Caribbean Utilities Company, Ltd.

2008 Annual Report

things Caymanian

General Data

Cover and Report Feature

Being one of the smaller, more isolated group of Islands in the Caribbean, the Cayman Islands, in comparison with its larger neighbours, have a relatively short history. The first recorded settlements were located on Little Cayman and Cayman Brac during 1661 and 1671, but since then, "things Caymanian" including traditions, culture, wildlife, art, food, stories, legends, games, crafts and architecture have blossomed. For the majority of Caymanians who hold these traditions in high regard, it is of the utmost importance to preserve what we have and know so present and future generations of Caymanians never lose touch with the past. From the catboats, which have prevailed as a symbol of our seafaring heritage gliding across our pristine blue waters, to the art of gig and kite making, to the stories told around the caboose while cooking fritters - this is what makes our little piece of the world unique.

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 installed generating capacity of 136.6 megaWatts (MW), and a new record peak load of 92.9 MW was experienced in June 2008. Our 196 employees are committed to providing a safe and reliable supply of electricity to over 24,000 customers. The Company has been through many challenging and exciting periods but has kept pace with Grand Cayman's rapid development for over 40 years.

READERS SHOULD REVIEW THE NOTE, FURTHER IN THIS ANNUAL REPORT, IN THE MANAGEMENT'S DISCUSSION AND ANALYSIS SECTION, CONCERNING THE USE OF FORWARD-LOOKING STATEMENTS, WHICH APPLIES TO THE ENTIRETY OF THIS ANNUAL REPORT.

Location

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.

Contents

Highlights

Financial Results in Brief

(expressed in $ thousands, unless stated otherwise)

	2008 US$	2007 US$	% Change
Operating revenue	**175,981**	158,859	11%
Electricity sales	**90,326**	96,186	(6%)
Fuel factor	**82,386**	58,132	42%
Hurricane Ivan cost recovery surcharge	**3,269**	4,541	(28%)
Total operating expenses	**144,673**	133,812	8%
Interest expense	**10,564**	9,445	12%
Earnings for the year	**23,760**	18,454	29%
Total assets	**368,249**	329,240	12%
Total shareholders' equity	**142,472**	135,354	5%
Cash from operations	**31,285**	49,920	(37%)
Earnings per Class A Ordinary Share ($/ share)	**0.90**	0.70	29%
Dividends per Class A Ordinary Share (paid and declared, $/ share)	**0.66**	0.66	Nil
Book value per Class A Ordinary Share ($/ share)	**5.41**	5.15	5%
Class A Ordinary Shares			
Market price: High ($)	**12.85**	13.50	(5%)
Low ($)	**11.20**	11.20	Nil
Year-end ($)	**12.10**	11.45	6%

Performance

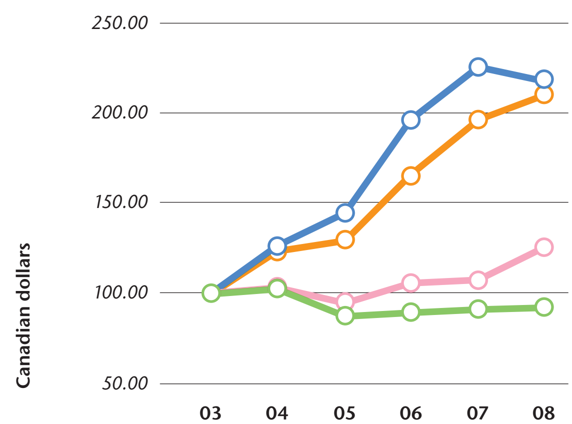
Operating revenues increased by 11% and earnings increased by 29% in fiscal 2008. Net earnings were $23.8 million, a $5.3 million increase from earnings of $18.5 million last year. This increase in earnings is due primarily to the $3.7 million Power Plant Restructuring charge that occurred in fiscal 2007, the movement in deferred fuel costs and 6% growth in kiloWatt-hour sales. Dividends paid and declared on Class A Ordinary Shares were $0.66 per share, as in fiscal 2007. The Class A Ordinary Shares (CUP.U) traded on the Toronto Stock Exchange at a high of $12.85 per share in fiscal 2008.

Rate of Exchange

The closing rate of exchange as of April 30, 2008 as reported by the Bank of Canada for the conversion of United States dollars into Canadian dollars was Cdn$1.0072 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, 2008 for the conversion of Cayman Islands dollars into Canadian dollars was Cdn $1.2086 per CI$1.00.

Share Performance

Comparison of 5-year cumulative total returns between Cdn$100.00 and US$100.00 invested in CUC Class A Ordinary Shares and the S&P/TSX Composite Index - Utilties and S&P/TSX Composite Index.



	03	04	05	06	07	08
CUC Index (Cdn$)	100.00	103.29	85.14	86.50	87.33	88.47
CUC Index (US$)	100.00	107.90	96.97	110.91	112.77	125.90
S&P/TSX Composite Index	100.00	127.40	147.43	195.68	235.10	220.58
S&P/TSX Composite Index - Utilities (Sector)	100.00	120.92	138.05	168.77	197.61	215.80

Information reflected in this Highlights section should be read in conjunction with the disclosure contained in the Management's Discussion and Analysis and its associated cautions beginning on page 14.
All dollar amounts in this Annual Report are stated in United States dollars unless otherwise indicated.

things Caymanian

Catboat

The Caymanian Catboat was the mainstay in transportation amongst the Islands. Low-sheered vessels with an almost flamboyant form, these small sailing boats were used to venture offshore in pursuit of turtles and fish. The Catboats varied in size from 14 to 28 feet. The woods used in construction of these vessels were primarily Cayman cedar for planking, and the local hardwoods - Cayman mahogany, plopnut, cedar, pompero, jasmine and white wood - for the keel, stern, sternpost and framing.

To Our Shareholders

It is our

It is our pleasure to report on the progress of the Company in the fiscal year ending April 30, 2008, a year that was positive in many respects and notably highlighted by the successful conclusion of our licence negotiations with the Cayman Islands Government ("Government").

Earnings for fiscal 2008 were $23.8 million, compared to $18.5 million for the prior year. 2007 was affected by the $3.7 million one-time charge for disposal of the steam system assets. The 2008 earnings were driven by strong energy sales of 539.6 gigaWatt-hours ("GWh") up 6% compared to 2007 sales of 510.6 GWh, supported by growth in the financial services and tourism industries and a 5% increase in the number of residential customers connected. Peak demand grew by 7% to a record 92.7 megaWatts ("MW") set in August 2007 as the Company's number of connected customers grew by 6% to 24,041.

The Company continues to make the necessary investment in infrastructure to serve the growing demand reliably with capital expenditures of $44.6 million for the year with $13.0 million spent on transmission and distribution ("T&D") system expansions, $8.0 million on the completion of the 16 MW generation expansion project and $9.7 million in total of land adjacent to our North Sound Road facility. These expenditures together with our ongoing maintenance programme will support the expansion of CUC's operations and commitment to the reliability demanded by the continued growth in Grand Cayman.

Global inflation of metals, utility equipment and fuel prices and the weakening of the US dollar against other currencies, in particular the Euro, has inflated CUC's capital investment and operating expenses. Maintenance expenses for the year were up to $8.6 million from $8.4 million, but these were offset in part by a reduction in administrative costs of $0.1 million. The Company will continue to focus on containing those costs that it can control.

On April 3, 2008 we successfully concluded our licence negotiations with Government and received a 20-year exclusive Electricity Transmission and Distribution Licence ("T&D Licence") and a 21.5-year non-exclusive Electricity Generation Licence ("Generation Licence"). Under the terms of the Electricity Regulatory Authority ("ERA") Law (2008), the ERA will regulate the electricity industry and oversee competition for the installation of new generating capacity. Under the terms of its T&D Licence, CUC filed on May 1, 2008 a certificate of need for 32 MW of additional generating capacity to be in service no later than June 1, 2011, which capacity will be put out to public tender for competitive bids by the ERA.

David Ritch, Chairman of the Board of Directors and Richard Hew, President and Chief Executive Officer.

We look forward to competing for the right to install future firm generation capacity in Grand Cayman and we welcome the ability to have alternate energy providers that may add diversity to our energy supply. More importantly the new licences and regulatory framework will enable CUC to conduct the long-term planning and investment necessary to sustain a reliable service with assurance that investments will be recovered with a reasonable return.

To Our Shareholders

Climate change and the development of alternative or renewable energy sources that are practical and economical is perhaps the greatest challenge facing the global energy industry today. In Grand Cayman, as with most of the Caribbean and other small island countries that rely 100% on diesel or fuel oil, the economic impetus to seek alternate energy sources has been accelerated by the doubling of oil prices over the last year. CUC plans to assist the ERA and the Government in the development and execution of an energy policy for Grand Cayman that strikes a balance between environmental protection and reliability and affordability of energy supply to consumers. As a start, the Company has proposed to the ERA a customer rate for small on-grid renewable energy sources which we believe will spawn customer owned renewable energy sources such as photovoltaics.

Reliability and customer satisfaction go hand in hand and in fiscal year 2008 we posted a respectable Average Service Availability Index of 99.95% compared to 99.92% in 2007. This indicates that on average our customers experienced only four hours of outages for the year. Customer satisfaction as indicated by our survey of customers conducted in April 2008 was at an all time high of 90% compared to 84% a year ago.

We sincerely thank our dedicated team of 196 employees for their outstanding performance in 2008 and we plan to continue investing in their training and development and to provide an environment in which they will have a productive, rewarding and fulfilling career.

The past year saw changes to the Company's executive team with Eddinton Powell, Senior Vice-President Finance & Corporate Services & Chief Financial Officer, Robert Imparato, Corporate Secretary and Chief Governance Officer and Lee Tinney, Vice-President Transmission and Distribution, leaving the Company. We also thank Philip Hughes, who did not seek re-election to the Board at the August 2007 Annual General Meeting of Shareholders (the "Meeting"). We welcomed Karl Smith and Eddinton Powell to the Board of Directors at the same Meeting. Philip Barnes, Sheree Ebanks and Anna Rose Washburn, who served as Government nominated Directors under terms of our old licence, resigned in April under the terms of the new licences. We express our gratitude and thanks to these former executives and directors for their valuable contributions to the Company over the years and wish them the very best in the future.

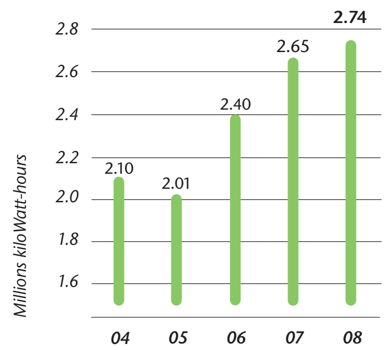
2008 could be considered the closing of a chapter of CUC's long history serving Grand Cayman and the beginning of a new chapter under the auspices of new licences and a new regulatory authority. We enter this new period with confidence that we will be successful in our newly adopted mission statement, "To be a leader in the growth of our community by delivering safe and reliable energy services at competitive costs and with respect to the environment while being a model corporate citizen and providing a fair return to our shareholders."

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

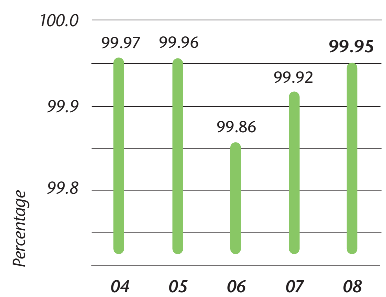
J.F. Richard Hew
President & Chief Executive Officer

June 27, 2008

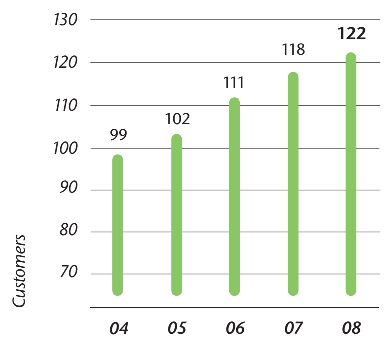
Sales per Employee
(millions of kiloWatt-hours)



System Availability
(data for years ended April 30)



Customers per Employee
(number of customers)



things Caymanian

Green Sea Turtles
The people of the Cayman Islands have a history tied to the turtle. In the 1600's and 1700's the Cayman Islands became a provisioning stop for vessels sailing the Caribbean because of an abundance of Green Sea Turtles, which could be caught and kept alive on board as a source of fresh meat. Permanent settlements developed on the Islands in the 17th century and turtling became a means of income as well as providing a local source of food. The Cayman turtling fleet continued operating at a sustained level until the early 1900's. By this time turtle populations were dwindling and, in subsequent years, national and international regulations and alternative sources of income reduced the turtling industry to a negligible level. The appearance of the turtle on the Cayman Islands' flag, seal and currency reflects the close association the people have to the turtle. The Cayman Turtle Farm was established in 1968 and is now a part of Boatswain's Beach, one of the premier tourism attractions in the Cayman Islands. The Farm is a closed-cycle farming operation that breeds and raises its own turtle stock for research, release programmes and local consumption (turtle is a favourite Caymanian dish).

Operational Highlights

In August 2007 the Company marked a new peak load of 92.7 MW. CUC served over 24,000 customers at the end of fiscal 2008 compared to 22,768 at the end of fiscal 2007. In fiscal 2008, CUC had sales of 539.6 GWh, an increase of 6% over sales of 510.6 GWh in fiscal 2007 and a reflection of continued development on the Island. CUC's goal is to sustain the high levels of electrical service reliability and responsiveness to ongoing growth on the Island so as to continue to attract high quality commercial and residential development on the Island.

In June 2007, an additional 16 MW of generation capacity was brought online with the commissioning of a MAN Diesel SE ("MAN") diesel generator pursuant to a long-term alliance agreement with MAN. With over 52 MW of MAN supplied capacity installed, the MAN relationship has afforded CUC benefits such as standardisation of parts, secure access to a worldwide parts and service support network and customisation in equipment design and trouble shooting/problem solving with one of the world's leading manufacturers of diesel generators.

Under the terms of the T&D Licence signed in April 2008, CUC is required to periodically forecast demand and recommend capacity expansion to meet growing demand through the filing of a Certificate of Need ("CON"). A reserve capacity of between 35% and 55% must be maintained to ensure reliability of service to our customers. In response to a demand forecast made prior to entering into the T&D Licence, and as requested by the Government, CUC has entered into a further contract with MAN to install an additional 16 MW of capacity to meet increased demand forecast for mid-year 2009. Future new and replacement capacity will be subject to competitive bid governed by a process overseen by the ERA. The first such bid will seek an additional 32 MW of capacity, consisting of two 16 MW units required in 2011/2012.

CUC's existing generation capacity of 136.6 MW (which excludes two 1.45 MW of mobile capacity) is licenced pursuant to a 21.5-year Generation Licence also signed in April 2008. Upon retirement of individual units of

The Company's generating units undergo a thorough maintenance schedule to meet production requirements and ensure maximum efficiency.

Operational Highlights

production under that licence, replacement capacity will be subject to the competitive bid process in which CUC may participate. If an independent power producer wins the bid, it will enter into a Power Purchase Agreement with CUC under the T&D Licence. The Company believes it is well positioned to participate favourably in the competitive bid process upon implementation by the ERA.

Recent escalation of world crude oil prices has impacted CUC customers in the cost of diesel fuel used in generation. Under the T&D Licence, CUC passes these costs through without markup. As of June 2008, fuel cost per kWh consumed stood at $0.2624 (CI$0.2204) per kWh. CUC recognises the significant influence of rising hydrocarbon costs on its customers with over 70% of CUC's operational costs attributable to fuel costs. The efficient MAN diesel generating units are, with modification, capable of burning other fuel types including natural gas. The Company continues to explore the economic viability and other aspects of a potential decision to switch fuels.

Renewable energy alternatives, including wind and photovoltaic, continue to hold promise in reducing greenhouse gas emissions and breaking the dependence on fossil fuels. CUC continues to monitor costs, technological advancement and other related trends closely as these technologies emerge. We are optimistic that in the long term, the viability of these alternate means of generation will be established. Until the recent steep increases in crude oil costs, these alternatives have not been economically viable in Grand Cayman and may still require some form of subsidisation. Further, each of the above noted technologies can only be considered as supplements to conventional generation as they cannot produce energy in the absence of either wind or sunlight and until cost effective storage batteries are developed, they must continue to be considered "non-firm" sources requiring supplement from existing diesel generators.

