

Management's Discussion and Analysis

The following management's discussion and analysis ("MD&A") should be read in conjunction with the Caribbean Utilities Company, Ltd ("CUC" or "the Company") unaudited financial statements for the three and twelve months ended April 30, 2008. The material has been prepared with reference to National Instrument 51-102 - Continuous Disclosure Obligations ("NI 51-102") relating to Management's Discussion and Analysis. In connection with the Company's issuance, following the date hereof, of its audited financial statements for the year ended April 30, 2008, the Company will also issue its related management's discussion and analysis (the "Annual MD&A"). The Annual MD&A will be prepared in accordance with NI 51-102 relating to Management's Discussion & Analysis.

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 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 materialize, 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. Additional information in this MD&A has been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and is presented in United States dollars unless otherwise specified. The financial statements and MD&A in this fourth quarter report were approved by the Audit Committee.

Caribbean Utilities Company, Ltd.

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 Licence and a 21.5 year Generation Licence granted by the Cayman Islands Government ("Government").

Financial and Operational Highlights

<i>(\$ thousands, except basic earnings per ordinary share, dividends paid per ordinary share and where otherwise indicated)</i>	Three months ended April 30, 2008	Three months ended April 30, 2007	Change %	Year ended April 30, 2008	Year ended April 30, 2007	Change %
Operating Revenues	44,219	36,709	20%	175,981	158,859	11%
Hurricane Ivan Cost Recovery Surcharge	0	1,095	(100)%	3,269	4,541	(28)%
Total Operating Expenses	37,918	30,853	23%	144,673	133,812	8%
Earnings for the Period	4,413	4,114	7%	23,760	18,454	29%
Basic Earnings per Class A Ordinary Share	0.169	0.158	7%	0.900	0.700	29%
Dividends paid per Class A Ordinary Share	0.165	0.165	0%	0.660	0.660	0%
Peak Load Gross (MW)	85.1	85.2	(0.1)%	92.7	86.8	7%
Net Generation (millions of kWh)	139.2	133.3	4%	578.4	546.1	6%
Kilowatt-Hour Sales (millions of kWh)	128.7	123.2	4%	539.6	510.6	6%
Total Customers	24,041	22,768	6%	24,041	22,768	6%

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 Transmission & Distribution ("T&D") Licence and a 21.5 year Generation Licence granted by the Cayman Islands Government ("Government"), which expire in April 2028 and September 2029 respectively. The new licences were signed in April 2008; the terms include 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 will be targeted in the 9-11% range.

In December 2007, prior to the April 2008 Licence signing, CUC and Government reached an Agreement in Principle ("AIP") which formed the basis of the licensing 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 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 ½ 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 is 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 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 General and Administrative (G&A) expenses and 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 \$0.169 per Class A Ordinary Share, as compared to \$4.0 million, or \$0.158 per Class A Ordinary share for the three months ended April 30, 2007.

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 preference dividends, 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

KWh sales for the three months ended April 30, 2008 totaled 128.7 million in comparison to 123.2 million in 2007, a growth of 4%. On an annual basis, 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 sq ft. 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 sq. ft. Camana Bay Town Centre and 159,000 sq. ft. 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 US economy as 90% of visitors originate from North America. With an apparent recession in progress, reduced kWh sales for certain sectors is 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

Quarter on quarter operating revenues showed a 20% increase to \$44.2 million from \$36.7 million. The percentage allocation of total operating revenues between electricity sales and fuel factor revenues was significantly impacted by the removal of all fuel and lube costs from the base tariffs.

Electricity sales saw a decrease of \$7 million in the three months ended April 30, 2008 to \$16.1 million when compared to electricity sales revenues of \$23.1 million for the same period last year. Fuel factor revenues totaled \$28.1 million, a \$15.6 million increase over the \$12.5 million in fuel factor revenues for the three months ended April 30, 2007. CRS revenues were nil for the fourth quarter of fiscal 2008 compared to \$1.1 million earned in the fourth quarter of fiscal 2007.

Operating revenues for 2008 totaled \$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).

