"Pop, pop, pop.. pop... pop.... pop! As the lights in George Town got dimmer and dimmer and finally went out with the last pop." That was how a visitor to Grand Cayman in 1947 described the shutting down of the town generator every evening at 11 pm.

In those days the Island had no official public electricity; most inhabitants got by with candles and oil lamps, except that some George Towners, belatedly enjoying one of the 20th century's amenities, had their homes hooked-up to the "town generator" that dispensed the new-fangled electricity for lighting perhaps one or two 40-watt bulbs between 6 and 11 pm each evening. But anyone who has ever lived with candles and oil lamps appreciates what an improvement even limited electricity can be, and for this wonderful boon George Towners had to thank two brothers, Ed and Charlie Hislop.

Local entrepreneurs, Ed and Charlie owned that generator and among other things, also ran an ice-making plant. They first located their generator at Hog Sty Bay on the water-front but later, possibly with nor'westers in mind moved it farther inshore to a site where Barclays Bank Building now stands. Little is now remembered about the technical or commercial details of the Hislops' primitive electrical system, or how it related to the Electricity Law which has existed in the Islands since 1934; but apparently the brothers did at one time have big plans for it, even running a line out to West Bay, for which, it is said, they used some galvanized steel wire!"

Excerpt from the late Edwin J. "Ted" Bowyer's writings on the beginning of electricity in Grand Cayman.

40 YEARS POWERING CAYMAN'S SUCCESS

INVESTOR IN PEOPLE

ISO 14001

QMI REGISTERED

014235
North Sound Road Site

You've got the power

Caribbean Utilities Company, Ltd.
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P.O. Box 38
Grand Cayman KY1-1101
CAYMAN ISLANDS
Tel: (345) 949-5200
Fax: (345) 949-5203
E-mail: investor@cuc.ky
Website: www. cuc-cayman.com

Caribbean Utilities Company, Ltd.

2007 Annual Report

"Celebrating 40 Years in Paradise"

General Data

Cover and Report Feature

May 2006 marked the beginning of our 40th year of powering Grand Cayman... our piece of sea, sand and sun. Living in the Caribbean, we are very fortunate to be surrounded by the best nature has to offer; the warmth of the sun, the white sand under our feet and the alluring crystal clear waters of the dazzling Caribbean Sea. It's the envy of all to be working in the vicinity of the Seven Mile Public Beach featured on the cover, with the cool tropical breezes in your face together with the view of the sea, sand and colourful cabanas, built with CUC's assistance, and the attractive playground, installed by CUC.

No one, not even the heralded Hislop brothers of the 1940's (see back cover) with their "town generator", who are unofficially labelled as the "fathers" of electricity in Grand Cayman, could have envisioned where we are 60 years later.

On May 10, 1966, Caribbean Utilities Company, Ltd. (CUC) was formed and backed by investors, themselves frequent vacationers who became genuinely fond of the Island and its people. CUC inherited 1,350 kiloWatts (kW) of available capacity, and today, the Company has an available capacity of 139.5 megaWatts (MW), experienced a peak load of 90.39 MW in June 2007 and provides electricity to over 22,700 customers.

As a tribute to employees who have played an integral part in CUC's existence throughout the years, some of whom are still with the Company, we have delved into our archives and selected an assortment of vintage black and white photographs depicting events, happenings and communal moments. In addition, we've added a time line highlighting certain memorable moments and comments in the Company's history.

Enjoy the journey!

Contents

About the Cayman Islands

The Cayman Islands, a United Kingdom Overseas Territory with a population of approximately 52,000, are comprised of three islands: Grand Cayman, Cayman Brac and Little Cayman. Located about 150 miles south of Cuba, 460 miles south of Miami and 167 miles northwest of Jamaica, the largest island is Grand Cayman with an area of 76 square miles. A Governor, presently His Excellency Mr. Stuart Jack, is appointed by her Majesty the Queen. A democratic society, the Cayman Islands have a Legislative Assembly comprised of representatives elected from each of Grand Cayman's five districts as well as two representatives from 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 on May 10, 1966. The Company currently has an available capacity of 139.5 megaWatts (MW), including a 16 MW generating unit that was commissioned in June 2007, and a new record peak load of 90.39 MW was experienced in June 2007. Our 193 employees are committed to providing a safe and reliable supply of electricity to over 22,700 customers. CUC was directly impacted on September 11 and 12, 2004 by Hurricane Ivan, a category-four storm that caused widespread destruction across Grand Cayman and the loss of approximately 20% of the Company's transmission and distribution system. Despite facing major logistical challenges, we successfully completed the restoration of service to all reconnectable customers on Grand Cayman on November 30, 2004, which was within the 90-day period we projected following the hurricane. The Company has been through many challenging and exciting periods but has kept pace with Grand Cayman's rapid development for over 40 years. Today we are considered one of the most reliable and efficient power companies in the Caribbean.

CUC can be said to have been "conceived" in January 1966, when C.I. Government accepted the bid by Cayman Properties of Kentucky, although the actual birth took place April 30, 1966, on which date according to the terms of the Purchase Contract, the Underwriters-Elect "formed and brought into existence" a limited liability Company under the laws of the Cayman Islands. The take-over date was set as May 10, 1966. On that date the new Caribbean Utilities Company, Ltd., our CUC, took physical possession of "all the machinery, equipment, supplies and properties" formerly owned by Cayman Islands Public Service Co. Ltd.

[From "The History of Caribbean Utilities Company: Chapter 1: Pre-History" : Edwin J. Bowyer : CUC's General Manager (1976 - 1986)]

Upgrade of distribution lines from 4,160 volts to 12,470 volts

1967

40 Years
powering Cayman's success

Highlights

Financial Results in Brief

	2007 US$	2006 US$	% Change
Operating revenue	**158,859,861**	135,676,977	17%
Electricity sales	**96,186,436**	85,686,300	12%
Fuel factor	**58,132,332**	46,955,184	24%
Hurricane Ivan cost recovery surcharge	**4,541,093**	3,035,493	50%
Business interruption insurance	-	6,078,760	-100%
Power Plant restructuring	**3,682,332**	-	N/A
Total operating expenses	**133,812,677**	112,328,485	19%
Interest expense and preference dividends	**9,444,683**	9,212,208	3%
Earnings for the year	**18,453,818**	22,857,662	-19%
Total assets	**329,239,845**	312,993,621	5%
Total shareholders' equity	**135,353,115**	133,719,890	1%
Cash from operations	**49,642,267**	34,983,008	42%
Earnings per Class A Ordinary Share	**0.70**	0.87	-20%
Dividends per Class A Ordinary Share (paid and declared)	**0.66**	0.66	0%
Book value per Class A Ordinary Share	**5.15**	5.09	1%
Class A Ordinary Shares			
Market price: High	**13.50**	12.27	10%
Low	**11.20**	10.50	7%
Year-end	**11.45**	11.90	-4%

Performance

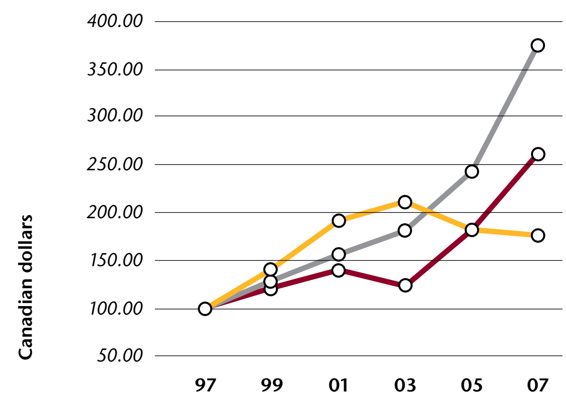
Operating revenues increased by 17% and earnings fell by 19% in fiscal 2007. Net earnings were $18.5 million, a $4.4 million decline from earnings of $22.9 million last year. This reduction in earnings was due primarily to an unusual item related to a Power Plant restructuring and a series of unexpected generator failures, partially offset by strong kiloWatt-hour sales growth and an increase in Cost Recovery Surcharge revenues. Dividends paid and declared on Class A Ordinary Shares were $0.66 per share, unchanged from fiscal 2006. The Class A Ordinary Shares (CUP.U) traded on the Toronto Stock Exchange at a high of $13.50 per share in fiscal 2007.

Rate of Exchange

The closing rate of exchange as of April 30, 2007 as reported by the Bank of Canada for the conversion of United States dollars into Canadian dollars was Cdn$1.1101 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, 2007 for the conversion of Cayman Islands dollars into Canadian dollars was Cdn.$1.3321 per CI$1.00. All dollar amounts in this Annual Report are stated in United States dollars unless otherwise indicated.

Share Performance

Comparison of 10-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.



	97	99	01	03	05	07
CUC	100.00	145.77	197.81	210.07	178.85	176.02
S&P/TSX Composite Index-Utilities (Sector)	100.00	129.44	152.37	179.89	248.34	376.94
S&P/TSX Composite	100.00	121.28	141.05	121.19	178.67	267.33

1968
Peak load: 1,510 kW
1969

To Our Shareholders

Fiscal 2007 marked our 40th year of providing electricity service to Grand Cayman, and our focus and challenges over the past year continued to be similar to those the Company faced on its first day of operation: reliably meeting strong electricity demand growth at least cost to consumers while setting high standards as a corporate citizen and delivering shareholder value.

Strong demand growth in fiscal 2007 saw the Company set a new peak demand record of 86.8 megaWatts ("MW") in October 2006, 10% above the previous year's peak of 79.0 MW. This strong growth was also reflected in energy sales, which increased by 12% to 510.6 million kiloWatt-hours ("kWh"), and strong growth was recorded in both the residential and commercial customer segments.

CUC invested $35.6 million in infrastructure to meet customer demand, including $12.5 million on the 16 MW generation expansion project that was commissioned in June 2007 and $8.0 million for a distribution system expansion to connect new customers and upgrades to serve higher loads and improve reliability.

Net earnings for the year were down by $4.4 million to $18.5 million due primarily to the disposal of the steam turbine assets at a net cost of $3.7 million and the direct and indirect costs associated with unexpected generator failures, including generator leases. The decrease in earnings is also partly attributable to the current freeze in rates to consumers in a period of rising costs to the Company. The turbine disposal will optimise our generation operations in the future, and we anticipate that more normal operating expenses coupled with strong demand growth will improve earnings in 2008.

CUC is entitled to a 4.5% rate increase on August 1, 2007 under the terms of its Licence with the Cayman Islands Government ("Government"). This increase will not be

Richard Hew, President and Chief Executive Officer, and David Ritch, O.B.E., J.P., Chairman of the Board of Directors.

1970

As of May 1, CUC had 1,677 customers

1970

Arrival of Company's second Ruston 6ATC generating unit

1971

Completion of long line extension to Bodden Town. All towns and villages east of Crewe Road were connected.

1972

To Our Shareholders

implemented, however, as the Company agreed with Government in August 2005 to freeze rates while recovering its uninsured costs from Hurricane Ivan. Management continued new Licence negotiations with Government and met regularly with its appointed negotiating team throughout fiscal 2007. CUC also met with Cabinet in May 2007 and submitted a new proposal to Government at its request in mid-June.

Fortis Inc., a diversified holding company based in St. John's, Newfoundland, Canada, became CUC's controlling shareholder in November 2006 by acquiring the Class A Ordinary Shares held by International Power Holdings Limited through Fortis' wholly-owned subsidiary, Fortis Energy (Bermuda) Ltd. Fortis will continue to provide value to CUC in terms of its extensive experience in operating regulated electric utilities in many jurisdictions. We remain grateful for the role that the Fortis group played in the successful restoration of service on Grand Cayman following Hurricane Ivan.

Corporate governance remains a priority at CUC, as we continue to adhere to our governance philosophy of fairness, transparency, empowerment, accountability and commitment with ethical standards. We believe that these practices lead to the creation of the right corporate culture in which the Company is managed in a manner that fulfills the purpose of corporate governance. CUC's management ensures that policies and practices meet or exceed applicable legal and regulatory requirements, and we continuously monitor all proposed new rules and modify our policies and practices to meet any additional requirements. We are pleased to report that as of April 30, 2007, we are on track to file full Chief Executive Officer and Chief Financial Officer certifications after fulfilling the applicable requirements set by the Canadian Security Administrations ("CSA").

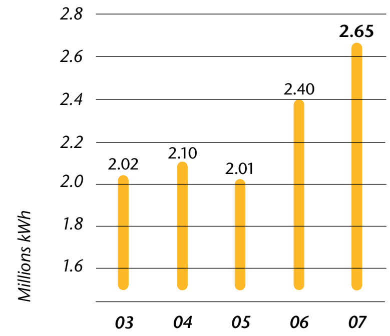
Year-end customer reliability improved to 99.93% as measured by the Average Service Availability Index, compared with 99.86% for fiscal 2006, despite the concurrent failures of three generators representing 29.4 MW of generating capacity during the year. The loss of capacity was mitigated by importing temporary leased generation and therefore had minimal effect on customer reliability. This action once again demonstrated our commitment to reliability of service. The capacity lost during the year has been successfully restored, and with our 16 MW generation expansion commissioned in June 2007, we expect to have adequate capacity to reliably serve our customers over the next two years. The Company anticipates needing additional capacity by summer 2009.

We also recommenced the construction of the Frank Sound/Rum Point transmission line during the year, which, when completed in fiscal 2008, will complete the eastern transmission loop for improved reliability to customers in the eastern districts.

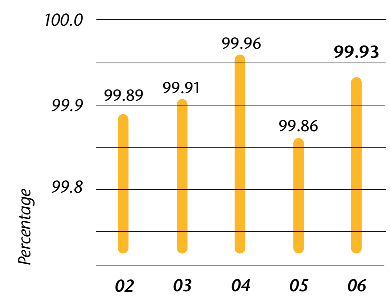
High fuel costs continued to significantly impact electricity costs to consumers in fiscal 2007. CUC's purchase price of its low sulphur diesel fuel averaged $2.92 per imperial gallon for the year compared to $2.82 in fiscal 2006 and $1.75 in 2004, prior to the global rise in oil prices. CUC's base customer tariff remains at 2002 levels, but the increasing fuel costs and related customer surcharge has led to an approximate 25% increase in overall costs to consumers. Despite the high fuel costs and their impact on the kWh price to customers, we attained a respectable 84% customer satisfaction level in our annual customer survey conducted last spring.

We continue to promote and educate customers on the benefits of energy conservation and are committed to staying abreast of emerging technologies with the view of being flexible and proactive in moving to any viable alternate

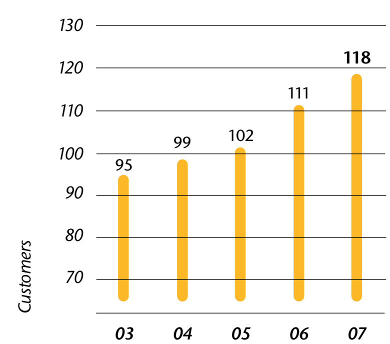
Sales per Employee
(millions of kWh)



System Availability
(data for years ended December 31)



Customers per Employee
(number of customers)



1972
Price of fuel supplied to CUC increased from 15¢ to 52¢ per imperial gallon

1973

To Our Shareholders

fuel or energy source. Ocean Thermal Energy Conversion (OTEC) and wind turbines have potential on a large-scale commercial basis, although we are disappointed in the slow pace of development of the former on the Island. We are also currently evaluating the technical and commercial aspects of customer-owned "on-grid" solar electric systems.

The employment of renewable, environmentally-friendly energy sources is also in keeping with our commitment under our environmental policy of minimising the impact of our operations on the environment. CUC was successful in the recertification audit of its Environmental Management System and received its ISO 14001:2004 Certificate of Registration on May 29, 2007 valid for a period of three years.

CUC's safety performance for the year was also exceptional, with only five days lost and no incidents of serious or debilitating injuries. Of course, we would prefer zero accidents, but in practical terms, this is an excellent result driven by our proactive efforts in establishing a safety management system and investing in technical and safety expertise and training. We were very active in fiscal 2007, with trades and apprenticeship programmes in the Transmission and Distribution and Production Divisions and an information technology skills upgrade in all areas of the Company. In total, we invested over 12,000 man-hours of training for the year.

Our employees continue to make a positive difference in the community through voluntary service, and we contributed over 3,100 hours this year to civic causes such as the rebuilding of 10 cabanas and restoration of the playground equipment at the Seven Mile Public Beach and providing volunteers to assist with the CUC-sponsored Primary Football League. We continue to play a leading role in community involvement and corporate responsibility, as we truly believe that a stronger community leads to a stronger Company.

We congratulate the 19 employees and one director who collectively completed a total of 395 years of service to the Company in fiscal 2007. These individuals were honoured at our Annual Long Service Awards ceremony in May. The CUC family was also saddened by the passing of Mr. Edwin J. "Ted" Bowyer, our former General Manager, in December 2006.

We wish to acknowledge Eddinton Powell, Senior Vice-President Finance & Corporate Services & Chief Financial Officer, who leaves the Company in July 2007. We thank him for his dedicated service and valuable contributions over his 25 years with CUC and wish him and his family the very best as he moves to take up his new challenge as Chief Executive Officer of Provo Power in the Turks and Caicos Islands.

We thank our employees, customers, business partners, shareholders and the Board of Directors for another successful year and for their continued support. We look forward to 2008 with optimism that we will continue to build our Company to deliver long-term benefits to all of our stakeholders.

David E. Ritch, O.B.E., J.P.,
Chairman of the Board of Directors

J.F. Richard Hew,
President & Chief Executive Officer

June 29, 2007

Celebrating Our Employees

Employees recently honoured at the Company's Annual Long Service Awards Ceremony for their contribution to the Company and to the community included (back row, from left) Hortor Wood, Darren Whittaker, Clinton Stewartson, Peter A. Thomson (Director), Geovany Rodriquez, Heber Rankine, Dave Thompson, Gary Whittaker, Caren Thompson and Ken Bell; (front row, from left) Robert Whorms, Alvin McLaughlin, Duane Wood, Angella McLean, Albert McLean, Lisa Galbraith, Yvonne Jervis, Tania Ebanks and Rodney Welcome.

