



World-class innovative service *in our growing community!*

2001/2002 First Quarter Report July 31, 2001



Caribbean Utilities Company, Ltd.

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To Our Shareholders

Dear Shareholder:

Financial Results

The Company had a strong first quarter of fiscal 2002. Earnings for the quarter amounted to US\$5,996,257 compared to US\$5,582,556 for the same period last year, representing a 7.41% increase. Earnings per Class A Ordinary Share are US\$0.23 versus US\$0.22 for the corresponding period.

Growth in net generation for the first quarter averaged 5.64% more than the corresponding period last year. A new record peak load of 75.99 megaWatts (MW) was recorded in August 2001, an 8.46% increase over last summer's peak.

We are pleased to announce the declaration of a regular quarterly dividend of US\$0.145 (CI\$0.121) per Class A Ordinary Share payable in respect of the first quarter ended July 31, 2001, which has been sent to shareholders of record on August 10, 2001.

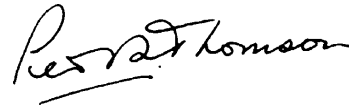
General Comments

In accordance with its Licence, CUC submitted its 2001 Final Return to the Government of the Cayman Islands, confirming that CUC was entitled to a 2% rate increase effective August 1, 2001. The Licence provides for customer tariffs to be adjusted upwards or downwards each year to provide the Company with a maximum permitted 15% rate of return on its allowable rate base. CUC agreed with Government in May 2001 to suspend any rate increase pending completion of an electrical rate review. This rate review was submitted with the Final Return and is now before Government for consideration. It is anticipated that an agreement on new electricity rates will be reached with Government by October 31, 2001. The objectives of the rate review were to ensure that the cost of electrical service remains properly allocated between the Company's various classes of customers and to eliminate subsidised consumption. The report is interim in nature and recommends that CUC make moderate adjustments to its electricity rates now until sufficient supporting data can be collected to conduct a full and proper allocated cost of service study. It is projected that this comprehensive allocated cost of service study would be completed no later than May 2003.

CUC is committed to providing innovative world-class service. Our investment in technology has and will continue to impact efficiency and productivity. The Company conducted an alternative energy study which concluded that while diesel power is the most efficient, cost-effective and reliable means of providing power to Grand Cayman, wind and ocean thermal energy conversion (OTEC) sources merit further consideration and investigation. CUC will install wind-monitoring equipment this year to determine the feasibility of wind power and is also pursuing an OTEC opportunity.

CUC remains focused on providing increased savings and efficiencies in all areas of its operations. Based on the very positive key performance indicators in the first quarter, we are optimistic that we will meet our business plan and objectives this fiscal year.

We invite all shareholders to attend our Annual General and Special Meeting to be held at the Marriott Beach Resort October 26, 2001. Our Annual Report and Information Circular will be mailed to you shortly.



Peter A. Thomson
 President & Chief Executive Officer
 August 21, 2001

Management's Discussion and Analysis

(expressed in United States Dollars)

Financial & Operational Highlights

	Three months ended July 31			
	2001	2000	Change	%
Operating Revenues	24,126,213	22,390,232	1,735,981	7.75%
Earnings for the quarter	5,996,257	5,582,556	413,701	7.41%
Earning per Class A Ordinary Share (US cents)	0.23	0.22	0.01	4.55%
Dividends paid per Class A Ordinary Share (US cents)	0.145	0.120	0.025	20.83%
Peak load gross (MW)	74.400	68.402	5.998	8.77%
KiloWatt hour sales (KWH)	108,508,413	101,469,749	7,038,664	6.94%
Total customers	19,316	18,607	709	3.81%

Operating Revenues increased 7.75% from the same period last year. Electricity sales revenue increased by a strong 8.23% over the same period last year, reflecting higher sales due to continued economic growth and higher than average temperatures. Fuel factor revenues increased by 5.55%, which is reflective of the recent levelling off of oil prices. The Company's Licence provides for adjustments to be made to the rates billed to customers to reflect variations in the cost of diesel fuel used in the generation of electricity. Such adjustments are made on a monthly basis such that variations in the cost of fuel are passed on directly to consumers.

Operating Expenses grew by 5.79% compared with the same period last year. The primary reasons for the increased operating expenses were increases experienced in Power Generation, General and Administration and Depreciation and Amortisation expenses. General and Administration expenses increased by 13.29% over the same period last year as a result of higher insurance premiums for property, liability, business interruption and machinery breakdown coverage as well as increased medical insurance premiums. Depreciation and Amortisation expense increased by 14.46% this quarter over the first quarter of 2000 as a result of increased depreciation arising from the completion and commissioning of the 2000 24.5 MW generation expansion project. The 12.70% decline in maintenance expense is primarily the result of timing changes in the 2002 generator maintenance schedule.

The 102.25% increase in Interest Expense and Preference Share Dividends is the result of increased interest expense associated with ceasing capitalisation of interest during construction on capital projects completed during 2000 including the 2000 expansion project.

On June 5, 2001, the Company closed the first tranche of \$15 million of the \$30 million 6.67% Senior Unsecured Notes, due June 1, 2016. The second tranche of \$15 million will be drawn October 2, 2001. The proceeds of these Senior Notes, a private placement debt offering with two institutional investors in the United States, will be used to finance capital projects and repay short-term indebtedness of \$10 million. On August 1, 2001, the Company repaid \$5 million of the aforementioned short-term indebtedness and will repay the remaining \$5 million in October 2001.