In fiscal 2008, electricity sales revenues decreased by 6%, fuel factor revenues increased by 42% and CRS revenues decreased by 27%, 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.

Operating Expenses

Total operating expenses for the quarter ended April 30, 2008 increased 23% from \$30.9 million in 2007 to \$37.9 million in 2008, the major contributing factor being higher power generation expenses. Consumer service & promotion saw a 209% increase which is further discussed in the "Consumer Services and Promotion Costs" section.

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) and increased depreciation.

Operating expenses for the three and twelve months ended April 30 were as follows:

<i>(\$ thousands)</i>	Three months ended April 30, 2008	Three months ended April 30, 2007	Change %	Year Ended April 30, 2008	Year Ended April 30, 2007	Change %
Power generation expenses	26,446	20,836	27%	102,913	91,643	12%
General and administration	2,846	3,057	(7)%	11,582	11,654	(1)%
Consumer Service and promotion	571	185	209%	1,802	1,137	58%
Transmission and distribution	959	609	57%	3,134	2,185	43%
Depreciation and amortisation	4,523	3,659	24%	16,669	15,074	11%
Maintenance	2,573	2,570	0%	8,573	8,437	2%
Power Plant Restructuring	0	(63)	100%	0	3,682	(100)%
Total operating expenses	37,918	30,853	23%	144,673	133,812	8%

Power Generation

Power generation costs increased 27% for the three months ended April 30, 2008 when compared to the same period in the prior year. The increase for the fourth quarter is a reflection of the steadily increasing fuel prices being experienced globally and 4% kWh generation growth.

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 three and twelve months ended April 30 were as follows:

<i>(\$ thousands)</i>	Three months ended April 30, 2008	Three months ended April 30, 2007	Change %	Year Ended April 30, 2008	Year Ended April 30, 2007	Change %
Fuel costs	31,210	19,502	60%	111,161	86,938	28%
Lube costs	445	419	6%	1,718	1,662	3%
Deferred fuel charges	(6,039)	(388)	1,456%	(13,181)	(854)	1,444%
Other generation expenses	830	1,303	(36)%	3,215	3,897	(17)%
Total power generation expenses	26,446	20,836	27%	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. The average for the three months ending April 30, 2008 was \$4.01 per IG compared to \$2.73 for the same period last year. 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 and \$6 million for the fourth quarter. The amount deferred at the close of 2007 totaled \$0.9 million,

and \$0.4 million for the quarter. The deferred fuel costs now comprise total diesel fuel and lube oil costs. Prior to January 2008 only the portion of diesel fuel costs which exceeded the amount included in base rates were deferred (see "Corporate and Regulatory Overview" section). The company defers excess fuel costs until they can be collected from customers on a two-month delay basis, for any particular period the change in this account is caused by timing.

General and Administration (G&A)

G&A expenses decreased \$0.3 million quarter on quarter, down to \$2.8 million from \$3.1 million for the three months ended April 30, 2007. This is due to the elimination of licence fees in January 2008 which were offset by the removal of these fees from base rates (see "Corporate and Regulatory Overview" section).

G&A expenses for fiscal 2008 totaled \$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" for terms & coverage).

Consumer Services and Promotion (C&P)

C&P expenses experienced a \$0.4 million or 209% increase quarter over quarter for the quarters ending April 30 and a \$0.7 million or 58% increase year on year. These increases are 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)

T&D expenses for the quarter ended April 30, 2008 increased \$0.4 million to \$1 million from \$0.6 million for the three months ended April 30, 2007. The increase was anticipated due to the cyclical nature of the Division's maintenance programme.

T&D expenses in fiscal 2008 increased 43% to \$3.1 million from \$2.2 million in fiscal 2007.

Depreciation and Amortisation (D&A)

D&A expenses for the three months ended April 30, 2008 increased by \$0.8 million from \$3.7 million in 2007 to \$4.5 million in 2008.

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 are expected.

Maintenance

Maintenance expense for the three months ended April 30, 2008 of \$2.6 million were comparable to the same period of the prior year. Fiscal 2008 maintenance schedules were affected by a series of generator failures; specifically in the second quarter when 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.