A quota of 45,000 barrels of fuel oil per year was placed on the Company

1974

Net earnings for the year were $398,535

1975

Management's Discussion and Analysis

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

The following management's discussion and analysis ("MD&A") should be read in conjunction with the Caribbean Utilities Company, Ltd. ("CUC" or "the Company") financial statements included in the Company's 2007 Annual Report. The material has been prepared in accordance with National Instrument 51-102 relating to Management's Discussion and Analysis. CUC includes forward-looking statements in this material. By their very nature, forward-looking statements are based on underlying assumptions and are subject to inherent risks and uncertainties surrounding future expectations generally 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 and weather. CUC cautions readers that should certain events 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. Additional information in this MD&A has been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and is presented in United States dollars unless otherwise specified. The financial statements and MD&A in this Annual Report were approved by the Audit Committee.

Corporate 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"), which expires in January 2011. Under the terms of the Licence, the Company is permitted to earn an annual rate of return on its rate base of 15%.

On May 22, 2007, the Company submitted to Government its Interim Return containing its year-end 2007 unaudited results indicating that, subject to final audit and review by Government, the Company, under its current Licence, is entitled to a 4.5% rate increase effective August 1, 2007. This shortfall on Return on Capital Employed ("ROCE") is primarily a result of increased operating expenses and investment in fixed assets. CUC will not seek to implement this rate increase, as it agreed with Government that it would freeze basic rates during the period of the Hurricane Ivan ("the hurricane") Cost Recovery Surcharge ("CRS").

On November 7, 2006, the Company announced that its majority shareholder Fortis Inc., through its wholly-owned

2007 Financial and Operational Highlights

(in $ unless otherwise stated)

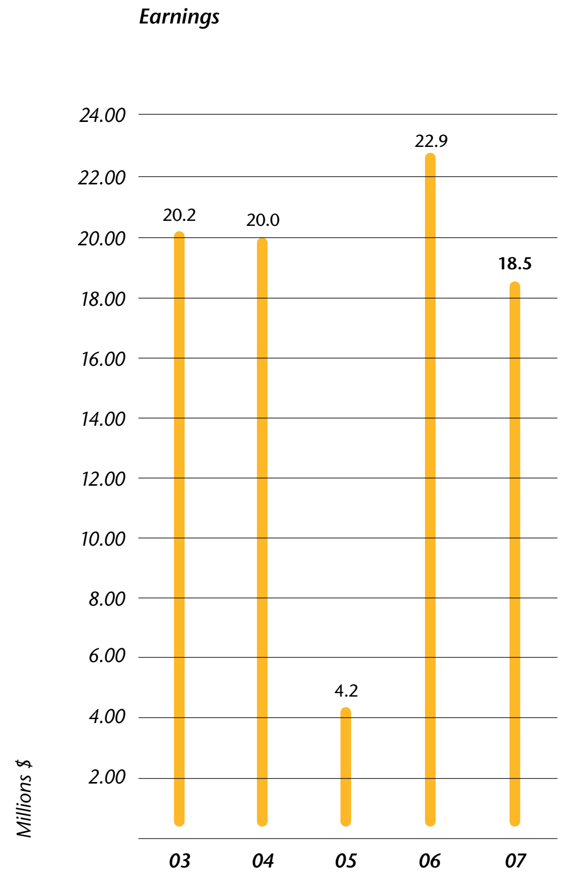
	2007	2006	Change	Change %
Operating revenues	**158,859,861**	135,676,977	23,182,884	17%
Hurricane Ivan Cost Recovery Surcharge	**4,541,093**	3,035,493	1,505,600	50%
Power Plant restructuring	**3,682,332**	-	3,682,332	N/A
Total operating expenses	**133,812,677**	112,328,485	21,484,192	19%
Earnings for the year	**18,453,818**	22,857,662	(4,403,844)	-19%
Earnings per Class A Ordinary Share	**0.70**	0.87	(0.17)	-20%
Dividends paid per Class A Ordinary Share	**0.66**	0.66	-	Nil
Peak load gross (MW)	**86.83**	79.04	7.79	10%
Net generation (millions of kWh)	**546.07**	485.52	60.55	12%
KiloWatt-hour sales (millions of kWh)	**510.64**	456.04	54.60	12%
Total customers	**22,768**	21,115	1,653	8%

Mr. Bob Odear in a letter dated March 29, 1976 told the Governor of the Cayman Islands, the Hon. Mr. Thomas Russell: "The officers of Caribbean Utilities Company have been approached by a group of Canadian businessmen and financiers who are interested in the Cayman Islands in general and in particular they are interested in Caribbean Utilities Co. Ltd. As Managing Director of Caribbean Utilities Company (CUC), I feel that it is my duty to pass this offer on to our shareholders. Before doing this, however, I am addressing this letter to you so that the information comes to you from CUC directly and in advance of the details of said offer being made public..."
[From "The History of Caribbean Utilities Company: Chapter 3: 1976 - 1980: CUC Under New Management" : Edwin J. Bowyer : CUC's General Manager (1976 - 1986)]

1976

Management's Discussion and Analysis

subsidiary, Fortis Energy (Bermuda) Ltd. ("Fortis"), acquired an additional 16% of the outstanding Class A Ordinary Shares of CUC from International Power Holdings Limited ("IPHL") and four other vendors associated with IPHL. Following this purchase, Fortis controls CUC by beneficially owning 54% of the outstanding Class A Ordinary Shares of CUC. IPHL no longer holds any interest in CUC. The purchase by Fortis of the additional Class A Ordinary Shares of CUC was made in compliance with the Shareholders Agreement and Standstill Agreement entered into in connection with the increased investment of Fortis in CUC in January 2003.



Earnings

Net earnings were $18.5 million, a $4.4 million or 19% decline from earnings of $22.9 million last year. This reduction in earnings was due primarily to a Power Plant Restructuring *(see "Unusual Item" section below)* and a series of unexpected generator failures *(see "Power Generation" section on page 8)*, partially offset by strong kiloWatt-hour ("kWh") sales growth and an increase in CRS revenues.

The 12% kWh sales growth exceeded initial forecasts for the year, and was a result of robust construction and growth in the tourism and financial services sectors, the pillars of the Cayman Islands economy, and the main drivers of CUC's electricity sales growth. The CRS is applied as a fixed rate of $0.0089 cents per kWh consumed by customers.

After the adjustment for preference dividends, earnings on Class A Ordinary Shares for 2007 were $17.7 million, or $0.70 per Class A Ordinary Share, as compared to $21.9 million, or $0.87 per Class A Ordinary Share for fiscal 2006.

Unusual Item

The Company's steam turbine and boilers ("steam system") have not been operational since sustaining significant damage from the hurricane in 2004. In March 2006, the Company agreed to an insurance settlement of $3.5 million for the reinstatement of the steam system. No depreciation charge has been expensed since September 2004 on the steam system.

Given the engineering complexities of the system, it was impractical to immediately initiate a repair and restoration programme for the steam system. Significant time and resources were required for a comprehensive review of damages so as to determine the most economical and effective system restoration. Management also thought it an opportune time to undertake a strategic look at our overall Power Plant system to determine the most effective design going forward. During fiscal 2007, the results of this review process were analysed and evaluated and the Company decided to restructure its Power Plant design and not repair the steam system.

As a result of this decision, a charge of $3.2 million was recognised during the year for the disposal of these assets. This excludes approximately $1.6 million of parts such as the cooling water discharge pipeline, which are usable with our other generating assets. An additional charge of $0.5 million has been recognised for the disposal of spare parts specifically maintained for the steam system *(see "Costs Associated with the Power Plant Restructuring" table on page 7)*.

The effects of the steam system disposal are reflected in the financial results of fiscal 2007, and there will be no further disposals related to the steam system in future periods.

New Board of Directors appointed following WIPCO's acquisition
1976

Implementation of a standard schedule of deposits for all new accounts
1977

The Holiday Inn on Seven Mile Beach is connected
1978

Management's Discussion and Analysis

Sales

Electricity sales for fiscal 2007 increased 54.6 million kWh, or 12%, to 510.6 million kWh from 456.0 million kWh last year. This increase resulted from a combination of organic growth and facilities reopened following hurricane reconstruction.

During the first quarter of fiscal 2007, the Company surpassed its pre-hurricane customer base of 21,462. Total customers as at April 30, 2007 were 22,768, an increase of 8% over the number of customers at the same time last year of 21,115. An average of 138 customers was connected per month, with the majority of new customer growth coming from the residential class as new home construction remains particularly robust.

The Company's forecasted sales growth in fiscal 2008 is 8% as a result of continued growth in the residential customer class and from projects such as the 500,000 square-foot Camana Bay Town Centre, the 159,000 square-foot Governor's Square Office Centre and the 89,000 square-foot Caribbean Club condominium complex.

Operating Revenues

Operating Revenues for 2007 totalled $158.9 million, a 17% increase from $135.7 million last year. This $23.2 million increase was driven by a 12% increase in electricity sales revenues, a 24% increase in fuel factor revenues (which were offset by increased fuel costs *(see "Power Generation" section on page 8)*, and a 50% increase in CRS revenues.

CRS revenues were $4.5 million during fiscal 2007 as compared to $3.0 million in fiscal 2006. As at April 30, 2007, a total of $7.6 million has been collected since the CRS implementation date of August 1, 2005, leaving $5.8 million to be recovered from customers. CRS revenues had an estimated $0.18 earnings per share impact on fiscal 2007.

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

	2007	2006	Change
Customers *(number)*			
Residential	**19,363**	17,956	8%
Commercial	**3,405**	3,159	8%
Total customers	**22,768**	21,115	8%
Sales *(in thousands kWh)*			
Residential	**238,346**	212,408	12%
Commercial	**266,957**	238,495	12%
Other (street lighting, etc.)	**5,333**	5,141	4%
Total sales	**510,636**	456,044	12%
Revenues *(in thousands of $)*			
Residential	**45,965**	40,936	12%
Commercial	**49,046**	43,733	12%
Other (street lighting, etc.)	**1,175**	1,018	15%
Cost recovery surcharge	**4,541**	3,035	50%
Fuel adjustments	**58,132**	46,955	24%
Total operating revenues	**158,859**	135,677	17%

Costs Associated with the Power Plant Restructuring

($)

	Net Book Value at April 30, 2006	Net Book Value of Salvaged Items	Book Value of Assets Disposed	Losses per Share Impact
Steam System	4,771,600	(1,576,347)	3,195,253	0.13
Inventory	487,079	-	487,079	0.02
Total	5,258,679	(1,576,347)	3,682,332	0.15

1980

Arrival of a Fairbanks Morse 2,275 kW (FM6) generating unit

1979

Site excavated for Unit 12 (Mirrlees K9 Major 4,253 kW)

1980

Management's Discussion and Analysis

Operating Expenses

Operating expenses for the years ended April 30 were as follows ($ millions):

	2007	2006	Change
Fuel and lube oil costs	**87.7**	72.8	20%
Other generating costs	**3.9**	4.4	-11%
Total power generation expenses	**91.6**	77.2	19%
General and administration	**11.7**	11.1	5%
Customer service and promotion	**1.1**	1.3	-15%
Transmission and distribution	**2.2**	1.6	38%
Depreciation and amortisation	**15.1**	13.6	11%
Maintenance	**8.4**	7.5	12%
Power Plant restructuring	**3.7**	-	N/A
	42.2	35.1	20%
Total operating expenses	**133.8**	112.3	19%

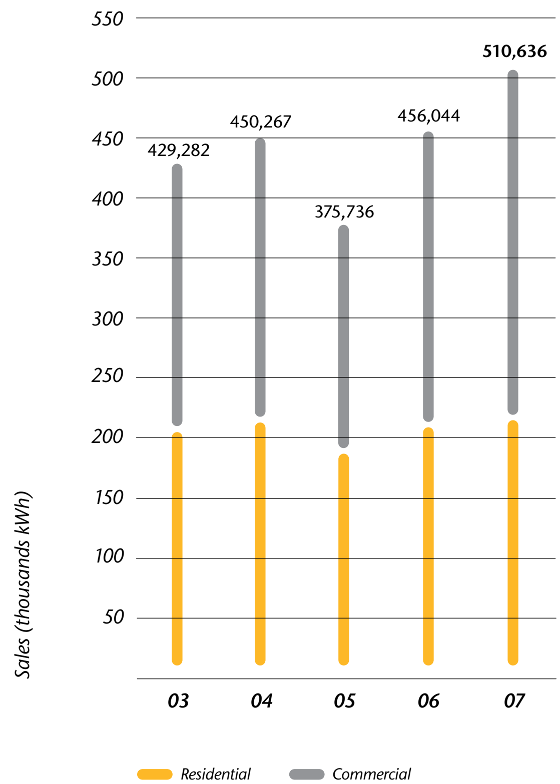
Total operating expenses increased 19% year-over-year to $133.8 million from $112.3 million in fiscal 2006. This increase was a result of the Power Plant restructuring *(see "Unusual Item" section on page 6)*, higher power generation, general and administration, transmission and distribution ("T&D") and maintenance expenses.

Power Generation

Power generation expenses increased $14.4 million, or 19% to $91.6 million in fiscal 2007 from $77.2 million last year. This increase was driven by higher production levels and higher fuel prices. The Company experienced a 12% year-over-year increase in kWh generation growth from 485.5 million kWh to 546.1 million kWh. A new peak load of 86.8 megaWatts ("MW") was achieved in October 2006, a 10% increase over last year's peak of 79 MW. Power generation expenses for the years ended April 30 were as follows ($ millions):

	2007	2006	Change
Fuel	**86.9**	74.2	17%
Lube	**1.7**	1.3	31%
Deferred fuel	**(0.9)**	(2.7)	-67%
Leased generation	**0.7**	1.7	-59%
Other	**3.2**	2.7	19%
Total	**91.6**	77.2	19%

Residential and Commercial Sales



The average fuel price for the year ended April 30, 2007 was $2.92 per imperial gallon ("IG") compared to an average of $2.82 per IG for the year ended April 30, 2006. CUC's Licence with 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 customers. Power generation expenses comprise 68% of CUC's total operating expenses.

During fiscal 2007, rising average fuel prices have resulted in the Company's deferral of $0.9 million of recoverable fuel costs (2006: $2.7 million). The Company defers excess fuel costs above the base price until they can be collected from customers on a two-month delay basis. Large swings in this account, although normal, occur infrequently. For any particular period the impact is timing in nature.

Higher production levels and rising prices also resulted

Peak load in December was 13,430 kW

1981

At April 30, generating capacity was 19.634 MW

1982

1982

40 Years
powering Cayman's success

Management's Discussion and Analysis

in a 31%, or $0.4 million, increase in lube oil costs to $1.7 million in fiscal 2007 from $1.3 million in fiscal 2006. The average lube oil price for the year ended April 30, 2007 was $7.79 per gallon compared to an average of $6.65 per gallon for the year ended April 30, 2006.

CUC leased 11.4 MW of mobile capacity in the aftermath of the hurricane. Total expenses related to these rental units were $1.7 million for the year ended April 30, 2006, net of $0.5 million recovered from the insurer. An additional $0.2 million of leased generation expenses, including shipping costs, was incurred during the first quarter of fiscal 2007. All of these rental units were returned by July 2006 as CUC's-owned generation was brought back online and with the addition of the newly installed 8.4 MW gas turbine unit.

Due to the unexpected failures of three of the Company's generating units with a total capacity of 29.4 MW, during fiscal 2007 CUC entered a new lease agreement for four mobile units with a total capacity of 5.6 MW. This was done to meet current and summer demand until repairs were completed and the new MAN B&W 16 MW generating unit commissioned.

Total expenses incurred during fiscal 2007, relating to the rental of the four units were $0.5 million. In late fiscal 2007 the Company opted to purchase two of the mobile units, which will be used as necessary to maintain reliability levels. By the end of fiscal 2007, 25.7 MW of the failed capacity had been recovered and the Company's total installed capacity is currently at 139.5 MW, including the new 16 MW generating unit that was commissioned in June 2007.

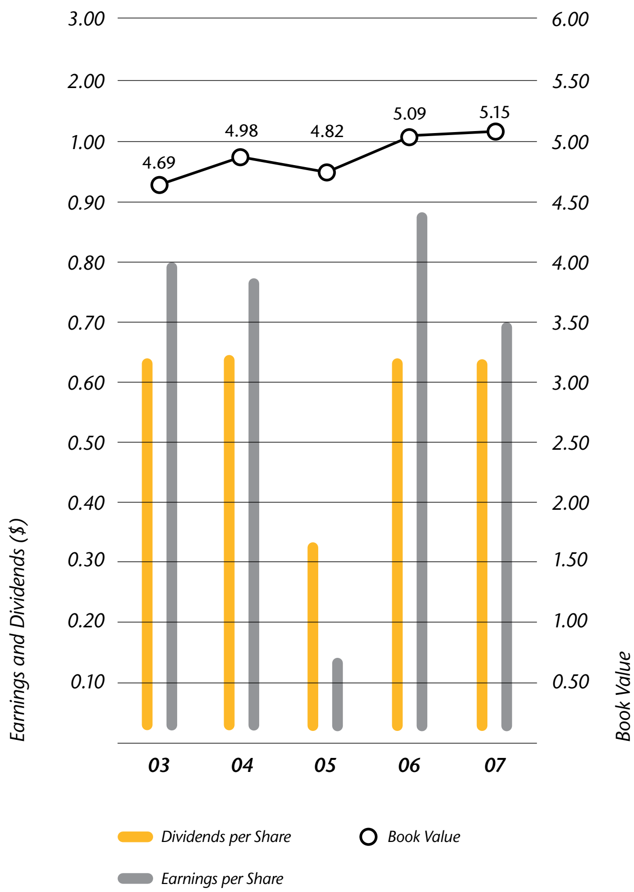
General and Administration

General and administration expenses for fiscal 2007 of $11.7 million increased $0.6 million or 5% from $11.1 million for last year. These increases are due primarily to higher insurance premiums and Government turnover fees partially offset by lower consulting fees which declined significantly following the settlement of the hurricane insurance claim.