CUC has developed and submitted recommendations to the ERA for consideration regarding renewable energy policy. The ERA has the responsibility for setting policy and enforcing regulation in the generation and transmission of electricity on the Island.

In 2003, CUC completed a study of prevailing wind conditions to determine the feasibility of wind generation on the Island. While not viable at that time, the increasing cost of fuel has exceeded the rising capital cost of wind generation equipment and wind generation is now believed to be approaching economic viability on the Island. Factors such as the likelihood of sustained high fuel costs, the availability of land for wind generator installation, tolerance of residents for visual presence of wind generators and the scale of operations required to measurably offset fuel dependency will need to be explored before such a project could proceed.

The Company's largest engine room currently houses three 12.5 MW MAN Diesel SE units and our latest addition, a MAN Diesel SE 16 MW unit, which was installed and commissioned in June 2007.

things Caymanian

Silver Thatch Palm
As the National Tree of the Cayman Islands, the Silver Thatch Palm has played an important role in the lives of Caymanians since the first settlers arrived on the islands in the early 1700's. A valuable part of Cayman's natural heritage, as well as part of the landscape, it is endemic to the Cayman Islands - which means that it is found nowhere else. The leaves are unusually tough and their broad shape makes them a useful covering. In the past, Silver Thatch Palm leaves were frequently used to thatch roofs as they were cool and rainproof. They were also used to weave hats, baskets and fans and these items are still made today by those who were taught the skills over 50 years ago.

Operational Highlights

Solar generation, particularly that installed by customers, offers another alternative to diesel generation and CUC favours the growth of this sector. It is expected that this sector will expand once the ERA authorises the terms on which customer generated electricity will be repurchased by CUC. The ERA is currently considering renewable energy rate recommendations for on-grid customer owned generation, made by CUC in accordance with obligations set out in the T&D Licence.

Ocean Thermal Energy Conversion, which generates electricity by extracting energy from temperature differences in ocean water at various depths, has been under active consideration for several years as an alternative to fossil fuel dependence. While CUC continues to monitor this technology, technical progress has been slow and it is not expected that it will present a viable commercial alternative for many years.

In fiscal 2008, the Company continued initiatives to further strengthen T&D assets and advance preparedness in response to the most significant risk we face in our business - severe weather. Most of CUC's T&D assets are practically uninsurable under current market conditions.

The Company began a pilot programme to test fibreglass distribution poles. Twenty-three poles were installed on a stretch of road in the East End district in close proximity to the sea to further test durability against salt spray.

In addition to the ongoing installation of concrete transmission poles, the Company began a pilot programme to test fibreglass distribution poles which are lightweight and potentially have a longer lifespan than wooden poles. The most significant threat to fibreglass equipment has traditionally been ultra-violet ("UV") light. The advancement of UV resistant resins, incorporated into these poles, may mitigate this problem. The Company is seeking to confirm that this technology can withstand high wind conditions as well as harsh salt and sun environments.

Hurricane preparedness is an ongoing focus of planning and live drills at CUC. During the year, computer system redundancy and backup was advanced and tested to ensure failsafe operation during severe weather. CUC has committed under the terms of its new licences to restore power as quickly as possible following any major disaster event. CUC is pleased with both the outcome of its planning exercises and its response during Hurricane Ivan in 2004 and Hurricane Dean in 2007.

Another recent but well established innovation in electrical utility technology is Automated Metering Infrastructure ("AMI"). CUC is actively developing a planned changeover to an AMI system. AMI entails the installation of site metering with advanced capabilities to monitor consumption profiles, provide instantaneous readout of consumption levels and communicate with central control of the T&D system. The AMI system can help empower consumers in their conservation efforts by providing real time information regarding consumption and individual consumption profiles. Such monitoring also offers virtually immediate identification of trouble situations such as outages and meter tampering. In addition, it will help reduce meter reading and customer service costs.

CUC has increased its efforts to promote conservation in recent years in response to rising fuel costs and consequent rising electricity costs. Conservation is the most effective way customers can empower themselves against these costs which are beyond the Company's control.

Operational Highlights

CUC's Energy Smart programme is designed to assist consumers in making energy-conscious decisions in their electrical consumption with the goal of protecting the environment and reducing the energy cost borne by the consumer. CUC offers customers a free energy audit of their premises during which a CUC customer service representative visits the premises to identify and review with the customer opportunities to reduce energy consumption. CUC invites its customers 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 shows customers the amount of electricity used by appliances, based on the frequency of their use. The Energy Library provides information on constructing energy efficient homes and choosing fittings and appliances that will reduce electricity consumption.

In March 2008, the Company achieved its highest ever customer satisfaction rating in its annual survey. Ninety percent of customers considered CUC's service satisfactory overall compared to 84% in 2007. The Company attributes this satisfaction level to ongoing customer service focus and improvements within the generation and T&D system including improved frequency and generator control systems, grounding of service, lightning resistance and ongoing insulator changeout. Reliability for fiscal 2008, as measured by Average Service Availability Index, was 99.95% compared to 99.92% in 2007. CUC customers experienced on average 3.22 outages during the year with a total outage time of four hours. We continue to focus on initiatives such as the ongoing work to complete a 69 kiloVolt ("kV") loop linking the eastern end of the Island, where reliability is lowest, in an effort to improve service further.

CUC strives to be a technical and service leader in the Caribbean. With our renewed commitment under new 20-year plus licences, we are confident that we will continue to play an integral role in supporting and sustaining the high standard of living in Grand Cayman and look forward to positive relations with our customers, partners and suppliers as the Island continues to grow.

Each year, CUC conducts a hurricane drill prior to the beginning of the Atlantic Hurricane Season, which runs from June to November. One of the primary focuses is the protection of the Administration Building whereby members of the Line Operations team inspect the hurricane shutters.

things Caymanian

The Great House ("Pedro Castle") at Pedro St. James
Towering three stories and sporting walls 18 inches thick, the Great House dwarfed the surrounding single-level "wattle-and-daub" dwellings that were its neighbours in 1780. The elaborate construction made this Great House the Caymanian equivalent of a European castle, and the term "Pedro Castle" is used by local residents to this day. In the late 18th century, with the use of slave labour, it was an Englishman named William Eden who built the expansive Great House and farmed the adjoining land as a plantation. Since its construction more than two centuries ago, Pedro St. James has been put to a variety of uses, including a courthouse, jail, Government Assembly and restaurant. Surviving hurricanes, fires, vandalism, and rumours of being jinxed, it stands today, in its restored state, as a dynamic piece of Caymanian heritage. Perhaps best known as the "Birthplace of Democracy in the Cayman Islands", Pedro St. James was the venue for a meeting on December 5, 1831 where the decision was made to form the first elected parliament. Later, on May 3, 1835, Robert Thompson, sent from the Governor of Jamaica, held court at Pedro St. James to issue the proclamation ending slavery in the British Empire.

Community Involvement

In keeping with our vision of being "Committed to Cayman's Youth" and "Making a Positive and Lasting Difference in Our Community", CUC's employees once again gave selflessly to participate in various community projects with special emphasis on youth-oriented activities.

A total of 2,066 hours, of which 76% was personal time, was contributed by employees during fiscal year 2008, surpassing our target of 1,700 hours. Willing employees sacrificed their lunch hours, evenings and weekends to serve as mentors in the Cadet Corps and the Big Brothers Big Sisters Programme. Other athletically inclined employees devoted time to the CUC Primary Football League and the Cayman Islands Little League in the capacity of officials and coaches. Annual projects, such as the Easter Egg Decorating Party and the Thanksgiving Luncheon with our differently-abled friends at the Lighthouse School and the Sunrise Centre, respectively, drew the usual crowd of enthusiastic employee volunteers, some of whom have developed tight-knit bonds with these special young people.

The holiday season brings with it an added incentive to make a difference in the community and spread the Christmas cheer. As a sponsor of Santa's Landing, an annual Kiwanis Club event, employees joined over 500 children from the community for festivities held at the Airport Park where gifts, balloons, snacks, and other goodies were handed out. Even though Santa was the highlight of the day, Sparky, CUC's mascot, did not go unnoticed as he made his way through the crowds spreading his CUC charm.

Each week, in conjunction with the Rotary Club of the Cayman Islands, Rehoboth Ministries, and Government, our employees see to it that hot lunches are delivered to selected senior citizens, disabled and less fortunate members of the community through the Meals-on-Wheels programme.

The CUC Children's Fund, established by employees over eight years ago, enables employees to make annual contributions to the causes that matter to them most. During the fiscal year, the fund accumulated just under $19,000 and contributors selected all public primary schools as the major beneficiaries of the fund. The donated funds were used to purchase Lego Mindstorms, specialised

Under a six-year commitment with the Ministry of Education and Sports, the CUC Primary Football League (PFL) boasts participation of 15 public and private schools across Grand Cayman involving over 400 boys and girls under the age of 11. Employees such as Gary Whittaker (wearing sunglasses), who have played football at the club and international levels, assist with coaching, officiating games and preparation of fields.

Community Involvement

educational robotics, which enable students to build and programme smart robots through a natural, step-by-step learning process that promotes team-building, creative thinking, and hands-on problem-solving. Other recipients of the fund were the Lighthouse School, Sunrise Training Centre, Big Brothers Big Sisters Programme and the Children and Family Services Unit. Additional contributions were made to various fundraising efforts for sick children and children in need.

The Company also made a splash in the community by sponsoring the Flowers Annual One-Mile Sea Swim, which attracts local and international swimmers, young and old into the waters off Seven Mile Beach. Wanting to offer more than financial assistance, two CUC employees took to the seas and others trod the sands in support of this important fundraiser. Members of the CUC Dive Team chose to get their hands wet in other sea-based community initiatives such as the underwater cleanup, which is a part of the Cayman Islands' annual Earth Day Cleanup.

During fiscal year 2008, CUC sponsored the Cayman Islands CARIFTA Track and Field Team marking 22 years of CUC's commitment to athletics and confirming our long-standing pledge to nurture Cayman's future Olympians and aspiring track athletes. The prestigious CARIFTA Games were hosted by St. Kitts and Nevis and saw a strong showing of Caymanian talent in various track and field events.

The words of Mahatma Gandhi, "Be the difference you want to see in the world," serves as a commitment that our altruistic employees strive to achieve. CUC's community outreach projects are mutually beneficial undertakings that enhance our employees' sense of involvement in the community while positively impacting the lives of all those involved in such projects.

Our employees are committed to remaining active in the community in an effort to serve as positive role models and pave the way for the next generation. We have and will continue to take a proactive approach to being the difference we want to see in Cayman's community.

We congratulate our top 10 volunteers: Dave Thompson, Lauren Bush, Gary Whittaker, Ken Bell, Caren Thompson, Antwan Seymour, Neil Murray, Christopher Lansley, Naomi Johnatty and Rosanah Stewart; and all other dedicated employees who, in line with our vision, made a positive difference in our community.

Kristie Archer helps put the finishing touches on a young Lighthouse School student's Christmas stocking during the Annual Christmas Stocking Decoration Day, an event the Company hosts for our friends at the Lighthouse School.

Ken Bell assists an aspiring sprinter from the Lighthouse School during its 2008 Sports Day in March. Employees look forward to this annual sporting event where students compete in various fun races.

things Caymanian

Gigs
One of the Islands' traditional games, likened to the modern spinning tops. The better gigs are usually fashioned out of Guava Tree because of the wood being hard and dense. A nail is inserted at the bottom on which the gig spins and a cord is wrapped from the tip of the nail around the base and midway up the gig. At the other end of the cord, a small piece of wood is tied. The gig is grasped upside down with the nail facing up and the end of the cord with the piece of wood held between the index and middle finger. With a flick of the hand, the gig is released and the spinning commences. In some instances, the protruding nails were sharpened to do damage to competing gigs.

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 objectives of 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 implement our policy, our annual environmental objectives and achieve targets.

Over the past 10 years CUC has proactively 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 any of these liquids from coming in contact with soil or ground water during normal operations or in the event of an emergency such as a spill or fire.

CUC has introduced numerous procedures and special work practices for the proper disposal of various items used on a daily basis such as waste oils, batteries, transformers and aluminium drink cans within the North Sound site and throughout the transmission and distribution system. In addition to these efforts, CUC currently recycles wire and other scrap metal by shipping these off the Island and plans to expand these recycling activities to paper and other recyclables as facilities become available.

The generators used by CUC for the generation of electricity on Grand Cayman have undergone changes and improvements to ensure that they provide electricity in an efficient and environmentally friendly manner. This improved efficiency reduces the impact on local air quality, and reduces fuel costs borne by CUC and its customers. CUC has installed

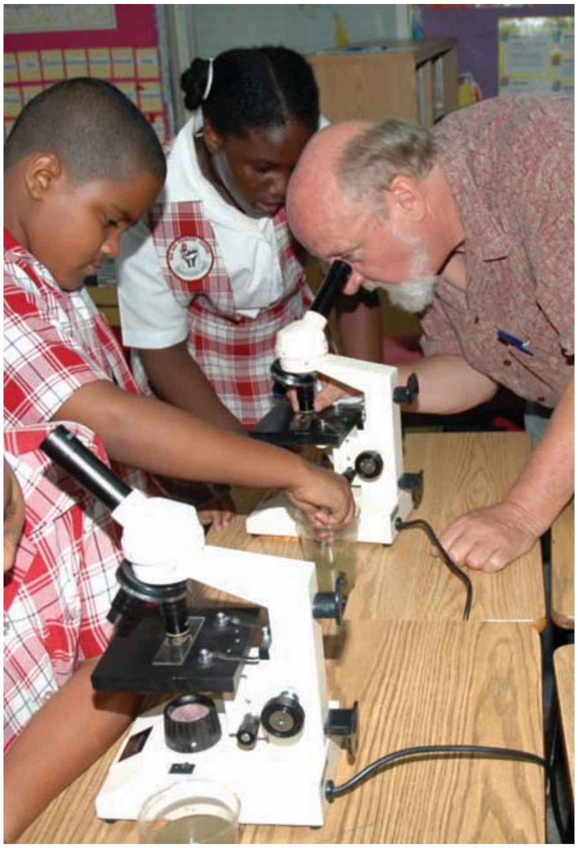
The Company participates annually in the Chamber of Commerce's Earth Day Cleanup Campaign, on land and underwater. CUC Dive Team member Philip Parchment gathers debris from the ocean floor and heads for shore with his load. Philip, along with three other employees, did their part in beautifying a wide stretch of ocean floor near the shoreline in George Town.

Environment

higher exhaust stacks on its new generating units to further improve the local air quality.

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 Environmental Educator Martin Keeley is one such initiative of which we are particularly proud. Each year, Martin conducts educational programmes with year five students in the public primary schools and incorporates classroom sessions with field trips to the mangroves. This year, we were pleased to participate in both aspects of the programme in which students also learn about the processes that fossil fuels go through 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 oils spills, microscope use and a visit to local wetlands to apply the knowledge they gained throughout the week.

CUC also enjoys partnerships in environmental education and resource conservation with the Department of Education, the National Trust of the Cayman Islands, the Cayman Turtle Farm/Boatswain's Beach, and the Cayman Islands Chamber of Commerce. We participated in the Cayman Islands Chamber of Commerce's Annual Earth Day Cleanup in 2008 as we have in previous years.



In keeping with our commitment to preserving the natural environment of our Islands, CUC has for the past eight years sponsored an Environmental Education Programme for primary schools. The week-long classroom sessions are facilitated by Peripatetic Ecologist/Science teacher and Environmental Educator Martin Keeley (pictured) and complemented by a field trip to the Central Mangrove Wetlands.

things Caymanian

Blue Iguana
The Blue Iguana is considered one of the most critically endangered reptiles in the world. Native only in Grand Cayman, the protected "blue dragons" possess a blue body colouration, permanent red eyes, can grow up to five feet in length and weigh over 25 pounds. A national symbol of the Cayman Islands, the Blue Iguana is one of the longest-living species of lizard (possibly up to 69 years). The National Trust for the Cayman Islands began captive breeding Blue Iguanas in 1990, in response to a Government sponsored survey in 1988, which found wild iguanas to be so scarce that extinction seemed imminent. In November 2001, the International Union for Conservation of Nature (IUCN) Iguana Specialist Group met in Grand Cayman, and with the National Trust and local Government drafted a Species Recovery Plan for the Blue Iguana. This formalised the involvement of an expanding network of international partners who are assisting in the Islands' effort to save this species.