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Maintenance expenses increased 2% annually from \$8.4 million in fiscal 2007 to \$8.6 million in fiscal 2008. Maintenance expenses for fiscal 2008 are in line with the Company's expectations.

Other Income and Expenses

Interest expenses increased \$0.2 million to \$2.6 million for the three months ended April 30, 2008 compared to \$2.4 million for the three months ended April 30, 2007. 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 results primarily from a \$0.8 million increase in interest costs on new long term borrowings.

The Company's policy has been to capitalize 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 capitalized 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 capitalization 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.

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 local hotels and apartments showed an increase in calendar 2007. Similarly, the average length of stay also showed an increase.

The total number of building permits declined by 19.7%. Additionally the total value of building permits fell by 6% to CI\$338.1 million (\$402.5 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 CI\$163.6 million (\$194.8 million).

All data is sourced from the Economics & Statistics Office 2007 Quarterly Report for the third quarter ended September 2007 and posted February 22, 2008.

Liquidity and Capital Resources

The following table outlines the summary of cash flow:

Summary of cash flow (\$ thousands)	Three months ended April 30, 2008	Three months ended April 30, 2007	Change %	Year Ended April 30, 2008	Year Ended April 30, 2007	Change %
Beginning cash	1,324	7,901	-83%	6,891	576	1096%
Cash provided dy/(used in):						
Operating activities	12,317	14,683	-16%	31,285	49,920	-37%
Investing activities	(11,836)	(11,452)	3%	(44,698)	(35,847)	25%
Financing activities	(537)	(4,241)	-87%	7,790	(7,758)	-200%
Ending cash	1,268	6,891	-82%	1,268	6,891	-82%

Operating Activities

Cashflow from operations, after working capital adjustments for the three months ended April 30, 2008, was \$12.3 million a 16% decrease compared to the \$14.7 million from the same period last year due largely to a reduction in non-cash working capital balances.

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. This 37% decline was driven by a \$9.4 million dollar increase in non-cash working capital balances in fiscal 2008 versus a \$12.5 million dollar decrease in fiscal 2007. The major contributing factors in this overall \$21.9 million dollar year over year increase were the receipt of payment on the insurance receivable balance of \$9.1 million in fiscal 2007 and the \$13.2 million increase in deferred fuel costs for fiscal 2008.

Investing Activities

Cash used in investing activities for fourth quarter of fiscal 2008 were comparable to the same period last year.

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.

Financing Activities

Cash used in financing activities for the fourth quarter of fiscal 2007 totaled to \$4.2 million as compared to cash used in financing activities for the same period of 2008 of \$0.5 million. This difference is due to the \$3.4 million increase in bank overdraft in the fourth quarter of fiscal 2008.

Cash provided by financing activities for the year ended April 30, 2008 totaled to \$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).

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 majority shareholder Fortis Inc. ("Fortis"). 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, for the rental of one of the

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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 & third quarter 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, terminating in mid January 2008.

Contractual Obligations

The contractual obligations over the next five years and periods thereafter, as at April 30, 2008, are outlined in the following table:

(\$ millions)	Total	< 1 year	1 to 3 years	4 to 5 years	> 5 years
Total debt	184.8	18.5	23.1	32.5	110.7
Total	184.8	18.5	23.1	32.5	110.7

Additionally the Company has a primary fuel supply contract with Esso Standard Oil S.A. 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 Imperial Gallons: 2008 – 24.96, 2009 – 26.40, 2010 – 27.84.

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.

Significant changes in Balance Sheets between April 2007 and April 2008 (\$ millions)	Increase (Decrease)	Explanation
Cash	(6)	Decrease due to cash used in investing activities of \$44.7 million partially offset by cash provided by operating activities of \$31.3 million and cash from financing activities of \$7.8 million.
Accounts receivable- Trade	3	Increase due to higher consumption and higher fuel factor billings as a result of rising fuel prices.
Inventories	3	Increase due to the Company's purchase of the North Sound Power Plant bulk fuel inventory as part of the fuel contract renewal agreement.
Property, plant and equipment	27	Net increase is comprised of capital expenditures of (1) \$44.6 million and (2) depreciation expense of \$16.7 million.
Other assets	12	Increase due to an increase in the amount of fuel costs recoverable from the customer resulting from a change in the basis of calculating deferred fuel in accordance with the AIP which allows for 100% pass-through of fuel and lube costs effective January 2008.
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 facilities of \$6 million.

