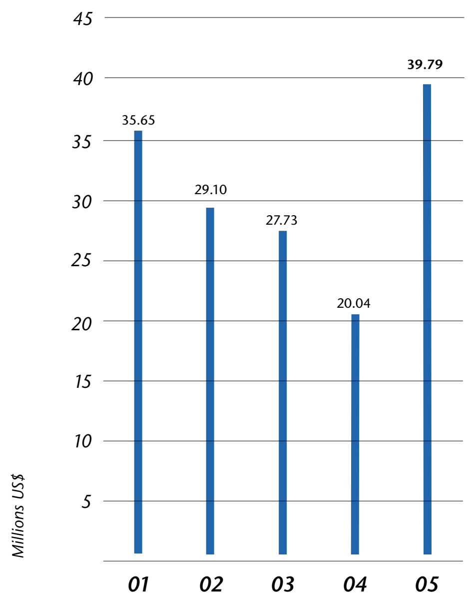
87.84 MW of generating capacity had been fully recovered as of January 31, 2005. A further 7.59 MW of capacity were available by late May. In addition, CUC has leased 5.7 MW of capacity for six months and given the rate of recovery will lease another 5.7 MW of capacity, bringing the total leased capacity to 11.4 MW.

The Company has issued contracts to recover an additional 16.8 MW (the four Caterpillar engines) by December 15, 2005. CUC has also contracted for the addition of an 8.4 MW gas turbine unit for standby purposes to replace the approximately 12.6 MW of Mirrlees capacity that has been written-off. These will bring the Company to a total capacity of approximately 120 MW as compared to 123 MW before Ivan.

The Hydesville Substation commissioning was completed in April 2005. The west transmission loop is in full service, significantly increasing reliability to the West Bay and northern Seven Mile Beach areas. The repair of the submarine cable to Rum Point was successfully completed in July.

Major projects planned for 2006 include a new gas turbine ($4.5 million), the upgrade of Engine Room One ($2.1 million), the closing of the 69 kiloVolt ("kV") loop to Frank Sound ($1.3 million) and other general T&D works ($3.9 million).

Capital Expenditures



Debt Financing

Subsequent to year end, the Company renegotiated its credit facility financing with the Royal bank of Canada ("RBC") from a total of $19.6 million, to now include:

Description	Details
Term Loan	$12 million - ($8 million of this loan will be used to repay the Hurricane Ivan recovery drawdown)
Capital Expenditures Line of Credit	$10 million
Operating Line of Credit	$5 million
Emergency Line of Credit	$5 million
Stand-by Letters of Credit	$2.6 million
Total	**$34.6 million**

As security for these new facilities, RBC has been granted fixed and floating charge debentures totalling $8.5 million over all assets of the Company other than the land on which the office building is situated.

The Company faced many challenges during the restoration effort, but had it not been for our emergency preparedness plan and overseas partners such as Fortis Inc. working along with the CUC team, the timely and safe re-energisation of the Island would not have materialised as originally promised. Ivan has illustrated what can be achieved with proper planning and team work. I am very appreciative of the commitment of our employees and over 200 relief workers who made this happen.

Peter A. Thomson
President &
Chief Executive Officer

Management's Discussion and Analysis

As at April 30, 2005 the Company's credit ratings were as follows:

Standard & Poor's ("S&P")
- A*

Dominion Bond Rating Service ("DBRS")
- A (low) - Long Term Debt
- Pfd-2 (low) - Preferred Shares

* *S&P placed the 'A' rating on CreditWatch with negative implications in March 2005. This reflects the potential for the rating to be lowered as a consequence of increased uncertainty in the Company's regulatory environment and the potential delay in the Cayman Islands economic recovery following the Hurricane.*

Capital Resources

The Company's capital structure as of April 30, 2005 is shown below:

	Year Ended April 30 ($ thousands)			
	2005	%	2004	%
Total Debt	141,521	53.0	138,395	51.8
Shareholder's Equity	125,724	47.0	128,925*	48.2

* *Restated (see Note 2)*

Change in Accounting Policy

During the year, the Company improved its consumer billing process which has resulted in a change to the application of the Company's accounting policy for revenue recognition. The change was related to the meter reading process which now allows for the meters to be read closer to month-end resulting in a change in the accounting practice previously used by the Company to record unbilled revenue. Due to this change, which related to the catch-up effect of not accruing for unbilled revenue in prior periods, the Company restated its 2004 balance sheet to increase Accounts Receivable - Trade and Retained Earnings by $2.5 million in the 2005 financial statements.

Financial Position

The table "Changes in Balance Sheets" outlines the significant changes in balance sheets between April 30, 2004 and April 30, 2005.

Off-balance Sheet Arrangement

Disclosure is required of all off-balance sheet arrangements such as transactions, agreements or

Changes in Balance Sheets

(from April 30, 2004 to April 30, 2005)

Balance Sheet Account	Increase/(decrease) ($ millions)	Explanation
Cash and due from banks	(17.0)	The decrease in cash is primarily due to the Company's payments for Property, Plant and Equipment in the reconstruction of assets following the passage of the hurricane and the payment of dividends of $13.4 million.
Other receivable - insurance	15.9	The insurance receivable increase is due to the BI and property insurance claims related to the hurricane that management considers should be accrued at the reporting date, partially offset by an advance from the insurance company of $10 million.
Long-term investments	(4.1)	The decrease in investments is due to the liquidation of the Hurricane Fund Investment to meet cash flow requirements following the hurricane.
Current portion of long-term debt	10.6	The increase in the current-portion of long-term debt is due to the drawdown of a $8.0 million short-term loan from the Company's principal bankers, RBC, for the reconstruction of assets following the hurricane.
Accounts payable and accrued expenses	4.8	The increase in the accounts payable and accrued expenses is due to an increase in fuel payables for March and April 2005 as a result of higher fuel prices and an increase in other payables due to post-hurricane rebuilding.
Dividends payable	(4.2)	The decrease in dividends payable is due to no dividend declared in the fourth quarter of this year.
Retained earnings	(5.0)	The decrease in retained earnings is due to a net profit for the period of $4.2 million, less Class A dividends of $8.3 million and Class B Preference dividends of $925,000.

Being able to rely on our strategic and equity partners gave us the opportunity to exercise our preparedness planning and commence recovery without delay. In addition, we received overwhelming support from many local and overseas individuals and businesses, who without any prompting or hesitation, met our requests and needs.

Lee Tinney
Vice-President
Transmission & Distribution

Management's Discussion and Analysis

contractual arrangements with unconsolidated entities, structured finance entities, special purpose entities or variable interest entities that are reasonably likely to materially affect liquidity or the availability of, or requirements for, capital resources. The Company has no such off-balance sheet arrangements.

Cruise ship tourism is continuing to increase despite a slow period after the hurricane. Over 1,300,000 visitors arrived by sea over the last year.

Liquidity Items

The "Hurricane Relief Fund" represented cash set aside by the Company to be used for working capital purposes in the event of a hurricane. The fund, which was in excess of $4 million at the end of April 2004, was invested in a portfolio of money market funds, investment grade bonds, United States government mortgages and asset backed securities. The portfolio was liquidated shortly after the hurricane and used for its intended purpose. The Company intends to rebuild the fund and in the meantime has increased stand-by lines of credit at the RBC (see Note 9).