The Licence with the Government requires the Company to pay a turnover fee of 5/8 of 1% per annum based on the previous year's revenue, as defined in the Licence. The fiscal 2007 turnover fee of $0.9 million was based upon fiscal 2006 revenues of $143.1 million. This is an increase of 50%, or $0.3 million, over the fiscal 2006 turnover fee of $0.6 million which was based upon fiscal 2005 revenues of $101.9 million.

Total insurance premium expenses increased $0.2 million from $3.2 million to $3.4 million for fiscal 2007. In July 2006 the Company renewed its business interruption ("BI"), machinery breakdown and property insurance with major international insurers at a premium of $3.2 million.

Earnings, Dividends and Book Value per Class A Ordinary Share



Insurance Coverage

Terms and coverages 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 assets outside of 1,000 feet from the boundaries of the main plant and substations are excluded, as the cost of such coverage is not considered economical. There is a single event cap of $100 million. Each "loss occurrence" is subject to a deductible of $1 million, except for windstorm (including 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's insurance policy includes BI which covers losses resulting from the necessary interruption

1983 — Number of customers was 7,174

1984 — Construction commenced on the North Sound to Bodden Town 69 kV line

1985 — Employees numbered 89 with 87% being Caymanian

1986 — The Company's Licence was renewed for a further 25 years

Management's Discussion and Analysis

of business caused by direct physical loss or damage to CUC's covered property and loss of revenues resulting from damage to customers' property.

The Company has renewed its insurance policy for fiscal 2007/2008 on similar terms as in previous years.

Consumer Service and Promotion

Consumer service and promotion expenses for fiscal 2007 of $1.1 million decreased 9%, or $0.2 million from $1.3 million in fiscal 2006. This decline was a result of an adjustment of $0.2 million to the Company's provision for bad debts.

In fiscal 2005, CUC expensed an additional $0.4 million for the provision of bad debts in anticipation of losses related to the hurricane. After a thorough review of the Company's customer base in 2006, $0.3 million of these expected losses actually materialised and were subsequently written-off against the provision. In fiscal 2007 the provision was reduced to normal pre-hurricane levels which resulted in a reduction in expenses.

Transmission and Distribution

T&D expenses in 2007 increased 33%, or $0.6 million, to $2.2 million from $1.6 million last year. In fiscal 2006, T&D expenses were adjusted to record gains of $0.8 million for the hurricane settlement on T&D equipment. If not for that adjustment, T&D maintenance for fiscal 2006 would have totalled $2.4 million.

The 8% decrease from the fiscal 2006 T&D maintenance (not including the adjustment for gains on the hurricane settlement) is reflective of the T&D Division's focus on capital projects in fiscal 2007. For fiscal 2008, the Company is currently projecting a 70% increase in T&D expenses over 2007 as a result of the T&D division's cyclical maintenance programme.

Depreciation and Amortisation

Depreciation and amortisation ("D&A") expenses of $15.1 million increased $1.5 million, or 11%, from $13.6 million last year. This increase was a result of new growth-related capital expenditures *(see "Capital Expenditures" section on page 14)*. The Company expects to see continued increases in D&A expenses based upon current capital expenditure projections.

Maintenance

Due primarily to the impact of a series of unexpected generator failures during fiscal 2007 *(see "Power Generation" section on page 8)*, maintenance expenses increased 12%, or $0.9 million to $8.4 million from $7.5 million last year. Total estimated cost of the failures was $1.0 million. In addition, the Company recognised a gain of $0.3 million in 2006 on the insurance settlement for pre-1990 assets damaged during the hurricane.

Other Income and Expenses

Interest expenses increased $0.2 million, or 2%, to $9.4 million in fiscal 2007 from $9.2 million last year. This increase is due primarily to additional interest on short-term borrowings, partially offset by the impact of a refinement to the Company's interest capitalisation policy.

The Company's policy has been to capitalise interest on major construction projects, which is included as a cost in the appropriate capital assets account until the asset is available for service. During fiscal 2007, the Company refined its policy to capitalise interest on all significant construction projects. Accordingly, during fiscal 2007 the Company recorded capitalised interest of $0.2 million on its 2007 distribution system customer connection projects. These projects have an average construction period of three months. Refinement of this policy is not considered to have a material impact on net income reporting in prior periods. Interest expenses for the years ended April 30 were as follows ($ millions):

	2007	2006	Change
Total interest costs	**10.6**	9.8	8%
Capitalised interest	**(1.2)**	(0.6)	100%
Net interest expense	**9.4**	9.2	2%

In late 2006 the Company agreed to a settlement on the insurance claim with the insurer. BI proceeds on the hurricane claim amounted to $6.1 million in fiscal 2006. There were no BI proceeds recorded in fiscal 2007.

Foreign exchange gains increased 25% to $1.5 million for fiscal 2007 from $1.2 million for fiscal 2006. These higher gains were primarily the result of increased purchases of United States dollars to meet the Company's obligations for fuel, loan repayments, loan interest and dividends.

The Economy

The Cayman Islands' economy remains robust due to the continued recovery of the tourism sector, the near completion of hurricane reconstruction efforts and the continued expansion of the financial services sector. Government forecasts indicate real gross domestic product ("GDP") growth estimated of 3.5% for the 2007/2008 (2006/2007: 4.2%) period. The 2007/2008 forecast for unemployment is 3.6% (2006/2007: 3.1%) and inflation is expected to remain modest at 3.5% (2006/2007:3.5%).

In its August 2006 report, Moody's Investors Service raised the ratings for the Cayman Islands to Aaa and Aa3 which are

In consequence the demand for electricity has risen on average 15% annually throughout the period. To keep pace with this would have taxed any organisation: foresight, meticulous planning and massive investment were all necessary. It is a tribute to the Company that everybody here (Grand Cayman) takes the reliability of the supply for granted. They (CUC) deserve to be congratulated on a remarkable performance.

[From "The Governor's Message" : His Excellency the Governor Mr. George Peter Lloyd, C.M.G., C.V.O. : CUC's 1986 Annual Report]

1986

Management's Discussion and Analysis

equivalent to exceptional and high-grade ratings. The ratings are based on the Islands' macroeconomic performance; political and social developments; the state of the Government's finances and its debt position; and the Islands' ability to withstand external shocks. These exceptional and high-grade ratings place the Cayman Islands on par with the United Kingdom, the United States and Canada.

In a measure of the underlying growth of Cayman's financial services industry, a new report from HedgeFund.net in the United States has found that total hedge fund assets worldwide enjoyed double-digit growth in the first quarter of 2007. Researchers estimated total assets to have increased by 11.5% to reach some $2.4 trillion, compared to the previous quarter. The substantial rise in total assets was the largest quarterly increase on record. New assets flowing into the industry were estimated at $168.6 billion and fund performance increased total assets an additional $78.9 billion. The Cayman Islands is one of the leading jurisdictions in the hedge fund industry with more than 8,000 registered hedge funds as of September 2006. Some of the other key drivers of financial services activity are shown in the *"Growth in Financial Sector"* table below.

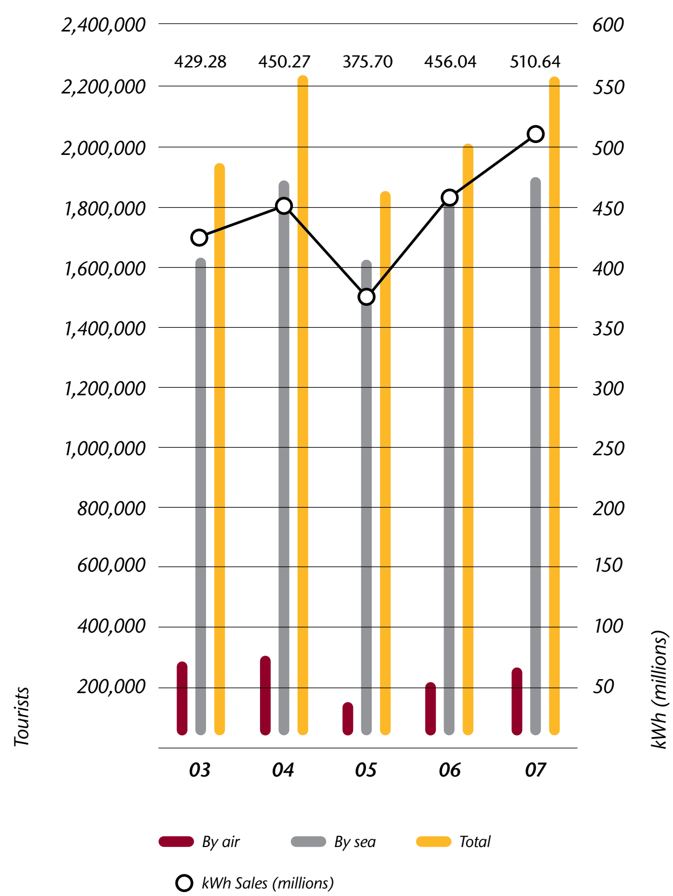
Tourist arrivals increased 9% from 2,051,497 for 2006 to 2,231,485 for 2007. This increase is comprised of a 28% increase in air arrivals, rebounding following the hurricane-related declines, and a 7% increase in cruise arrivals.

The following table presents tourist statistics for the years ended April 30:

Arrivals	**2007**	2006	2005	2004	2003
By Air	**276,016**	215,828	188,103	307,154	298,723
By Sea	**1,955,469**	1,835,669	1,663,168	1,938,060	1,676,652
Total	**2,231,485**	2,051,497	1,851,271	2,245,214	1,975,375

Source: Department of Tourism, Cayman Islands

Tourism and Sales



Growth in the construction sector also remains strong and the Company expects to add 1,800 customers during fiscal 2008. Recent Government concessions, such as lowering the stamp duty for first-time Caymanian purchasers of property,

Growth in Financial Sector

(data for years ended December 31)

	2006	2005	2004	2003	2002
Bank and Trust Licences	291	312	322	471	508
Registered Companies	83,532	74,905	70,133	68,078	65,259
Mutual Funds	8,134	7,106	5,894	4,808	4,285
Mutual Fund Administrators	153	155	173	195	230
Captive Insurance Companies	740	733	694	644	600

Source: Cayman Islands Monetary Authority and The Registrar of Companies

A 20,000 barrel storage tank was completed

1987

The fuel pipeline between the Power Plant and Jackson Point was completed

1988

Management's Discussion and Analysis

has resulted in many Caymanians seizing the opportunity to become home and property owners. Over 1,400 residential customers were connected during 2007, an 8% increase from last year.

The office building, apartment and retail store phase of the 300-acre Camana Bay Town Centre should be ready for occupancy in summer 2007. The Camana Bay development will span three decades and will comprise a private international school (opened in the fall of 2006), shops, offices, restaurants, residences and a multi-screen cinema. A boutique hotel, supermarkets, banks and a post office are also planned for the future development stages.

The 37-unit Caribbean Club high-end condominium project and the Bank of Butterfield's seven-storey building in the capital of George Town are nearing completion and are expected to contribute significantly to CUC's growth projections for fiscal 2008. Other major commercial developments include the 45-unit Residences at Beach Bay (construction scheduled to start before the end of 2007) and The Waterford residence club (construction scheduled to start in summer 2007).

The Government continues to build much-needed infrastructure to support the growing Cayman Islands economy. The Government's 2007/2008 capital expenditure forecasts include $42 million for new schools; $21 million on a new Government Office Accommodation project; $6.0 million for a new hurricane shelter and an emergency facility; and $16 million for road extension and road surface upgrade projects (source: Financial Secretary's 2007/2008 Budget Address to the Legislative Assembly).

Liquidity and Capital Resources

The following table outlines the summary of cash flow for the years ended April 30 (in $ millions):

	2007	2006
Cash, beginning of period	**0.6**	1.0
Cash provided by (used in)		
Operating activities	**49.6**	35.0
Investing activities	**(35.5)**	(33.9)
Net financing activities	**(7.8)**	(1.5)
Cash, end of period	**6.9**	0.6

Operating Activities

Cash flow from operations, after working capital adjustments, for fiscal 2007 was $49.6 million, a $14.6 million increase from $35 million for fiscal 2006. The increase in cash from operations was primarily driven by receipt of payment on the insurance receivable balance of $9.1 million and a $4.9 million increase in the Accounts Payable and Accrued Expenses balance during 2007, partially offset by lower earnings year-over-year.

Investing Activities

For the year ended April 30, 2007, $35.5 million was invested in the purchase of property, plant and equipment which led to an increase in cash used in investing activities of $1.6 million to $35.5 from $33.9 million last year. Capital expenditures for 2006 included $9.7 million for the reconstruction of the insured assets damaged by the hurricane. 2007 capital expenditures were primarily growth-related and included the MAN 16 MW generating unit and the extension and upgrade of the Company's distribution system *(see "Capital Expenditures" section on page 14)*.

Financing Activities

Cash used in financing activities increased $6.3 million to $7.8 million for 2007 from $1.5 million for 2006. This increase in cash used in financing activities is primarily the result of a decline in net debt proceeds (including bank overdraft) from $13.4 million in 2006 to $9.1 million in 2007. In addition, proceeds from the issue of ordinary share capital declined $2.0 million year-over-year. The Company's $10.05 options expired in June 2005, 191,601 of which were exercised for the period commencing May 1, 2005 and ending on the expiry date. Conversely, a total of 48,637 shares were issued for the year ended April 30, 2007.

Fiscal 2006 proceeds from debt financings were a combination of an $18.5 million drawdown on the Company's capital expenditures credit facility with the Royal Bank of Canada ("RBC") and the issuance of 15-year 5.96% $30 million Senior Unsecured Notes. The proceeds of the long-term debt were used to repay borrowings under the RBC credit facilities.

2007 debt proceeds resulted from a 7% $15 million demand note agreement in January 2007 with the Company's majority shareholder, Fortis, and $10 million of short-term borrowings under the RBC credit facilities.

Work commences on the 13 kV distribution line extension along the Queen's Highway

1989

CUC is the first Cayman Islands-based company to be listed on the Toronto Stock Exchange

1990

40 Years
powering Cayman's success

Management's Discussion and Analysis

Transaction with Related Parties

The Fortis transaction allowed the Company to affect a lower blended rate on short-term borrowings. The proceeds of the Fortis transaction were used in part to repay $6.0 million of borrowings outstanding under the RBC credit facilities. The remainder of these funds were used to finance planned capital expenditures and for general operating purposes. The Fortis loan was repaid in June 2007 from additional long-term debt *(see "Subsequent Events" section on page 20)*.

Financial Position

The table below (*"Changes in Balance Sheets"*) is a summary of significant changes to the Company's balance sheets from April 30, 2006 to April 30, 2007.

Capital Resources

The Company's principal activity as the exclusive provider of electricity in Grand Cayman, a major financial and tourism centre, requires the Company to have ongoing access to capital to build and maintain the electricity system to the community it serves. The Company's capital structure as of April 30 is shown below (in $ millions):

	2007	%	2006	%
Total debt	**165.5**	55	156.0	54
Shareholders' equity	**135.4**	45	133.7	46
Total	**300.9**	100	289.7	100

Changes in Balance Sheets

(from April 30, 2006 to April 30, 2007)

Balance Sheet Account	**Increase/(Decrease) ($ millions)**	**Explanation**
Cash	6.3	Increase is due to cash provided by operating activities of $49.6 million partially offset by cash used in investing activities of $35.5 million and cash used in financing activities of $7.8 million.
Accounts receivable - trade	0.9	Increase is due to higher consumption and higher fuel factor billings as a result of higher fuel prices.
Other receivable - insurance	(9.1)	Decrease is due to final payment received from the insurer in June 2006.
Property, plant and equipment	16.6	Net increase is comprised of capital expenditures of $35.6 million less (i) depreciation expense of $15.1 million and (ii) $3.9 million for the disposal of assets.
Other assets	1.0	Increase is due to increased deferred fuel costs as a result of higher average fuel prices.
Accounts payable and accrued expenses	4.9	Increase is due to higher fuel payables and additional property, plant and equipment accruals.
Short-term debt	17.0	Increase is a result of $2 million balance of RBC's credit facility and $15 million Fortis loan.
Current portion of long-term debt	3.0	Increase is a result of June 1, 2007 principal repayment on CUC's 6.67% Note due June 1, 2016.
Long-term debt	(10.5)	Decrease is due to principal repayments on CUC's 8.47%, 6.47% and 7.64% Senior Unsecured Notes, movement to current portion of CUC's 6.67% note and principal repayment on the 3% EIB #3 Loan.
Retained earnings	1.0	Increase is due to a net profit for the period of $18.5 million less Class A dividends of $16.7 million and Class B Preference dividends of $0.8 million.

One of two 7.5 MW Mirrlees Blackstone KV16 generating units was commissioned

1991

The Company joins the "Power Smart" group of electrical utilities founded by British Columbia Hydro

1992

New Corporate Headquarters opens in October

1993

Management's Discussion and Analysis

The change in the Company's capital structure is the result of a net increase in debt of $9.5 million partially offset by an increase in retained earnings due to fiscal 2007 earnings.

CUC's credit ratings were as follows at April 30, 2007:

Agency	Rating
Standard and Poor's	A/Negative
Dominion Bond Rating Service	A (low): Long-term Debt Pfd-2 (low) - Preferred Shares

Capital Expenditures

The electric utility business is capital-intensive. Capital investment in electrical infrastructure is required to ensure continued and enhanced performance, reliability and safety of the electricity systems and to meet customer growth. CUC maintains one of the highest levels of reliability of all electric utilities in the Caribbean region.