Committed to Our Employees

CUC is proud of its active participation in the Investors in People ("IIP") programme. IIP is an international certification standard which provides a framework that helps organisations to improve performance and realise objectives through the effective management and development of their people. CUC's initiatives under the programme are aimed at linking employee development activities to the business strategy and the planning, execution and review processes to provide the best opportunity for individual and corporate success. CUC implemented IIP in 2006 and today views this standard as more important than ever in the management of its most important asset - its people.

During fiscal 2008, CUC revised its employee related governance policies. The Code of Business Conduct and Ethics Policy is intended to provide that clear standards surrounding ethical behaviour are communicated and monitored. The Whistle-Blower Policy allows employees to report violations under the Code of Business Conduct and Ethics Policy and is supported by external phone and electronic reporting processes to provide anonymity.

CUC's working environment is characterised by potential hazards for our operational workers. Powerful generating machinery and electrically charged systems, often well above ground level, present hazard. CUC applauds the responsibility taken by its workforce in the day to day execution of installation, maintenance and operations to sustain a respectable injury frequency rate of 3.94 incidents per 200,000 man-hours and a severity rate of 7.9 lost days per 200,000 man-hours worked.

Of CUC's 196 strong workforce as at April 30, 2008, 175 employees were Caymanian. CUC strives to employ Caymanians first and where required talent and skill sets are not available locally, employs

The business of generating electricity involves many components and the combined efforts of numerous departments. Within each of these departments, safety is taken very seriously and we strive to provide our workforce with a safe working environment and the protective gear and tools to complete the tasks at hand.

Committed to Our Employees

foreign workers with a principal objective of knowledge transfer. The Company has a proud record of scholarship and apprenticeship training aimed at developing Caymanian abilities. Three of the Company's five executives and three of its 13 managers were educated through the CUC scholarship programme.

During fiscal 2008, the executive team was significantly changed with the move of Andrew Small from Vice-President Production to Vice-President Transmission and Distribution, the appointment of David Watler as Vice-President Production, the appointment of Letitia Lawrence as Vice-President Finance and Chief Financial Officer and the appointment of Doug Murray as Corporate Secretary. In addition, Dana Smith was appointed Manager Customer Service, Jason Burke was appointed Manager Production, Rachell Salao was appointed Manager Internal Audit and Risk Management and Nichelle Welcome was appointed Manager Financial Services. The Company thanks departing officers Eddinton Powell, Lee Tinney and Rob Imparato for their dedicated service.

In May 2008, the Company recognised 25 long serving employees and directors who collectively had achieved over 385 years of dedicated service. Each year, CUC marks the occasion of long tenured employees and directors with service of 10 years and thereafter in five year intervals with a celebration and award of 10 Class A Ordinary Shares for each year of service.

Sadly, in May 2008, employees and retirees bid farewell to retiree Pedro Echenique, who passed away following a short illness. Pedro was well known in Grand Cayman and had been awarded the Cayman Islands Certificate and Badge of Honour for his service in the community. To CUC employees, he was known as a "Veteran of Power" member. "Veterans of Power" is an association of former employees who in the early days of the Company worked tirelessly and made many personal sacrifices to ensure the delivery of reliable electrical service to the community. Our "Veterans of Power" are a source of inspiration to our current employees and will continue to be so for generations to come.

The CUC Family was saddened by the passing in May of "Veteran of Power" Pedro Echenique, who spent 28 years with the Company from 1966 to 1994.

CUC's linemen and other employees endure hours of working in the unforgiving sun and heat associated with a tropical island. Their professionalism, dedication and commitment to ensuring projects are completed within schedule and to the highest standard are a testament to their character.

things Caymanian

Thatch Rope Making
Thatch rope was originally made by the Islands' women and children. They would cut "tops" (new unopened leaves from the Silver Thatch Palm) and hang them out to dry before splitting them into strands. These strands were then twisted together to make a rope on an ingenious handmade machine, which was comprised of three parts - the winch, cob and cart. Thatch rope was highly prized in Cuba and Jamaica for use in the shipping, fishing and sugar industries.

Management's Discussion and Analysis

Letitia Lawrence
Vice-President Finance & 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 2008 Annual Report. The material has been prepared in accordance with National Instrument 51-102 - Continuous Disclosure Obligations ("NI 51-102") relating to Management's Discussion and Analysis.

Additional information in this MD&A has been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"), including certain accounting practices unique to rate-regulated entities. These accounting practices, and their impact, which are disclosed in the notes to the Company's fiscal 2008 annual financial statements, result in regulatory assets and liabilities which would not occur in the absence of rate regulation. In the absence of rate regulation, these transactions would result in alternate timing of the recognition of revenues and expenses.

CUC includes forward-looking statements in this material. Forward-looking statements include statements that are predictive in nature, depend upon future events or conditions, or include words such as "expects", "anticipates", "plan", "believes", "estimates", "intends", "targets", "projects", "forecasts", "schedule", or negative versions thereof and other similar expressions, or future or conditional verbs such as "may", "will", "should", "would" and "could". Forward looking statements are based on underlying assumptions and management's beliefs, estimates and opinions, and are subject to inherent risks and uncertainties surrounding future expectations generally that may cause actual results to vary from plans, targets and estimates. Some of the important risks and uncertainties that

2008 Financial and Operational Highlights
(in $ thousands, unless stated otherwise)

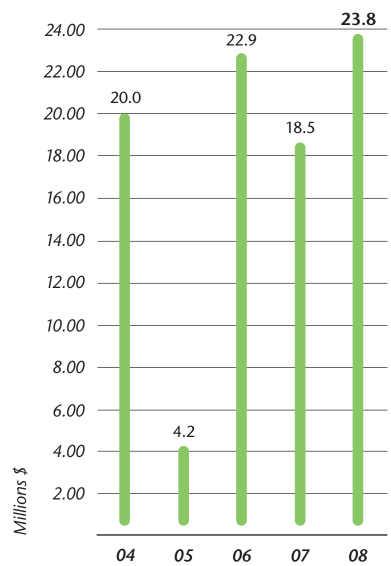
	2008	2007	Change	Change %
Electricity sales	**90,326**	96,186	(5,860)	(6%)
Fuel factor revenues	**82,386**	58,132	24,254	42%
Operating revenues	**175,981**	158,859	17,122	11%
Hurricane Ivan Cost Recovery Surcharge	**3,269**	4,541	(1,272)	(28%)
Power Plant restructuring	**-**	3,682	(3,682)	(100%)
Total operating expenses	**144,673**	133,812	10,861	8%
Earnings for the year	**23,760**	18,454	5,306	29%
Earnings per Class A Ordinary Share ($/ share)	**0.90**	0.70	0.20	29%
Dividends paid per Class A Ordinary Share ($/ share)	**0.66**	0.66	-	Nil
Peak load gross (MW)	**92.7**	86.8	5.9	7%
Net generation (millions of kWh)	**578.4**	546.1	32.3	6%
KiloWatt-hour sales (millions of kWh)	**539.6**	510.6	29.0	6%
Total customers (actual number)	**24,041**	22,768	1,273	6%

Management's Discussion and Analysis

could affect forward looking statements are described in the MD&A in the section labeled "Business Risks" and include but are not limited to general economic, market and business conditions, regulatory developments and weather. CUC cautions readers that actual results may vary significantly from those expected should certain risks or uncertainties materialise, or should underlying assumptions prove incorrect. Forward-looking statements are provided for the purpose of providing information about management's current expectations and plans relating to the future. Readers are cautioned that such information may not be appropriate for other purposes. 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 except as required by law. Financial information 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.

The principal activity of the Company is to generate and distribute electricity in its licence area of Grand Cayman, Cayman Islands, pursuant to a 20-year exclusive Transmission & Distribution ("T&D") Licence and a 21.5-year non-exclusive Generation Licence granted by the Cayman Islands Government ("Government").

Earnings



Corporate and Regulatory Overview

CUC, a vertically integrated utility, operates the only electric utility on Grand Cayman, Cayman Islands pursuant to a 20-year exclusive T&D Licence and a 21.5-year non-exclusive Generation Licence granted by the Government, which expire in April 2028 and September 2029 respectively. The new licences were signed in April 2008; the terms include provisions for competition for future generating capacity and general promotion of the use of renewable sources of energy. The Licences replace the previous exclusive licence for generation and T&D, which permitted a maximum 15% rate-of-return-on-rate base ("RORB") formula, with a rate cap and adjustment mechanism ("RCAM") based on published consumer price indices. CUC's RORB under the new T&D and Generation Licences will be targeted in the 9% to 11% range.

In December 2007, CUC and Government reached an Agreement in Principle ("AIP") which formed the basis of the licencing documents subsequently signed. Pursuant to the AIP, and effective January 1, 2008, CUC's base rates were restructured to extract all fuel costs and licence fee amounts to be passed through to consumers. A new rate class for large commercial customers and a new fuel and lube factor to provide for pass-through of all fuel and lubricating oil costs were also implemented in January 2008. In addition to the structural changes, the AIP called for an overall reduction in base rates of 3.25%, which represents an estimated annual revenue reduction to CUC of $2.1 million. The Company also agreed to the January 2008 removal of the Hurricane Ivan Cost Recovery Surcharge ("CRS"), which resulted in $2.6 million of foregone cost recovery previously anticipated to be collected through August 2008.

The Electricity Regulatory Authority ("ERA") will have the overall responsibility of regulating the electricity industry in the Cayman Islands in accordance with the ERA Law as amended in January 2008. The ERA will oversee all licencees, establish and enforce licence standards, enforce applicable environmental and performance standards, review the proposed RCAM and set the rate adjustment factors as appropriate. The ERA will also annually review and approve CUC's capital investment plan. In conjunction with the establishment of the ERA and the issuance of the new licences, the previous CUC Licence

things Caymanian

Caymanian Wompers
An old Caymanian shoe with the sole traditionally made from cowhide. Later, when automobiles were introduced to the Island, the sole was fashioned from rubber car tyres. Using a heated rod, three holes (two in the back and one in front) were pierced so Silver Thatch strands could be strung through the holes and strapped around the heels of the wearer.

Management's Discussion and Analysis

Fee of 5/8 of 1% has increased to 1% of electricity revenues and applies to customer billings for consumption over 1,000 kWh per month as a pass-through charge on a per kiloWatt-hour ("kWh") basis. In addition to the licence fee, a new regulatory fee of 1/2 of 1% of electricity revenues applies to customer billings for consumption over 1,000 kWh per month as a pass through charge on a per kWh basis. The new licence and regulatory fees were added to April 2008 consumer statements.

Subsequent to the January 2008 rate reduction, rates will continue to be frozen through May 31, 2009 and will be subject to an annual review and adjustment each June thereafter through the RCAM. A price cap mechanism will be used to adjust the base rates in accordance with a formula that takes into account inflation and CUC's RORB. Effective January 1, 2008, the Government began providing a special fuel duty rebate to be applied to the first 1,500 kWh of monthly residential consumption. The rebate is calculated based on CI$0.20 ($0.24) per imperial gallon ("IG") of fuel used for generation.

Earnings

Net earnings for the year ended April 30, 2008 were $23.8 million, a $5.3 million or 29% increase from earnings of $18.5 million last year. This increase in earnings is due primarily to the $3.7 million Power Plant Restructuring charge that occurred in fiscal 2007, the movement in deferred fuel costs and 6% growth in kWh sales.

After the adjustment for dividends on the preference shares of the Company, earnings on Class A Ordinary Shares for 2008 were $22.8 million, or $0.90 per Class A Ordinary Share, as compared to $17.7 million, or $0.70 per Class A Ordinary Share for fiscal 2007.

Sales

Electricity sales increased 6% for fiscal year 2008 to 539.6 million kWh from 510.6 million kWh for fiscal year 2007. Annual sales growth for fiscal 2008 was negatively impacted in the first half of the year by above average rainfall and cooler than average temperatures which reduced air conditioning load.

The Company's forecasted sales growth for fiscal 2009 is 5%, down slightly from fiscal 2008 which is reflective of a maturing Cayman Islands economy, a weakening United States economy that may negatively affect the tourism market and the increased cost of fuel which will drive energy conservation by users. The primary drivers of this growth are a number of large Government building projects, the 100,000 square-foot Walkers Building and extensions to the Camana Bay development. There are also expected to be positive benefits from having a full year of sales from the 500,000 square-foot Camana Bay Town Centre and 159,000 square-foot Governor's Square Office Centre that came on-line during fiscal 2008. Conversely, the Cayman Islands economy, in particular the tourism sector, is often impacted by downturns in the United States' economy as 90% of visitors originate from North America. With an apparent recession in progress, reduced kWh sales for certain sectors are anticipated.

Total customers as at April 30, 2008 were 24,041, an increase of 6% compared to 22,768 customers at the same time last year. An average of 106 customers were connected per month for fiscal 2008 with the majority of new customer growth coming from the residential class.

Operating Revenues

Operating revenues for 2008 totalled $176 million, an 11% increase compared to $158.9 million last year. This $17.1 million increase was due to increased fuel factor revenues as a result of higher fuel factor charge out rates which are offset by fuel costs (see *"Power Generation"* section on page 18).

Management's Discussion and Analysis

In fiscal 2008, electricity sales revenues decreased by 6%, fuel factor revenues increased by 42% and CRS revenues decreased by 28%, compared to fiscal 2007 and as a direct result of the rate restructuring. In accordance with the AIP, effective January 2008, the Company implemented a new fuel cost charge to pass-through all fuel and lube costs. Previously the Company was only allowed to pass-through fuel costs above the base price of CI$0.7973 ($0.9492) per IG. Commensurate with the implementation of the new fuel cost charge, the Company removed fuel and lube costs from its base rates. The average fuel factor rate in effect for the year ended April 30, 2008 was $0.15 per kWh as compared to $0.10 per kWh in the previous year.

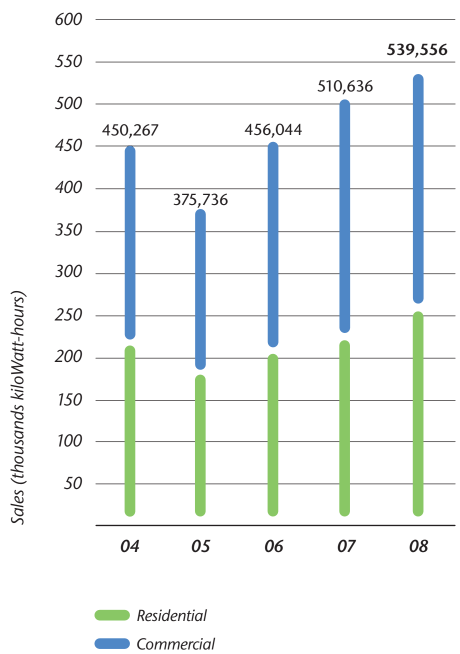
The removal of fuel and lube costs from the Company's base rates, a further reduction of these unbundled rates by 3.25% on average and removal of the CRS led to the decrease in electricity sales revenues and the decrease in CRS revenues.

The Company's net earnings for fiscal 2008 excluding the impact of the CRS would have been $20.5 million or $0.77 per share compared to $14 million last year or $0.52 per share.