Critical Accounting Estimates

The preparation of the Company's consolidated financial statements in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year.

Due to the hurricane, the property, plant and equipment write down, the estimated costs to reconstruct, and the related insurance receivable relating to the estimates of reconstruction are measured using management's best estimates based on assumptions that reflect the most probable set of economic conditions and planned course of action. Actual results could differ from those estimated.

Quarterly Results

The table "Quarterly Results" sets forth unaudited quarterly information for each of the eight quarters ended

Quarterly Results *(Unaudited)*
(expressed in US$ thousands)

Quarter Ended	Operating Revenue	Income Applicable to Ordinary Shares	Earnings per Share (Basic)	Diluted Earnings per Share
April 30, 2005	21,078	4,244	0.17	0.17
January 31, 2005	20,574	5,613	0.22	0.22
October 31, 2004	20,676	(12,315)	(0.49)	(0.49)
July 31, 2004	30,543	5,757	0.23	0.23
April 30, 2004	24,939	3,848	0.15	0.16
January 31, 2004	25,052	3,801	0.15	0.15
October 31, 2003	28,265	6,349	0.26	0.26
July 31, 2003	28,387	5,084	0.21	0.20

The storm surge and rain left us with much of our generating capacity out of service. Because of proper planning for the storm surge, all generation added since 2000 was not severely affected. After two days we had over 36 MW of generating capacity to start up the system. Our dedicated staff used all their training to effect the cleanup and start up the system allowing us to recover other units to stay ahead of the distribution restoration.

Bob Smith
Vice-President
Production & Engineering

Management's Discussion and Analysis

July 31, 2003 through April 30, 2005. This information has been obtained from the Company's unaudited Interim Financial Statements which, in the opinion of management, have been prepared in accordance with Canadian GAAP. These operating results are not necessarily indicative of results for any future period and should not be relied upon to predict future performance.

April 2005/April 2004

Earnings per share for the fourth quarter were $0.17, compared with $0.15 in fourth quarter 2004, due to a $1.3 million partial deferral of April 2004's fuel cost, revised T&D hurricane loss estimates and BI insurance proceeds. Fourth-quarter operating revenues (including fuel factor revenues) were $21.1 million compared with $24.9 million in 2004, a $3.8 million decrease.

January 2005/January 2004

Earnings per share in 2005 was $0.22 versus $0.15 for the same period in 2004. The earnings improvements over the third quarter of 2004 are due to the recovery, in 2005, of fuel factor revenues that were under-recovered in September and October following the hurricane, and lower power generation costs due to an additional fuel cost deferral of $1.7 million. BI proceeds of $4 million also contributed to the improved earnings

October 2004/October 2003

Due to the impact of the hurricane, earnings applicable to Class A Ordinary Shares for the second quarter of fiscal 2005 were negative $12.3 million as compared to positive earnings of $6.3 million for fiscal 2004. Basic electricity sales declined 32.9% to $15.7 million from $23.3 million. Power generation expenses grew by 3.8%. The primary reason is the write-off of $2.8 million in deferred fuel costs to earnings. The hurricane resulted in lower sales and lower fuel factor revenues, which led to a commensurate reduction of the fuel costs deferred on the balance sheet. T&D expenses include a charge of $7.5 million for the write-off of impaired T&D assets damaged by the hurricane. The hurricane affected 25% of the Company's T&D system. Maintenance expense increased by 231.9% in the second quarter of fiscal 2005 over the previous year. This is due to a charge of $2.4 million for the insurance deductible net of indemnification for pre-1990 assets damaged during the hurricane.

July 2004/July 2003

Earnings for the quarter ending July 31, 2004 were $6,344,357, a 12.25% increase over the same quarter in the previous year ($5,651,876). Earnings per share were $0.23 compared to $0.21 for the previous year, an increase of 9.52%. Operating revenues for the three months ending July 31, 2004 were $30.5 million, an increase of 7.6% over the same period last year of $28.4 million. Revenues from the sale of electricity, excluding fuel factor revenues, grew 7.52% for the three-month period. Higher electricity revenues were driven by a strong economy, increased number of customers, and higher use per customer. Overall, operating expenses increased 4.67% compared with the same period last year. The chief reason was a 33.8% increase in General and Administration ("G&A") expenses. G&A includes a one-time charge of $559,249 relating to severance packages for positions made redundant.

Phase one of the 300-acre Camana Bay development, the Town Centre, is scheduled for completion in late 2006. The Town Centre will house shops, restaurants, a cinema and school among other Island-oriented attractions. Once completed, Camana Bay will stretch from the North Sound to Seven Mile Beach.

Business Risks

Economic Conditions

As with most utility companies, the general economic condition of the

I commend CUC's linemen for their hardwork and dedication during the restoration process. Also, on behalf of the Company's Line Department, I thank the overseas crews from Fortis Inc., MasTec, Inc. and CARILEC for the much needed help they provided.

Andrew Small
Manager Line Operations

Management's Discussion and Analysis

Company's service area influences electricity sales. Changes in consumer income, employment, and housing all are factors in the amount of sales generated. As the Company supplies electricity to all of the hotels and large properties, the Company's sales are therefore partially based on tourism and related industry fluctuations.

Weather

The Company's facilities are subject to the effects of severe weather conditions. Despite preparations for such disasters, similar to the hurricane, adverse conditions will always remain a risk notwithstanding any amount of preparation that is completed. In order to negate some of this risk, the Company maintains insurance coverage management believes is proper and consistent with insurance policies obtained by similar companies.

Environmental Management System

This past year was a very challenging year for the Company given the magnitude of impact that the hurricane has had on the Company's resources, facilities and the overall Island. It has stressed the importance of having adequate and updated emergency preparedness and response plans in place when faced with large scale emergencies such as the hurricane. As a result of the hurricane and its impact on operations and human resources, the Company revised its Environmental Management System ("EMS") targets in March 2005 to reflect the delays that would be encountered in meeting many of its targets mainly in the area of capital projects. Based on the revised targets, the Company achieved 18 of the 26 EMS targets scheduled for 2005. It is noteworthy that in addition to achieving the above targets, the Company also implemented additional procedures to recycle transformers, transformer waste oil and collected over 200,000 lbs. of wire and over 1,200 transformers damaged from the hurricane for recycling.

Dated July 15, 2005

In April 2005, as a symbol of our commitment to protecting the environment, the Company assisted the Department of Agriculture and the National Trust of the Cayman Islands with their National Tree Planting Programme during Earth Week. The goal of the joint programme was to plant indigenous trees, such as Cayman Mahogany and Ironwood, at all schools around the Island in an effort to replenish what was lost during Hurricane Ivan in September 2004.

the recovery experience

With 100% of our customers without power, there were only two strategies to deploy. Manage the customers' emotions and reconnect quickly! Our ability to coordinate these two strategies led to a successful restoration. We appreciated the words of encouragement from our customers and thank them for their understanding and patience as our crews worked tirelessly to restore service across the Island. Having this level of cooperation certainly made the restoration effort much smoother for our staff.

Joey Ebanks
Manager Customer Service

Our Employees - Our Most Valuable Asset

2004 was indeed an unusual year, and instead of selecting a single individual as our top employee, the honour was bestowed on the entire team.