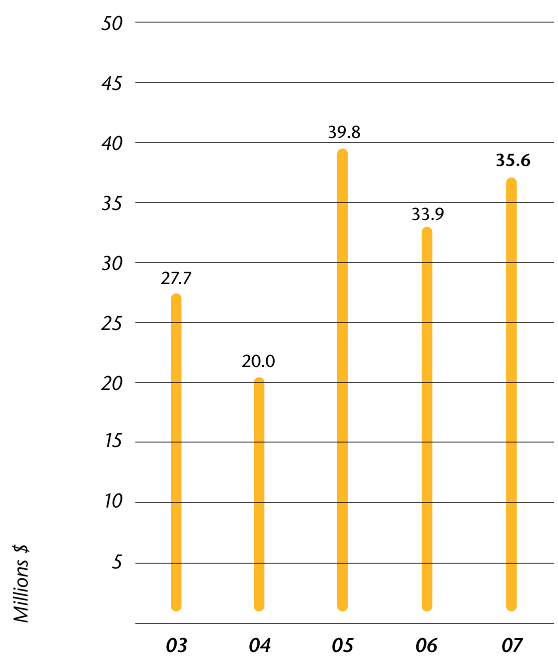
The cost of additions to property, plant and equipment is the original cost of contracted services, direct labour and related overheads, materials and interest on borrowed funds used during construction. Damaged property, plant and equipment are written-off, or appropriate provision made, where damage relates to assets that will be reconstructed.

A summary of capital expenditures for fiscal 2007 of $35.6 million is shown in the table below (*"2007 Capital Expenditures"*).

Fiscal 2007 capital expenditures were originally forecast at $38.4 million, but the Company experienced delays in its capital programme resulting primarily from the unexpected generator breakdowns *(see "Power Generation" section on page 8)*. These delayed capital projects have been moved to future periods.

A summary of projected capital expenditures for fiscal 2008 is shown in the table below (*"2008 Capital Expenditures (Projected)"*).

Capital Expenditures



2007 Capital Expenditures

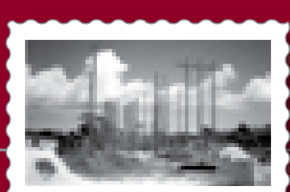
(in $ millions)

	Total
Transmission	1.7
Distribution	14.3
Generation	17.1
Information technology	0.8
Other	1.7
Total	35.6

2008 Capital Expenditures *(Projected)*

(in $ millions)

	Total
Transmission	4.0
Distribution	16.5
Generation	12.2
Information technology	1.1
Other	5.9
Total	39.7



CUC joins the Caribbean Electric Utility Services Corporation (CARILEC)

1994

New record peak load of 46.6 MW set in July

1995

Total number of customers was 14,768

1996

40 Years powering Cayman's success

Management's Discussion and Analysis

Contractual Obligations

The contractual obligations over the next five years and periods thereafter, as at April 30, 2007, are outlined in the table below (*"Contractual Obligations"*).

Credit Facilities

In November 2006 the Company renegotiated its credit facility agreement with RBC. Total credit facilities currently are as follows:

	Details
Capital Expenditures Line of Credit	$17.0 million
Operating Line of Credit	$ 7.5 million
Catastrophe Standby Loan	$ 7.5 million
Letters of Credit	$ 2.4 million
Corporate Credit Card Line	$ 0.3 million
Total	$34.7 million

Of the total above, $30 million was available at April 30, 2007. Management constantly reviews its level of credit facilities based on liquidity needs.

Off Balance-Sheet Arrangements

Disclosure is required of all off-balance sheet arrangements such as transactions, agreements or contractual arrangements with unconsolidated entities, structured finance entities, special purpose entities or variable interest entities that are reasonably likely to materially affect liquidity of or the availability of, or requirements for, capital resources. The Company has no such off-balance sheet arrangements as at April 30, 2007.

Business Risks

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

Licence Negotiations

Negotiations continue with Government for the renewal of the Company's Licence. The Company's current Licence remains in full force and effect until January 2011 or until replaced by a new Licence by mutual consent.

Economic Conditions

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

Weather

CUC'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.

Future Accounting Pronouncements

New accounting standards for comprehensive income, financial instruments and hedges have been issued by the Canadian Institute of Chartered Accountants ("CICA"). The

Contractual Obligations

(year ended April 30)
(in $ millions)

	Total ($)	< 1 Year ($)	1 to 3 Years ($)	4 to 5 Years ($)	> 5 Years ($)
Total debt repayments	165.5	27.5	38.5	31.0	68.5
MAN B&W 16 MW generating unit	8.6	8.6	-	-	-
Land purchases	9.1	9.1	-	-	-
Total	183.2	45.2	38.5	31.0	68.5

There's a saying that 'if a person has something and doesn't know it, he can lose it and not miss it.' We didn't have it, we didn't know it so we didn't miss it back then. I am referring to that vital commodity called electricity, which today's generation takes for granted and probably couldn't survive without. Electrical service in the early days was limited because of the lack of funding, and there were many blackouts because of the unreliability of the engines. Ever since electricity became available, I have seen dramatic changes in lifestyles on the Island. [Warren W. Conolly, O.B.E., J.P. : Director Emeritus : Comments from 1996 Annual Report]

1996

Management's Discussion and Analysis

new standards were intended to harmonise Canadian GAAP with United States GAAP and with International Financial Reporting Standards, and are effective for the Company for the fiscal year beginning May 1, 2007.

The new comprehensive income standard (CICA Handbook Section 1530) provides guidance for the reporting and display of other comprehensive income. Comprehensive income is the change in equity of an enterprise during a period from transactions and other events and circumstances from non-owner sources. It includes all changes in equity during a period except those resulting from investments by owners and distributions to owners. Amounts recognised in other comprehensive income must eventually be reclassified into the income statement and these reclassifications are to be disclosed separately. Examples of some items that would be included in other comprehensive income are changes in the fair value of available for sale assets and the effective portion of the changes in fair value cash flow hedging instruments. As the Company currently does not have any hedging instruments and will not be designating any financial assets as available for sale, the Company does not expect to have any adjustments recognised through comprehensive income upon adoption of this new standard.

The financial instruments standards (CICA Handbook Sections 3855 and 3861) address the criteria for recognition and presentation of financial instruments on the balance sheet and the measurement of financial instruments according to prescribed classifications. The standards also address how the financial instruments are measured subsequent to initial recognition and how the gains and losses are recognised. All financial instruments, including derivatives and derivative features embedded in financial instruments or other contracts but which are not closely related to the host financial instrument or contract, are initially recorded at fair value. The Company reviewed its contracts for embedded derivatives and it is expected that the value of any derivatives will not be material.

Under the new standards, deferred financing costs are no longer recognised as a deferred charge and the Company expects to recognise unamortised deferred financing costs as part of its debt balances. These costs are required to be amortised using the effective interest method versus the straight-line method. This change in methodology is not expected to have a material impact on the Company's earnings upon adoption of this new standard.

The new accounting standard for hedges (CICA Handbook Section 3865) establishes standards for when and how hedge accounting may be applied. Hedge accounting is optional. The Company currently has no hedging instruments. Therefore, the adoption of this standard is not expected to have any impact on the Company.

Financial Instruments

The fair value of long-term debt is based on current pricing of financial instruments with comparable terms. The carrying and fair values of the Company's long-term debt obligations at April 30, 2007 are shown in the table below (*"Fair Value of Long-Term Debt"*).

Fair Value of Long-Term Debt

(as of April 30, 2007)
(expressed in $ thousands)

	Carrying Value 2007	Fair Value 2007	Carrying Value 2006	Fair Value 2006
8.47% Senior Unsecured Loan Notes due 2010	6,000	6,380	7,500	7,995
6.47% Senior Unsecured Loan Notes due 2013	17,500	17,989	20,000	20,381
7.64% Senior Unsecured Loan Notes due 2014	24,000	25,800	27,000	28,849
6.67% Senior Unsecured Loan Notes due 2016	30,000	31,363	30,000	30,938
5.09% Senior Unsecured Loan Notes due 2018	40,000	38,694	40,000	37,996
5.96% Senior Unsecured Laon Notes due 2020	30,000	30,657	30,000	30,000
6.82% RBC $2 million Loan	2,000	2,022	-	-
7% Fortis $15 million Demand Note due June 2007	15,000	15,192	-	-
3% European Investment Bank #3 due 2009	1,041	1,002	1,538	1,478
Total	165,541	169,099	156,038	157,637

Two 9 MW MaK Motoren generating units installed

Construction begins on the new Control Room which will house the Integrated Control System (ICS)

1997

1998

Management's Discussion and Analysis

Critical Accounting Estimates

The preparation of the Company's financial statements in accordance with 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. Estimates are based on historical experience, current conditions and various other assumptions believed to be reasonable under the circumstances. Due to changes in facts and circumstances and the inherent uncertainty involved in making estimates, actual results may differ significantly from the current estimates. Estimates are reviewed periodically and, as adjustments become necessary, are reported in earnings in the period in which they become known. The Company's critical accounting estimates relate to:

Revenue Recognition

Revenue derived from the sale of electricity is taken to income on a bills-rendered basis, adjusted for unbilled revenues. Customer bills are issued throughout the month based on meter readings that establish electricity consumption since the last meter reading. The unbilled revenue accrual for the period is based on estimated electricity sales to customers since the last meter reading. The estimation process for accrued unbilled electricity consumption will result in adjustments of electricity revenue in the periods they become known when actual results differ from the estimates. As at April 30, 2007, the amount of unbilled revenue recorded in Accounts Receivable - Trade was $1.0 million (April 30, 2006: $0.9 million) on annual operating revenues of $158.9 million (2006: $135.7 million).

Employee Future Benefits

The Company's defined benefit pension plan is subject to judgments utilised in the actuarial determination of the expense and related obligation. The main assumptions utilised by management in determining pension expense and obligations were the discount rate for the accrued benefit obligation, pension commencement date, inflation and the expected rate of return on plan assets. As at April 30, 2007, the Company had an accrued benefit liability of $0.2 million (April 30, 2006: $0.1 million). During 2007, the Company recorded net compensation expense of $0.7 million (2006: $0.7 million).

Correction of Insurance Claim Estimate

During the insurance claim negotiation process in fiscal 2006, it was established that an element of the initial claim filed with the insurer included betterment of some assets and certain duplications of the claim which were adjusted in the final settlement. As a result, the Other Receivable - Insurance balance in fiscal 2005 was overstated by $2,334,552 and Property, Plant and Equipment was understated by the same amount. Correction of these estimates were reflected in fiscal 2006 by adjusting Property, Plant and Equipment and Other Receivable - Insurance by equal adjustments. These adjustments had no impact on net income reporting in fiscal 2005 or 2006.

Selected Annual Financial Information

The table below (*"Selected Annual Financial Information"*) shows the annual financial information for the years ended April 30, 2007, 2006 and 2005. The financial data has been prepared in accordance with Canadian GAAP.

Selected Annual Financial Information

(expressed in $ thousands except per share amounts)

	2007	2006	2005
Operating revenues	**158,860**	135,677	92,871
Net earnings	**18,454**	22,858	4,224
Net earnings applicable to common shares	**17,689**	21,928	3,299
Total assets	**329,240**	312,994	290,159
Debt	**165,541**	156,038	141,521
Preference shares	**250**	250	250
Common shareholders' equity	**135,353**	133,720	125,724
Earnings per Class A Ordinary Share	**0.70**	0.87	0.13
Diluted earnings per Class A Ordinary Share	**0.70**	0.87	0.13
Dividends declared per Class A Ordinary Share	**0.66**	0.66	0.49
Dividends declared per Class B Preference Share including bonus	**3.72**	3.72	3.70

Signing of 10-year generation strategic alliance agreement with MAN B&W Diesel AG

Completion of first "Cayman-style" designed 69 kV GIS indoor substation in South Sound

2000

1999

2000

Management's Discussion and Analysis

2006/2007 Fourth Quarter Results

Net earnings for the three months ended April 30, 2007 were $4.1 million, a $1.1 million or 21%, decrease as compared to net earnings of $5.2 million for the same period last year. Earnings on Class A Ordinary Shares for the fourth quarter were $4.0 million, or $0.16 per ordinary share, as compared to $5.0 million, or $0.20 per ordinary share for fourth quarter fiscal 2006. The primary reasons for the 20% quarter-over-quarter decline in earnings per Class A Ordinary Share are increased depreciation and maintenance expenses partially offset by 12% kWh sales growth.

Electricity sales increased to 123.2 million kWh for the three months ended April 30, 2007 from 109.6 million kWh for the same period last year. The residential class was particularly robust with 15% quarter-over-quarter growth from new home building. Electricity sales and CRS revenues for the three months ended April 30, 2007 increased 13%, or $2.7 million to $24.2 million from $21.5 million for the same period last year.

Operating expenses for fourth quarter fiscal 2007 of $30.9 million increased 15% from $26.7 million for the same period last year. This increase was driven by higher production levels, increased depreciation expenses and increased maintenance costs resulting from a series of unexpected generator failures.

Cash flow from operations after working capital adjustments for the fourth quarter of fiscal 2007 were $14.6 million, a $5.2 million increase from $9.4 million for the same quarter last year. The increase was driven by higher accounts payable balances partially offset by lower earnings quarter-over-quarter. Cash used in investing activities for fourth quarter 2007 increased $3.2 million to $11.5 million from $8.3 million for the three months ended April 30, 2006. This increase was a result of higher capital expenditures.

Cash used in financing activities for fourth quarter 2007 were comparable to the same period last year.

Capital expenditures for the quarter ended April 30, 2007 were $11.5 million, a $3.2 million or a 38% increase over capital expenditures of $8.3 million for the same period last year. Major capital projects for the fourth quarter included the MAN B&W 16 MW generating unit and distribution system upgrades.

Quarterly Results

The table below (*"Quarterly Results (Unaudited"*) summarises unaudited quarterly information for each of the eight quarters ended July 31, 2005 through April 30, 2007. This information has been obtained from CUC'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.

A summary of the past eight quarters reflects the Company's strong post-hurricane growth.

April 2007/April 2006

Earnings on Class A Ordinary Shares for the fourth quarter were $4.0 million, or $0.16 per ordinary share, as compared to $5.0 million, or $0.20 per ordinary share for fourth quarter fiscal 2006. The primary reasons for the 20% quarter-over-quarter decline in earnings per Class A Ordinary Share are increased depreciation and maintenance expenses partially offset by 12% kWh sales growth.

January 2007/January 2006

Primarily as a result of the disposal of the Company's steam turbine and boiler assets *(see "Unusual Item" section*

Quarterly Results *(Unaudited)*

(expressed in $ thousands)

Quarter Ended	Operating Revenue	Net Earnings/ (Losses)	Income/(Loss) Applicable to Ordinary Shares	Earnings/ (Losses) per Share (Basic)	Diluted Earnings/(Losses) per Share
April 30, 2007	36,710	4,115	4,002	0.16	0.16
January 31, 2007	37,982	(587)	(700)	(0.03)	(0.03)
October 31, 2006	42,881	6,827	6,715	0.27	0.27
July 31, 2006	41,287	8,099	7,672	0.30	0.30
April 30, 2006	33,151	5,223	4,945	0.20	0.20
January 31, 2006	34,822	3,884	3,771	0.15	0.15
October 31, 2005	35,936	6,657	6,545	0.26	0.26
July 31, 2005	31,768	7,094	6,667	0.26	0.26

Completion of 69 kV transmission submarine cable in the North Sound

Second 69 kV GIS indoor substation in Frank Sound commissioned

The Cayman Islands celebrate 500 years of existence

2001 2002 2003

Management's Discussion and Analysis

on page 6), net losses for the three months ended January 31, 2007 were $0.6 million, a 115% decline from net earnings of $3.9 million for the same period last year. Third quarter 2007 results were also negatvely impacted by $0.7 million of unplanned maintenance resulting from a series of unexpected generator failures. After the adjustment for preference dividends, losses on Class A Ordinary Shares for the third quarter were $0.7 million, or $0.03 losses per ordinary share, as compared to $3.8 million, or $0.15 earnings per ordinary share for the third quarter fiscal 2006.

October 2006/October 2005

Net earnings for the three months ended October 31, 2006 were $6.8 million, or $0.27 per ordinary share, a 1% increase over $6.7 million for the same period last year, or $0.26 per ordinary share for second quarter fiscal 2006. The primary reasons for the 3% quarter-over-quarter increase in earnings applicable to ordinary shares are 10% kWh sales growth and a reduction in maintenance costs, partially offset by increased depreciation and interest expenses.

Tourism

Grand Cayman continues to be a popular travel destination with tourist arrivals increasing 9% from 2,051,497 for 2006 to 2,231,485 for 2007. Cruise arrivals alone increased 7% from 1,835,699 for 2006 to 1,955,469 for 2007.

July 2006/July 2005

Net earnings for the first quarter of fiscal 2007 were $8.1 million, or $0.30 per common share, as compared to $7.1 million, or $0.20 per common share for the first quarter of fiscal 2006. The primary reasons for the 14% quarter-over-quarter increase in earnings are positive sales growth, implementation of the CRS and an overall decline in non-Power Generation operating expenses.

Management's Evaluation of Disclosure Controls and Procedures and Internal Controls over Financial Reporting

Disclosure Controls and Procedures

CUC maintains a set of disclosure controls and procedures designed to ensure that information required to be disclosed in filings made pursuant to Multilateral Instrument 52-109 (certification of disclosure in issuer's annual and interim filings) is recorded, processed, summarised and reported within the time periods specified in the Canadian Securities Administrators rules and forms. Disclosure process included quality review performed by CUC's Disclosure Committee and Audit Committee.