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

	2008	2007	Change
Customers *(number)*			
Residential	**20,418**	19,363	5%
Commercial	**3,623**	3,405	6%
Total customers	**24,041**	22,768	6%
Sales *(in thousands kWh)*			
Residential	**251,086**	238,346	5%
Commercial	**283,006**	266,957	6%
Other (street lighting, etc.)	**5,464**	5,333	3%
Total sales	**539,556**	510,636	6%
Revenues *(in thousands of $)*			
Residential	**43,173**	45,965	(6%)
Commercial	**45,912**	49,046	(6%)
Other (street lighting, etc.)	**1,241**	1,175	6%
Cost recovery surcharge	**3,269**	4,541	(28%)
Fuel adjustments	**82,386**	58,132	42%
Total operating revenues	**175,981**	158,859	11%

Residential and Commercial Sales



Operating Expenses

Total operating expenses for the year increased 8% to $144.7 million from $133.8 million in fiscal 2007. This increase was mainly due to rising fuel costs (see *"Power Generation"* section on page 18) and increased depreciation. Consumer services and promotion saw a 58% increase which is further discussed in the "Consumer Services and Promotion" section on page 19.

things Caymanian

Caymanian Caboose
Not a train as the name indicates, but an old wooden stove also known as the "Old Time Stove". The Caboose was made from wood, with zinc lining and the base filled with sand for the firewood. Two steel rods were laid horizontally across the Caboose to hold up the pots or fryers. Fritters never tasted so good!

Management's Discussion and Analysis

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

	2008	2007	Change
Total power generation expenses	**102,913**	91,643	12%
General and administration	**11,582**	11,654	(1%)
Customer service and promotion	**1,802**	1,137	58%
Transmission and distribution	**3,134**	2,185	43%
Depreciation and amortisation	**16,669**	15,074	11%
Maintenance	**8,573**	8,437	2%
Power Plant restructuring	-	3,682	(100%)
Total operating expenses	**144,673**	133,812	8%

Power Generation

Power generation expenses for the year increased $11.3 million or 12% to $102.9 million from $91.6 million in fiscal 2007. This increase was driven by higher fuel costs and higher production levels. The Company experienced a 6% annual increase in kWh generation growth from 546.1 million kWh to 578.4 million kWh. A new peak load of 92.7 megaWatts ("MW") was achieved in August 2007, a 7% increase over the previous year's peak of 86.8 MW.

Power generation expenses for the year ended April 30 were as follows ($):

	2008	2007	Change
Fuel	**111,161**	86,938	28%
Lube	**1,718**	1,662	3%
Deferred fuel charges	**(13,181)**	(854)	1,444%
Other generation expenses	**3,215**	3,897	(17%)
Total power generation expenses	**102,913**	91,643	12%

The average price per IG of fuel increased to $3.57 in fiscal 2008 from $2.92 in fiscal 2007. Power generation expenses comprise 71% of CUC's total operating expenses.

During fiscal 2008, rising fuel prices and the restructuring of base rates resulted in the Company deferring recoverable fuel costs in the amounts of $13.2 million for the year. The amount deferred at the close of 2007 totalled $0.9 million.

Prior to January 2008 a portion of fuel costs were included in the base rate and recorded as 'Electricity Sales', this portion of fuel costs was billed immediately and subsequently the related cost was recognised immediately. Per the AIP, all fuel costs were removed from the base rate and

Management's Discussion and Analysis

fuel costs with the new addition of lube costs were billed separately. Beginning January 2008, the total proceeds of these billings were recorded as 'Fuel Factor' revenues. The Company defers excess fuel costs until they can be collected from customers on a two-month delay basis. This increased deferral reflects the revised billing method and accordingly a change in this account for any particular period is a result of timing.

General and Administration

General and administration expenses for fiscal 2008 totalled $11.6 million, a decrease of $0.1 million compared to fiscal 2007. This decrease is primarily due to a reduction in insurance premium expenses of $0.3 million from $3.4 million to $3.1 million when compared to the same period last year (see *"Business Risks"* section on page 26 for a description of the insurance terms and coverage).

Consumer Services and Promotion

Consumer services and promotion expenses experienced a $0.7 million or 58% increase year on year. This increase is primarily a result of an additional provision for doubtful debts of $0.2 million following an assessment of aged receivables conducted in the fourth quarter of fiscal 2008.

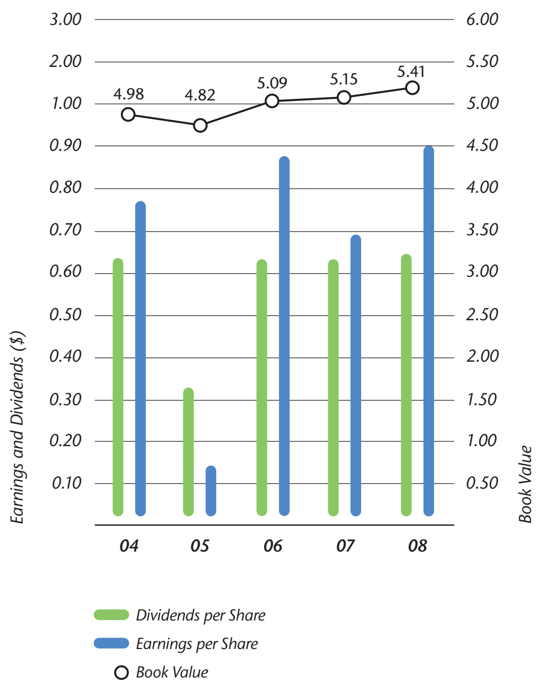
Transmission and Distribution

T&D expenses in fiscal 2008 increased 43% to $3.1 million from $2.2 million in fiscal 2007. The increase was anticipated due to the cyclical nature of the T&D's maintenance programme.

Depreciation and Amortisation

Depreciation and amortisation ("D&A") expenses increased $1.6 million for the fiscal year from $15.1 million in 2007 to $16.7 million in 2008. The increase pertained to growth-related capital expenditures. Based upon current capital expenditure projections continued increases in D&A are expected.

Earnings, Dividends and Book Value per Class A Ordinary Share



Maintenance

Maintenance expenses increased 2% annually from $8.4 million in fiscal 2007 to $8.6 million in fiscal 2008. Maintenance expenses for fiscal 2008 were in line with the Company's expectations. Fiscal 2008 maintenance schedules were affected by a series of generator failures; specifically in the second quarter one of the Company's 10.3 MW Stork Werkspoor generating units experienced a turbocharger failure. Efforts were made in the fourth quarter to complete scheduled maintenance which had been delayed in earlier quarters.

Other Income and Expenses

Interest expenses of $10.6 million for fiscal 2008 increased $1.2 million from $9.4 million for the same period last year. This 12% increase in expenses resulted primarily from a $0.8 million increase in interest costs on new long term borrowings.

The Company's policy has been to capitalise

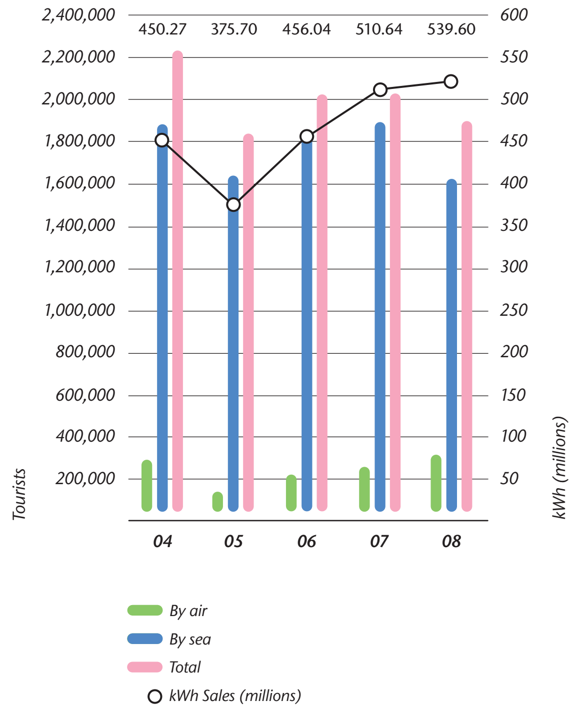
Seaman's Memorial
The statue was erected in 2003 and moved to Heroes Square in the capital George Town in 2007. It is an enduring symbol of national pride, which celebrates a history of the love between generations of Caymanians and a life on the sea. It was dedicated by H.R.H. The Earl of Wessex in the presence of many families and friends of whose names it carries, the 450 brave and heroic seafarers who lost their lives at sea. The statue depicts a father and son on a ship's deck.

Management's Discussion and Analysis

interest on all significant construction projects, which is included as a cost in the appropriate capital assets account until the asset is available for service. For fiscal 2008 the Company recorded capitalised interest of $0.8 million on various projects, the largest of which related to the 2008 distribution system, customer connection projects and underground cabling. This methodology will not continue in fiscal 2009 as under the new T&D Licence there is a provision for an Allowance for Funds Used during Construction (AFUDC). This capitalisation of the 'Financing Cost' is calculated by multiplying the Company's cost of capital rate by the average work in progress for the year. The cost of capital rate for fiscal 2009 will be 10% and will be adjusted annually.

Year-over-year, other income and foreign exchange gains increased 5% and 6% respectively.

Tourism and Sales



The Economy

Government forecasts for the 2008/2009 (year ended June 30) period indicate continued sustainable growth in the Cayman Islands economy. However, sector indicators suggest a mixed performance with the financial services sector and tourism market showing positive growth, while the real estate and the cruise markets show signs of weakening.

In the tourism market, occupancy levels at hotels and apartments showed an increase in calendar 2007. Similarly, the average length of stay also showed an increase. Overall air arrival tourism saw an estimated 9% increase from the previous year; whereas cruise tourism saw an estimated 18% decrease from the previous year.

The total number of building permits for 2007 declined by 19.7%. Additionally, the total value of building permits fell by 6% to $402.5 million (CI$338.1 million). In contrast, the value of building permits specifically relating to the combined categories of commercial, industrial and governmental increased by 48.4% rising to $194.8 million (CI$163.6 million).

Government has initiated the implementation of many infrastructure improvements; one of the largest projects involves expansion of the airport in Grand Cayman which is to triple in size to 205,000 square-feet. In addition to the airport, multiple new road and road expansion projects are underway, including an expansion along the Seven Mile Beach corridor as well as the completion of the East West Arterial linking the Red Bay area to Savannah.

Government has also commenced construction of a new five storey administration building. Upon completion this building, which is scheduled for 2011, this structure will be the largest office building in the

Management's Discussion and Analysis

Cayman Islands at 185,000 square-feet. Negotiations are in progress regarding the development of cruise berthing facilities as the Government hopes to address the difficulties cruise passengers currently encounter attempting to disembark.

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

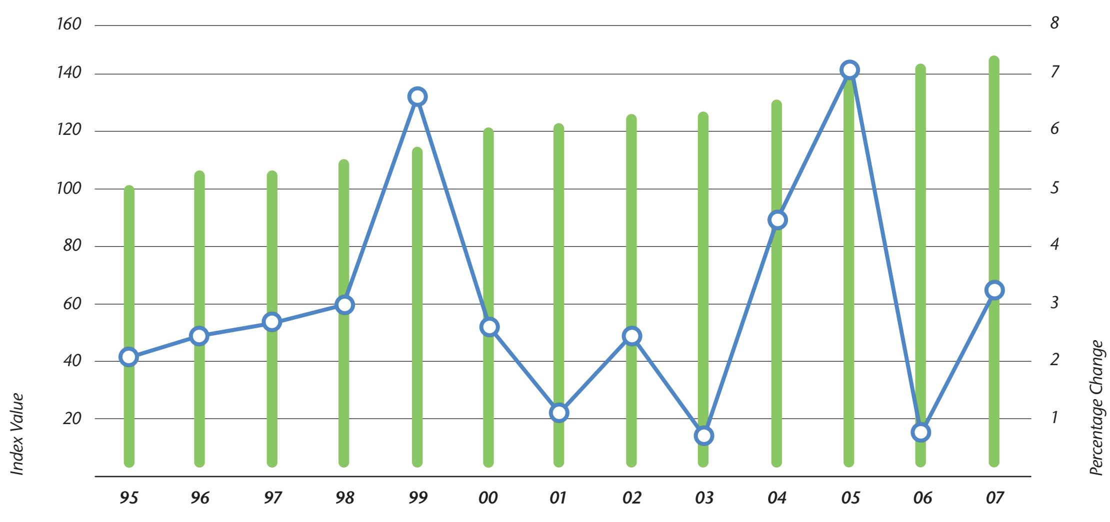
Arrivals	**2008**	2007	2006	2005	2004
By Air	**302,309**	276,016	215,828	188,103	307,154
By Sea	**1,606,165**	1,955,469	1,835,669	1,663,168	1,938,060
Total	**1,908,474**	2,231,485	2,051,497	1,851,271	2,245,214
Sales (millions kWh)	**539.6**	510.6	456.0	375.7	450.3

Source for arrival statistics: Cayman Islands Department of Tourism

The Consumer Price Index (CPI) for the Cayman Islands in 2006 and 2007 is lower after a large increase following Hurricane Ivan with a 7% change seen in 2005.

The CPI increased from 2006 to 2007 by 3.2%. Household equipment, personal goods and services and food were the highest inflationary groups in the latest report.

Consumer Price Index



	95	96	97	98	99	00	01	02	03	04	05	06	07
Index	102.4	105.0	107.9	111.1	118.7	121.9	123.3	126.3	127.1	132.7	142.4	143.5	148.0
Percentage change from one year ago	2.1	2.5	2.8	3.0	6.8	2.7	1.1	2.4	0.6	4.4	7.3	0.8	3.2

things Caymanian

Kites
Another of the traditional Island pastimes. Made with brown paper and either bamboo or strawberry sticks. The fun is in making the kites with "singers" and long tails using scrap fabrics. Some of the better made kites can stay up for days on end, once the winds are right.

Management's Discussion and Analysis

Liquidity

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

	2008	2007	Change
Beginning cash	**6,891**	576	1,096%
Cash provided by/(used in):			
Operating activities	**31,285**	49,920	(37%)
Investing activities	**(44,698)**	(35,847)	25%
Financing activities	**7,790**	(7,758)	(200%)
Ending cash	**1,268**	6,891	(82%)

As at April 30, 2008 the Company is showing a working capital deficiency arising from the utilisation of short-term debt through its credit facility agreement with the Royal Bank of Canada. The Company expects to repay the Short-Term Debt of $8 million and current portion of Long-Term Debt of $10.5 million through long-term financing to be obtained during fiscal 2009.

Operating Activities

Cash flow from operations, after working capital adjustments, for fiscal year 2008 was $31.3 million, an $18.6 million decrease compared to $49.9 million for fiscal year 2007. The major contributing factors in this overall decrease was the $21.9 million of regulatory deferrals. This amount relates to the creation of the fuel tracker and the government and regulatory tracker account (see Note 4 in the *"Notes to Financial Statements"*). The largest portion of this amount refers to fuel costs recoverable by the Company deferred for a two month period prior to billing.

Investing Activities

Cash used in investing activities increased $8.9 million to $44.7 million for fiscal 2008, from $35.8 million for the same period last year as a result of higher capital expenditures (see *"Capital Expenditure"* section on page 25).

Financing Activities

Cash provided by financing activities for the year ended April 30, 2008 totalled $7.8 million, as compared to cash used in financing activities for fiscal 2007 of $7.8 million. This $15.6 million increase in cash provided by financing activities was the result of a net increase in debt (including bank overdraft) of $24.5 million in 2008 as compared to a net decrease in debt of $9.1 million last year.

CUC closed on the first tranche of a $40 million private placement of 5.65% Senior Unsecured Notes on June 1, 2007. The first tranche was in the amount of $30 million and was used to repay short-term debt, including a $15 million demand note to Fortis (see *"Transactions with Related Parties"* section on page 23).

Management's Discussion and Analysis

The second tranche of $10 million closed in November 2007 and was used to repay short-term indebtedness and to finance capital expenditures. During the third quarter of fiscal 2008, the Company repaid $2 million on the Royal Bank of Canada ("RBC") capital expenditure credit facility, bringing the total outstanding on this RBC facility to $8 million as at April 30, 2008.

Transactions with Related Parties

In January 2007, the Company entered into a 7%, $15 million Demand Note agreement with the Company's controlling shareholder Fortis Inc. The Fortis transaction allowed the Company to effect a lower blended rate on short-term borrowings. Proceeds from the June 2007 private placement debt offering were used to repay the $15 million Demand Note to Fortis Inc.