The Team's untiring efforts during the year, and especially the seven months following the passing of Hurricane Ivan, further demonstrated their commitment to providing world-class service to our growing community.

Our Restoration Partners

Following the passing of Hurricane Ivan in September 2004, CUC realised the need for outside manpower to assist its restoration team in ensuring that service was restored as quickly as possible. CUC was fortunate to be able to call on its largest shareholder, Fortis Inc. Over 120 employees from FortisAlberta, FortisBC, FortisOntario, Maritime Electric, Newfoundland Power and Belize Electricity Limited journeyed to Grand Cayman and assisted with the construction of main lines, the installation of streetlights and individual customer connections.

The first wave of 53 workers arrived in September 2004.

The second wave of 54 workers arrived in October 2004.

The third wave of 21 workers arrived in November 2004.

Our Restoration Partners

An additional contingent from MasTec, Inc. teamed up with existing personnel who were on the Island as contractors responsible for the construction of the 69kV system in September 2004 .

In addition, CUC called upon its T&D contractor, MasTec, Inc., and its friends at CARILEC, the regional utility association, who deployed emergency teams from Barbados, Bermuda and the Turks & Caicos. The crews assisted with major line and feeder reconstructions, lateral reconstructions and service connections.

The two-man crew from Provo Power Company from the Turks & Caicos arrived in September 2004.

The eight-man crew from Bermuda Electric Light Company arrived in October 2004.

The nine-man crew from Barbados Light & Power Company arrived in September 2004.

Where Your Dollar Went

Due to the extent of damage Hurricane Ivan caused to the Caribbean region and the southern United States, sourcing of essential materials required for the restoration process was a major obstacle. With limited means of communication, the Company's Materials Management department was instrumental in obtaining much needed wooden poles, wire, transformers, line hardware, generator parts and vehicles from such faraway places as Ecuador. The completion of restoration efforts within the projected 90-day period was largely due to our ability of obtaining these essential materials to the Island by any means necessary.

[35]
utility trucks were brought in from Florida

[15,000]
insulators for poles

28¢
Capital Expenditures

US$39.8 million was spent rebuilding the transmission and distribution system and completing the Hydesville substation.

21¢
Labour and Materials

Our dedicated team of over 180 employees and well-maintained equipment provide a safe and reliable electricity service.

[1]
chartered vessel from Belize

[25]
40-foot containers with pole line hardware consisting of connectors, splices, machine bolts, nuts, switches, safety gear and line tools

[2,500]
lightning arrestors

[990]
transformers were purchased from the United States. Normal delivery time for an order this size is usually four to six months but because of the situation, lead time was reduced to four weeks

[2]
chartered flights and chartered vessels from Florida with equipment

[4]
chartered 727's from Ecuador with supply of wire

9¢
Dividends

Approximately 87% of our registered shareholders are resident in the Cayman Islands. They receive quarterly dividends on their investment.

9¢
Loans and Loan Interest

US$13.2 million was paid in interest and principal repayments on loans.

[5,000]
meter sockets

[2,000,000]
feet of conductor wire

23¢
Fuel and Oil

Our generators consumed 21 million gallons of diesel fuel and 166,000 gallons of lube oil this year to meet electrical demand.

[3,000]
wooden utility poles were brought in to replace damaged or destroyed poles

[6,000]
wooden crossarms

[6,000]
watt hour meters

10¢
Duty to Government

Duty to Government on fuel and materials amounted to US$14.5 million.

Management's Responsibility for Financial Reporting

The accompanying Financial Statements of Caribbean Utilities Company, Ltd. and all information in the 2005 Annual Report have been prepared by management, who are responsible for the integrity of the information presented, including the amounts that must of necessity be based on estimates and informed judgments. These Financial Statements were prepared in accordance with accounting principles generally accepted in Canada. Financial information contained elsewhere in the 2005 Annual Report is consistent with that in the Financial Statements.

In meeting its responsibility for the reliability and integrity of the Financial Statements, management has developed and maintains a system of accounting and reporting which provides for the necessary internal controls to ensure transactions are properly authorised and recorded, assets are safeguarded and liabilities are recognised. The Company focuses on the need for training of qualified and professional staff, effective communication between management and staff and management guidelines and policies.

The Board of Directors oversees management's responsibilities for financial reporting through an Audit Committee that is composed entirely of outside directors. The Audit Committee meets with the external auditors, with and without management present, to discuss the results of the audit, the adequacy of the internal accounting controls and the quality and integrity of financial reporting. The Audit Committee reviews the Company's annual Financial Statements before the statements are recommended to the Board of Directors for approval. The external auditors have full and free access to the Audit Committee.

The Audit Committee has the duty to review the adoption of, and changes in, accounting principles and practices which have a material effect on the Financial Statements, to review financial reports requiring Board approval prior to submission to securities commissions or other regulatory authorities, to assess and review management's judgments material to reported financial information and to review the external auditors' fees.

The Financial Statements and Management's Discussion and Analysis contained in the 2005 Annual Report were reviewed by the Audit Committee and, on their recommendation, were approved by the Board of Directors of the Company. PricewaterhouseCoopers, independent auditors appointed by the shareholders of the Company upon recommendation of the Audit Committee, have performed an audit of the Financial Statements and their report follows.

Eddinton M. Powell, J.P.
Vice-President Finance
& Corporate Services
& Chief Financial Officer

Peter A. Thomson
President &
Chief Executive Officer

Caribbean Utilities Company, Ltd.

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, 2005 and April 30, 2004 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, 2005 and April 30, 2004 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers
Grand Cayman, Cayman Islands

July 11, 2005

Balance Sheets

As at April 30, 2005 (expressed in United States Dollars)

	Note	2005 $	2004 $ Restated *(Note 2)*
Assets			
Current Assets			
Cash and due from banks	9	962,965	18,004,208
Accounts receivable - Trade	3	11,480,885	10,360,292
Other receivable - Insurance	4	15,881,941	-
Inventories	5	5,330,363	2,818,277
Prepayments		580,698	651,449
		34,236,852	31,834,226
Long-term investments	7	-	4,077,640
Property, plant and equipment	6	248,231,244	246,909,500
Other assets	8	7,690,752	5,761,016
Total Assets		290,158,848	288,582,382
Liabilities and Shareholders' Equity			
Current Liabilities			
Bank overdraft	9	1,429,889	-
Current portion of long-term debt	9	15,482,822	4,873,967
Accounts payable and accrued expenses	16	18,917,183	14,124,150
Consumers' deposits and advances for construction		2,566,341	2,956,004
Dividends declared		-	4,182,655
		38,396,235	26,136,776
Long-term debt	9	126,038,175	133,520,997
Total Liabilities		164,434,410	159,657,773
Shareholders' Equity			
Share capital	10	1,739,545	1,730,058
Share premium		39,022,418	37,328,408
Contributed surplus		99,073	36,500
Retained earnings		84,863,402	89,829,643
Total Shareholders' Equity		125,724,438	128,924,609
Total Liabilities and Shareholders' Equity		290,158,848	288,582,382

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

David E. Ritch
Director

Peter A. Thomson
Director

The accompanying Summary of accounting policies and Notes form an integral part of these Financial Statements.