The President and Chief Executive Officer ("CEO") and the Senior Vice-President, Finance and Chief Financial Officer ("CFO") have evaluated the Company's disclosure controls and procedures as of April 30, 2007 and concluded that the Company's disclosure controls and procedures are adequate and effective.

Internal Controls over Financial Reporting

The CEO and CFO of the Company, together with management, have evaluated the design of the Company's internal controls over financial reporting ("Internal Controls over Financial Reporting"), as defined under the rules adopted by the Canadian Securities Administrators, and based on this evaluation the CEO and CFO have concluded that as of April 30, 2007, CUC's internal controls over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP.

There has been no change in the Company's internal controls over financial reporting during the fourth quarter of fiscal 2007 that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting.

Management's Discussion and Analysis

Board of Directors

CUC also confirms that its 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. Our board and committee mandates are available on the CUC website and have been filed with the Canadian Securities Administrators.

Change in Auditors

The Company's Board of Directors and Audit Committee have approved the termination (as defined in National Instrument 51-102) of PricewaterhouseCoopers ("PwC") and the appointment (as defined in National Instrument 51-102) of Ernst & Young ("E&Y") in place of PwC as auditor of the Company. PwC will continue to act as the auditor of the Company until the Annual General Meeting scheduled for August 30, 2007.

Subsequent Events

1) The Company submitted to the Government on May 22, 2007 its Interim Return containing its year-end 2007 unaudited results indicating that, subject to final audit and review by Government, CUC, under its Licence, is entitled to a 4.5% rate increase effective August 1, 2007. This shortfall on Return on Capital Employed is primarily a result of the Power Plant Restructuring, increased operating expenses and infrastructure investment. CUC will not seek to implement this rate increase, as it agreed with Government that it would freeze basic rates during the period of the CRS.
2) On May 15, 2007, the Company's Board of Directors declared a regular dividend of $0.165 per Class A Common Share, or an annualised dividend of $0.66 per share. The dividend was paid June 15, 2007 to shareholders of record May 25, 2007.
3) On June 1, 2007 the Company closed on the first tranche of a $40 million private placement of 5.65% Senior Unsecured Notes due June 1, 2022. The first tranche was in the amount of $30 million and

Residential Development

Growth in construction remains strong with numerous high-end residential communities, such as Cypress Pointe in Crystal Harbour, currently under construction. The Company expects to add 1,800 new customers during fiscal 2008, the majority of which will come from the residential customer class.

2006

2006 marks CUC's 40th anniversary as the sole provider of electricity on Grand Cayman. The Company and the Island have grown tremendously since we commenced operations on May 10, 1966, and we are proud of our dedicated team of professionals who have helped to power Cayman's success by providing world-class, efficient, safe and reliable service in our growing community.

"We are honoured to be a key partner in Grand Cayman's development over the past 40 years," remarked CUC President and Chief Executive Officer Richard Hew. "Serving a growing economy that relies predominantly on tourism and financial services is a responsibility we take very seriously, and we are committed to making a positive difference in our community. Our 40th anniversary is therefore a reflection of the Island's accomplishments as well as our own."

[From CUC's 2006 Annual Report: The People Powering Cayman's Success]

Management's Discussion and Analysis

the second tranche of $10 million is scheduled to close in December 2007. The debt offering was privately placed with one institutional investor in the United States. Proceeds from the offering will be used to repay short-term indebtedness, including the $15 million Demand Note to Fortis, and to finance ongoing additions to CUC's generation capacity and T&D system.

4) On June 13, management issued a takeover certificate to MAN B&W and assumed ownership of the new 16 MW generating unit.

Outlook

CUC sales growth forecasts, bolstered by a growing Cayman Islands' economy, will drive the $171 million the Company expects to invest in its capital programme over the next five years. These capital expenditures will be financed by a combination of long-term and short-term debt and funds from operations.

In May 2007, CUC met with the Government's Cabinet members and at the request of Cabinet, CUC submitted a revised licence proposal to Government on June 22, 2007. Both parties are committed to the earliest possible successful conclusion to these negotiations. The Company's current Licence remains in full force and effect until January 2011 or until replaced by a new licence by mutual consent.

Outstanding Share Data

At June 29, 2007, the Company had issued and outstanding 25,334,714 Common Shares and 250,000 9% Cumulative Participating Class B Preference Shares.

Additional information, including CUC's Annual Information Form, is available on SEDAR at *www.sedar.com* and on the Company's website at *www.cuc-cayman.com*.

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

June 29, 2007

Commercial Development

The Camana Bay Town Centre (centre of photo in clearing), part of the 300-acre Camana Bay development which stretches from Seven Mile Beach in the west to the North Sound in the east, is expected to be ready for occupancy in summer 2007. The Centre will house offices, shops and restaurants. The private school and all-purpose artificial field (right of photo) opened in the fall of 2006. Camana Bay will be developed over three decades and on completion will comprise shops, offices, restaurants, residences, supermarkets, banks, a multi-screen cinema, recreational areas, a marina and a post office.

CUC takes delivery of a MAN B&W 16 MW generating unit and auxiliary equipment

2007

April 2007

Making a Difference in Our Community

Dave Thompson, our top volunteer for 2006-2007 and for the third consecutive year, provides guidance to young members of the Cayman Islands Cadet Corps during weekend training sessions and camps. Dave contributed 240 hours of personal time.

Gary Whittaker earned the number two spot for outstanding voluntarism for his participation in the CUC Primary Football League (PFL) as a referee, in addition to other projects such as the Seven Mile Public Beach restoration. Gary contributed 165 hours, 157 of which were during personal time.

Ken Bell's involvement as a mentor for a New Horizons High School student under the Big Brothers Big Sisters Programme and as a coach for the Cayman Islands Little League earned him the third spot for outstanding voluntarism. Ken contributed 156 hours, 153 of which were during personal time.

Ever since establishing its Community Involvement Team in 1997 to coordinate employee participation in community outreach projects, CUC has lived up to its vision of being "Committed to Cayman's Youth" and "Making a Positive and Lasting Difference in Our Community".

During fiscal 2007, employees surpassed our target of 1,700 hours and contributed over 3,100 hours participating in various community projects, especially youth-oriented activities. This has been especially rewarding for the more than 100 employee volunteers who are willing to spend their lunch hours, evenings and weekends to serve as mentors for young people in various organisations, including the Cadet Corps and the Big Brothers Big Sisters Programme. Other programmes that are near and dear to CUC's volunteers include the special friendships they enjoy with differently-abled young people from the Sunrise Centre and the Lighthouse School.

Over seven years ago, our employees established the CUC Children's Fund, which allows them to make annual contributions to assist organisations dedicated to accommodating the needs of our young people. After accumulating nearly US$12,000 this fiscal year, contributors selected all public primary schools as benefactors of the Fund, along with the Lighthouse School, Sunrise Centre, Big Brothers Big Sisters Programme and the Family & Children Services Unit. In addition to these new benefactors, the

Sparky's visit to the Rehoboth Enrichment Centre's annual summer camp earned him top marks with these young ladies who showed off their artistic side during the Sparky Colouring Competition.

Antwan Seymour (right with black cap) was recognised as the top five outstanding volunteer for his participation in the CUC Primary Football League (PFL) as coach for the Red Bay Primary School and as a facilitator for electrical training at Eagle House, a facility for at-risk youth. Antwan contributed 127 hours, 101 of which were during personal time.

Volunteer Peter Williams (left) and outstanding volunteers Lauren Bush and James Sherieff participate in a fun activity with our friends at the Lighthouse School during its annual Open Day festivities.

Making a Difference in Our Community

Young sprinters finish strong during the Annual CUC Track & Field Championships in March 2007 which served as the qualifying meet for the 2007 CARIFTA Games, the region's premier track and field youth championships.

Alvin McLaughlin explains the intricate details of producing electricity to a group of students from Heritage High School during a tour of our Power Plant in May 2007.

Chris Lansley and several other volunteers assisted the Red Cross in the restocking of containers with critical post-storm supplies for placement in all districts during the 2007 Hurricane Season.

Fund also recently contributed to various fundraising efforts for sick children, one of whom underwent a successful liver transplant in June 2007 and another who had a serious heart condition. This Fund facilitates a greater sense of involvement in the community for our employees, as it allows them to determine the causes they would like to support each year.

In an effort to promote academic excellence through sports, the Company developed the CUC Primary Football League (PFL) under a six-year commitment with the Ministry of Sports, and it now boasts participation of football teams from 15 public and private primary schools across Grand Cayman. About to enter its third season, the PFL has the backing of employees who have served on the Cayman Islands National Football teams and continue to participate in the sport, either as players, volunteer coaches or referees.

The Company has also been a staunch supporter of athletics, and after a 21-year "track record" with the Cayman Islands Athletic Association (CIAA), recently signed a quadrennial sponsorship agreement, further solidifying its relationship with Cayman's rising track stars and Olympians such as long jump star Kareem Streete-Thompson, who has been ranked in the world's top ten in previous years, and Cydonie Mothersill, who is currently ranked in the top ten in the world's 200 metres event for women. The talents of these two Olympians and many others continue

The Company's annual 800-metre sea swim attracts many of the Island's top swimmers at the close of the swim season on Grand Cayman in November each year.

Lining up the installation for one of the 66 poles planted for the rebuilding of the 10 new cabanas at the Seven Mile Public Beach are volunteers from CUC and MasTec Inc., our line subcontractors, who partnered with us to carry out this major restoration project in 2006.

Richard Hew spends time reading and mentoring with students at Leading Edge High School during a specially arranged Reading Day for management representatives of large companies to visit with the students.

Making a Difference in our Community

Randy Mellaneo (standing) enjoying fellowship with Dalton Bromley of the Sunrise Centre during a Company-sponsored outing at the Pizza Hut after they attended a show at the Prospect Playhouse with other CUC volunteers.

Richard Hew presents medals to two young athletes from Cayman Brac who participated in the annual CUC Track & Field Championships, which attracted a contingent of 50 aspiring track stars from the Sister Islands.

Greg McLaughlin and other volunteers serve up delicious snacks to our special friends at the Lighthouse School during our annual Easter Egg Decorating Day. Greg was honoured this summer with a Community Spirit Award from CUC's Community Involvement Team for his eagerness to assist with projects whenever called upon.

to be identified during the annual CUC Track & Field Championships, which serve as the qualifying meet for the CARIFTA Games, the premier track and field youth championships in the Caribbean.

For nearly two decades, the Company has sponsored an 800-metre sea swim, which attracts a large number of young swimmers, some of whom have been making their mark in the region and on the international circuit. Additionally, in an effort to promote all sports on the Island, the Company continues its support of the Island Games, which are held in one of the 25 member islands, with this year's event occurring in June and July in Rhodes, Greece. The Cayman contingent of 138 is looking forward to rubbing shoulders with their counterparts from small island nations whose populations are below 100,000. We are behind them all the way as they strive to set new records and bring home the gold!

Our participation in Reading Day and sponsorship of the annual Reading Week allow us to play a greater hands-on role in promoting the importance of literacy in our schools. The Company donates used computers to various youth groups, who spend the summer months discovering the intricacies of computers. Educating students on the production and safe use of electricity, careers in the electrical industry as well as the important role they play in conserving energy is also highlighted during regular tours of

Johnny Marcussen did his part to preserve our underwater charm during the annual Earth Day Cleanup, which yielded a large number of volunteers from the CUC Dive Team and the British Sub Aqua Club.

Naomi Johnatty (left) and Chris Lansley of our Environmental Unit assisted volunteers from across the Company on Earth Day 2007 with cleaning up the North Sound Barcadere, which is in the neighbourhood of CUC's Power Plant. The annual islandwide cleanup is organised by the Chamber of Commerce in conjunction with CUC and other corporate sponsors.

CUC and the Rotary Club of Grand Cayman joined forces to sponsor the visit of British children's author Peter J. Murray, aka "Mokee Joe", to present his trilogy to students across Grand Cayman and on Cayman Brac and promote literacy in our schools during Reading Week 2006.

Making a Difference in our Community

Waide Watler (right) of the IT Services Department hands over three used computers to participants in the after-school programme at the Savannah United Church as part of our efforts to promote computer literacy among our youth.

Richard Hew details CUC's vision for athletics as President of the Cayman Islands Athletic Association, Delroy Murray (centre), announces the Company's Quadrennial Sponsorship Programme in support of the continued development of track and field. Also supporting athletics are Progressive Distributors, represented by Maureen Cubbon, who also contribute to the CUC Primary Football League (PFL).

Representatives from CUC and MasTec Inc., our line subcontractors, celebrate their role in the restoration of the 10 new cabanas and playground equipment at the Seven Mile Public Beach with the Leo Club of Grand Cayman, following a ribbon-cutting ceremony in February 2007.

the Power Plant. Our employees also enjoy visiting summer camps with the Company's mascot, Sparky, whose presence helps promote the Company's electrical safety message.

Other community projects that attracted a large number of volunteers include the annual Earth Day roadside and underwater cleanups and the restoration and beautification of the Seven Mile Public Beach in conjunction with the Leo Club of Grand Cayman. We are proud of the contributions of our volunteers and wish to applaud the volunteers from MasTec Inc., our line subcontractors, who partnered with us on the Seven Mile Public Beach project as well as the beautification of several other parks and beaches.

With the continued participation of our employee volunteers, we will continue to blaze new trails by supporting our next generation, the youth of Cayman, as positive role models committed to helping them to truly appreciate the importance of doing their part to help maintain harmony in our community.

We salute our top ten volunteers; Dave Thompson, Gary Whittaker, Ken Bell, Caren Thompson, Antwan Seymour, Neil Murray, Lauren Bush, Rob Imparato, Letitia Lawrence and James Sherieff; and all other employees who contributed selflessly to our community and young people.

"The best way to find yourself is to lose yourself in the service of others." : Mahatma Gandhi

Neil Murray (left) presents Lori Powell and Victor Thompson of the Island Games Committee with the Company's contribution to assist the Cayman Islands contingent's participation at the small island nations' sporting event taking place in Rhodes, Greece this summer.

Lee Tinney (second right) and Dave Thompson (right) presents Nicoela McCoy and James O'Neill of the Central Caribbean Marine Institute (CCMI) with the keys to a used truck to be used at the Little Cayman Research Centre, which promotes reef preservation to local and international students who may be interested in pursuing a career in marine biology or learning more about our underwater world.

Representatives of the Alexandria Brown Fund accept a donation from Gary Whittaker on behalf of the CUC Children's Fund to help defray expenses related to a liver transplant that 12-year old "Allie" underwent in Miami in June 2007.

Protecting Our Environment

CUC's commitment to the environment is reflected in our initiative to design an Environmental Management System (EMS) to meet the International Standardization Organization (ISO) 14001 requirements. CUC was first registered to the ISO 14001 standard in 2004, the first and only organisation in the Cayman Islands to achieve this third-party registration. In May 2007, we achieved re-registration to the ISO 14001:2004 standard by demonstrating our commitment to the standard's requirements and our Environmental Policy. Our Environmental Policy is a crucial component of the EMS system and communicates publicly CUC's commitment to the prevention of pollution, adherence to legal and voluntarily adopted standards and to continual improvement in environmental performance. The EMS provides a means through which we achieve our policy commitments and our annual environmental objectives and targets and ensures that we continually enhance our environmental performance.

CUC has identified the environmental aspects associated with its activities and ensures that those which have or can have an impact on the environment are carried out to minimise such impact. CUC has developed and implemented procedures, designed and developed engineering solutions, and introduced new work practices to ensure that we live up to our environmental policy commitments.

Over the past 10 years CUC has invested in containment areas for all bulk storage areas, which contain the diesel fuel and lube oil essential for the generation of electricity. These containment areas are designed to prevent these liquids from coming in contact with soil or groundwater during normal operations or in the event of an emergency such as a spill or fire.

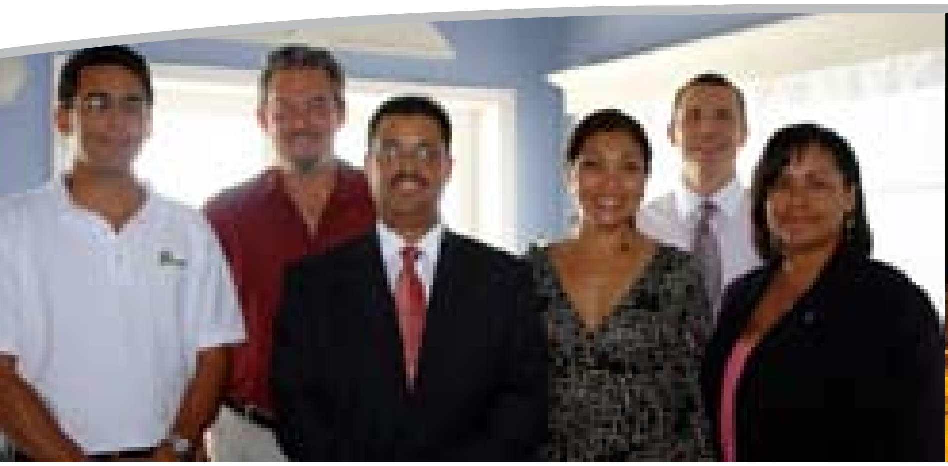
> "Protect now, enjoy forever!"

CUC has also introduced numerous procedures and special work practices for the disposal of various items used on a daily basis within the North Sound site or throughout the transmission and distribution system. CUC properly disposes of all waste materials including used oils, batteries and transformers. All used oil filters and cleanup rags are drained of loose oil and compacted to recover used oils prior to disposal. Wire and other scrap metals are processed for recycling, and in 2006 these activities enabled CUC to collect 458 tons of metals for recycling.

The diesel generators used by CUC for the generation of electricity on Grand Cayman have also undergone significant changes and improvements to ensure that they provide the electricity in the most efficient and environmentally friendly manner.