In August 2007 the Company entered into an equipment lease contract agreement with Fortis Turks and Caicos (PPC Ltd.), a wholly-owned subsidiary of Fortis Inc., for the rental of one of the Company's 1.4 MW mobile generating units. The term of the agreement was three months with monthly rental fees and all costs incurred for the transport of the unit including shipping costs, taxes, port charges, custom duties and other levies and maintenance costs payable by Fortis Turks and Caicos. During the second and third quarters of fiscal 2008, the Company recorded $88,871 in rental fee income to Other Income from the rental of the mobile generating unit to Fortis Turks and Caicos. The contract term was extended beyond the original three months term to mid-January 2008.

Contractual Obligations

The contractual obligations of the Company over the next five years and periods thereafter, as at April 30, 2008, are outlined in the following table (in $ millions):

	Total	< 1 Year	1 to 3 Years	4 to 5 Years	> 5 Years
Total debt *	184.8	18.4	27.7	15.4	123.3
MAN Diesel SE generation expansion contract	22.8	8.2	14.6	-	-
Total	207.6	26.6	42.3	15.4	123.3

* *Includes long-term debt, including current portion and short-term debt, net of deferred debt issue costs*

Additionally the Company has a primary fuel supply contract with Esso Standard Oil S.A. ("Esso") and is committed to purchase 80% of the Company's diesel fuel requirements for its generating plant from Esso. The contract is for three years terminating in April 2010. The approximate quantities per the contract on an annual basis are, by fiscal year in millions of IGs: 2008 - 24.96, 2009 - 26.40, 2010 - 27.84.

things Caymanian

Conch Shell Blowing
The conch shell is one of a number of different species of medium-sized to large saltwater snails or their shells. The name "conch" is often quite loosely applied in English-speaking countries to several kinds of very large sea snail shells, which are pointed at both ends.. The Queen Conch, listed as an endangered species, is under international marine and environemental protection and the United Nations has issued laws of seasonal prohibition in conch-catching. Conch shell blowing is a tradition on many Caribbean islands. The main purpose was to blow the shell announcing that there was a fish sale once the catboat reached the shore. The familiar sound would reach about a mile away and the people would come down to the beach to buy fish or other seafood. Some traded meat or agricultural provisions for fish or turtle. Some fishermen blew the shell with certain intermittence to indicate the type of seafood available.

Management's Discussion and Analysis

Financial Position

The following table (*"Changes in Balance Sheets"*) is a summary of significant changes to the Company's balance sheet from April 30, 2007 to April 30, 2008.

Changes in Balance Sheets

(from April 30, 2007 to April 30, 2008)

Balance Sheet Account	Increase/(Decrease) ($ millions)	Explanation
Cash	(6)	Decrease is due to cash used in investing activities of $44.7 million partially offset by cash provided in operating activities of $31.3 million and cash from financing activities of $7.8 million.
Accounts receivable - Trade	2	Increase is due to higher consumption and higher fuel factor billings as a result of higher fuel prices.
Regulatory assets	22	In accordance with the regulatory environment the fuel tracker account is classified as a regulatory asset. This amount represents fuel costs incurred by the Company that are recoverable from the customer.
Inventories	3	Increase is due to the Company's purchase of the North Sound Road Power Plant bulk fuel inventory as part of the fuel contract renewal agreement.
Property, plant and equipment	28	Net increase is comprised of capital expenditures of (i) $44.6 million and (ii) depreciation expense of $16.7 million.
Other assets	(10)	Decrease is due to the establishment of a fuel tracker account in fiscal 2008 and full recovery of fuel costs deferred as at April 30, 2007.
Short-term debt	(9)	Decrease is a net result of repayment of the $15 million Fortis loan and increase in the balance outstanding against the RBC credit faciiltities of $6 million.
Long-term debt	28	Increase due to the issuance of $40 million Senior Unsecured Notes, partially offset by the debt repayment on current senior unsecured notes and the reclassification of $1.3 million of previously deferred debt charges against Long-Term Debt balances as a result of the Company adopting CICA handbook Section 3855, *Financial Instruments - Recognition and Measurement*.
Retained earnings	6	Increase due to net earnings for the period of $23.8 million offset by dividends on Class A Ordinary Shares of $16.8 million and dividends on Class B Preference Shares of $0.9 million.

Management's Discussion and Analysis

Capital Resources

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

	2008	%	2007	%
Total debt	**184.8**	56	165.5	55
Shareholders' equity	**142.5**	44	135.4	45
Total	**327.3**	100	300.9	100

The change in the Company's capital structure between April 2007 and April 2008 is the result of a net increase in debt of $19.3 million partially offset by an increase in retained earnings due primarily to earnings for the period.

The Company's credit ratings are as follows:

Agency	Rating
Standard and Poor's (S&P)	A/Stable
Dominion Bond Rating System (DBRS)	A (low)

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

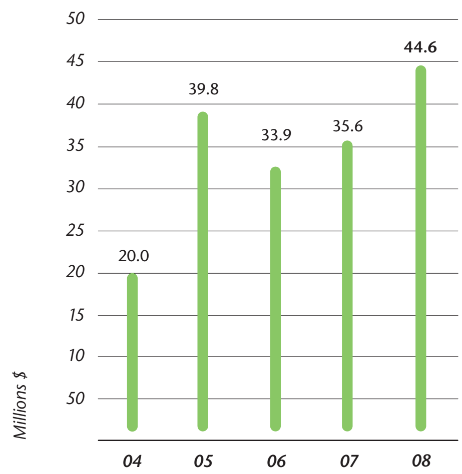
In December 2007, Standard and Poor's placed the ratings of the Company on CreditWatch with negative implications. The CreditWatch placement followed the Company's announcement that it had reached an agreement in principle on the terms of a new licence while the terms of the agreement and expectations for future operating results were being reviewed with the Company's management. In April 2008 the Company's ratings were affirmed and removed from CreditWatch leading to the current rating of stable.

Credit Facilities

The Company has $33.4 million of unsecured credit financing facilities with RBC comprising:

	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	$ 1.1 million
Corporate Credit Card Line	$ 0.3 million
Total	$33.4 million

Capital Expenditures



Of the total Credit Facilities, $20 million was available at April 30, 2008.

Capital Expenditures

Capital expenditures for the year ended April 30, 2008 were $44.6 million, a $9 million, or 25% increase from $35.6 million in capital expenditures for the previous year. The increase is primarily attributable to the purchase of land for $9.7 million in fiscal 2008 to house future expansion at the Company's North Sound Power Plant.

Capital Expenditures

(in $ millions)

	2008	2007
Transmission	2.2	1.7
Distribution	10.8	14.3
Generation	19.3	17.1
Other	12.3	2.5
Total	44.6	35.6

things Caymanian

Old Homestead
This pink and white cottage built in 1912 is the most photographed building in Grand Cayman. Once known as the "West Bay Pink House," it's constructed of wattle-and- daub with ironwood posts. With its white trim and green shutters, it is the most inviting and picture-postcard-ready house in Grand Cayman. MacLure Bothwell, one of eight children who were "brung up" at the house, has restored the building to its former condition. The original furnishings are intact, including woodstoves, kerosene lamps, and mahogany beds. The evocative and nostalgic tour of the property shows you one of the few remaining examples of the Cayman Islands "the way they used to be."

Management's Discussion and Analysis

The cash required to complete future capital programmes is expected to be derived from a combination of long-term and short-term financing and internally generated funds. CUC does not anticipate any difficulties accessing the required capital on reasonable market terms.

Business Risks

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

Economic Conditions

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

Weather

CUC's facilities are subject to the effects of severe weather conditions principally during the hurricane season months of June through November. Despite preparations for disasters such as hurricanes, adverse conditions will always remain a risk. In order to mitigate some of this risk, the Company maintains insurance coverage, which management believes is consistent with insurance policies obtained by similar companies.

Environmental Matters

CUC's operations are subject to local environmental protection laws concerning emissions to the air, discharges to surface and subsurface waters, land use activities, and the handling, storage, processing, use, emission and disposal of materials and waste products.

CUC was initially registered to the ISO 14001 standard in 2004 and continuously maintains an Environmental Management System ("EMS"). In March 2007 the Kyoto Protocol was signed by the Cayman Islands; this framework aims to reduce GHG emissions produced by certain industries. Specific details on the regulations have yet to be released by Government and are required to assess the financial impact of compliance by the Company with the framework.

Through the EMS, CUC has determined that its exposure to environmental risks is not significant and does not have an impact on CUC's financial reporting including the recording of any Asset Retirement Obligations ("AROs").

Regulation

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

Insurance - Terms and Coverage

Insurance terms and coverage include $100 million in property insurance; $55 million in Business Interruption ("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 Power 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 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 is in the process of renewing its insurance policy for fiscal 2008/2009.

Changes in Accounting Policies

Effective May 1, 2007, the Company adopted the revised Section 1506, Accounting Changes, which relate to accounting policies, changes in accounting estimates and errors. Under this revised standard, voluntary changes in accounting policy are made only if they result in the financial statements providing reliable and more relevant information. Adoption of this standard had no impact on the Company's April 30, 2008 financial statements.

Financial Instruments

On May 1, 2007 the Company adopted the Canadian Institute of Chartered Accountants ("CICA") accounting standards for Financial Instruments, Hedges and Comprehensive Income. The nature and impact of adopting these new standards is described in detail in Note 2 to the Company's financial statements for the year ended April 30, 2008. The only significant impact of adoption of the standards was the reallocation of $1.3 million of deferred debt issue expenses from Other Assets to Long-Term Debt. The adoption of the accounting standards did not have a material impact on the Company's statements of earnings for the year ended April 30, 2008.

Property, Plant and Equipment

Pursuant to the new licences, the Company will capitalise certain overhead costs (general expenses capitalised or "GEC"). Additionally, the Company will capitalise an allowance for funds used during construction ("AFUDC"), which represents the cost of debt and equity financing incurred during construction of capital assets (see Note 1 in the "*Notes to Financial Statements"*).

Future Accounting Pronouncements

International Financial Reporting Standards ("IFRS")

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five-year transitional period. CUC has begun assessing the adoption of IFRS for fiscal year 2012, however the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time. In February 2008, the AcSB confirmed the date of changeover to IFRS will be for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011.

Inventories

In 2007, the AcSB approved a new standard with respect to inventories effective for fiscal years beginning on or after January 1, 2008. The new standard requires inventories to be measured at the lower of cost or net realisable value and disallows the use of a last-in-first-out inventory costing methodology; and requires that, when circumstances which previously caused inventories to be written down below cost no longer exist, the amount of the write-down is to be reversed. This new standard is not expected to have a material impact on the Company's earnings.

things Caymanian

Wild Banana Orchid
The National Flower of the Cayman Islands, this orchid is found flowering in abundance after the spring rains in April and May. There are, in fact, two varieties of this orchid: 'Schomburgkia thomsoniana var. thomsoniana' which originated on Grand Cayman, and 'Schomburgkia thomsoniana var. minor' which came from Cayman Brac and Little Cayman. Both varieties have scented flowers with purple lips, although the petals are predominantly white on the Grand Cayman variety while the Sister Islands' variety has slightly smaller flowers, with pale yellow petals. The flowers appear at the top of a long curved spike at the bottom of which cluster Banana-like pseudobulbs that give this orchid its name.

Management's Discussion and Analysis

Rate-Regulated Operations

In consideration of the plan to adopt IFRS, the AcSB revisited the scope of its project on accounting for rate-regulated operations in recognition of the fact that IFRS do not currently provide special guidance with respect to accounting practices that are unique to rate-regulated entities. As a result, it has removed the temporary exemption in Section 1100, *Generally Accepted Accounting Principles*, pertaining to the application of that Section to the recognition and measurement of assets and liabilities arising from rate regulation. The Company will monitor developments and their implications related to the issue of accounting for rate-regulated operations.

Capital Disclosures

Effective May 1, 2008, the Company will adopt the new CICA Handbook Section 1535 Capital Disclosures. The Company will be required to include additional information in the notes to the financial statements about its capital and the manner in which it is managed. This additional disclosure includes quantitative and qualitative information regarding the Company's objectives, policies and processes for managing capital.

Disclosure and Presentation of Financial Instruments

Sections 3861 and 3862 of the CICA Handbook set out new accounting recommendations for disclosure and presentation of financial instruments; these recommendations are effective for the Company beginning May 1, 2008. The new recommendations require disclosures of both qualitative and quantitative information that enables users of financial statements to evaluate the nature and extent of risks from financial instruments to which the Company is exposed.

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, 2008 are shown in the table below (in $ thousands):

	Carrying Value 2008	Fair Value 2008	Carrying Value 2007	Fair Value 2007
8.47% Senior Unsecured Loan Notes due 2010	4,500	5,359	6,000	6,380
6.47% Senior Unsecured Loan Notes due 2013	15,000	16,452	17,500	17,989
7.64% Senior Unsecured Loan Notes due 2014	21,000	23,522	24,000	25,800
6.67% Senior Unsecured Loan Notes due 2016	27,000	29,461	30,000	31,363
5.09% Senior Unsecured Loan Notes due 2018	40,000	38,694	40,000	38,694
5.96% Senior Unsecured Loan Notes due 2020	30,000	30,657	30,000	30,657
5.65% Senior Unsecured Loan Notes due 2022	40,000	35,615	-	-
3% European Investment Bank #3 due 2009	528	500	1,040	1,002
Total	178,028	180,260	148,540	151,885

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 revenues and expenses during the period. Estimates are based on historical experience, current conditions and various other assumptions believed to be reasonable under the circumstances. Due to changes in facts and circumstances and the inherent uncertainty involved in making estimates, actual results may differ significantly from the current estimates. Estimates are reviewed periodically and, as adjustments become necessary, are reported in earnings in the period in which they become known. 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, 2008, the amount of unbilled revenue recorded in Accounts Receivable - Trade was $0.7 million (April 30, 2007: $1.0 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. There are currently two participants in the Company's defined benefit pension plan. 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, 2008, the Company had an accrued benefit liability of $0.09 million (April 30, 2007: $0.2 million).

During fiscal 2008 the Company recorded net pension expense of $0.5 million (April 30, 2007: $0.7 million).

Property, Plant and Equipment Depreciation

Depreciation, by its very nature is an estimate based primarily on the estimated useful life of the asset. Estimated useful lives are based on current facts and historical information and take into consideration the anticipated physical life of the assets. As at April 30, 2008, the net book value of the Company's Property, Plant and Equipment was $314.7 million compared to $287.3 million as at April 30, 2007, increasing as a result of the Company's generation and T&D capital expenditures. Depreciation expense for the year ended April 30, 2008 was $16.7 million and $15.1 million for the year ended April 30, 2007. Due to the value of the Company's property, plant and equipment, changes in depreciation rates can have a significant impact on the Company's depreciation expense.

things Caymanian

Mission House
The Mission House historic site includes a traditional Caymanian two storey home situated in Bodden Town. This site is known to have been utilised by early settlers for its abundant waterfowl and supply of water in the 1700's as is evidenced in oral history accounts and some of the shards of glass and ceramics found on site. This site rose to prominence in the 1800's and became known as the "Mission House" to early missionaries, teachers and families who lived and contributed to establishing the Presbyterian ministry and school in Bodden Town. The Mission House takes you back to an earlier time in Cayman's history by recreating the living situations of the three families known to have owned the home.

Management's Discussion and Analysis

Selected Annual Financial Information

The table below shows the annual financial information for the years ended April 30, 2008, 2007 and 2006 (in $ thousands except per share amounts). The financial data has been prepared in accordance with Canadian GAAP.

	2008	2007	2006
Operating revenues	**175,981**	158,859	135,677
Net earnings	**23,760**	18,454	22,858
Net earnings applicable to common shares	**22,830**	17,689	21,928
Total assets	**368,249**	329,240	312,994
Debt	**184,790**	165,540	156,038
Preference shares	**250**	250	250
Total shareholders' equity	**142,472**	135,354	133,720
Earnings per Class A Ordinary Share	**0.90**	0.70	0.87
Diluted earnings per Class A Ordinary Share	**0.90**	0.70	0.87
Dividends declared per Class A Ordinary Share	**0.66**	0.66	0.66
Dividends declared per Class B Preference Share including bonus	**3.72**	3.72	3.72

Quarterly Results

The table below (*"Quarterly Results"*) summarises unaudited quarterly information for each of the eight quarters ended July 31, 2006 through April 30, 2008. This information has been obtained from CUC's unaudited interim Financial Statements, which in the opinion of Management, have been prepared in accordance with GAAP. These operating results are not necessarily indicative of results for any future period and should not be relied upon to predict future performance.