Statements of Earnings

For the year ended April 30, 2005 (expressed in United States Dollars)

	Note	2005 $	2004 $
Operating Revenues			
Electricity sales	2	68,892,949	85,710,182
Fuel factor		23,978,077	20,932,973
Total Operating Revenue		92,871,026	106,643,155
Operating Expenses			
Power generation		48,284,330	50,175,784
General and administration		9,818,393	8,658,231
Consumer service and promotion		1,437,168	1,283,828
Distribution	6	8,371,105	2,166,136
Depreciation and amortisation		13,263,704	12,507,896
Maintenance	6	9,015,194	6,431,360
Total Operating Expenses		90,189,894	81,223,235
Operating Income		2,681,132	25,419,920
Other Income/(Expenses)			
Interest expense and preference dividends		(8,498,195)	(7,708,623)
Foreign exchange gain		867,967	1,105,625
Business interruption insurance	15	8,148,086	-
Other income		1,025,312	1,169,857
Total Net Other Income/(Expenses)		1,543,170	(5,433,141)
Earnings for the Year	12	4,224,302	19,986,779
Dividends on preference shares	12	(925,000)	(905,000)
Earnings applicable to Common Shares		3,299,302	19,081,779
Average Common Shares outstanding	12	24,924,793	24,750,820
Earnings per Common Share	12		
Basic		0.13	0.77
Diluted		0.13	0.77

The accompanying Summary of accounting policies and Notes form an integral part of these Financial Statements.

Statements 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 (Restated) $	Contributed Surplus $	Redetermination Surplus $	Total Shareholders' Equity $
Balance at April 30, 2003 as previously reported	24,583,860	1,463,325	250,000	250,000	51,340,889	67,084,782	-	276,551	120,415,547
Retroactive restatement of change in the application of an accounting policy for revenue recognition (Note 2)	-	-	-	-	-	2,481,531	-	-	2,481,531
Balance at April 30, 2003 Restated	24,583,860	1,463,325	250,000	250,000	51,340,889	69,566,313	-	276,551	122,897,078
Issue of ordinary shares (net) (Note 10)	281,115	16,733	-	-	3,125,396	-	-	-	3,142,129
Dividends	-	-	-	-	(17,137,877)	-	-	-	(17,137,877)
Earnings for the year	-	-	-	-	-	19,986,779	-	-	19,986,779
Stock-based compensation	-	-	-	-	-	-	36,500	-	36,500
Transfer from redetermination surplus	-	-	-	-	-	276,551	-	(276,551)	-
Balance at April 30, 2004	24,864,975	1,480,058	250,000	250,000	37,328,408	89,829,643	36,500	-	128,924,609
Issue of ordinary shares (net) (Note 10)	159,376	9,487	-	-	1,694,010	-	-	-	1,703,497
Dividends	-	-	-	-	-	(9,190,543)	-	-	(9,190,543)
Earnings for the year	-	-	-	-	-	4,224,302	-	-	4,224,302
Stock-based compensation	-	-	-	-	-	-	62,573	-	62,573
Balance at April 30, 2005	25,024,351	1,489,545	250,000	250,000	39,022,418	84,863,402	99,073	-	125,724,438

The accompanying Summary of accounting policies and Notes form an integral part of these Financial Statements.

Statements of Cash Flows

For the year ended April 30, 2005 (expressed in United States Dollars)

	Note	2005 $	2004 $
Operating Activities			
Earnings for the year		4,224,302	19,986,779
Items not affecting working capital:			
Depreciation and amortisation		13,263,704	12,507,896
Stock-based compensation		62,573	36,500
Loss on disposal of fixed assets	6	9,263,169	25,377
		26,813,748	32,556,552
Net increase in non-cash working capital balances related to operations		(1,075,433)	(5,546,281)
Cash flow provided by operating activities		25,738,315	27,010,271
Financing Activities			
Proceeds from debt financing		8,000,000	20,000,000
Repayments of debt		(4,873,967)	(2,308,800)
Increase in bank overdraft		1,429,889	-
Dividends paid		(13,373,198)	(16,856,458)
Redemption of preference shares		-	(6,007,500)
Net proceeds from issue of ordinary share capital		1,703,497	3,142,129
Cash flow used in financing activities		(7,113,779)	(2,030,629)
Investing Activities			
Net sale/(purchase) of investments		4,077,640	(77,233)
Proceeds on sale of fixed assets		44,790	13,261
Purchase of property, plant and equipment		(39,788,209)	(20,041,232)
Cash flow used in investing activities		(35,665,779)	(20,105,204)
(Decrease)/Increase in Net Cash		(17,041,243)	4,874,438
Net Cash - beginning of year		18,004,208	13,129,770
Net Cash - end of year		962,965	18,004,208
Supplemental disclosure of cash flow information:			
Interest received during the year		60,264	81,713
Interest paid during the year		9,155,789	8,326,534

The accompanying Summary of accounting policies and Notes form an integral part of these Financial Statements.

Summary of Accounting Policies

As at April 30, 2005 (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 (GAAP). 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. Insurance receivables are recorded when recovery becomes reasonably assured.

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 an average cost 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. Damaged property, plant and equipment are written off, or appropriate provision made, where damage relates to assets that will be reconstructed.

On certain construction projects, interest is capitalised and included as a cost in the appropriate capital assets account until the asset is available for service.

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 fuel costs, debt issue expenses, and deterred licence renewal costs, are being amortised over 30 years on a straight-line basis commencing with the year ended April 30, 1976. Amortisation of deferred licence renewal costs will commence on conclusion of current licence negotiations.

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 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 related future revenues recovered from consumers. Movements in deferred fuel costs are recorded as movements in non-cash working capital balances in the Statement of Cash Flows.

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.

Summary of Accounting Principles

For the year ended April 30, 2005 (expressed in United States Dollars)

Redetermination Surplus

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

Foreign Exchange

Monetary assets and liabilities denominated in foreign currencies are translated into United States Dollars at the exchange rate prevailing on the Balance Sheet date. Revenue and expense items denominated in foreign currencies are translated into United States Dollars at the exchange rate prevailing on the transaction date. Gains and losses on translation are included in the Statement of Earnings.

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, adjusted for unbilled revenues.

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, transmission and distribution, 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 fair values of 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 accounts for its executive stock option grants using the fair value method, where any compensation expense is amortised over the vesting period of the options.

Dividends

Dividends are accrued when declared from Retained earnings or Share premium.

Employee Benefit Plans

The Company maintains defined benefit and defined contribution pension plans for its employees. The pension costs of the defined benefit plan are actuarially determined using the projected benefits method prorated on service and best estimate assumptions. Past service costs from plan initiation are amortised on a straight-line basis over the remaining service period of the employee active at the date of initiation. Actuarial gains or losses are recognised in income in the year in which they occur. The cost of the defined contribution pension plan is expensed as incurred.

Notes to Financial Statements

As at April 30, 2005 (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. Fortis Energy-Bermuda Ltd. ("the Fortis group") owns 37.17% (2004: 37.41%) of the issued Class A Ordinary Shares of the Company and International Power Holdings Ltd. owns 14.94% (2004: 15.03%) of the issued Class A Ordinary Shares of the Company (Note 22).

The principal activity of the Company 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 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 (collectively, the "Licence").

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 employed 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 (Note 21).