Our new generating units are designed to provide an increased kiloWatt-hour (kWh) output per gallon of fuel consumed than older generators. This improved efficiency reduces the impact on local air quality and reduces fuel costs borne by CUC and its customers. CUC has also installed higher exhaust stacks on its new generating units to further improve the local air quality in accordance with best industry practice. CUC is also evaluating long-term options for producing electricity from sustainable sources to reduce its

"To waste, to destroy our natural resources, to skin and exhaust the land instead of using it so as to increase its usefulness, will result in undermining in



CUC's President and Chief Executive Officer Richard Hew (left), along with Gelia Frederick Van Genderen (right) from The Water Autority, signed the Cayman Islands Chamber of Commerce's (COC) Environmental Pledge that lists actions that all residents, businesses, schools and organisations are encouraged to adopt during the year to help preserve our environment. Congratulating Mr. Hew and Mrs. Van Genderen are James Tibbetts (second from left), President-Elect of the COC; the Hon. Charles Clifford, Minister for Tourism, Environment, Investment and Commerce; Angelyn Hernandez, President of the COC; and Wil Pineau, Chief Executive Officer of the COC.

The Company's newest MAN B&W 16 MW generating unit is offloaded at the George Town Port in April 2007 prior to its three-hour 'roadtrip' to CUC's North Sound Road Power Plant. This newer unit is designed to provide an increased kiloWatt-hour output per gallon of fuel consumed and is scheduled to be fully operational in July 2007.

Protecting Our Environment

dependence on fossil fuels and its associated environmental impacts. CUC undertook a study in 2001 to determine the feasibility of alternative energy technologies such as wind. However, at that time such technologies were determined not to be cost-competitive. In 2007 CUC is updating this study to re-evaluate the use of alternative energy options based upon new technological advancements and updated financial information.

In addition to our daily environmental practices, CUC has designated an Emergency Preparedness Committee responsible for devising action plans for emergency preparedness, response and recovery measures within the Company. All internal divisions are represented on this committee so that a holistic analysis of the needs of the Company, its employees and the environment are considered. In 2007, the team focused on improving and enhancing the Hurricane Preparedness Manual as a result of lessons learned during past hurricane seasons and after Hurricane Ivan. This committee also coordinates periodic spill, fire, hurricane and evacuation drills to ensure preparedness and effective response in the event of an emergency.

CUC recognises the value of environmental awareness, and we are proactively involved in several conservation-based community programmes. The primary school Environmental Education Programme with Peripatetic Ecologist/Science teacher Martin Keeley is one such initiative of which we are particularly proud. Each year, Mr. Keeley conducts educational programmes with Year 5 students in the public primary schools and incorporates classroom sessions with field trips to the Central Mangrove Wetlands. This year, we were pleased to participate in both aspects of the programme in which students also learned about the processes that fossil fuels undergo from the refinery to public and industrial consumption. This interactive training programme provides these students with the opportunity to learn about the fragile mangrove ecosystem of the Cayman Islands through practical demonstrations and activities such as learning about their significance and biodiversity, the difficulties in cleaning up oil spills, microscope use and a visit to the Central Mangrove Wetlands to apply the knowledge they gained throughout the week. In addition to Mr. Keeley's visits, CUC participated in the support and publication of a teacher's guide titled "Marvellous Mangroves" for integrating environmental awareness in their daily lessons.

CUC also enjoys partnerships in environmental education and resource conservation with the Department of Education, the National Trust for the Cayman Islands, the Cayman Turtle Farm/Boatswain's Beach and the Cayman Islands Chamber of Commerce. In support of the Chamber's "Focus on the Environment" initiative, CUC signed the Businesses and Organisations Environmental Pledge and was featured in the April issue of its 2007 Quarterly Review in the Member Spotlight. We continued to participate in the Chamber's Annual Earth Day Cleanup in 2007 and again this year we were able to recruit two teams of CUC volunteers involved in roadside, seaside and underwater cleanup.

Another initiative taken on by CUC is the Energy Smart programme. This programme is designed to assist consumers in making more energy-conscious decisions

the days of our children the very prosperity which we ought by right to hand down to them amplified and developed." : Theodore Roosevelt

A second 140-foot exhaust stack was erected to accommodate the installation of the Company's newest addition, the MAN B&W 16 MW generating unit. The higher stacks reduce the impact of emissions and improve air quality.

CUC's Meter Reader Chad Bush (right), and the Cayman Islands Red Cross' Disaster Manager Hemant Balgobin, discuss ways of reducing the volunteer organisation's electricity consumption during an energy audit, which the Company offers free to the public.

Over the past 10 years, CUC has invested in containment areas for its bulk diesel fuel and lube oil storage areas and waste oil-loading facilities. These containment areas are designed to prevent any of these liquids from coming into contact with soil or groundwater in the event of an emergency such as a spill or fire.

Protecting Our Environment

that affect their electrical consumption. As part of the Energy Smart mission, CUC also offers customers a free energy audit of their premises. Upon request, a representative from our Customer Service Department visits the premises to identify and review with the customer any opportunities to reduce energy consumption. CUC invites you to visit its website (*www.cuc-cayman.com*) and tour the Energy Smart Depot which provides consumers with two tools to better understand their energy consumption. The Energy Calculator totals the amount of electricity used by appliances based on their usage frequency. The Energy Library provides information on constructing energy-efficient homes and choosing fittings and appliances that will reduce electricity consumption.

CUC's Environmental Policy

Caribbean Utilities (CUC) is committed to providing electrical power to its customers in an environmentally responsible manner. In fulfilling this commitment, CUC will incorporate environmental issues into decision-making to meet present needs without compromising future generations.

a] *CUC is committed to continual improvements in environmental performance.*

b] *CUC is committed to the prevention of pollution including air, soil, groundwater, coastal water and noise.*

c] *CUC is committed to complying or exceeding the requirements of all applicable legislation and all other requirements which relate to its environmental aspects.*

d] *CUC is committed to managing its activities in a way that is consistent with industry practice and in ways that support the environmental policies of the Cayman Islands Government.*

e] *Environmental monitoring and audits of our operations and Environmental Management System (EMS) will be conducted regularly.*

f] *CUC is committed to the conservation of natural resources.*

g] *CUC will set and review environmental objectives, targets and programmes annually.*

h] *CUC will document, implement, maintain and communicate this policy to all employees and those working on behalf of CUC, and also make such policy available to the public.*

i] *CUC will provide training for employees and those working on behalf of CUC to enable them to fulfill their duties in an environmentally responsible manner.*

J.F. Richard Hew, *President & Chief Executive Officer*

Note: *Indicates revisions to the previous EMS Policy*

Revised: April 15, 2006

"A classroom at sea" takes shape as Peripatetic Ecologist/Science teacher Martin Keeley answers questions from North Side Primary School students before they observe first-hand what they've been learning about in the Central Mangrove Wetlands. Lindsey McLaughlin (red cap) from the Department of Environment, who graciously offer the services of its boats for the outings, assists with the question and answer session.

An important part of CUC's Environmental Education Programme is the classroom sessions, which involve identifying certain microscopic organisms from water samples taken from the Central Mangrove Wetlands that form the base of the food chain. Fred Speirs (left) from the Department of Education and CUC's Chris Lansley assist the enthusiastic students from Red Bay Primary with the identification process.

On occasion, field trips take the form of walking the various coastal canal systems where mangroves thrive. Martin Keeley points out to students from Savannah Primary that the sea water in the canal takes on a dark reddish colour due to the abundance of Red Mangroves, which line the Grand Cayman coastline and canal systems.

Management's Responsibility for Financial Reporting

The accompanying Financial Statements of Caribbean Utilities Company, Ltd. and all information in the 2007 Annual Report have been prepared by management, who are responsible for the integrity of the information presented, including the amounts that must of necessity be based on estimates and informed judgements. These Financial Statements were prepared in accordance with accounting principles generally accepted in Canada. Financial information contained elsewhere in the 2007 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 2007 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.

Senior Vice-President
Finance & Corporate Services
& Chief Financial Officer

J.F. Richard Hew

President & Chief Executive Officer

Caribbean Utilities Company, Ltd.

Auditors' Report

We have audited the balance sheets of Caribbean Utilities Company, Ltd. ("the Company") as at April 30, 2007 and April 30, 2006 and the statements of earnings and retained earnings, 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, 2007 and April 30, 2006 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

June 29, 2007

40 Years powering Cayman's success

Balance Sheets

As at April 30, 2007 (expressed in United States dollars)

	Note	2007 $	2006 $
Assets			
Current Assets			
Cash and due from banks		**6,891,104**	575,591
Accounts receivable - Trade	3	**16,582,278**	15,681,991
Other receivable - Insurance	4	**-**	9,075,125
Inventories		**5,400,777**	5,172,908
Prepayments		**1,172,475**	911,092
		30,046,634	31,416,707
Property, plant and equipment	4, 5	**287,337,841**	270,720,745
Other assets	6	**11,855,370**	10,856,169
Total Assets		**329,239,845**	312,993,621
Liabilities and Shareholders' Equity			
Current Liabilities			
Bank overdraft		**-**	377,041
Accounts payable and accrued expenses	14	**24,931,116**	20,046,905
Short-term debt	7	**17,000,000**	-
Current portion of long-term debt	7	**10,512,443**	7,497,632
Consumers' deposits and advances for construction	16	**3,415,071**	2,811,611
		55,858,630	30,733,189
Long-term debt	7	**138,028,100**	148,540,542
Total Liabilities		**193,886,730**	179,273,731
Shareholders' Equity			
Share capital	8	**1,757,824**	1,754,929
Share premium		**42,229,835**	41,655,512
Contributed surplus	9	**224,222**	161,647
Retained earnings		**91,141,234**	90,147,802
Total Shareholders' Equity		**135,353,115**	133,719,890
Total Liabilities and Shareholders' Equity		**329,239,845**	312,993,621

Approved on behalf of the Board of directors by:

David E. Ritch, O.B.E., J.P.
Director

J.F. Richard Hew
Director

Statements of Earnings and Retained Earnings

As at April 30, 2007 (expressed in United States dollars)

	Note	2007 $	2006 $
Operating Revenues			
Electricity sales		**96,186,436**	85,686,300
Hurricane Ivan cost recovery surcharge	2	**4,541,093**	3,035,493
Fuel factor		**58,132,332**	46,955,184
Total Operating Revenues		**158,859,861**	135,676,977
Operating Expenses			
Power generation		**91,643,115**	77,186,089
General and administration		**11,653,873**	11,123,115
Consumer service and promotion		**1,136,510**	1,255,780
Transmission and distribution		**2,185,461**	1,649,294
Depreciation and amortisation		**15,074,400**	13,583,795
Maintenance		**8,436,986**	7,530,412
Power plant restructuring	5	**3,682,332**	-
Total Operating Expenses		**133,812,677**	112,328,485
Operating Income		**25,047,184**	23,348,492
Other (Expenses)/Income			
Interest expense		**(9,444,683)**	(9,212,208)
Foreign exchange gain		**1,476,381**	1,198,035
Business interruption insurance		**-**	6,078,760
Other income		**1,374,936**	1,444,583
Total Net Other Expenses		**(6,593,366)**	(490,830)
Earnings for the Year	10	**18,453,818**	22,857,662
Dividends on preference shares	10	**(765,000)**	(930,000)
Earnings Applicable to Common Shares	10	**17,688,818**	21,927,662
Average Common Shares Outstanding	10	**25,303,073**	25,221,581
Earnings per Common Share			
Basic	10	**0.70**	0.87
Diluted	10	**0.70**	0.87

Retained Earnings

	2007	2006
Balance at beginning of period	**90,147,802**	84,863,402
Earnings for the period	**18,453,818**	22,857,662
Dividends	**(17,460,386)**	(17,573,262)
Balance at end of period	**91,141,234**	90,147,802

1966 1976 1986

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Statements of Cash Flow

As at April 30, 2007 (expressed in United States dollars)

	Note	2007 $	2006 $
Operating Activities			
Earnings for the year		**18,453,818**	22,857,662
Items not affecting working capital:			
Depreciation and amortisation		**15,074,400**	13,583,795
Stock-based compensation		**62,575**	62,574
Loss/(Profit) on disposal of fixed assets		**195,195**	(959,299)
Power plant restructuring	5	**3,682,332**	-
		37,468,320	35,544,732
Net decrease/(increase) in non-cash working capital balances relating to operations		**12,173,947**	(561,724)
Cash flow provided by operating activities		**49,642,267**	34,983,008
Investing Activities			
Proceeds on sale of fixed assets		**17,262**	30,506
Purchase of property, plant and equipment		**(35,586,175)**	(33,940,434)
Cash flow used in investing activities		**(35,568,913)**	(33,909,928)
Financing Activities			
Proceeds from debt financing		**25,000,000**	48,500,000
Repayment of debt		**(15,497,632)**	(33,982,822)
Decrease in bank overdraft		**(377,041)**	(1,052,848)
Dividends paid		**(17,460,386)**	(17,573,262)
Net proceeds from issue of ordinary share capital		**577,218**	2,648,478
Cash flow used in financing activities		**(7,757,841)**	(1,460,454)
Increase/(Decrease) in Net Cash		**6,315,513**	(387,374)
Net Cash - beginning of year		**575,591**	962,965
Net cash - end of year		**6,891,104**	575,591
Supplemental disclosure of cash flow information:			
Interest received during the year		**170,470**	96,804
Interest paid during the year		**9,411,461**	9,187,820

Summary of Accounting Policies

As at April 30, 2007 (expressed in United States dollars)

The financial statements of Caribbean Utilities Company, Ltd. ("CUC" or "the Company") have been prepared in accordance with Canadian Generally Accepted 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 borrowed 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.

The Company's policy has been to capitalise interest on major construction projects, which is included as a cost in the appropriate capital assets account. During fiscal 2007 the Company refined its policy to capitalise interest on all significant construction projects. Accordingly, during fiscal 2007 the Company recorded capitalised interest of $0.15 million on its 2007 distribution system customer connection projects. These projects have an average construction period of three months. Refinement of this policy is not considered to have a material impact on net income reported in prior periods.

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. The Company does not currently hold any such investments.

Summary of Accounting Policies

As at April 30, 2007 (expressed in United States dollars)

Other Assets

Other assets, excluding deferred fuel costs, debt issue expenses, and deferred 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 upon 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.

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 United States 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.

On August 1, 2005, the Company implemented a Cost Recovery Surcharge ("CRS") of $0.0089 (CI$0.0075) per kiloWatt-hour ("kWh") to recover approximately $13.4 million of direct Hurricane Ivan losses (Note 2). Revenue derived from the CRS 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, sale of recyclable metals 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 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.

Summary of Accounting Policies

As at April 30, 2007 (expressed in United States dollars)

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.

Variable Interest Entities

Effective May 1, 2006, the Company adopted the recommendations of Accounting Guideline ("AcG-15") on accounting for variable interest entities. There was no impact to the financial statements upon the adoption of AcG-15.

Future Accounting Pronouncements

New accounting standards for comprehensive income, financial instruments and hedges have been issued by the Canadian Institute of Chartered Accountants ("CICA"). The new standards were intended to harmonise Canadian GAAP with United States GAAP and with International Financial Reporting Standards, and are effective for the Company for the fiscal year beginning May 1, 2007.

The new comprehensive income standard (CICA Handbook Section 1530) provides guidance for the reporting and display of other comprehensive income. Comprehensive income is the change in equity of an enterprise during a period from transactions and other events and circumstances from non-owner sources. It includes all changes in equity during a period except those resulting from investments by owners and distributions to owners. Amounts recognised in other comprehensive income must eventually be reclassified into the income statement and these reclassifications are to be disclosed separately. Examples of some items that would be included in other comprehensive income are changes in the fair value of available for sale assets and the effective portion of the changes in fair value cash flow hedging instruments. As the Company currently does not have any hedging instruments and will not be designating any financial assets as available for sale, the Company does not expect to have any adjustments recognised through comprehensive income upon adoption of this new standard.

The financial instruments standards (CICA Handbook Sections 3855 and 3861) address the criteria for recognition and presentation of financial instruments on the balance sheet and the measurement of financial instruments according to prescribed classifications. The standards also address how the financial instruments are measured subsequent to initial recognition and how the gains and losses are recognised. All financial instruments, including derivatives and derivative features embedded in financial instruments or other contracts but which are not closely related to the host financial instrument or contract, are initially recorded at fair value. The Company reviewed its contracts for embedded derivatives and it is expected that the value of any derivatives will not be material.

Under the new standards, deferred financing costs are no longer recognised as a deferred charge and the Company expects to recognise unamortised deferred financing costs as part of its debt balances. These costs are required to be amortised using the effective interest method versus the straight-line method. This change in methodology is not expected to have a material impact on the Company's earnings upon adoption of this new standard.

The new accounting standard for hedges (CICA Handbook Section 3865) establishes standards for when and how hedge accounting may be applied. Hedge accounting is optional. The Company currently has no hedging instruments, therefore the adoption of this standard is not expected to have any impact on the Company.

Dividends

Dividends are accrued when declared from Retained Earnings.

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. The excess of any cumulative net actuarial gain (loss) over 10% of the greater of the benefit obligation and the fair value of plan assets at the beginning of the year, are deferred and amortised over the remaining service period of the employee. The balance of any such actuarial gain (loss) is also deferred. This policy has been consistently applied for all reporting periods although the relevant accounting policy stated that such actuarial gain (loss) was recognised in income in the year incurred. Actuarial gains (losses) from the inception of the plan in fiscal 2003 to fiscal 2005 were nil. In 2006 an actuarial loss of $688,056 was deferred and is now being amortised. The cost of the defined contribution pension plan is expensed as incurred.