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Significant changes in Balance Sheets between April 2007 and April 2008 (continued) (\$ millions)	Increase (Decrease)	Explanation
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 \$1.4 million of previously deferred debt charges against Long-Term Debt balances as a result of the Company adopting CICA handbook Section 3855, <i>Financial Instruments – Recognition and Measurement</i> .
Retained Earnings	6	Increase due to net earnings for the period of \$23.8 million offset by Class A dividends of \$16.8 million and Class B dividends of \$0.9 million.

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 is shown below:

Capital structure	April 30, 2008 (\$ millions)	%	April 30, 2007 (\$ millions)	%
Total debt	184.8	56	165.5	55
Shareholder's 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:

S&P A/Stable
DBRS A (low)

*In December 2007 Standard & 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 \$34.7 million of unsecured credit financing facilities with RBC comprising:

Credit Facilities	(\$ millions)
Corporate Credit Card Line	\$0.3
Letters of Credit	\$2.4
Operating, Revolving Line of Credit	\$7.5
Catastrophe Standby Loan	\$7.5
Demand Loan Facility- Interim Funding of Capital Expenditures	\$17.0
Total	\$34.7

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Of the total above, \$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 attributed to the purchase of land for \$9.7 million in fiscal 2008 to house future expansion at the Company's North Sound Plant.

Capital expenditures (\$ Millions)	Three Months Ended April 30, 2008	Three Months Ended April 30, 2007	Year Ended April 30, 2008	Year Ended April 30, 2007
Transmission	1.1	0.5	2.2	1.7
Distribution	3.6	8.4	10.8	14.3
Generation	6.1	3.3	19.3	17.1
Other	0.9	(0.7)	12.3	2.5
Total	11.7	11.5	44.6	35.6

Off Balance-Sheet Arrangements

Disclosure is required of all off-balance sheet arrangements such as transactions, agreements or contractual arrangements with unconsolidated entities, structured finance entities, special purpose entities or variable interest entities that are reasonably likely to materially effect liquidity of or the availability of, or requirements for, capital resources. The Company has no such off-balance sheet arrangements as at April 30, 2008.

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 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 proper and 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 with the framework.

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 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

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 \$1.4 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.

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 realizable 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

Under the terms of the licences the Company is to operate as a regulated electric utility. The Company's financial statements will be 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.

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: fixed assets less accumulated depreciation, plus the allowance for working capital, plus regulatory assets less regulatory liabilities.

Fixed assets are the Property, Plant and Equipment as reported in the Company's financial statements. Fixed assets will be increased by the original book value of lands, buildings, plant and equipment, including computer software acquired or constructed by the Company. The original book value of these fixed assets will include an Allowance for Funds Used During Construction and an allowance for General Expenses Capitalized (calculated as a percentage of up to 10% of Non-Fuel Operating Expenses, varying annually depending on the level of capital activity). The allowance for working capital is equal to 30 days of total revenues.

Regulatory assets and liabilities represent amounts expected to be recovered from or refunded to customers by order of the ERA or by a directive of Government. These assets or liabilities are added to the Rate Base to the extent that they are not included in fixed assets. At April 30, 2008 there were no such regulatory assets or liabilities recorded by the Company.

In August 2007, the AcSB considered the comments received on its March 2007 Exposure Draft, "Rate Regulated Operations" and decided to remove 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.

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 utilized 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 utilized 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 (April 30, 2007: \$0.2 million).

During the Fiscal Year of 2008 the Company recorded net compensation expense of \$0.6 million (April 30, 2007: \$0.7 million).

Property, Plant & 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.

Quarterly Results

The table "Quarterly Results" summarizes 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 clearly reflects the Company's strong growth.