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% per annum based on the previous year's revenue, payable quarterly in arrears.

The Electricity Regulatory Authority Law came into effect on April 12, 2005. The new law provides for a new body, the Electricity Regulatory Authority, to govern the generation, transmission and distribution (T&D) of electricity in the Cayman Islands.

2. Accounting Changes

During the year ended April 30, 2005, the Company improved the processes surrounding consumer billing which has resulted in a change to the application of the Company's accounting policy for revenue recognition. The change was as a direct result of improved technology in the meter reading process, which has allowed meters to be read closer to month-end, thereby changing the accounting practice previsously used by the Company to record unbilled revenue. Specifically, there is a prior period impact of the change in accounting practice, and accordingly the Company has restated its 2004 balance sheet to increase Accounts receivable - Trade and Retained earnings by $2,481,531 in the 2005 financial statements. The restatement relates to the catch-up effect of not accruing for unbilled revenue in prior periods. Prior period statements of earnings have not been restated as the impact is immaterial. The "as-billed" basis of revenue recognition applied in prior periods was in all material respects equivalent to the accruals basis.

3. Accounts Receivable - Trade

	2005	2004
	$	$
Billings to consumers	11,035,648	10,081,010 *
Employee Share Purchase Plan	9,145	22,672
Other receivables	436,092	256,610
	11,480,885	10,360,292

* *As discussed in Note 2, billing to consumers at April 30, 2004 was increased by $2,481,531 to reflect the catch-up effect of not accruing for unbilled revenue in prior periods.*

Notes to Financial Statements

For the year ended April 30, 2005 (expressed in United States Dollars)

3. Accounts Receivable - Trade *(continued)*

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. The plan is non-compensatory as shares purchased by the employee are obtained at the prevailing market value at the time of purchase.

4. Other Receivable - Insurance

On September 12, 2004, Hurricane Ivan (the "hurricane"), a catastrophic category five hurricane hit Grand Cayman. Under Canadian GAAP, the Company is required to recognise costs associated with the hurricane in the period in which the event occurred. The most significant impact as a result of the hurricane is the recognition of a write down in respect of damaged property, plant and equipment which is further discussed in Note 6. A significant portion of these costs will be reimbursed under the Company's insurance policy. These amounts are only recognised as receivable when recovery becomes reasonably assured. In addition, there has been an effect on revenue earned during the year due to business interruption as discussed further in Note 15. The Other receivable - Insurance balance represents both business interruption and property insurance claims relating to the hurricane. The Company's insurers made a $10 million general advance in December 2004 which has been applied against the insurance receivable. Subsequent to year-end, the Company's insurers made an additional $5 million payment (Note 21).

5. Inventory

The Company increased its inventory stock following the hurricane. These higher stock levels will be maintained in the future to prevent delays in necessary repairs in the event of another major hurricane. As a result of the hurricane, the Company recognised a write-down of its inventory of $1,386,430 which will be reimbursed under the Company's insurance policy (Note 15).

6. Property, Plant and Equipment

	Adjusted Cost/ Appraised Value $	Accumulated Depreciation $	2005 Net $	Adjusted Cost/ Appraised Value $	Accumulated Depreciation $	2004 Net $
Transmission & Distribution	166,422,545	33,397,015	133,025,530	149,033,244	36,580,209	112,453,035
Generation	147,516,533	53,243,021	94,273,512	165,124,846	52,792,689	112,332,157
Other:						
Land	1,170,193	-	1,170,193	1,170,193	-	1,170,193
Buildings	17,328,926	4,611,065	12,717,861	16,954,671	4,203,514	12,751,157
Equipment, motor vehicles and computers	16,575,577	9,531,429	7,044,148	17,127,055	8,924,097	8,202,958
Total Other	35,074,696	14,142,494	20,932,202	35,251,919	13,127,611	22,124,308
Property, plant and equipment	349,013,774	100,782,530	248,231,244	349,410,009	102,500,509	246,909,500

Notes to Financial Statements

As at April 30, 2005 (expressed in United States Dollars)

6. Property, Plant and Equipment *(continued)*

Included in property, plant and equipment are a number of capital projects in progress with a total cost to date of $4,720,070 (2004: $7,959,334). These projects primarily relate to an 8.4 MW Gas Turbine and continuing upgrades to the Company's T&D system.

Also included in generation and T&D, is freehold land with a cost of $4,672,305 (2004: $4,672,305).

In addition, engine spares with a net book value of $7,865,262 (2004: $9,150,982) are included in generation.

During the year, the Company capitalised interest of $536,528 (2004: $1,481,756).

As a result of the hurricane, the Company has recognised a write down of its property, plant and equipment of $19,463,554 for assets that were damaged during the hurricane. This amount approximates the estimated cost to reconstruct these assets which will be reimbursed under the Company's insurance policy (Note 15). These estimated reconstruction costs are based upon current market valuations. In addition, no depreciation charge has been expensed since September 2004 for various insured assets with a net book value of $17,843,761, consisting mainly of the generation plant assets, requiring major reconstruction following the passage of the hurricane. These assets are considered to be under reconstruction and depreciation will commence when the asset is brought back into production. The Company will determine whether the reconstructed asset's useful life has increased at the time it is ready for production.

In addition to the above write down of its property, plant and equipment, the Company has also recognised the following losses on disposal of property, plant and equipment primarily as a result of the hurricane:

Distribution (in relation to T&D assets)	$7,035,672 (a)
Maintenance (in relation to generation assets)	$2,062,217 (b)
Maintenance (in relation to motor vehicles and computers)	$ 165,280
Total	$9,263,169

(a) This amount is comprised of the net book value of T&D assets damaged and written-off primarily as a result of the hurricane. It is also comprised of $1,380,952 for the estimated reconstruction costs of the Company's submarine and fibre optic cables damaged during the hurricane and scheduled for reconstruction.

(b) This amount includes a $4 million charge for the insurance deductible net of a $2 million gain on the indemnification for pre-1990 assets damaged during the hurricane.

Fixed assets pledged as security are detailed in Note 9.

7. Long-term Investments

Long-term investments were largely comprised of money market funds, bonds, and U.S. Government mortgage and asset backed securities with a market value of $4,025,341 as at April 30, 2004. The Company liquidated its long-term investments, which had a market value of $4,094,732 on the date of liquidation to meet cash flow requirements in the aftermath of the hurricane.

8. Other Assets

	2005	2004
	$	$
Sundry assets	73,396	378,676
Deferred licence renewal costs	668,431	61,909
Deferred debt issue expense	1,387,472	1,538,973
Deferred fuel costs	5,561,453	3,781,458
	7,690,752	5,761,016

Notes to Financial Statements

For the year ended April 30, 2005 (expressed in United States Dollars)

8. Other Assets *(continued)*

Deferred licence renewal costs

Deferred licence renewal costs are related to the ongoing negotiations with the Government for an extension to the Company's licence (Note 21).