Notes to Financial Statements

As at April 30, 2007 (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. On November 7, 2006, the Company announced that its majority shareholder, Fortis Inc. through its wholly-owned subsidiary, Fortis Energy (Bermuda) Ltd. ("Fortis"), acquired an additional 16% of the outstanding Class A Ordinary Shares of CUC from International Power Holdings Limited ("IPHL") and four other vendors associated with IPHL. Following this purchase, Fortis controls CUC by beneficially owning approximately 54% of the outstanding Class A Ordinary Shares of CUC. IPHL no longer holds any interest in CUC. The purchase by Fortis of the additional Class A Ordinary Shares of CUC was made in compliance with the Shareholders Agreement and Standstill Agreement entered into in connection with the increased investment of Fortis in CUC in January 2003.

The principal activity of the Company is to generate and distribute electricity in its exclusive licence area of Grand Cayman, Cayman Islands under a licence from the Government of the Cayman Islands ("the 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 per annum 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 that does so accord with the audited accounts (Note 20).

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 15%, 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 the Electricity Regulatory Authority to govern the generation and transmission and distribution ("T&D") of electricity in the Cayman Islands.

2. Cost Recovery Surcharge (CRS)

In July 2005, CUC and the Government agreed on a CRS to be implemented by the Company for purposes of recovering its uninsured Hurricane Ivan ("the hurricane")-related losses. The CRS commenced with CUC's August 2005 billings. A flat charge of $0.0089 per kiloWatt-hour ("kWh") is applied to all customers.

Under current projections, the CRS is expected to appear on CUC's customer bills for approximately three years from the implementation date. During the three-year CRS period, CUC has agreed with Government that there will be a freeze on basic billing rates. Also, there will be no retroactive increase in basic billing rates after the full recovery of the CRS.

	$ millions
T&D Property, Plant and Equipment	7.0
Other Property, Plant and Equipment	2.0
Revenue losses during insurance deductible period	5.0
Total	14.0

By agreement with Government, CUC will recover $13.4 million of the $14.0 million uninsured losses.

CRS revenues for the year ended April 30, 2007 were $4.5 million, and $7.6 million since its implementation, leaving $5.8 million to be recovered.

Notes to Financial Statements

As at April 30, 2007 (expressed in United States dollars)

3. Accounts Receivable - Trade

	2007	2006
	$	$
Billings to consumers	**16,059,629**	15,288,582
Employee Share Purchase Plan	**17,606**	39,983
Other receivables	**505,043**	353,426
	16,582,278	15,681,991

The Company's billings to consumers increased due to an increase in total customers in 2007 by 1,653 to 22,768, higher consumption and higher fuel factor rates.

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, a catastrophic category four hurricane hit Grand Cayman. As a result of the hurricane, the Company recognised an impairment of $19,463,554 in respect of damaged Property, Plant and Equipment ("PP&E") in fiscal 2005. During the negotiation process, it was established that an element of the initial claim filed with the insurer included betterment of some assets and certain duplications of the claim, which were adjusted in the final settlement. As a result, the Insurance Receivable balance in fiscal 2005 was overstated by $2,334,552 and the PP&E was understated by the same amount. Correction of these estimates were reflected in fiscal 2006 by adjusting PP&E and the Insurance Receivable by equal adjustment. These adjustments had no impact on net income reporting in fiscal 2005 or 2006.

The Other receivable - Insurance balance at April 30, 2006 represented both business interruption and property insurance claims relating to the hurricane net of $22.1 million of general advances made by the Company's insurers. In April 2006, the Company reached a preliminary agreement with its insurers for a settlement of $31.1 million on the hurricane claim. Overall, the terms of the settlement were:

Property Claim (net of deductible)	$16.3 million
Business Interruption Claim	$14.8 million
Total	$31.1 million

Further to this settlement, the insurers made a final payment of $9 million in June 2006. There are no outstanding balances related to the hurricane claim.

Notes to Financial Statements

As at April 30, 2007 (expressed in United States dollars)

5. Property, Plant and Equipment

	Adjusted Cost/ Appraised Value $	Accumulated Depreciation $	2007 Net $	Adjusted Cost/ Appraised Value $	Accumulated Depreciation $	2006 Net $
Transmission & Distribution	190,488,911	44,835,054	145,653,857	175,279,600	38,594,750	136,684,850
Generation	179,951,464	58,696,898	121,254,566	171,120,477	57,799,097	113,321,380
Other:						
Land	1,171,383	-	1,171,383	1,170,193	-	1,170,193
Buildings	17,879,210	6,004,037	11,875,173	17,626,023	5,018,615	12,607,408
Equipment, motor vehicles and computers	16,885,473	9,502,611	7,382,862	16,295,590	9,358,676	6,936,914
Total Other	35,936,066	15,506,648	20,429,418	35,091,806	14,377,291	20,714,515
Property, plant and equipment	406,376,441	119,038,600	287,337,841	381,491,883	110,771,138	270,720,745

Included in PP&E are a number of capital projects in progress with a total cost to date of $23,573,483 (2006: $22,858,370). These projects primarily relate to a 16 megaWatt (“MW”) diesel generating unit 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 (2006: $4,672,305). The Company has entered into various agreements to purchase land adjacent to its North Sound Road Plant compound with an approximate value of $9.1 million (see Note 12 (c)).

In addition, engine spares with a net book value of $10,420,843 (2006: $9,913,756) are included in generation.

During the year, the Company capitalised interest of $1,151,516 (2006: $579,578).

As a result of the hurricane, the Company recognised an impairment in fiscal 2005 of its property, plant and equipment of $19,463,554 for assets that were damaged during the hurricane. This amount was the sum of the estimated cost to reconstruct these assets, that would be reimbursed under the Company’s insurance policy plus the estimated cost of the reconstruction of the submarine cable, which would be funded by the Company. See Note 4, which discusses an adjustment in fiscal 2006 relating to a correction of the estimate in the prior year with respect to determination of the impairment.

In addition, no depreciation charge had been expensed since September 2004 for various insured assets consisting mainly of the generation plant assets, requiring major reconstruction following the passage of the hurricane. These assets were considered to be under reconstruction and depreciation would commence when the asset was brought back into production. As at October 31, 2006, assets with a net book value of $4.8 million were still not reinstated. This amount related to the damaged steam turbine and boilers (“steam system”).

Given the engineering complexities of the system, it was impractical to immediately initiate a repair and restoration programme for the steam system. Significant time and resources were required for a comprehensive review of damages so as to determine the most economical and effective system restoration. Management also thought it an opportune time to undertake a strategic look at the Company’s overall Power Plant system to determine the most effective design going forward. During fiscal 2007, the results of this review process were analysed and evaluated and the Company decided to restructure its Power Plant design and not repair the steam system.

Notes to Financial Statements

As at April 30, 2007 (expressed in United States dollars)

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

As a result of this decision, a charge of $3.2 million was recognised in 2007 for the disposal of these assets. This excludes approximately $1.6 million of parts, such as the cooling water discharge pipeline, that are useable with our generating assets.

In addition, the Company has taken a charge of $0.5 million for the disposal of spare parts specifically maintained for the steam system (see *"Costs Associated with the Power Plant Restructuring"* table below). The effects of the steam system disposal are reflected in the financial results of fiscal 2007 and it is not expected that there will be any further disposals related to the steam system in future.

Costs Associated with the Power Plant Restructuring

Description	Net Book Value at October 31, 2006	Net Book Value of Salvaged Items	Book Value of Assets Disposed	Losses per Share Impact
Steam system	4,771,600	(1,576,347)	3,195,253	0.13
Inventory	487,079	0	487,079	0.02
Total	5,258,679	(1,576,347)	3,682,332*	0.15

* *Loss recorded to Power Plant Restructuring expenses*

6. Other Assets

	2007	2006
	$	$
Sundry assets	**201,633**	165,956
Deferred licence renewal costs	**1,198,479**	920,372
Deferred debt issue expense	**1,340,698**	1,508,689
Deferred fuel costs	**9,114,560**	8,261,152
	11,855,370	10,856,169

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 20).

Notes to Financial Statements

As at April 30, 2007 (expressed in United States dollars)

7. Long-Term Debt

	2007	2006
	$	$
8.47% Senior Unsecured Loan Notes due 2010	**6,000,000**	7,500,000
6.47% Senior Unsecured Loan Notes due 2013	**17,500,000**	20,000,000
7.64% Senior Unsecured Loan Notes due 2014	**24,000,000**	27,000,000
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
5.96% Senior Unsecured Loan Notes due 2020	**30,000,000**	30,000,000
6.82% RBC $2 Million Loan	**2,000,000**	-
7% Fortis $15 Million Demand Note due June 2007	**15,000,000**	-
3.00% European Investment Bank #3 due 2009	**1,040,543**	1,538,174
	165,540,543	156,038,174
Less: Current portion of long-term debt	**(10,512,443)**	(7,497,632)
Less: Short-term Debt	**(17,000,000)**	-
	138,028,100	148,540,542

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

Year	$
2008	27,512,443
2009	10,528,100
2010	14,000,000
2011	14,000,000
2012	15,500,000
2013 and later	84,000,000
	165,540,543

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

The Company has $34.7 million of unsecured credit financing facilities with Royal Bank of Canada ("RBC") comprising:

a) Capital Expenditures Line of Credit - libor + 1 1/2% - $17.0 million
b) Operating Line of Credit - prime + 1/2% - $7.5 million
c) Catastrophe Standby Loan - prime + 1/2% - $7.5 million
d) Letters of Credit - 1% per annum - $2.4 million
e) Corporate Credit Card Line - $0.3 million

Of the total above, $30 million was available at April 30, 2007.

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 $1.0 million (2006: $1.5 million) (or the equivalent in other acceptable currencies) to secure the obligations of the Company to EIB in respect of finance contracts (dated April 18, 1990 and January 14, 1997) in the same aggregate amount.

In June 2006, the Company drew down $10 million against its credit facilities with RBC. These funds were used for the interim funding of capital expenditures. In October 2006, the Company repaid $2 million on this outstanding debt.

In January 2007 the Company entered into a 7%, $15 million demand note agreement with its controlling shareholder, Fortis. The Fortis transaction allowed the Company to effect a lower blended rate on short-term borrowings. The proceeds of the Fortis transaction were used in part to repay an additional $6 million of borrowings outstanding under the RBC credit facilities. The remainder of the Fortis note was used to finance planned capital expenditures and general operating purposes. The Fortis loan was repaid in June 2007 from additional long-term debt (see Note 20 (c)).

Interest expense on the long-term debt amounted to $8,994,450 (2006: $8,845,571).

Notes to Financial Statements

As at April 30, 2007 (expressed in United States dollars)

8. Share Capital

	2007 $	2006 $
Authorised:		
60,000,000 (2006: 60,000,000) Class A Ordinary Shares of CI$0.05 each		
250,000 (2006: 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:		
25,331,438 (2006: 25,282,801) Class A Ordinary Shares	**1,507,824**	1,504,929
250,000 (2006: 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
	1,757,824	1,754,929

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) 41,206 (2006: 54,399) Class A Ordinary Shares were issued under the Customer Share Purchase and Dividend Reinvestment Plans at between $11.77 and $11.99 (2006: $11.63 and $11.90) per share.

2) 4,250 (2006: 11,950) Class A Ordinary Shares were issued under the Employee Share Purchase and Employee Long Service Bonus Plans at prices between $11.87 and $11.99 (2006: $11.63 and $11.90) per share.

3) 3,181 (2006: 192,101) Class A Ordinary Shares were issued under the Executive Stock Option Plan (Note 9) at $11.46 (2006: $10.05 and $11.46) per share.

9. Share Options

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

Notes to Financial Statements

As at April 30, 2007 (expressed in United States dollars)

9. Share Options *(continued)*

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

		2007		2006
	Number of options	Weighted-average exercise price per share $	Number of options	Weighted-average exercise price per share $
Outstanding at beginning of year	628,300	12.20	861,301	11.74
Granted	-	-	-	-
Exercised	(3,181)	11.46	(192,101)	10.05
Forfeited	(6,000)	13.78	(40,900)	12.65
Outstanding at end of year	619,119	12.18	628,300	12.20

The following table summarises information regarding stock options oustanding at April 30, 2007:

	Options Outstanding			Options Exercisable	
Range of of Exercise Prices $	Number outstanding at April 30, 2007	Weighted-average remaining contractual life	Weighted-average exercise price $	Number exercisable at April 30, 2007	Weighted average exercise price $
11.46 - 13.78	619,119	3.89 years	12.18	600,661	12.13

On September 22, 2003, the Company issued 221,500 options under the Executive Stock Option Plan. These options vest over a four-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 (%)	6.64
Expected life (years)	7.39

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 four-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' equity. Under the fair value method, compensation expense was $62,575 for the year ended April 30, 2007, with an offsetting credit to contributed surplus.

Notes to Financial Statements

As at April 30, 2007 (expressed in United States dollars)

10. Earnings per Class A Ordinary Share

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

		2007	2006
Earnings for the year	$	**18,453,818**	22,857,662
Less: Preferred dividends	$	**(765,000)**	(930,000)
Earnings for the year for basic and diluted earnings per share	$	**17,688,818**	21,927,662
Weighted average number of Class A Ordinary Shares		**25,303,073**	25,221,581
Plus: Potential dilutive effect of unexercised options		-	18,333
Weighted average number of Class A Ordinary Shares used for determining diluted earnings per share		**25,303,073**	25,239,914
Basic earnings per Class A Ordinary Share	$	**0.70**	0.87
Diluted earnings per Class A Ordinary Share	$	**0.70**	0.87

Diluted earnings per Class A Ordinary Share show the effect on earnings per Class A Ordinary Share that should result if all dilutive stock options outstanding for the year ended April 30, 2007 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 Class A Ordinary Shares for the year.

11. Directors' and Officers' Remuneration

During the year ended April 30, 2007, the Company had a total of five (2006: six) executive officers of whom one (2006: two) was also a Director. For the financial year of the Company ended April 30, 2007, the aggregate cash compensation paid to such executive officers for services during such year was $1,035,253 (2006: $1,118,275). For the financial year of the Company ended April 30, 2007, the aggregate cash compensation paid to the other directors for services during such year was $565,422 (2006: $446,616).

12. Capital Commitments

a) The Company's seven-year Strategic Alliance with ABB Power T&D Company, Inc. ("ABB") for major T&D system projects expired in September 2005. CUC and ABB are currently in the process of negotiating a renewal of the Strategic Alliance and there are no commitments outstanding under the agreement.

b) The Company also signed a 10-year agreement with MAN B&W for generation projects that commenced in February 1999. During 2006, the Company entered into an additional project agreement with MAN B&W for the purchase and turnkey installation of one 16 MW V48/60 medium-speed diesel generating unit and auxiliary equipment. The MAN B&W contract cost for this project is $18.4 million and the total estimated cost for completion of the project is $22.2 million. $8.6 million (2006: $22.2 million) is outstanding for this project and is expected to be paid in fiscal 2008.

c) During 2007, the Company entered into various agreements with local landowners to purchase land adjacent to its North Sound Road Plant compound with an approximate value of $9.1 million. The land is expected to house future plant expansion projects. $9.1 million (2006: $0) is outstanding under these land purchase agreements and will be paid during fiscal 2008.

Notes to Financial Statements

As at April 30, 2007 (expressed in United States dollars)

13. 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 ("BI"), machinery breakdown and property insurance (for the estimated replacement cost of buildings and generating plant) with major international insurers.

Terms and coverages include $100 million in property insurance; $55.0 million in BI insurance per annum with a 24-month indemnity period and a 45-day deductible; and $15.0 million in machinery breakdown insurance. All T&D assets outside of 1,000 feet from the boundaries of the main plant and substations are excluded, as the cost of such coverage is not considered economical. There is a single event cap of $100 million. Each "loss occurrence" is subject to a deductible of $1 million, except for windstorm (including hurricane) for which the deductible is 2% of the value of each location that suffers loss, but subject to a minimum deductible of $1.0 million and maximum deductible of $4.0 million for all interests combined.

Included in plant and equipment are certain uninsured T&D assets with an estimated replacement cost of $160 million (2006: $137 million). This value excludes substations which are covered in the main property policies. The Company maintains lines of credit totaling $34.7 million with RBC (Note 7).

14. 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 who have completed 15 years of continuous service and have attained the age of 55 years and 5% of wages or salary for all other employees. All contributions, income and expenses of the plan are accrued to, and deducted from, the members' accounts. The total expense recorded in respect of employer contributions to the plan for the year amounted to $762,815 (2006: $740,349). The Pension Plan is administered by an independent Trustee.

During 2003, the Company established a defined benefit pension plan for a Director of the Company. In May 2005, the Company's Board of Directors approved the establishment of a defined benefit pension plan for the retired President and Chief Executive Officer. The pension cost of the defined benefit plans are actuarially determined using the projected benefits method. In April 2007, the Company established an independent trust and the defined benefit plans were amalgamated at that time. An independent actuary performs a valuation of the obligations under the defined benefit pension plans at least every three years. The latest actuarial valuation of the pension plans for funding purposes as at April 30, 2007. An accrued benefit liability of $223,935 (2006: $98,001) is included within Accounts Payable and Accrued Expenses as in the Balance Sheets.