Quarterly results (\$ thousands, except basic and diluted earnings per ordinary share)	Operating revenue	Net earnings/(losses)	Income/(loss) applicable to ordinary shares	Earnings/(losses) per ordinary share	Diluted earnings/(losses) per ordinary share
April 30, 2008	44,219	4,413	4,300	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

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.

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.

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 is recorded, processed, summarized and reported within the time periods specified in the Canadian Securities Administrators rules and forms. Disclosure process included quality review performed by CUC's Disclosure Committee and Audit Committee.

The President and Chief Executive Officer and the Chief Financial Officer have evaluated the Company's disclosure controls and procedures for the quarter ended April 30, 2008 and concluded that the Company's current disclosure controls and procedures are adequately designed.

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 for the quarter ended 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 U.S. 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 U.S. Economy.

Outstanding Share Data

At May 26, 2008, the Company had issued and outstanding 25,414,003 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.

May 26, 2008

Caribbean Utilities Company, Ltd.

Balance Sheets

Balance Sheets Unaudited \$ (Thousands)	Note	As at	As at
		April 30, 2008	April 30, 2007
Assets			
<i>Current Assets</i>			
Cash and Due from Banks		1,268	6,891
Accounts Receivable- Trade		19,646	16,582
Inventories	3	8,646	5,401
Prepayments		<u>1,023</u>	<u>1,173</u>
		30,583	30,047
Property, Plant and Equipment	4	314,743	287,338
Other Assets	5	<u>23,989</u>	<u>11,855</u>
Total Assets		<u>369,315</u>	<u>329,240</u>
Liabilities and Shareholders' Equity			
<i>Current Liabilities</i>			
Bank Overdraft		3,971	0
Accounts Payable and Accrued Expenses		34,417	24,931
Short-Term Debt	6	8,000	17,000
Current Portion of Long-Term Debt		10,528	10,512
Consumer's Deposits and Advances for Construction		<u>3,665</u>	<u>3,415</u>
		<u>60,581</u>	<u>55,858</u>
Long-Term Debt	7	<u>166,262</u>	<u>138,028</u>
Total Liabilities		<u>226,843</u>	<u>193,886</u>
Shareholders' Equity			
Share Capital	8	1,763	1,758
Share Premium		43,216	42,230
Contributed Surplus		250	224
Retained Earnings		<u>97,243</u>	<u>91,142</u>
		142,472	135,354
Total Liabilities and Shareholders' Equity		<u>369,315</u>	<u>329,240</u>

See accompanying Notes to Interim financial statements.

Statements of Earnings

Statements of Earnings Unaudited <i>(\$ Thousands, except basic and diluted earnings per ordinary share)</i>	Note	Three Months Ended April 30, 2008	Three Months Ended April 30, 2007	Year Ended April 30, 2008	Year Ended April 30, 2007
Operating Revenues					
Electricity Sales		16,110	23,107	90,326	96,186
Cost Recovery Surcharge	12	0	1,095	3,269	4,541
Fuel Factor		<u>28,109</u>	<u>12,507</u>	<u>82,386</u>	<u>58,132</u>
<i>Total Operating Revenues</i>		44,219	36,709	175,981	158,859
Operating Expenses					
Power Generation		26,446	20,836	102,913	91,643
General and Administration		2,846	3,057	11,582	11,654
Customer Service and Promotion		571	185	1,802	1,137
Transmission and Distribution		959	609	3,134	2,185
Depreciation and Amortisation		4,523	3,659	16,669	15,074
Maintenance		2,573	2,570	8,573	8,437
Power Plant Restructuring		<u>0</u>	<u>(63)</u>	<u>0</u>	<u>3,682</u>
<i>Total Operating Expenses</i>		37,918	30,853	144,673	133,812
Operating Income/Expenses		6,301	5,856	31,308	25,047
Other Income/(Expenses):					
Interest Expense		(2,582)	(2,413)	(10,564)	(9,445)
Foreign Exchange Gain		407	345	1,572	1,477
Other Income		<u>287</u>	<u>326</u>	<u>1,444</u>	<u>1,375</u>
<i>Total Net Other (Expenses)/Income</i>		(1,888)	(1,742)	(7,548)	(6,593)
Earnings for the Period		4,413	4,114	23,760	18,454
Preference Dividends Paid- Class B		(113)	(113)	(930)	(765)
Earnings on Class A Ordinary Shares		4,300	4,001	22,830	17,689
Weighted-Average Number of Class A Ordinary Shares Issued and Fully Paid	9	25,396	25,329	25,361	25,303
Earnings per Class A Ordinary Share	9	0.169	0.158	0.900	0.700
Fully Diluted Earnings per Class A Ordinary Share	9	0.167	0.158	0.897	0.700
Dividends Declared per Class A Ordinary Share		0.165	0.165	0.660	0.660