9. Long-Term Debt

	2005	2004
	$	$
8.47% Senior Unsecured Loan Notes due 2010	9,000,000	10,500,000
6.47% Senior Unsecured Loan Notes due 2013	22,500,000	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	30,000,000
5.09% Senior Unsecured Loan Notes due 2018	40,000,000	40,000,000
6.20% European Investment Bank #2 due 2005	-	405,110
4.60% RBC $8 Million Loan	8,000,000	-
3.00% European Investment Bank #3 due 2009	2,020,997	2,489,854
	141,520,997	138,394,964
Less: Current portion	15,482,822	4,873,967
	126,038,175	133,520,997

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

Year	$
2006	15,482,822
2007	7,497,632
2008	10,512,443
2009	10,528,100
2010	14,000,000
2011 and later	83,500,000
	141,520,997

All long-term debt is denominated in United States dollars.

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

a) $5,000,000 Revolving overdraft line - prime + ½%
b) $1,000,000 Term loan - prime +½%
c) $1,500,000 Stand-by term loan - prime +½%
d) $2,100,000 Stand-by letters of credit
e) $10,000,000 demand loan facility for interim funding of expenditures. $8,000,000 of this facility was drawn down for the reconstruction of assets following the hurricane.

The Company also maintains letters of guarantee of $833,333 to the Government for duties on the importation of materials.

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 $2.1 million (2004: $3.1 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.

Notes to Financial Statements

As at April 30, 2005 (expressed in United States Dollars)

9. Long-Term Debt *(continued)*

Subsequent to the year-end, the Company renegotiated its credit financing facilities with RBC which now comprise:

a) $5,000,000 Operating line of credit - Libor + 1.5%
b) $12,000,000 Term loan - Libor + 1.5%
c) $5,000,000 Emergency line of credit - Libor + 1.5%
d) $2,600,000 Stand-by letters of credit
e) $10,000,000 Capital expenditures line of credit - Libor + 1.5%

As security for the new facilities, RBC has been granted fixed and floating charge debentures totalling $8.5 million (2004: $3.1 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.

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. Disbursement of the funds is subject to the prior approval of EIB. As at April 30, 2005, included within Cash and due from banks, is an amount totaling $252,815 (2004: $181,508) which represents the Company's contribution into the restricted account.

Interest expense on the long-term debt amounted to $8,320,183 (2004: $7,453,473).

10. Share Capital

	2005 $	2004 $
Authorised:		
60,000,000 (2004: 60,000,000) Class A Ordinary Shares of CI$0.05 each		
250,000 (2004: 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:		
25,024,351 (2004: 24,864,975) Class A Ordinary Shares	1,489,545	1,480,058
250,000 (2004: 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
	1,739,545	1,730,058

The Class B Preference Shares ("Class B Shares") are entitled to fixed cumulative preferential dividends at a rate of 9% per annum of the par value and premium on such shares. In the event that the dividend payable in any financial year on the Class A Ordinary Shares exceeds $0.18 per share, the Class B Shares are entitled to an additional dividend, of four times the amount of such excess. At the sole option of the Directors, the Company is entitled to redeem all or any of the Class B 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:

1) 57,231 (2004: 68,911) Class A Ordinary Shares were issued under the Customer Share Purchase and Dividend Reinvestment Plans at between $11.09 and $12.32 (2004: $12.85 and $13.72) per share.

2) 6,825 (2004: 12,925) Class A Ordinary Shares were issued under the Employee Share Purchase and Employee Long Service Plans at prices between $11.09 and $12.32 (2004: $12.85 and $13.45) per share.

3) 95,320 (2004: 199,279) Class A Ordinary Shares were issued under the Executive Stock Option Plan (Note 11) at between $10.05 and $11.46 (2004: $10.05 and $11.46) per share.

Notes to Financial Statements

For the year ended April 30, 2005 (expressed in United States Dollars)

11. 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 ten years, and will vest over a 4-year period on each anniversary of the date of the 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 1,051,677. Options are forfeited if they are not exercised prior to their respective expiry date or upon termination of employment prior to the completion of the vesting period.

	2005		2004	
	Number of options	Weighted average exercise price per share $	Number of options	Weighted average exercise price per share $
Outstanding at beginning of year	961,021	11.58	948,800	10.83
Granted	-	-	221,500	13.78
Exercised	(95,320)	10.07	(199,279)	10.55
Forfeited	(4,400)	12.73	(10,000)	10.05
Outstanding at end of year	861,301	11.74	961,021	11.58

The following table summarises the information about stock options outstanding at April 30, 2005:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices $	Number outstanding at April 30, 2005	Weighted average remaining contractual life	Weighted average exercise price $	Number exercisable at April 30, 2005	Weighted average exercise price $
10.05 - 13.78	861,301	5.41 years	11.74	648,292	11.43

On September 22, 2003, the Company issued 221,500 options under the Executive Stock Option Plan. These options vest over a 4-year period on each anniversary of the date of grant. The options expire 10 years after the date of grant. The fair value of each option granted was calculated to be $1.13 per option. The fair value was estimated on the date of the grant using the Black-Scholes fair value option pricing model and the following assumptions:

Dividend yield (%)	4.98
Expected volatility (%)	12.00
Risk-free interest rate (%)	4.64

The Company has a policy of recording compensation expense upon the issuance of stock options. Using the fair value method, the compensation expense is amortised over the 4-year vesting period of the options. Upon exercise, the proceeds of the option are credited to capital stock at the option price. Therefore, an exercise of options below the current market price has a dilutive effect on capital stock and shareholders's equity. Under the fair value method, compensation expense was $62,573 for the year ended April 30, 2005, with an offsetting credit to contributed surplus.

Notes to Financial Statements

As at April 30, 2005 (expressed in United States Dollars)

12. 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.

		2005	2004
Earnings for the year	$	4,224,302	19,986,779
Less: Preferred dividends	$	(925,000)	(905,000)
Earnings for the year for basic and diluted earnings per share	$	3,299,302	19,081,779
Weighted average number of Class A Ordinary Shares		24,924,793	24,750,820
Plus: Potential dilutive effect of unexercised options		36,257	157,464
Weighted average number of Class A Ordinary Shares used for determining diluted earnings per share		24,961,050	24,908,284
Basic earnings per Class A Ordinary Share	$	0.13	0.77
Diluted earnings per Class A Ordinary Share	$	0.13	0.77

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, 2005 had been exercised at the beginning of the year. The dilutive effect of stock options was calculated using the treasury stock method. This method calculates the number of incremental shares by assuming the outstanding stock options are (i) exercised and (ii) then reduced by the number of shares assumed to be repurchased from the issuance proceeds, using the average market price of common shares for the year.

13. Directors' and Officers' Remuneration

During the year ended April 30, 2005, the Company had a total of 7 (2004: 8) executive officers of whom 2 (2004: 2) were also Directors. For the financial year of the Company ended April 30, 2005, the aggregate cash compensation paid to such executive officers for services during such year was $1,389,853 (2004: $1,588,458).

14. Capital Commitments

a) The Company has signed a 7-year Strategic Alliance with ABB Power T&D Company, Inc. ("ABB") for major T&D system projects, which commenced in September 1998. The total commitments outstanding under this agreement are $nil (2004: $5.7 million).

b) The Company also signed a 10-year agreement with MAN B&W for generation projects that commenced in February 1999. During 2005, the Company entered into a contract with MAN Turbo for the supply and installation of a new gas turbine. The total commitments outstanding under this agreement are $5.25 million (2004: $nil).

c) The Company has issued a letter of intent to ADCO Power Limited for the Caterpillar Plant Rebuild project. This project commenced March 2005 and the total commitment outstanding under this agreement is $5.0 million. An insurance claim of $3.8 million has been submitted to partially offset the cost of this project.