The summary of the past eight quarters reflects the Company's strong growth.

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

Quarter Ended	Operating Revenue	Net Earnings/ (Losses)	Income/ (Loss) Applicable to Ordinary Shares	Earnings/ (Losses) per Ordinary Share (Basic)	Diluted Earnings/ (Losses) per Ordinary Share
April 30, 2008	44,217	4,413	4,301	0.17	0.17
January 31, 2008	42,768	5,262	5,149	0.20	0.20
October 31, 2007	45,625	6,251	6,138	0.24	0.24
July 31, 2007	43,371	7,834	7,242	0.29	0.29
April 30, 2007	36,709	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

Management's Discussion and Analysis

April 2008/April 2007

Net earnings for the three months ended April 30 showed a 7% increase quarter over quarter from $4.1 million in 2007 to $4.4 million in 2008 due to a reduction in G&A expenses and the impact on fourth quarter 2008 from the movement in deferred fuel costs.

After the adjustment for preference dividends, earnings on Class A Ordinary Shares for the three months ended April 30, 2008 were $4.3 million, or $0.17 per Class A Ordinary Share, as compared to $4.0 million, or $0.16 per Class A Ordinary share for the three months ended April 30, 2007.

January 2008/January 2007

Net earnings for the three months ended January 31, 2008 increased $5.9 million to $5.3 million, from net losses of $0.6 million for the same period last year. Earnings on Class A Ordinary Shares for the period were $5.1 million, or $0.20 per Class A Ordinary Share, as compared to losses on Class A Ordinary Shares of $0.7 million, or $0.03 losses per Class A Ordinary Share for third quarter fiscal 2007.This quarter-over-quarter increase in earnings per share was primarily the result of 6% sales growth for the period, a $3.7 million charge in third quarter 2007 for the disposal of a steam system as part of an overall Power Plant Restructuring, lower maintenance costs and the movement in deferred fuel costs.

October 2007/October 2006

Net earnings for the three months ended October 31, 2007 declined $0.5 million to $6.3 million, from $6.8 million for the same period in the previous year. Earnings on Class A Ordinary Shares for the period were $6.2 million, or $0.24 per Class A ordinary share, as compared to $6.7 million, or $0.27 per Class A Ordinary Share for second quarter fiscal 2007. This 8% quarter-over-quarter decline in earnings per share was driven by increased T&D maintenance expenses.

Construction on the 100,000 square-foot Walkers Building in the George Town area is ongoing as the private sector continues to invest in the infrastructural development of Grand Cayman.

The seven-storey Butterfield Bank building, located in central George Town, the capital, was completed in May 2007.

things Caymanian

Wreck of the Ten Sails
One of the most told stories in the Cayman Islands history is the story of "The Wreck of the Ten Sails". Legend says that one night in November, 1788, the "Cordelia", the lead ship of a convoy of merchant ships bound from Jamaica to Britain, ran aground on the reef at East End. A signal was given off to warn off the other ships, but was misunderstood as a call to follow closer and nine more ships sailed onto the reef. The people of East End are reported to have shown great heroism in ensuring that no lives were lost and legend further states that one of the lives saved was one of royalty. For this, King George III is said to have granted the Islands freedom from conscription, while another report claims that freedom from taxation was bestowed on the people of the Islands as a reward. Actual records do not support this story entirely.

Management's Discussion and Analysis

July 2007/July 2006

Net earnings for the three months ended July 31, 2007 declined slightly to $7.8 million, from $8.1 million for the same period in the previous year. Earnings on Class A Ordinary Shares for the first quarter of fiscal 2008 were $7.2 million, or $0.29 per Class A Ordinary Share, as compared to $7.7 million, or $0.30 per Class A Ordinary Share for first quarter fiscal 2007.

The primary reasons for the 3% quarter-over-quarter decline in earnings applicable to Class A Ordinary Shares were increased maintenance 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. The disclosure process included a quality review performed by CUC's Disclosure Committee and Audit Committee.

The President and Chief Executive Officer ("CEO") and the Vice-President Finance and Chief Financial Officer ("CFO") have evaluated the Company's disclosure controls and procedures as of April 30, 2008 and concluded that the Company's current disclosure controls and procedures are adequately designed and operating effectively.

The first shops and businesses in the Camana Bay Town Centre opened in 2007 and include Cayman National Corporation, Ernst & Young, Dart Realty (Cayman) Ltd., Goldman Sachs, London & Amsterdam Trust, Hollywood Theatres, Books & Books and NKY. The second phase of the Town Centre, part of the 500-acre Camana Bay development, which stretches from Seven Mile Beach in the west to the North Sound in the east, is set to open in 2009.

Management's Discussion and Analysis

Internal Controls over Financial Reporting ("ICFR")

The CEO and CFO of the Company, together with Management, have evaluated the design of the Company's ICFR, as defined under the rules adopted by the Canadian Securities Administrators, and based on this evaluation the CEO and CFO have concluded that as at April 30, 2008, CUC's ICFR is designed to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements in accordance with Canadian GAAP.

There has been no change in the Company's ICFR during the fourth quarter of fiscal 2008 that has materially affected, or is reasonably likely to materially affect, the Company's ICFR.

Outlook

Over the next five years, the Company is expected to invest over $100 million in its capital programme under the terms of its recently granted licences. The Cayman Islands economy continues to show growth in the tourism and financial services sectors. These two sectors, along with the construction industry, are the pillars of the Cayman Islands economy and impact CUC's sales growth. While growth is currently positive, there is expected to be a slowing in these sectors should the United States economy continue the move towards a recessionary environment.

CUC sales growth forecasts for the 2008/2009 fiscal year have been set at 5% to reflect the impact of slowing construction trends and the expected impact on tourism by the current downturn being experienced by the United States Economy.

Outstanding Share Data

At June 27, 2008, the Company had issued and outstanding 25,445,182 Ordinary 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*.

Letitia Lawrence
Vice-President Finance & Chief Financial Officer

June 27, 2008

Management's Responsibility for Financial Reporting

The accompanying Financial Statements of Caribbean Utilities Company, Ltd. and all information in the 2008 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 2008 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 2008 Annual Report were reviewed by the Audit Committee and, on their recommendation, were approved by the Board of Directors of the Company. Ernst & Young, 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.

Letitia Lawrence

Vice-President Finance
& Chief Financial Officer

J.F. Richard Hew

President & Chief Executive Officer

Caribbean Utilities Company, Ltd.

Auditors' Report

We have audited the balance sheet of Caribbean Utilities Company, Ltd. (the "Company") as at April 30, 2008 and the statements of earnings and comprehensive income, retained earnings and cash flows for the year 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 audit.

We conducted our audit 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, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The financial statements for the previous year were audited by other auditors who expressed an opinion without reservation on these statements in their report dated June 29, 2007.

Ernst & Young

Ernst & Young
Grand Cayman, Cayman Islands

May 23, 2008 (except for Note 23 in the "Notes to Financial Statements", which is as at June 23, 2008)

Balance Sheets

As at April 30 (expressed in thousands of United States dollars)

	Note	2008 $	2007 $
Assets			
Current Assets			
Cash and due from banks		**1,268**	6,891
Accounts receivable - Trade	3	**18,798**	16,582
Regulatory assets	4	**22,077**	-
Inventories	5	**8,646**	5,401
Prepayments		**1,023**	1,173
		51,812	30,047
Property, plant and equipment	6	**314,743**	287,338
Other assets	7	**1,694**	11,855
Total Assets		**368,249**	329,240
Liabilities and Shareholders' Equity			
Current Liabilities			
Bank overdraft	8	**3,971**	-
Accounts payable and accrued expenses		**33,138**	24,931
Regulatory liabilities	4	**213**	-
Short-term debt	8	**8,000**	17,000
Current portion of long-term debt	9	**10,528**	10,512
Consumers' deposits and advances for construction		**3,665**	3,415
		59,515	55,858
Long-term debt	9	**166,262**	138,028
Total Liabilities		**225,777**	193,886
Shareholders' Equity			
Share capital	10	**1,763**	1,758
Share premium		**43,216**	42,230
Contributed surplus	12	**250**	224
Retained earnings		**97,243**	91,142
Total Shareholders' Equity		**142,472**	135,354
Total Liabilities and Shareholders' Equity		**368,249**	329,240

See accompanying Notes to Financial Statements

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 Comprehensive Income

As at April 30 (expressed in thousands of United States dollars)

	Note	2008 $	2007 $
Operating Revenues			
Electricity sales		**90,326**	96,186
Hurricane Ivan cost recovery surcharge	16	**3,269**	4,541
Fuel factor		**82,386**	58,132
Total Operating Revenues		**175,981**	158,859
Operating Expenses			
Power generation		**102,913**	91,643
General and administration		**11,582**	11,654
Consumer service and promotion		**1,802**	1,137
Transmission and distribution		**3,134**	2,185
Depreciation and amortisation		**16,669**	15,074
Maintenance		**8,573**	8,437
Power plant restructuring	6	**-**	3,682
Total Operating Expenses		**144,673**	133,812
Operating Income		**31,308**	25,047
Other Income/(Expenses)			
Interest expense		**(10,564)**	(9,445)
Foreign exchange gain		**1,572**	1,477
Other income		**1,444**	1,375
Total Net Other (Expenses)/Income		**(7,548)**	(6,593)
Earnings and Comprehensive Income for the Year		**23,760**	18,454
Preference dividends paid on Class B		**(930)**	(765)
Earnings applicable to Class A Ordinary Shares		**22,830**	17,689
Weighted average number of Class A Ordinary Shares issued and fully paid	11	**25,361**	25,303
Basic Earnings per Class A Ordinary Share	11	**0.900**	0.700
Diluted Earnings per Class A Ordinary Share	11	0.897	0.700
Dividends declared per Class A Ordinary Share		0.660	0.660

See accompanying Notes to Financial Statements

Statements of Retained Earnings

As at April 30 (expressed in thousands of United States dollars)

	2008 $	2007 $
Balance at beginning of year	**91,142**	90,148
Earnings for the year	**23,760**	18,454
Dividends	**(17,659)**	(17,460)
Balance at end of year	**97,243**	91,142

See accompanying Notes to Financial Statements

Statements of Cash Flows

As at April 30 (expressed in thousands of United States dollars)

	Note	2008 $	2007 $
Operating Activities			
Earnings for the year		**23,760**	18,454
Items not affecting working capital:			
Depreciation and amortisation		**16,669**	15,074
Regulatory deferrals		**(21,864)**	-
Stock-based compensation		**26**	63
(Profit)/Loss on disposal of property, plant and equipment		**192**	195
Power plant restructuring	*6*	**-**	3,682
		18,783	37,468
Net change in non-cash working capital balances relating to operations		**12,502**	12,452
Cash flow provided by operating activities		**31,285**	49,920
Investing Activities			
Proceeds on sale of property, plant and equipment		**352**	17
Purchase of property, plant and equipment		**(44,617)**	(35,586)
Deferred licence renewal costs		**(433)**	(278)
Cash flow used in investing activities		**(44,698)**	(35,847)
Financing Activities			
Proceeds from debt financing		**48,000**	25,000
Repayment of debt		**(27,512)**	(15,498)
Increase/(Decrease) in bank overdraft		**3,970**	(377)
Dividends paid		**(17,659)**	(17,460)
Net proceeds from share issues		**991**	577
Cash flow (used in)/provided by financing activities		**7,790**	(7,758)
(Decrease)/Increase in cash		**(5,623)**	6,315
Cash and due from banks - beginning of year		**6,891**	576
Cash and due from banks - end of year		**1,268**	6,891
Supplemental disclosure of cash flow information:			
Interest received during the year		**105**	170
Interest paid during the year		**10,564**	9,411

See accompanying Notes to Financial Statements

Notes to Financial Statements

As at April 30, 2008 (expressed in thousands of United States dollars)

1. Nature of Operations and Financial Statement Presentation

These financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles (“Canadian GAAP”). The principal activity of the Company is to generate and distribute electricity in its licence area of Grand Cayman, Cayman Islands, pursuant to a 20-year exclusive Transmission and Distribution (“T&D”) Licence and a 21.5-year Generation Licence (collectively “the Licences”) with the Cayman Islands Government (“Government”), which expire in April 2028 and September 2029 respectively.

The Company was incorporated on April 30, 1966 under the laws of the Cayman Islands. On November 7, 2006, the Company announced that its controlling 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 in CUC was made in compliance with the Shareholders Agreement and Standstill Agreement entered into connection with the increased investment in CUC in January 2003.

The T&D 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 (“IG”) and a licence fee of 1% of electricity revenues which applies to customer billings for consumption over 1,000 kiloWatt-hours (“kWh”) per month as a pass-through charge on a per kWh basis. In addition to the licence fee, a regulatory fee of 1/2 of 1% of electricity revenues applies to customer billings for consumption over 1,000 kWh per month as a pass-through charge on a per kWh basis.

Regulation

In December 2007, CUC and Government reached an Agreement in Principle (“AIP”) which formed the basis of the licencing documents subsequently signed in April 2008. Under the terms of the licences the Company operates as a regulated electric utility. The Company’s financial statements are prepared in accordance with Canadian generally accepted accounting principles including selected accounting treatments that differ from those used by entities not subject to rate regulation.

Pursuant to the AIP, and effective January 1, 2008, CUC’s base rates were restructured to extract all fuel costs and licence fee amounts to be passed through to consumers. A new rate class for large commercial customers and a new fuel and lube factor to provide for full pass-through charges for 100% of fuel and lubricating oil were also implemented in January 2008. In addition to the structural changes, the AIP called for an overall reduction in base rates of 3.25%. The Company also agreed to the January 2008 removal of the Hurricane Ivan Cost Recovery Surcharge (“CRS”).

The Electricity Regulatory Authority (“ERA”) will have the overall responsibility of regulating the electricity industry in the Cayman Islands in accordance with the ERA Law as amended in January 2008. The ERA will oversee all licencees, establish and enforce licence standards, enforce applicable environmental and performance standards, review the proposed Rate Cap and Adjustment Mechanism (‘RCAM”) and set the rate adjustment factors as appropriate. The

ERA will also annually review and approve CUC's capital investment plan. In conjunction with the establishment of the ERA and the issuance of the new licences, the previous CUC Licence Fee of 5/8 of 1% has increased to 1% of electricity revenues and applies to customer billings for consumption over 1,000 kWh per month as a pass-through charge on a per kWh basis. In addition to the licence fee, a new regulatory fee of 1/2 of 1% of electricity revenues was applied to customer billings for consumption over 1,000 kWh per month as a pass through charge on a per kWh basis. The new licence and regulatory fees were added to consumers' April 2008 statements.

Following the January 2008 rate reduction, rates will continue to be frozen through May 31, 2009 and will be subject to an annual review and adjustment each June thereafter through the RCAM. A price cap mechanism will be used to adjust the base rates in accordance with a formula that takes into account inflation and CUC's Return on Rate Base ("RORB"). Rate Base is the value of capital upon which the Company is permitted an opportunity to earn the Return on Rate Base. The value of this capital is the average of the beginning and ending values for the applicable financial year of: property, plant and equipment less accumulated depreciation, plus the allowance for working capital, plus regulatory assets less regulatory liabilities.

The Government began providing a special fuel duty rebate to be applied to the first 1,500 kWh of monthly residential consumption effective January 1, 2008. The rebate is calculated based on CI$0.20 ($0.24) per IG of fuel used for generation.

2. Summary of Significant Accounting Policies

The preparation of financial statements in conformity with Canadian GAAP 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 net of the allowance 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. Inventories are recorded on an average cost basis.

Property, Plant and Equipment

Property, plant and equipment are stated 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. Engine spares are classified as generating equipment under property, plant and equipment on the balance sheet and are carried at cost less provision for obsolescence. Damaged property, plant and equipment are written off, or appropriate provision made, where damage relates to assets that will be reconstructed.