See accompanying Notes to Interim financial statements.

Statements of Retained Earnings

Statements of Retained Earnings Unaudited (\$ Thousands)	Note	Three Months Ended April 30, 2008	Three Months Ended April 30, 2008	Year Ended April 30, 2008	Year Ended April 30, 2007
Balance at beginning of period		97,131	91,322	91,142	90,148
Earnings for the period		4,413	4,114	23,760	18,454
Dividends		<u>(4,301)</u>	<u>(4,294)</u>	<u>(17,659)</u>	<u>(17,460)</u>
Balance at end of period		97,243	91,142	97,243	91,142

See accompanying Notes to Interim financial statements.

Statements of Cash Flows

Statements of Cash Flows Unaudited (\$ Thousands)	Note	Three Months Ended April 30, 2008	Three Months Ended April 30, 2007	Year Ended April 30, 2008	Year Ended April 30, 2007
Operating Activities					
Earnings for the period		4,413	4,114	23,760	18,454
Items not affecting working capital:					
Depreciation and amortisation		4,523	3,659	16,669	15,074
Stock-based compensation		0	16	26	63
Loss on Disposal of fixed assets		440	25	192	195
Power Plant restructuring		<u>0</u>	<u>0</u>	<u>0</u>	<u>3,682</u>
		9,376	7,814	40,647	37,468
Net (increase)/decrease in non-cash working capital balances related to operations		<u>2,941</u>	<u>6,869</u>	<u>(9,362)</u>	<u>12,452</u>
<i>Cash flow provided by operating activities</i>		12,317	14,683	31,285	49,920
Investing Activities					
Proceeds of sale of fixed assets		67	12	352	17
Purchase of property, plant and equipment		(11,725)	(11,464)	(44,617)	(35,586)
License Renewal Costs		<u>(178)</u>	<u>0</u>	<u>(433)</u>	<u>(278)</u>
<i>Cash flow used in investing activities</i>		(11,836)	(11,452)	(44,698)	(35,847)
Financing Activities					
Proceeds from debt financing		0	0	48,000	25,000
Repayment of debt		0	0	(27,512)	(15,498)
Increase/(Decrease) in bank overdraft		3,429	0	3,970	(377)
Dividends paid		(4,301)	(4,294)	(17,659)	(17,460)
Net proceeds of share issues		<u>335</u>	<u>53</u>	<u>991</u>	<u>577</u>
<i>Cash flow (used in)/provided by financing activities</i>		(537)	(4,241)	7,790	(7,758)
(Decrease)/Increase in net cash		(56)	(1,010)	(5,623)	6,315
Cash - Beginning of period		<u>1,324</u>	<u>7,901</u>	<u>6,891</u>	<u>576</u>
Cash - End of period		1,268	6,891	1,268	6,891

See accompanying Notes to Interim financial statements.

Notes to Interim Financial Statements

Unaudited – April 30, 2008 (expressed in thousands of United States dollars)

1. Nature of Operations and Financial Statement Presentation

These unaudited financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles (“Canadian GAAP”) for interim financial statements. These interim financial statements do not include all of the disclosures normally found in the Caribbean Utilities Company, Ltd. (“CUC” or “the Company”) annual financial statements and should be read in conjunction with the Company’s financial statements for the year ended April 30, 2007.

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 Licence and a 21.5 year Generation Licence with the Cayman Islands Government (“Government”), which expire in April 2028 and September 2029 respectively.

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. These interim financial statements have been prepared following the same accounting policies and methods as those used in preparing the most recent annual financial statements.