Notes to Financial Statements

For the year ended April 30, 2005 (expressed in United States Dollars)

15. Insurance Coverage

As discussed in Note 1, the Company operates in the Caribbean which is susceptible to certain adverse weather conditions such as hurricanes. 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 T&D assets with an estimated replacement cost of $119 million (2004: $109 million). This value excludes substations which are covered in the main property policies. All T&D outside of 1,000 feet from the boundaries of the main plant and substations continue to be excluded as the Company deemed it uneconomical to obtain T&D coverage at prevailing rates. The Company maintains lines of credit totaling $20 million with the RBC (Note 9).

The Company's insurance policy covers losses resulting from the necessary interruption of business caused by direct physical loss or damage to covered property. During the year ended April 30, 2005, the Company recorded $8,148,086 in the Statements of Earnings under the terms of such policy.

16. Pension Plan

All employees of the Company are members of a defined contribution Pension Plan established for the exclusive benefit of employees of the Company and which complies with the provisions of the National Pensions Law. As a term of employment, the Company contributes 7.5% of wages or salary in respect of employees that have completed 15 years of continuous service and have attained the age of 55 years and 5% of wages or salary for all other employees. All contributions, income and expenses of the plan are accrued to, and deducted from, the members' accounts. The total expense recorded in respect of employer contributions to the plan for the year amounted to $717,160 (2004: $763,920). The Pension Plan is administered by an independent Trustee.

During 2003, the Company established a defined benefit plan for a Director of the Company. The pension cost of the defined benefit plan is actuarilly determined using the projected benefits method. An independent actuary performs a valuation of the obligations under the defined benefit plan at least every three years. The latest actuarial valuation was in April 2003 and the next actuarial valuation will be during fiscal year 2006. An accrued benefit liability of $531,689 (2004: $240,000) is included within accounts payable and accrued expenses in the Balance Sheet.

	Pension Benefit Plan	
	2005	2004
	$	$
Accrued Benefit Obligation		
Balance beginning of year	1,243,436	1,164,811
Interest cost	83,931	78,625
Past service costs	-	-
Actuarial gains (losses)	-	-
Balance end of year	1,327,367	1,243,436
Plan Assets		
Fair value, beginning of year	193,360	168,198
Expected return on plan assets	13,712	8,410
Contributions to plan	-	10,775
Actuarial gains (losses)	-	5,977
Fair value, end of year	207,072	193,360
Funded Status - deficit	(1,120,295)	(1,050,076)
Unamortised past service costs	588,606	810,076
Accrued benefit liability	531,689	240,000

As at April 30, 2005 (expressed in United States Dollars)

16. Pension Plan *(continued)*

The Company's defined benefit pension plan asset allocation was as follows:

Equities	64%
Fixed income	24%
Cash	12%
	100%

During the year ended April 30, 2005, $291,689 was recorded as compensation expense which comprises the following:

Interest cost	83,931
Return on plan assets	(13,712)
Amortisation of past service costs	221,470
	291,689

Significant assumptions used	
Discount rate at year end (%)	6.75
Expected long-term rate of return on plan assets (%)	5.00
Average remaining service period (months)	30

See Note 21 for defined benefit pension plan approved subsequent to year-end.

17. Interest Rate Risk

Long-term debt is issued at fixed interest rates thereby minimising cash flow and interest rate exposure. The Company is primarily subject to risks associated with fluctuating interest rates on its short-term borrowings.

18. Concentration of Credit Risk

Credit risk represents the potential loss that the Company would incur if the contract counterparties fail to perform pursuant to the terms of their obligations to the Company. The Company does not believe it is subject to any significant concentration of credit risk, except for Other receivable - Insurance. At April 30, 2005, the amount receivable is due from one reputable insurer. Management does not expect any losses as a result of this concentration.

Cash balances are largely in place with major financial institutions. Accounts receivable - Trade are largely derived from sales of electricity supplied to consumers throughout Grand Cayman. In addition, the Company holds consumer deposits of $2,510,219 (2004: $2,935,108) by way of security.

19. Fair Value of Financial Assets and Liabilities

The carrying amounts reported in the balance sheets at April 30, 2005 and 2004 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 long-term debt is approximately $150.1 million (2004: $148.2 million).

The fair value of the long-term investments is $nil (2004: $4,025,341).

20. 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.

Notes to Financial Statements

For the year ended April 30, 2005 (expressed in United States Dollars)

21. Subsequent Events

a) The Company submitted to the Government on May 25, 2005 its Interim Return containing its year-end 2005 unaudited results indicating that, subject to final audit and review by Government, CUC under its Licence, is entitled to a 9.0% rate increase effective August 1, 2005. This 9.0% rate increase is primarily as a result of costs and loss of revenue related to the impact of the hurricane.

b) On June 6, 2005 the Company's Board of Directors declared a regular quarterly dividend of $0.165 per Class A Ordinary Share, or an annualised dividend of $0.66 per share. The dividend was paid June 27, 2005 to shareholders of record June 15, 2005.

c) The Company received an additional $5.0 million in June 2005 from its insurers against its Business Interruption and Property claims related to the hurricane.

d) At its May 2005 meeting, the Company's Board of Directors approved the establishment of a defined benefit pension plan for its retiring C.E.O. An actuarial report was completed by an independent actuary in October 2003 to determine the accrued benefit obligation for this plan. At that time, the estimated fund deficit was calculated at $1.6 million. The next valuation will be completed during fiscal year 2006.

e) The Company's $10.05 options granted under the Executive Stock Option Plan on June 8, 2000, expired on June 8, 2005. 191,601 of these options were exercised for the period commencing May 1, 2005 and ending on the expiry date.

22. Related Party Transactions

At April 30, 2005, 17.12% of the Class A Ordinary Shares (2004: 17.03%) and 7.5% of the Class B shares (2004: 7.5%) were owned either directly or through entities controlled by Directors or officers of the Company.

The Fortis group, the largest shareholder of the Company, owns 37.17% of the issued Class A Ordinary shares. Fortis accounts for the investment in CUC shares under the equity method. A contingent of employees from various Fortis operating subsidiaries assisted with the reconstruction of the Company's T&D assets following the passage of the hurricane. These financial statements include an amount of $2.9 million for the cost of the Fortis group's labour in the construction of fixed assets at standard market rates. This amount was fully paid as at April 30, 2005.

23. Measurement Uncertainty

Measurement uncertainty is uncertainty in the determination of the amount at which an item is recognised in financial statements. Due to the hurricane, the property, plant and equipment write down, the estimated costs to reconstruct, and the related insurance receivable relating to the estimates of reconstruction are measured using management's best estimates based on assumptions that reflect the most probable set of economic conditions and planned course of action. Actual results could differ from those estimated.