As at April 30, 2008 (expressed in thousands of United States dollars)

Under the 1986 licence, the Company's policy has been to capitalise interest on major construction projects, which is included as a cost in the appropriate property plant and equipment account. During fiscal 2007 the Company refined its policy to capitalise interest on all significant construction projects. These projects have an average construction period of three months.

Pursuant to the new licences, the Company will capitalise certain overhead costs not directly attributable to specific capital assets but which do relate to the overall capital expenditure programme (general expenses capitalised or "GEC"). Per the licence agreements these costs are not to exceed 10% of operating costs. In the absence of regulation, only those overhead costs directly attributable to construction activity would be capitalised under Canadian GAAP.

Additionally, the Company will capitalise an allowance for funds used during construction ("AFUDC"), which represents the cost of debt and equity financing incurred during construction of capital assets. In the absence of rate regulation, this cost of equity financing would not be capitalised under Canadian GAAP.

Upon disposition of capital assets the original cost will be removed from the capital asset accounts, that amount net of salvage proceeds will also be removed from accumulated depreciation, and as such, any resulting gain or loss will be applied to accumulated depreciation. In the absence of rate regulation, these gains or losses would be recognised as such upon disposition.

Depreciation is provided on cost 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

Other Assets

Other assets, excluding debt issue expenses and deferred licence renewal costs, are being amortised over 30 years on a straight-line basis. Amortisation of deferred licence renewal costs are being amortised over 20 years on a straight-line basis which commenced with the signing of the new licences in April 2008.

Fuel Factor

Pursuant to the terms of the T&D Licence (Note 1), the Company is entitled to recover 100% of fuel costs from consumers. These costs are recovered in the form of a surcharge on consumer billings known as the "Fuel Cost".

Costs incurred pursuant to the Fuel Cost are deferred and offset against the related future revenues recovered from consumers.

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.

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. Income is recognised when goods are delivered or services rendered. Rental fees are recognised on a straightline basis.

Segment 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 quoted prices where available. 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 future cash flows discounted at an estimated quoted price. 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.

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.

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.

Comprehensive Income, Financial Instruments and Hedges

On May 1, 2007 the Company adopted the Canadian Institute of Chartered Accountants ("CICA") accounting standards for Comprehensive Income (CICA Handbook Section 1530), Financial Instruments (CICA Handbook Section 3855 and 3861) and Hedges (CICA Handbook Section 3865).

a) Section 1530, *Comprehensive Income*, 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 recognised in the statement of earnings 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 has not designated any financial assets as available for sale, the Company did not have any adjustments recognised through comprehensive income upon adoption of this new standard, therefore at this point comprehensive income is equal to net earnings.

b) Section 3855, *Financial Instruments - Recognition and Measurement* and Section 3861, *Financial Instruments - Disclosure and Presentation*, 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 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 has designated its financial instruments as follows:
   1) Cash and due from banks is classified as “Held for Trading”. After its initial fair value measurement, any change in fair value is recorded in net income.
   2) Accounts receivable are classified as “Loans and Receivables”. After their initial fair value measurement, they are measured at amortised cost using the effective interest method. For the Company, the measurement amount generally corresponds to cost.
   3) Short-term debt, bank overdraft, accounts payable and accrued expenses, consumer deposits and advances for construction and long-term debt are classified as “Other Financial Liabilities”. Initial measurement is at fair value with any transaction costs added to the fair value amount. Subsequently, they are measured at amortised cost using the effective interest method. For the Company, the measurement amount generally corresponds to cost.

The Company reviewed its contracts for embedded derivatives and determined that while some of the Company’s long-term debt contracts have prepayment options that qualify as embedded derivatives to be separately recorded, none have been recorded as they are immaterial to the Company’s results of operations and financial position. Under Section 3855, deferred financing costs are no longer recognised as a deferred charge and upon adoption of this standard the Company has reclassified $1.3 million of 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 did not have a material impact on the Company’s 2008 earnings upon adoption of this new standard.

c) Section 3865, *Hedges*, 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 did not have any impact on the Company.

Adoption of these standards had no impact in the Company's fiscal 2008 opening retained earnings.

Accounting Changes

Effective May 1, 2007, the Company adopted the revised Section 1506, Accounting Changes, which relate to accounting policies, changes in accounting estimates and errors. Under this revised standard, voluntary changes in accounting policy are made only if they result in the financial statements providing reliable and more relevant information. Adoption of this standard had no impact on the Company's fiscal 2008 financial statements.

Property, Plant and Equipment
Pursuant to the new licences, the Company will capitalise certain overhead costs (general expenses capitalised or "GEC"). Additionally, the Company will capitalise an allowance for funds used during construction ("AFUDC"), which represents the cost of debt and equity financing incurred during construction of capital assets. (See Note 1).

Future Accounting Policies

International Financial Reporting Standards
In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five-year transitional period. CUC has begun assessing the adoption of IFRS for fiscal year 2012, however the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time. In February 2008, the AcSB confirmed the date of changeover to IFRS will be for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011.

Inventories
In March 2007, the AcSB approved a new standard with respect to inventories effective for fiscal years beginning on or after January 1, 2008. The new standard requires inventories to be measured at the lower of cost or net realisable value and disallows the use of a last-in-first-out inventory costing methodology; and requires that, when circumstances which previously caused inventories to be written down below cost no longer exist, the amount of the write down is to be reversed. This new standard is not expected to have a material impact on the Company's earnings.

Rate Regulated Operations
In consideration of the plan to adopt IFRS the AcSB revisited the scope of its project on accounting for rate-regulated operations in recognition of the fact that IFRS do not currently provide any special guidance with respect to accounting practices that are unique to rate-regulated entities. As a result, it has removed the temporary exemption in Section 1100, Generally Accepted Accounting Principles, pertaining to the application of that Section to the recognition and measurement of assets and liabilities arising from rate regulation. The Company will monitor developments and their implications related to the issue of accounting for rate regulated operations.

As at April 30, 2008 (expressed in thousands of United States dollars)

Capital Disclosures

The Company will adopt, May 1, 2008, the new CICA Handbook Section 1535 Capital Disclosures. The Company will be required to include additional information in the notes to the financial statements about its capital and the manner in which it is managed. This additional disclosure includes quantitative and qualitative information regarding an entity's objectives, policies and processes for managing capital.

Disclosure and Presentation of Financial Instruments

Sections 3861 and 3862 of the CICA Handbook set out new accounting recommendations for disclosure and presentation of financial instruments; these recommendations are effective for the Company beginning May 1, 2008. The new recommendations require disclosures of both qualitative and quantitative information that enables users of financial statements to evaluate the nature and extent of risks from financial instruments to which the Company is exposed.

3. Accounts Receivable - Trade

	2008	2007
	$	$
Billings to consumers	17,975	16,060
Employee Share Purchase Plan	35	17
Other receivables	788	505
	18,798	16,582

The Company's billings to consumers increased due to an increase in total customers in 2008 by 1,273 to 24,041, higher consumption and higher fuel costs.

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. Regulatory Assets and Liabilities

The 2008 T&D Licence establishes a fuel tracker mechanism to ensure the Company and consumers neither gain nor lose from the pass through of fuel costs. The purpose of the fuel tracker account is to accumulate actual fuel costs incurred less fuel factor revenues collected. This account represents deferred accumulated fuel costs to be recovered from the consumer or revenue collected for which the per kWh rate needs to be decreased. The receivable or payable value represents a regulatory asset or liability. The net position of the fuel tracker accounts fluctuates monthly and is affected by fuel prices and electricity consumption. On a quarterly basis an adjustment is made to the fuel charge billed to consumers to reflect the net position of the receivable and payable accounts.

The table below shows the position of regulatory assets and liabilities:

Asset Liability	Description	April 30, 2008 $
Regulatory Assets	Fuel Tracker Account (a)	22,077
Regulatory Liabilities	Government and Regulatory Tracker Account (b)	(213)

a) Fuel Tracker Account - this account is actual fuel costs incurred less fuel factor revenues collected. This account represents deferred accumulated fuel costs to be recovered from the consumer when billed on a two-month delay basis and the amount by which the revenues received exceed the costs incurred or the opposite. For both scenarios the per kWh rate is adjusted quarterly in order to reduce the payable or receivable position. In the absence of rate regulation and governmental controls the balance in the fuel tracker account would have been expensed as opposed to deferred for two months to allow for regulatory review and earnings for the year would have been $22.1 millon lower.

b) Government and Regulatory Tracker Account - a licence fee of 1% of electricity revenues applies to customer billings for consumption over 1,000 kWh per month as a pass-through charge on a per kWh basis. Additionally, a regulatory fee of 1/2 of 1% of electricity revenue applies to customer billings for consumption over 1,000 kWh per month as a pass through charge on a per KWh basis. The Tracker account is the actual fee incurred less the amount of funds received from consumers. The per kWh charge is then adjusted quarterly for the balance of this account. In the absence of rate regulation and governmental control there would be no regulatory liability amount on the Balance Sheet as all funds received would be applicable to billed amounts. As such liabilities would be reduced by $0.2 million and earnings for the year would have been $0.2 million higher.

5. Inventories

In June 2007, the Company renewed its Primary Fuel Supply Contract with Esso Standard Oil S.A. Limited (“Esso”). As a condition of the new contract, the point of delivery for fuel billing purposes has moved from the Company’s plant compound to the Esso terminal. CUC has also assumed responsibility for the management of the fuel pipeline (fuel suppliers will continue to pay the regular throughput fee) and ownership of bulk fuel inventory at the North Sound Power Plant. The Company is committed to purchase 80% of the Company’s fuel requirements for the running of the Plant from Esso, the contract is for three years terminating in April 2010. The approximate quantities per the contract on an annual basis are, by fiscal year in millions of Imperial Gallons: 2008 - 24.96, 2009 - 26.40, 2010 - 27.84. All other points of significance are in line with previous contracts with this fuel supplier.

As a result of the Company’s purchase of the bulk fuel inventory, the value of CUC’s closing stock of fuel at April 30, 2008 was $2.3 million (2007: $0.2 million). This amount includes all fuel held in CUC’s bulk fuel storage tanks, service tanks and day tanks located at the North Sound Power Plant.

Notes to Financial Statements

As at April 30, 2008 (expressed in thousands of United States dollars)

	2008	2007
	$	$
Inventory - Line spares	6,100	4,965
Inventory - Fuel	2,336	244
Inventory - Other	210	192
Total	8,646	5,401

6. Property, Plant and Equipment

	Cost	Accumulated Depreciation	2008 Net Book Value
	$	$	$
Generation	201,797	65,912	135,885
Transmission and Distribution	195,971	49,856	146,115
Other:			
Land	10,859	-	10,859
Buildings	18,520	6,941	11,579
Equipment, motor vehicles and computers	20,896	10,591	10,305
Total Other	50,275	17,532	32,743
Property, plant and equipment	448,043	133,300	314,743

	Cost	Accumulated Depreciation	2007 Net Book Value
	$	$	$
Generation	179,951	58,698	121,253
Transmission and Distribution	190,489	44,835	145,654
Other:			
Land	1,171	-	1,171
Buildings	17,879	6,004	11,875
Equipment, motor vehicles and computers	16,888	9,503	7,385
Total Other	35,938	15,507	20,431
Property, plant and equipment	406,378	119,040	287,338

As at April 30, 2008 (expressed in thousands of United States dollars)

Included in PP&E are a number of capital projects in progress with a total cost to date of $16.2 million (April 30, 2007: $23.6 million). These projects primarily relate to various improvements to the Distribution System and the 2009 generation expansion.

Also included in generation and T&D is freehold land with a cost of $4.7 million (April 30, 2007:$4.7 million).

In addition, engine spares with a net book value of $12.5 million (April 30, 2007: $10.4 million) are included in generation.

During the year, the Company capitalised interest of $0.8 million (April 30, 2007: $1.2 million).

As a result of the 2004 hurricane, it was impractical to immediately initiate a repair and restoration programme for the Company's 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. 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 the Company's generating assets.

In addition, the Company has taken charge of $0.5 million for the disposal of spare parts specifically maintained for the steam system, which was disposed of in 2007.

7. Other Assets

	2008	2007
	$	$
Deferred fuel costs (a)	-	9,115
Deferred licence renewal costs (b)	1,477	1,198
Sundry assets	217	201
Deferred debt issue costs (c)	-	1,341
	1,694	11,855

a) *Deferred fuel costs*

Deferred fuel costs relate to costs incurred and not yet recovered from the consumer through Fuel Factor revenues. These costs are deferred and offset against the related future revenues. Fiscal 2008 costs are a component of regulatory assets and are classified as such (see Note 4).

b) *Deferred licence renewal costs*

Deferred licence renewal costs relate to the extensive negotiations with the Government for new licences for the Company. Amortisation of deferred licence renewal costs commenced upon conclusion of licence negotiations in the month of April 2008.

c) *Deferred debt issue costs*

As a result of the Company adopting CICA Handbook Section 3855, the Company reclassified $1.3 million of deferred debt issue costs against long-term debt.

Notes to Financial Statements

As at April 30, 2008 (expressed in thousands of United States dollars)

8. Short-Term Financing

The Company has $33.4 million of unsecured credit financing facilities with Royal Bank of Canada ("RBC") comprising (in $ millions):

	Total Credit Financing Facilities	Total Utilised	Total Available
Capital Expenditures Line of Credit			
- libor + 1 1/2%	17.0	8.0	9.0
Operating Line of Credit			
- prime + 1/2%	7.5	4.0	3.5
Catastrophe Standby Loan			
- prime + 1/2%	7.5	-	7.5
Letters of Credit - 1% per annum	1.1	1.1	-
Corporate Credit Card Line	0.3	0.3	-
Total	33.4	13.4	20.0

At April 30, 2007, the Company had $2.0 million outstanding against the Royal Bank of Canada's ("RBC") credit facilities agreement. During the first nine months of fiscal 2008, the Company drew down an additional $6 million against the capital expenditure line of credit with RBC and $0.5 million against the operating line of credit. During the fourth quarter of the year, the Company drew down an additional $3.5 million against the operating line of credit bringing the total outstanding under the RBC credit facilities agreement to $13.4 million and the total available to $20.0 million.

Short-Term Debt	2008	2007
	$	$
4.30% RBC Loan	8,000	2,000
7% Fortis $15 Million Demand Note	-	15,000
Total Short-Term Debt	8,000	17,000

9. Long-Term Debt

	2008	2007
	$	$
8.47% Senior Unsecured Loan Notes due 2010	**4,500**	6,000
6.47% Senior Unsecured Loan Notes due 2013	**15,000**	17,500
7.64% Senior Unsecured Loan Notes due 2014	**21,000**	24,000
6.67% Senior Unsecured Loan Notes due 2016	**27,000**	30,000
5.09% Senior Unsecured Loan Notes due 2018	**40,000**	40,000
5.96% Senior Unsecured Loan Notes due 2020	**30,000**	30,000
5.65% Senior Unsecured Loan Notes due 2022	**40,000**	-
3.00% European Investment Bank #3 due 2009	**528**	1,040
	178,028	148,540
Less: Current portion of long-term debt	**(10,528)**	(10,512)
Less: Deferred debt issue costs	**(1,238)**	-
	166,262	138,028

As at April 30, 2008 (expressed in thousands of United States dollars)

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

Year	$
2009	10,528
2010	14,000
2011	14,000
2012	15,500
2013 and later	124,000

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

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. The debt offering was privately placed with one institutional investor in the United States. Proceeds from the offering were used to repay short-term indebtedness, including a $15 million Demand Note to Fortis and to finance ongoing additions to CUC's generation capacity and T&D system. The second tranche of $10 million of the 5.65% Senior Unsecured Notes closed in November 2007.

10. Capital Stock

Authorised:

a) 60,000,000 (2007: 60,000,000) Class A Ordinary Shares of CI$0.05 each
b) 250,000 (2007: 250,000) 9% Cumulative, Participating Class B Preference Shares of CI$1.00 each (non-voting)
c) 1 Cumulative, Participating, Class D Preference Share of CI$0.56 each (non-voting)

Class A Ordinary Shares were issued during the period for cash as follows (shares below fully stated, not in $ thousands):

	2008 Number of Shares	2008 Amount $	2007 Number of Shares	2007 Amount $
Balance, beginning of period	25,331,438	1,508	25,282,801	1,505
Customer Share Purchase and Dividend Reinvestment Plans	70,334	4	41,206	2
Employee Share Purchase Employee Long Service Bonus and Executive Stock Option Plans (note 12)	12,231	1	7,431	1
Class A Ordinary Shares issued and outstanding	25,414,003	1,513	25,331,438	1,508
9% Cumulative, Participating Class B	250,000	250	250,000	250
Total	25,664,003	1,763	25,581,438	1,758

Share proceeds totalled to $991,000, of which $5,000 was recorded as an increase to share capital and $986,000 as an increase to share premium.