Notes to Financial Statements

As at April 30, 2007 (expressed in United States dollars)

14. Pension Plan *(continued)*

	Pension Benefit Plan 2007	2006
	$	$
Accrued Benefit Obligation		
Balance beginning of year	**4,828,185**	1,327,367
Interest cost	**253,479**	244,699
Past service costs	**-**	2,585,041
Actuarial losses	**81,928**	671,078
Balance end of year	**5,163,592**	4,828,185
Plan Assets		
Fair value, beginning of year	**1,722,081**	207,072
Actual return on plan assets	**107,404**	27,146
Employee contributions to plan	**-**	355,014
Employer contributions to plan	**646,885**	1,132,849
	2,476,370	1,722,081
Funded Status - deficit	**(2,687,222)**	(3,106,104)
Unamortised past service costs	**1,850,097**	2,320,047
Unamortised net actuarial loss	**613,190**	688,056
Accrued benefit liability	**223,935**	98,001
The Company's defined benefit pension plan asset allocation was as follows:		
Equities	**15%**	24%
Money Market Funds	**74%**	-
Fixed Income	**8%**	75%
Cash	**3%**	1%
	100%	100%

During the year ended April 30, 2007, $727,498 (2006: $687,503) was recorded as compensation expense, which comprises the following:

	2007	2006
Interest cost	**253,479**	244,699
Expected return on plan assets	**(30,044)**	(27,146)
Amortisation of past service costs	**469,950**	469,950
Amortisation of actuarial losses	**34,113**	-
	727,498	687,503

Significant assumptions used:

	2007	2006
Discount rate during year (%)	**5.25**	6.00 - 6.75
Discount rate at year-end (%)	**5.25**	5.25
Rate of compensation increase (%)	**3.00**	3.00
Expected long-term rate of return on plan assets (%)	**5.00**	5.00
Average remaining service period (years)	**0.5 - 7.0**	1.5 - 8.0

15. 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 and other variable interest credit facilities.

Notes to Financial Statements

As at April 30, 2007 (expressed in United States dollars)

16. 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.

Cash and due from banks 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 $3,411,368 (2006: $2,801,428) by way of security.

17. Fair Value of Financial Assets and Liabilities

The carrying amounts reported in the Balance Sheets at April 30, 2007 and 2006 for Cash and due from banks, Accounts receivable and Accounts payable and accrued expenses 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 $169.1 million (2006: $157.6 million).

18. Taxation

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

The Company is levied custom duties of $0.60 per imperial gallon of diesel fuel it imports. In addition, the Company pays customs duties of 15% on all other imports.

19. Related Party Transactions

At April 30, 2007, 0.85% of the Class A Ordinary Shares (2006: 17.15%) and 1.36% of the Class B Preference Shares (2006: 7.5% were owned either directly or through entities controlled by Directors or Officers of the Company.

In January 2007 the Company entered into a 7% $15 million Demand Note agreement with its majority shareholder, Fortis. The Fortis transaction allowed the Company to effect a lower blended rate on short-term borrowings (including the overdraft facility) than is available under the RBC credit facilities. The proceeds of the Fortis transaction were used in part to repay $6 million of borrowings outstanding under the RBC credit facilities. The remainder of these funds will be used to finance planned capital expenditures and for general operating purposes. The Fortis loan was repaid in June 2007 from additional long-term debt (see Note 20 (c)).

In 2007, the Company expended approximately $60,000 for consulting services provided by Fortis employees and recoverable audit services. Approximately $40,000 was owed by Fortis to CUC at April 30, 2007.

20. Subsequent Events

a) The Company submitted to the Government on May 22, 2007 its Interim Return containing its year-end 2007 unaudited results indicating that, subject to final audit and review by Government, CUC, under its Licence, is entitled to a 4.5% rate increase effective August 1, 2007. This shortfall on Return on Capital Employed is primarily a result of the Power Plant Restructuring, increased operating expenses and infrastructure investment. CUC will not seek to implement this rate increase, as it agreed with Government that it would freeze basic rates during the period of the CRS (Note 2).

b) On May 15, 2007, the Company's Board of Directors declared a regular quarterly dividend of $0.165 per Class A Common Share, or an annualised dividend of $0.66 per share. The dividend was paid June 15, 2007 to shareholders of record May 25, 2007.

c) On June 1, 2007 the Company closed on the first tranche of a $40 million private placement of 5.65% Senior Unsecured Notes due June 1, 2022. The first tranche was in the amount of $30 million and the second tranche of $10 million is scheduled to close in December 2007. The debt offering was privately placed with one institutional investor in the United States. Proceeds from the offering will be used to repay short-term indebtedness, including the $15 million Demand Note to Fortis, and to finance ongoing additions to CUC's generation capacity and T&D system.

21. 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

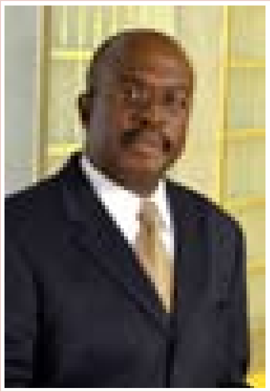
	2007	2006
Operating revenues	**158,860**	135,677
Other revenues and adjustments	**2,851**	8,721
Total revenues	**161,711**	144,398
Operating expenses	**133,813**	112,328
Income before interest	**27,898**	32,070
Interest expense and preference dividends	**9,444**	9,212
Earnings for the year	**18,454**	22,858
Capitalisation:		
Class A Ordinary Shares (nominal value)	**1,508**	1,505
9% Cumulative Participating Clas B Preference Shares (nominal value)	**250**	250
Share Premium	**42,230**	41,656
8% Cumulative Fixed Term Class C, Series 2 Preference Shares ($100)	**-**	-
8.5% Cumulative Redeemable Class C, Series 1 Preference Shares ($100 each)	**-**	-
Long-term loans	**165,540**	156,038
Total capitalisation	**209,528**	199,449
Capital expenditures	**35,586**	33,940
Earnings per Class A Ordinary Share ($/Share)	**0.70**	0.87
Dividends per Class A Ordinary Share ($/Share)	**0.66**	0.66
Book value per Class A Ordinary Share ($/Share)	**5.15**	5.09
Statistical Record:		
Net kWh generation (millions of kWh)	**546.07**	485.52
Net kWh sales (millions of kWh)	**510.64**	456.04
Peak load (MW) gross	**86.83**	79.04
Plant capacity (MW)	**123.50**	114.63
Total customers (actual number)	**22,768**	21,115

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

1966 1976 1986

2005	2004	2003	2002	2001	2000	1999	1998
92,871	106,643	96,921	90,124	90,089	76,469	67,058	66,478
10,041	2,276	2,560	2,420	2,133	2,705	1,870	1,784
102,912	108,919	99,481	92,544	92,222	79,174	68,928	68,262
90,190	81,223	72,970	67,621	69,179	58,104	50,802	51,776
12,722	27,696	26,511	24,923	23,043	21,070	18,126	16,486
8,498	7,709	6,321	5,648	3,747	3,079	3,704	3,616
4,224	19,987	20,190	19,275	19,306	17,991	14,422	12,870
1,490	1,480	1,463	1,440	1,428	1,412	1,380	1,307
250	250	250	250	250	250	250	250
39,022	37,328	51,341	63,411	76,799	88,806	51,216	38,892
-	-	6,008	12,015	12,015	12,015	12,015	12,015
-	-	-	-	-	-	2,000	5,000
141,521	138,395	120,704	102,966	85,732	76,442	49,963	26,263
182,283	177,453	179,766	180,082	176,224	178,925	116,794	83,727
39,788	20,041	27,732	29,095	36,655	43,642	34,131	19,868
0.13	0.77	0.80	0.77	0.78	0.73	0.63	0.57
0.33	0.66	0.64	0.61	0.56	0.47	0.41	0.36
4.82	4.98	4.69	4.44	4.23	3.97	3.70	3.14
393.51	485.63	463.00	448.10	424.71	398.09	376.28	347.52
375.74	450.27	429.28	414.58	393.28	369.42	346.94	326.46
85.03	79.06	77.06	75.99	70.18	65.76	61.11	56.33
114.63	127.40	115.10	115.10	115.10	94.92	94.92	88.37
19,011	21,127	20,269	19,198	19,198	18,463	17,349	16,353

Directors of the Company



Philip A. Barnes ^

Deputy Manager
Venecredit Bank and Trust, Ltd.
Grand Cayman

Mr. Barnes joined the Board of Directors in 1993 and is a Cayman Islands Government director nominee. He is Deputy Manager of Venecredit Bank and Trust, Ltd. and previously held similar positions in the Cayman Islands financial sector. Mr. Barnes serves on the Board of the Cayman Islands Scout Association and as Deputy Chairman of the National Housing Development Trust, two non-profit organisations.

J. Bryan Bothwell *

Retired Banking Executive
Grand Cayman

Mr. Bothwell joined the CUC Board of Directors in 2004 and is Chairman of the Audit Committee. He is the retired Chief Executive Officer (Managing Director) of Ansbacher (Cayman) Limited. Mr. Bothwell serves on the Board of the Cayman Islands Monetary Authority as well as several non-profit organisations.

Frank J. Crothers +

Vice-Chairman of the Board of Directors

Chairman
Island Corporate Holdings Ltd.
Bahamas

Mr. Crothers joined the Board of Directors in 1980 and has served as Vice-Chairman of the Board of Directors, a non-executive position, since 1986.
He is a member of the Nominating and Corporate Governance Committee and a former member of the Audit Committee and Remuneration Committee. Mr. Crothers was elected to the Fortis Inc. Board in May 2007 and serves on the Boards of several other for-profit and non-profit organisations.

Sheree L. Ebanks ^

Director & Head of Wealth Management
Butterfield Bank (Cayman) Ltd.
Grand Cayman

Mrs. Ebanks joined the Board of Directors in 2005 and is a Cayman Islands Government director nominee. She serves on the Boards of the Cayman Islands Stock Exchange Authority, Butterfield Bank (Cayman) Limited and several other for-profit organisations.

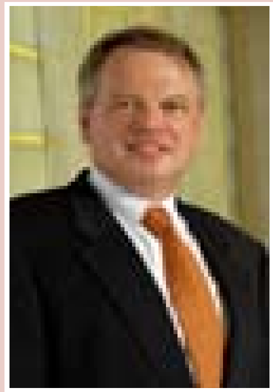
* *Member Audit Committee (Chairman: J. Bryan Bothwell)*   + *Member Nominating and Corporate Governance Committee (Chairman: David E. Ritch)*   ^ *Government Director*

Directors of the Company

J.F. Richard Hew

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

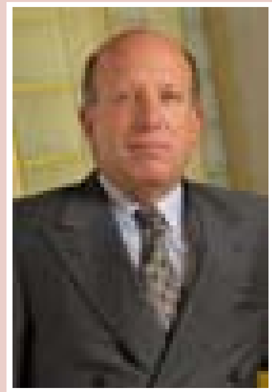
Mr. Hew has served on the Board of Directors since 2003. He joined Caribbean Utilities Company, Ltd. in 1988 and was appointed President and Chief Executive Officer in 2005. Mr. Hew serves on the Boards of Belize Electricity Limited, a Fortis Inc. subsidiary, and the University College of the Cayman Islands.



Philip G. Hughes *

Retired Executive
Canada

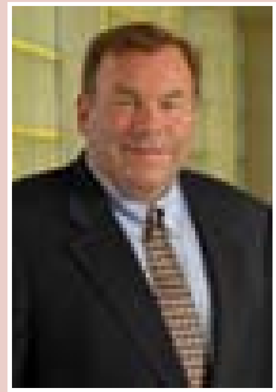
Mr. Hughes joined the Board of Directors in 2004 and is a member of the Audit Committee. He retired as President and Chief Executive Officer of FortisAlberta Inc., a Fortis Inc. subsidiary, in May 2007 and previously was President and Chief Executive Officer of Newfoundland Power Inc., another Fortis subsidiary. Mr. Hughes serves on the Boards of several for-profit and non-profit organisations.



Joseph A. Imparato

Retired Chairman
Grand Cayman

Mr. Imparato joined the Board of Directors in 1982 and served as Chairman from 1986 until his retirement in 2003. He is the former Chairman of the Audit Committee and Remuneration Committee. Mr. Imparato serves on the Board of Cayman Hospice Care, a non-profit organisation.



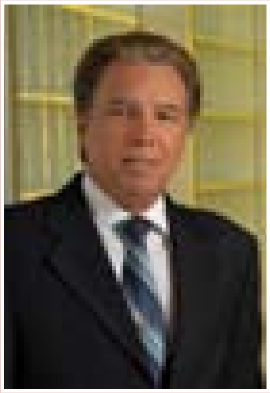
H. Stanley Marshall +

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

Mr. Marshall joined the Board of Directors in 2000 and has served on the Nominating and Corporate Governance Committee since 2003. He is President and Chief Executive Officer of Fortis Inc., controlling shareholder of the Company. Mr. Marshall serves on the Boards of Fortis Inc. and all of its subsidiaries and is a Director of Toromont Industries Ltd.

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

Directors of the Company



David E. Ritch, O.B.E., J.P. *+

Chairman of the Board of Directors

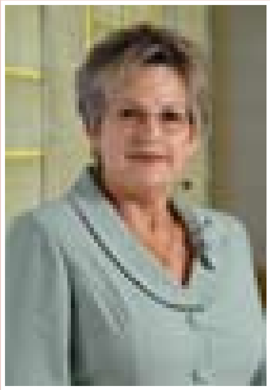
Attorney-at-Law
Ritch and Conolly
Grand Cayman

Mr. Ritch joined the Board of Directors in 1988 and has served as Chairman of the Board of Directors, a non-executive position, since 2003. He is also Chairman of the Nominating and Corporate Governance Committee and a member of the Audit Committee. Mr. Ritch is Managing Partner of Ritch and Conolly and serves on the Boards of FirstCaribbean International Bank (Cayman) Limited and FirstCaribbean International Bank Limited.

Peter A. Thomson

Retired Executive
Caribbean Utilities Company, Ltd.
Grand Cayman

Mr. Thomson joined the Board of Directors in 1986 and served as President and Chief Executive Officer of Caribbean Utilities Company, Ltd. from 1986 until his retirement in 2005. He is a former member of the Audit Committee, Nominating and Corporate Governance Committee and Remuneration Committee. Mr. Thomson serves as Vice-Chairman of the Amphora Financial Group.



Anna Rose S. Washburn ^

Managing Director
Marksons Furniture & Supplies Ltd.
Grand Cayman

Mrs. Washburn joined the Board of Directors in 2005 and is a Cayman Islands Government director nominee. She is Managing Director and Owner of Marksons Furniture & Supplies Ltd.

Directors Emeritus:

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

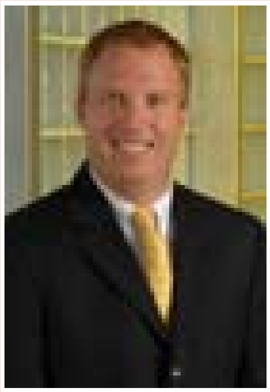
Peter N. Thomson
Retired Executive
Bahamas

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

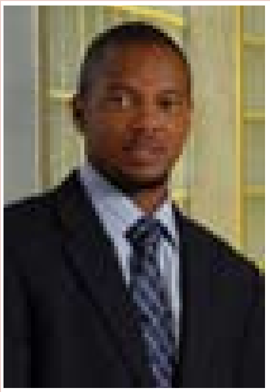
Officers of the Company

J.F. Richard Hew
President & Chief Executive Officer

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



Robert D. Imparato
Company Secretary & Chief Governance Officer



Andrew E. Small
Vice-President Production

J. Lee Tinney
Vice-President Transmission & Distribution

Shareholder and Corporate Information

Shareholders

Registered shareholders as of April 30, 2007 were as follows:

Class of Shares	*Shareholders*	*Shares Held*
Class A Ordinary Shares	1,840	25,331,438
9% Class B Preference Shares	117	250,000

1,606 Class A Ordinary registered shareholders holding approximately 11% of the oustanding shares are resident in the Cayman Islands, while the balance are resident overseas. Shareholders resident in the Cayman Islands represent 84% of CUC's total Class A Ordinary registered shareholders. Holders of Preference Shares are primarily resident in the Cayman Islands. Fortis Energy (Bermuda) Ltd., a wholly-owned subsidiary of Fortis Inc., holds 13,565,511 Class A Ordinary Shares, or 53.6% of the outstanding shares as of April 30, 2007.

Annual General Meeting

Shareholders of Caribbean Utilities Company, Ltd. are invited to attend the Annual General Meeting of the Company to be held Thursday, August 30, 2007 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 material.

Dividends

Class A Ordinary Shares:
Quarterly dividends are customarily paid in March, June, September and December. Record dates are normally three weeks prior to payable dates.

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

Dividend Reinvestment Plan

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

Customer Share Purchase Plan

The Customer Share Purchase Plan (CSPP) was launched in January 1995 and provides an opportunity for customers resident in Grand Cayman to invest in the Company without paying brokerage commissions or transaction fees. 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
P.O. Box 190
Grand Cayman KY1-1104
CAYMAN ISLANDS

Auditors

PricewaterhouseCoopers
PO Box 258
Grand Cayman KY1-1104
CAYMAN ISLANDS

Principal Bankers

Royal Bank of Canada
PO Box 245
Grand Cayman KY1-1104
CAYMAN ISLANDS

Duplicate Annual Reports

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

Registrar and Transfer Agents

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, Grand Cayman KY1-1101, 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 United States funds on the Toronto Stock Exchange. The stock symbol is "CUP.U". There is no income or withholding tax applicable to holders of Class A Ordinary or Class B Preference Shares under the existing laws of the Cayman Islands.

Registered Office

Caribbean Utilities Company, Ltd.
P.O. Box 38, Grand Cayman KY1-1101, CAYMAN ISLANDS
Attention: Assistant to the Company Secretary
Telephone: (345) 949-5200
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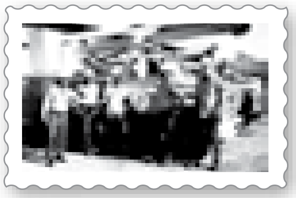

Credits :

Photography : Neil Murray, Caren Thompson, Naomi Johnatty
Sacha Tibbetts and Philip Parchment
Caribbean Utilities Company, Ltd.

Miguel Escalante
The Photo Centre

Daniel Cummings
Dart Realty (Cayman) Ltd.

Historical Data : Some data taken from “The History of Caribbean Utilities Company”, an unofficial history of CUC written by the late Edwin J. “Ted” Bowyer, a former General Manager.

Other data taken from previous Annual Reports.

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