24. Comparative Figures

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

Ten-Year Summary

Except where noted, expressed in United States Dollars, thousands

	2005	2004
Operating revenues	92,871	106,643
Other revenues and adjustments	10,041	2,276
Total revenues	102,912	108,919
Operating expenses	90,190	81,223
Income before interest	12,722	27,696
Interest expense and preference dividends	8,498	7,709
Earnings for the year	4,224	19,987
Capitalisation:		
Class A Ordinary Shares (nominal value)	1,490	1,480
9% Cumulative Participating Class B Preference Shares (nominal value)	250	250
Share Premium	39,022	37,328
8% Cumulative Fixed Term Class C, Series 2 Preference Shares ($100 each)		-
8.5% Cumulative Redeemable Class C, Series 1 Preference Shares ($100 each)		-
Long-term loans	141,520	138,395
Total capitalisation	182,282	177,453
Capital expenditures	39,788	20,041
Earnings per Class A Ordinary Share ($/Share)	0.13	0.77
Dividends per Class A Ordinary Share ($/Share)	0.33	0.66
Book value per Class A Ordinary Share ($/Share)	4.82	4.98*
Statistical Record:		
Net kWh generation (millions of kWh)	393.51	485.63
Net kWh sales (millions of kWh)	375.74	450.27
Peak load (MW) gross	85.03	79.06
Plant capacity (MW)	114.63	127.40
Total customers (actual number)	19,011	21,127

* *Restated (see Note 2)*

This Ten-Year Summary does not form part of the audited Financial Statements.

2003	2002	2001	2000	1999	1998	1997	1996
96,921	90,124	90,089	76,469	67,058	66,478	61,047	55,741
2,560	2,420	2,133	2,705	1,870	1,784	1,688	1,457
99,481	92,544	92,222	79,174	68,928	68,262	62,735	57,198
72,970	67,621	69,179	58,104	50,802	51,776	49,759	44,998
26,511	24,923	23,043	21,070	18,126	16,486	12,976	12,200
6,321	5,648	3,747	3,079	3,704	3,616	2,666	2,557
20,190	19,275	19,306	17,991	14,422	12,870	10,310	9,643
1,463	1,440	1,428	1,412	1,380	1,307	1,294	1,191
250	250	250	250	250	250	250	250
51,341	63,411	76,799	88,806	51,216	38,892	37,040	29,896
6,008	12,015	12,015	12,015	12,015	12,015	12,015	12,015
-	-	-	-	2,000	5,000	8,000	10,000
120,704	102,966	85,732	76,442	49,933	26,263	26,623	29,524
179,766	180,082	176,224	178,925	116,794	83,727	84,862	70,861
27,732	29,095	35,655	43,642	34,131	19,868	19,949	13,486
0.80	0.77	0.78	0.73	0.63	0.57	0.46	0.46
0.64	0.61	0.56	0.47	0.41	0.36	0.33	0.30
4.69	4.44	4.23	3.97	3.70	3.14	2.88	2.60
463.00	448.10	424.71	398.09	376.28	347.52	311.00	292.50
429.28	414.58	393.28	369.42	346.94	326.46	287.29	273.50
77.06	75.99	70.18	65.76	61.11	56.33	50.74	47.38
115.10	115.10	115.10	94.92	94.92	88.37	72.64	71.41
20,269	19,198	19,198	18,463	17,349	16,353	15,482	14,768

Directors of the Company

Philip A. Barnes ^
Financial Controller
Caribbean Publishing Company Ltd.
Grand Cayman

J. Bryan Bothwell *
Retired Banking Executive
Grand Cayman

Frank J. Crothers +
Vice-Chairman of the Board of Directors
Chairman
Island Corporate Holdings Ltd.
Bahamas

Lewis M. Ebanks ^
Director of Finance/Co-Owner
Auric Investments
Grand Cayman

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

Philip G. Hughes *
President & Chief Executive Officer
FortisAlberta
Calgary, Alberta
Canada

Joseph A. Imparato
Retired Chairman
Grand Cayman

H. Stanley Marshall +
President & Chief Executive Officer
Fortis Inc.
St. John's, Newfoundland
Canada

Raul O. Nicholson-Coe ^
Managing Director
Cingular Wireless (Cayman) Ltd.
Grand Cayman

David E. Ritch, O.B.E., J.P. * +
Chairman of the Board of Directors
Attorney-at-Law
Ritch & Conolly
Grand Cayman

Peter A. Thomson
President & Chief Executive Officer
Caribbean Utilities Company, Ltd.
Grand Cayman

Directors Emeritus:

W. Warren Conolly, O.B.E., J.P.
Retired Attorney-at-Law
Grand Cayman

Peter N. Thomson
Retired Executive
Bahamas

** Member Audit Committee (Chairman: J. Bryan Bothwell)*　*+ Member Nominating and Corporate Governance Committee (Chairman: David E. Ritch)*　*^ Government Director*

Officers of the Company

Peter A. Thomson
President & Chief Executive Officer

J.F. Richard Hew
President & Chief Executive Officer (Designate)

Eddinton M. Powell
Vice-President Finance & Corporate Services & Chief Financial Officer

Robert D. Imparato
Company Secretary

Robert L. Smith
Vice-President Production & Engineering

J. Lee Tinney
Vice-President Transmission & Distribution

Note: Deborah Bergstrom, Vice-President Customer & Corporate Services, resigned from the Company effective May 2, 2005

Shareholder and Corporate Information

Shareholders

Registered shareholders as of April 30, 2005 were as follows:

Class of Shares	*Shareholders*	*Shares Held*
Class A Ordinary Shares	1,705	25,024,351
9% Class B Preference Shares	122	250,000

1,484 Class A Ordinary registered shareholders holding approximately 27% 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. Fortis Energy (Bermuda) Ltd., a wholly owned subsidiary of Fortis Inc., holds 9,301,395 Class A Ordinary Shares, or 37.2% of the outstanding shares.

Annual General and Special Meeting

Shareholders of Caribbean Utilities Company, Ltd. are invited to attend the Annual General and Special Meeting of the Company to be held Thursday, August 25, 2005 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 in March, June, September and December. Record dates are normally three weeks prior to payable dates.

Class B Preference Shares:
Quarterly dividends are paid on the last day of January, April, July and October. Record dates are normally three weeks prior to payable dates.

Dividend Reinvestment Plan

The Company offers a Dividend Reinvestment Plan to Class A Ordinary and Class B Preference shareholders. Dividends may be reinvested in additional Class A Ordinary Shares. A copy of the Plan and enrolment form may be obtained by writing or calling either of the Company's Registrar and Transfer Agents (addresses and telephone numbers in right column).

Customer Share Purchase Plan

The Customer Share Purchase Plan (CSPP) was launched in January 1995 and provides an opportunity for customers resident in Grand Cayman to 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

Appleby Spurling 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: investor@cuc.ky
(Acting as co-agent)

Toronto Stock Exchange Listing

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

Registered Office

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

In Appreciation

Peter A. Thomson

CUC's Board of Directors, management and employees pay tribute to Peter A. Thomson, who will retire as President and Chief Executive Officer after 19 years with the Company at the Annual General and Special Meeting scheduled for August 25, 2005.

Mr. Thomson was appointed President and Chief Executive Officer and elected to the Board of Directors in 1986. We are very grateful for his many contributions to CUC throughout his tenure as C.E.O. He has led the Company through several milestone events, including the initial public offering in 1990, our high growth during the 1990s and our strategic equity partnership formed with Fortis Inc. in 2000.

We wish Mr. Thomson well in his retirement, and we are pleased that he will continue as a director and special consultant.