Notes to Financial Statements

As at April 30, 2008 (expressed in thousands of United States dollars)

11. Earnings per Share

The Company calculates earnings per share on the weighted average number of Class A Ordinary Shares outstanding. The weighted average Ordinary Shares outstanding were 25,361,471 and 25,303,073 for the years ended April 30, 2008 and 2007 respectively. Diluted earnings per Class A Ordinary Share was calculated using the treasury stock method. The weighted average number of Class A Ordinary Shares used for determining diluted earnings per share were 25,383,764 and 25,303,073 for the years ended April 30, 2008 and 2007 respectively.

12. Share Options

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

The exercise price per share in respect of options is equal to the fair market value of the Class A Ordinary Shares on the date of grant. Each option is for a term not exceeding 10 years, and will become exercisable on a cumulative basis at the end of each year following the date of grant. The maximum number of Class A Ordinary Shares under option shall be fixed and approved by the shareholders of the Company from time to time and is currently set at 1,216,919. 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.

		2008		2007
	Number of options	Weighted average exercise price per share $	Number of options	Weighted average exercise price per share $
Outstanding at beginning of period	619,119	12.18	628,300	12.20
Granted	161,700	12.22	-	-
Exercised	(1,216)	11.46	(3,181)	11.46
Forfeited	-	-	(6,000)	13.78
Outstanding at end of period	779,603	12.19	619,119	12.18

As at April 30, 2008 (expressed in thousands of United States dollars)

The position with respect to outstanding unexercised options as at April 30, 2008 was as follows:

	Options Outstanding			Options Exercisable	
			2008		2007
Range of Exercise Prices $	Number outstanding at April 30, 2008	Weighted average remaining contractual life	Weighted average exercise price $	Number exercisable at April 30, 2008	Weighted average exercise price $
11.46 - 13.78	779,603	4.22	12.19	619,220	12.18

On April 11, 2008 161,700 stock options were granted under the Executive Stock Option Plan at an exercise price of $12.22, the options vest on the basis of one quarter of the grant on each of the first through fourth anniversaries of the dates of the grant and bear a term of 10 years from the date of the grant, thereby expiring on April 11, 2018. The fair value of each option granted was calculated to be $0.51 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 (%):	5.51
Expected Volatility (%):	11.60
Risk-free interest rate (%):	3.20
Expected life (years) (%):	7.00

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, the compensation expense was $0.02 million for the year ended April 30, 2008 (2007: $0.06 million), with an offsetting credit to contributed surplus.

13. Capital Commitments

In April 2008 the Company entered into a project agreement with MAN B&W Diesel AG for the purchase and turnkey installation of one 16 megaWatt ("MW") V48/60 medium-speed diesel generating unit and auxiliary equipment. This project will cost approximately $24.3 million to complete. A deposit of $4.9 million was made to begin construction on the new MAN 16 MW unit.

14. Insurance Coverage

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.

Insurance terms and coverage include $100 million in property insurance; $55 million in BI insurance per annum with a 24-month indemnity period and a 45-day deductible; and $15 million in machinery breakdown insurance. All T&D 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.

Included in plant and equipment are certain uninsured T&D assets with an estimated replacement cost of $175 million. This value excludes substations which are covered in the main property policies.

The Company is in the process of renewing its insurance policy for fiscal 2008/2009.

15. Foreign Exchange

The closing rate of exchange on April 30, 2008 as reported by the Bank of Canada for the conversion of U.S. dollars into Canadian dollars was Cdn. $1.0072 per US$1.00. The official exchange rate for the conversion of Cayman Islands dollars into U.S. dollars as determined by the Cayman Islands Monetary Authority is fixed at CI$1.00 per US$1.20. Thus, the rate of exchange as of April 30, 2008 for conversion of Cayman Islands dollars into Canadian dollars was $1.2086 per CI$1.00.

16. Cost Recovery Surcharge (CRS)

On August 1, 2005, the Company implemented a CRS of $0.0089 per kWh to recover approximately $13.4 million of direct Hurricane Ivan losses. CRS revenues for the year ended April 30, 2008 were $3.2 million (2007: $4.5 million). As at December 31, 2007, a total of $10.8 million had been collected since the implementation date leaving $2.6 million to be recovered. In accordance with the AIP (Note 2), effective January 1, 2008, the CRS was removed from consumer bills and the Company has forfeited the additional $2.6 million of CRS Revenues.

17. 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 $805,000 (2007: $763,000). 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 $88,000 (2007: $224,000) is included within Accounts Payable and Accrued Expenses in the Balance Sheets.

Notes to Financial Statements

As at April 30, 2008 (expressed in thousands of United States dollars)

The pension costs of the defined benefit plan are actuarilly determined using the projected benefits method.

	2008 $	2007 $
Accrued Benefit Obligation		
Balance beginning of year	**5,163**	4,828
Interest cost	**271**	253
Past service costs	**-**	82
Actuarial losses	**(28)**	-
Balance end of year	**5,406**	5,163
Plan Assets		
Fair value, beginning of year	**2,476**	1,722
Actual return on plan assets	**(36)**	107
Employer contributions to plan	**648**	647
Benefit payments	**(28)**	-
	3,060	2,476
Funded Status - deficit	**(2,346)**	(2,687)
Unamortised past service costs	**1,491**	1,850
Unamortised net actuarial loss	**767**	613
Accrued benefit liability	**88**	224
The Company's defined benefit pension plan asset allocation was as follows:		
Equities	**62%**	15%
Money Market Funds	**24%**	74%
Fixed Income	**6%**	8%
Cash	**8%**	3%
	100%	100%
During the year ended April 30, 2008, $512,000 (2007: $727,000) was recorded as compensation expense, which comprises the following:		
Interest cost	**271**	253
Expected return on plan assets	**(144)**	(30)
Amortisation of past service costs	**359**	470
Amortisation of actuarial losses	**26**	34
	512	727
Significant assumptions used:		
Discount rate during year (%)	**5.25**	5.25
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)	**6.0**	0.5 - 7.0

Notes to Financial Statements

As at April 30, 2008 (expressed in thousands of United States dollars)

18. 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.

19. 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 $3.64 million (2007: $3.41 million) by way of security.

20. Fair Value of Financial Assets and Liabilities

The carrying amounts reported in the Balance Sheets at April 30, 2008 and 2007 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 long-term debt is approximately $180.3 million (2007: $151.9 million).

21. Taxation

Under current laws of the Cayman Islands, there are no income, estate, corporate, 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.

22. Transactions with Related Parties

In 2007, the Company entered into a 7% $15 million Demand Note agreement with Fortis Inc. The Fortis transaction allowed the Company to effect a lower blended rate on short-term borrowings. Proceeds from the June 2007 private placement debt offering were used to repay the $15 million Demand Note to Fortis, additional short-term indebtedness and to finance ongoing capital expenditures. In the first quarter interest totaling to $0.11 million was paid on the note, as the note was repaid in full in the first quarter no further payments were made.

In August 2007, the Company entered into an equipment lease contract agreement with Fortis Turks and Caicos, a wholly-owned subsidiary of Fortis, for the rental of one of the Company's 1.4 MW mobile units. The term of the agreement was three months with monthly rental fees and all costs incurred for the transport of the unit including shipping costs, taxes, port charges, custom duties and other levies and maintenance costs payable by Fortis Turks and Caicos. During the second and third quarter of 2008, the Company recorded $89 thousand in rental fee income to Other Income from the rental of the mobile generating unit to Fortis Turks and Caicos. The contract term was temporarily extended beyond the original three months, terminating in mid January, 2008. Of the $0.09 million, $0.07 thousand is a receivable at April 30, 2008; these transactions have been recorded at their exchange amounts.

23. Subsequent Events

Dividends

On May 1, 2008, the Company's Board of Directors declared a regular quarterly dividend of $0.165 per Class A Ordinary Share, or an annualised dividend of $0.66 per Class A Ordinary Share. The dividend was paid June 15, 2008 to shareholders of record May 23, 2008.

Rights Offering

On June 23, 2008 the Company filed a rights offering ("the Offering") circular with the Canadian Securities Administrators. The Company will be issuing rights to eligible holders of record ("shareholders") of outstanding Class A Ordinary Shares of the Company. The rights will be valid for exercise July 15, 2008 and expire at 4:00 p.m. (Toronto time) on August 15, 2008. Each 10 rights entitle the holder to acquire one Class A Ordinary Share of the Company at a subscription price of $11.09 per share.

Gross proceeds of the Offering will total approximately $28 million, with an approximate issuance of 2,544,687 Class A Ordinary Shares. The Company will use the net proceeds of this issue as follows:

a) Approximately $18.5 million to repay indebtedness under the Company's credit facility with RBC, which indebtedness was incurred.
   i) as to approximately $8.0 million to provide short-term bridge financing for capital projects of the Company;
   ii) as to approximately $10.5 million to repay indebtedness for the current portion of the following long-term debt of the Company, which indebtedness was incurred to finance capital projects of the Company: the 8.47% Senior Unsecured Loan Notes due 2010; the 6.47% Senior Unsecured Loan Notes due 2013; the 7.64% Senior Unsecured Loan Notes due 2014; and the 6.67% Senior Unsecured Loan Notes due 2016.
b) The balance of the proceeds will be used by the Company to finance capital projects.

Each shareholder will receive one right for each Class A Ordinary Share held on the record date. Shareholders who exercise all of their rights will also be entitled to acquire additional Class A Ordinary Shares, which are not subscribed for by other holders of Rights pursuant to an additional subscription privilege. Fortis Energy (Bermuda) Ltd. ("Fortis Bermuda"), the Company's largest shareholder, has entered into a stand-by agreement with the Company pursuant to which Fortis Bermuda has agreed to purchase all Class A Ordinary Shares issuable on the exercise of Rights which are not acquired by other holders of Rights or pursuant to the additional subscription privilege.

24. Comparative Figures

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

Ten Year Summary

Except where noted, expressed in United States dollars, thousands

	2008	2007
Operating revenues	**175,981**	158,859
Other revenues and adjustments	**3,016**	2,851
Total revenues	**178,997**	161,711
Operating expenses	**144,673**	133,812
Income before interest	**34,324**	27,898
Interest expense and preference dividends	**10,564**	9,444
Earnings for the year	**23,760**	18,454
Capitalisation:		
Class A Ordinary Shares (nominal value)	**1,513**	1,508
9% Cumulative Participating Clas B Preference Shares (nominal value)	**250**	250
Share Premium	**43,216**	42,230
8% Cumulative Fixed Term Class C, Series 2 Preference Shares ($100)	**-**	-
8.5% Cumulative Redeemable Class C, Series 1 Preference Shares ($100 each)	**-**	-
Long-term loans	**184,790**	165,540
Total capitalisation	**229,769**	209,528
Capital expenditures	**44,617**	35,586
Earnings per Class A Ordinary Share ($/Share)	**0.90**	0.70
Dividends per Class A Ordinary Share ($/Share)	**0.66**	0.66
Book value per Class A Ordinary Share ($/Share)	**5.41**	5.15
Statistical Record:		
Net kWh generation (millions of kWh)	**578.40**	546.07
Net kWh sales (millions of kWh)	**539.56**	510.64
Peak load (MW) gross	**92.71**	86.83
Plant capacity (MW)	**136.60**	123.50
Total customers (actual number)	**24,041**	22,768

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

2006	2005	2004	2003	2002	2001	2000	1999
135,677	92,871	106,643	96,921	90,124	90,089	76,469	67,058
8,721	10,041	2,276	2,560	2,420	2,133	2,705	1,870
144,398	102,912	108,919	99,481	92,544	92,222	79,174	68,928
112,328	90,190	81,223	72,970	67,621	69,179	58,104	50,802
32,070	12,722	27,696	26,511	24,923	23,043	21,070	18,126
9,212	8,498	7,709	6,321	5,648	3,747	3,079	3,704
22,858	4,224	19,987	20,190	19,275	19,306	17,991	14,422
1,505	1,490	1,480	1,463	1,440	1,428	1,412	1,380
250	250	250	250	250	250	250	250
41,656	39,022	37,328	51,341	63,411	76,799	88,806	51,216
-	-	-	6,008	12,015	12,015	12,015	12,015
-	-	-	-	-	-	-	2,000
156,038	141,521	138,395	120,704	102,966	85,732	76,442	49,963
199,449	182,283	177,453	179,766	180,082	176,224	178,925	116,794
33,940	39,788	20,041	27,732	29,095	36,655	43,642	34,131
0.87	0.13	0.77	0.80	0.77	0.78	0.73	0.63
0.66	0.33	0.66	0.64	0.61	0.56	0.47	0.41
5.09	4.82	4.98	4.69	4.44	4.23	3.97	3.70
485.52	393.51	485.63	463.00	448.10	424.71	398.09	376.28
456.04	375.74	450.27	429.28	414.58	393.28	369.42	346.94
79.04	85.03	79.06	77.06	75.99	70.18	65.76	61.11
114.63	114.63	127.40	115.10	115.10	115.10	94.92	94.92
21,115	19,011	21,127	20,269	19,198	19,198	18,463	17,349

Board of Directors

J. Bryan Bothwell, M.B.E. *

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.

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.

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

Board of Directors

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.

Eddinton M. Powell, J.P.

President & Chief Executive Officer
Fortis Turks & Caicos
Providenciales
Turks & Caicos

Mr. Powell joined the Board of Directors in 2007. He is President and Chief Executive Officer of Fortis Turks & Caicos and Atlantic Equipment & Power (Turks and Caicos) Ltd. Prior to August 2007 he was Senior Vice-President Finance and Corporate Services and Chief Financial Officer of the Company.

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

Board of Directors

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.

Karl W. Smith *

President & Chief Executive Officer
FortisAlberta Inc.
Calgary, Alberta
Canada

Mr. Smith joined the Board of Directors in 2007 and serves on the Audit Committee. He is the President and Chief Executive Officer of FortisAlberta Inc., a wholly owned subsidiary of Fortis Inc., controlling shareholder of CUC.

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.

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)*

Officers

Douglas H. Murray
Corporate Secretary

David C. Watler
Vice-President Production

Letitia T. Lawrence
Vice-President Finance & Chief Financial Officer

J.F. Richard Hew
President & Chief Executive Officer

Andrew E. Small
Vice-President Transmission & Distribution

During fiscal 2008, the executive team was significantly changed with the move of Andrew Small from Vice-President Production to Vice-President Transmission and Distribution, the appointment of David Watler as Vice-President Production, the appointment of Letitia Lawrence as Vice-President Finance and Chief Financial Officer and the appointment of Doug Murray as Corporate Secretary.

Shareholder and Corporate Information

Shareholders

Registered shareholders as of April 30, 2008 were as follows:

Class of Shares	*Shareholders*	*Shares Held*
Class A Ordinary Shares	2,512	25,414,003
9% Class B Preference Shares	113	250,000

2,277 Class A Ordinary registered shareholders holding approximately 12.5% of the oustanding shares are resident in the Cayman Islands, while the balance are resident overseas. Shareholders resident in the Cayman Islands represent 90.5% 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 53.4% of the outstanding shares as of April 30, 2008.

Annual General and Special Meeting

Shareholders of Caribbean Utilities Company, Ltd. are invited to attend the Annual General and Special Meeting of the Company to be held Friday, August 29, 2008 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 \$30 (CI\$25) per purchase and up to a total of \$14,400 (CI\$12,000) 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

Ernst & Young
PO Box 510
Grand Cayman KY1-1106
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
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 Corporate 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

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E-mail: investor@cuc.ky

Special Thanks :

: Cayman Islands Catboat Club
www.catboatclub.com

Cayman Traditional Arts
PO Box 356
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Cayman Islands
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You've got the power

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