Regulation

In December 2007 prior to the April 2008 signing of the licences, CUC and Government reached an Agreement in Principle (“AIP”) which formed the basis of the licensing 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 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 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 RORB. Effective January 1, 2008, the Government is 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 of fuel used for generation.

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 addition to the structural changes, the AIP called for an overall reduction in base rates of 3.25%, the elimination of the Hurricane Ivan Cost Recovery Surcharge (CRS, Note 12) and the implementation of a Government rebate of \$0.24 per Imperial Gallon of fuel used in generation to be applied to the first 1,500 kilowatt-hours ("kWh") of monthly residential consumption.

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 recognized in other comprehensive income must eventually be recognized 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 recognized 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 recognized. 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 recognized as a deferred charge and upon adoption of this standard the Company has reclassified \$1.4 million of unamortized 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 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 April 30, 2008 interim financial statements.

The fiscal 2008 fourth quarter report displays the licence agreement as a line item under investing activities on the cash flow statement, previously this amount was categorized as cash flow provided by operating activities as opposed to investing activities. However upon further consideration and due to the longevity of the asset this has been reallocated.

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 realizable 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 December 2007, CUC and Government reached an Agreement in Principle ("AIP"), under the terms of the AIP the Company will operate as a regulated electric utility under new licences which were formalized in April 2008. 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.

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: Fixed Assets less accumulated depreciation, plus the allowance for working capital, plus regulatory assets less regulatory liabilities.

Fixed assets are the Property, Plant and Equipment as reported in the Company's financial statements. Fixed assets will be increased by the original book value of lands, buildings, plant and equipment, including computer software acquired or constructed by the Company. The original book value of these fixed assets will include an Allowance for Funds Used During Construction and an allowance for General Expenses Capitalized (calculated as a percentage of up to 10% of Non-Fuel Operating Expenses, varying annually depending on the level of capital activity). The allowance for working capital is equal to 30 days of total revenues.

Regulatory assets and liabilities represent amounts expected to be recovered from or refunded to customers by order of the ERA or by a directive of Government. These assets or liabilities are added to the Rate Base to the extent that they are not included in fixed assets. At April 30, 2008 there were no such regulatory assets or liabilities recorded by the Company.

In August 2007, the AcSB considered the comments received on its March 2007 Exposure Draft, "Rate Regulated Operations" and decided to remove 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.

3. Inventories

In June 2007, the Company renewed its Primary Fuel Supply Contract with Esso Standard Oil S.A. Limited. 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 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 Plant.

Caribbean Utilities Company, Ltd.

Inventories (\$ Thousands)	Year Ended April 30, 2008	Year Ended April 30, 2007
Inventory – Line spares	6,100	4,965
Inventory – Fuel	2,336	244
Inventory – Other	210	192
Total	8,646	5,401

4. Property, Plant and Equipment

Property, Plant and Equipment (\$ Thousands)	Adjusted Cost/Appraised Value	Accumulated Depreciation	Net Book Value April 30, 2008
Transmission & Distribution (T&D)	195,971	49,856	146,115
Generation	201,797	65,912	135,885
Other:			
Land	10,859	0	10,859
Buildings	18,520	6,941	11,579
Equipment, motor vehicles and computers	<u>20,896</u>	<u>10,591</u>	<u>10,305</u>
<i>Total Other</i>	50,275	17,532	32,743
Property, plant and equipment	448,043	133,300	314,743
Property, Plant and Equipment (\$ Thousands)	Adjusted Cost/Appraised Value	Accumulated Depreciation	Net Book Value April 30, 2007
Transmission & Distribution (T&D)	190,489	44,835	145,654
Generation	179,951	58,698	121,253
Other:			
Land	1,171	-	1,171
Buildings	17,879	6,004	11,875
Equipment, motor vehicles and computers	<u>16,888</u>	<u>9,503</u>	<u>7,385</u>
<i>Total Other</i>	35,938	15,507	20,431
Property, plant and equipment	406,378	119,040	287,338

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 capitalized interest of \$0.8 million (April 30, 2007: \$1.2 million)

5. Other Assets

Other Assets (\$ Thousands)	April 30, 2008	April 30, 2007
Deferred fuel costs	22,296	9,115
Deferred licence renewal costs (a)	1,477	1,198
Sundry assets	216	201
Deferred debt issue expense (b)	<u>0</u>	<u>1,341</u>
Total	23,989	11,855

a) Deferred licence renewal costs

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

b) Deferred debt issue expenses

As a result of the Company adopting CICA Handbook Section 3855, the Company reclassified \$1.4 million of deferred debt issue expenses against long-term debt.

6. Short-Term Financing

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 \$12 million and the total available to \$20 million.

7. Long-Term Debt

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.

8. 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 \$1.00 each (non voting)
- c) 1 Cumulative, Participating, Class D Preference Share of CI\$0.56 (non voting)

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

	Quarter ended April 30, 2008	Quarter ended April 30, 2007	Year-to-date April 30, 2008	Year-to-date April 30, 2007
Class A Ordinary Share Issue	Number of shares	Amount (\$)	Number of shares	Amount (\$)
Balance, beginning of period	25,386,658	1,511,111	25,331,438	1,507,824
Consumer Share Purchase and Dividend Reinvestment Plans	23,595	1,404	70,384	4,189
Employee Share Purchase and Employee Long Service Bonus Plans	3,750	223	12,181	725
Class A Ordinary Shares issued & outstanding	25,414,003	1,512,738	25,414,003	1,512,738
9% Cumulative, Participating Class B	250,000	250,000	250,000	250,000
Total	25,664,003	1,762,738	25,664,003	1,762,738

9. Earnings per Share

The Company calculates earnings per share on the weighted average number of Class A Ordinary Shares outstanding. The weighted average Class A Ordinary Shares outstanding were 25,395,773 and 25,329,105 for the quarters ended April 30, 2008 and April 30, 2007 respectively. 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.

10. 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 ten 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.

Caribbean Utilities Company, Ltd.

Share Options	Quarter ended April 30, 2008	Quarter ended April 30, 2007	Year-to-date April 30, 2008	Year-to-date April 30, 2007
Outstanding at beginning of period	617,903	624,119	619,119	628,300
Granted	161,700	-	161,700	-
Exercised	0	(2,000)	(1,216)	(3,181)
Forfeited	-	(3,000)	-	(6,000)
Outstanding at end of period	<u>779,603</u>	<u>619,119</u>	<u>779,603</u>	<u>619,119</u>
	-	-	-	-
Range of exercise prices:				
Granted	12.22	N/A	12.22	N/A
Exercised	11.46	11.46	11.46	11.46
Forfeited	N/A	13.78	N/A	13.78
Outstanding at April 30, 2008	11.46-13.78	11.46-13.78	11.46-13.78	11.46-13.78

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

Share Options	Number of Class A Ordinary Shares under option	Exercise Price (\$)	Term of option
<u>Date of grant:</u>			
18-Jul-01	419,803	11.46	10 years
22-Sep-03	198,100	13.78	10 years
11-Apr-08	161,700	12.22	10 years
Outstanding at end of period & Weighted Avg.	779,603	12.1	

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 ten years from the date of the grant, thereby expiring on April 11, 2018.

11. 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.

12. 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 was \$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.

13. Pension Plan

The pension costs of the defined benefit plan are actuarially determined using the projected benefits method. As at April 30, 2008, the Company had an accrued benefit liability of \$0.09 million (April 30, 2007: \$0.2 million).

14. Transactions with Related Parties

In 2007, the Company entered into a 7% \$15 million Demand Note agreement with the Company's majority shareholder ("Fortis"). 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 is 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 Turk and Caicos. During the second & 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 the exchange value.

15. Subsequent Events

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 annualized dividend of \$0.66 per Class A Ordinary Share. The dividend will be payable June 15, 2008 to shareholders of record May 23, 2008.

16. Interim Results

Interim results will fluctuate due to the seasonal nature of electricity. In Grand Cayman, demand is highest in the summer months due to air-conditioning load. Consequently, interim results are not necessarily indicative of annual results.

17. Comparative figures

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