The major focus of the \$7 million capital expenditures during the quarter was on transmission and distribution projects. This includes the laying of the 14 miles of 69KV submarine cable in the North Sound. Work continues on the over-land phase of this project intended to loop the Seven Mile Beach and the eastern districts and improve system reliability.

During the quarter, the Company issued an aggregate of 76,226 Class A Ordinary shares pursuant to the Company's Customer Share Purchase Plan, Executive Stock Option Plan, Dividend Reinvestment Plan and Employee Share Purchase Plan.

Government has announced that it will conduct an independent audit of CUC's 2001 financial affairs as prescribed in its Licence with Government. The last audit of CUC conducted by Government was performed in 1994. The Company does not expect the 2001 audit to result in any material changes to its operations.

Statement of Earnings *(Unaudited)*

(expressed in United States Dollars)

	Three months ended July 31	
	2001 US\$	2000 US\$
Operating Revenues		
Electricity sales	19,916,688	18,401,967
Fuel factor	4,209,525	3,988,265
	24,126,213	22,390,232
Operating Expenses		
Power generation	11,274,813	10,529,691
General and administration	2,053,689	1,812,851
Consumer service and promotion	338,759	295,179
Distribution	389,609	623,876
Depreciation and amortisation	2,382,945	2,081,930
Maintenance	983,257	1,126,258
	17,423,072	16,469,785
Operating Income	6,703,141	5,920,447
Other Income/(Expenses)		
Interest expense and preference dividends	(1,450,035)	(716,963)
Foreign exchange gain	364,584	71,823
Other income	378,567	307,249
	(706,884)	(337,891)
Earnings for the Period	5,996,257	5,582,556
Preference dividends paid – Class B	(487,500)	(397,500)
	5,508,757	5,185,056
Weighted average number of Class A Ordinary Shares issued and fully paid	24,011,484	23,716,383
Earnings per Class A Ordinary Share	0.23	0.22
Fully diluted earnings per Class A Ordinary Share	0.23	0.22
Dividends declared per Class A Ordinary Share	0.145	0.120

Statement of Retained Earnings

(expressed in United States Dollars)

Balance at Beginning of Period	26,899,911	7,241,066
Earnings for the Period	5,996,257	5,582,556
Transfer from Redetermination Surplus	–	–
Balance at End of Period	32,896,168	12,823,622

Balance Sheet *(Unaudited)*

(expressed in United States Dollars)

	As of July 31, 2001 US\$	As of July 31, 2000 US\$	As of April 30, 2001 US\$
Assets			
<i>Current Assets</i>			
Cash and due from banks	6,464,623	5,540,872	2,738,475
Accounts receivable	10,051,734	7,381,668	8,594,582
Inventories	2,773,451	3,046,427	3,148,057
Prepayments	1,452,268	629,272	672,354
	<u>20,742,076</u>	<u>16,598,239</u>	<u>15,153,468</u>
Long-term investments	3,518,189	3,251,715	3,391,535
Property, plant and equipment	209,487,330	180,777,449	204,161,088
Other assets	4,914,121	4,507,993	3,922,125
	<u>238,661,716</u>	<u>205,135,396</u>	<u>226,628,216</u>
Total Assets			
Liabilities and Shareholders' Equity			
<i>Current Liabilities</i>			
Current portion of long-term debt	12,751,892	715,940	12,773,668
Accounts payable and accrued expenses	12,272,471	9,307,367	16,214,048
Consumer's deposits	2,785,077	2,910,665	2,799,219
Consumer's advances for construction	25,554	40,715	25,554
Dividends declared	3,459,988	2,856,798	3,470,137
	<u>31,294,982</u>	<u>15,831,485</u>	<u>35,282,626</u>
Long-term debt	86,242,498	75,699,182	72,957,956
Redeemable preference shares	12,015,000	12,015,000	12,015,000
	<u>129,552,480</u>	<u>103,545,667</u>	<u>120,255,582</u>
Shareholders' Equity			
Share capital	1,682,129	1,667,063	1,677,592
Share premium	73,534,826	85,749,985	76,799,018
Redetermination surplus	996,113	1,349,059	996,113
Retained earnings	32,896,168	12,823,622	26,899,911
	<u>109,109,236</u>	<u>101,589,729</u>	<u>106,372,634</u>
	<u>238,661,716</u>	<u>205,135,396</u>	<u>226,628,216</u>
Total Liabilities and Shareholders' Equity			

Cash Flow Statement *(Unaudited)*

(expressed in United States Dollars)

	Three months ended July 31	
	2001 US\$	2000 US\$
Operating Activities		
Earnings before interest	7,160,720	6,010,406
Interest expensed	(1,164,463)	(427,850)
Net earnings	5,996,257	5,582,556
Depreciation and amortisation	2,382,945	2,081,930
Profit on disposal of fixed assets	(8,180)	0
Increase in deferred expenses	(330,076)	(556,029)
	8,040,946	7,108,457
Net decrease in non-cash working capital balances related to operations	(6,627,048)	(8,084,223)
	1,413,898	(975,766)
Investing Activities		
Purchase of investments	(126,654)	(46,775)
Proceeds of sale of fixed assets	11,287	0
Purchase of property, plant and equipment	(7,088,889)	(3,485,833)
Interest capitalised during construction	(508,332)	(951,464)
	(7,712,588)	(4,484,072)
Financing Activities		
Proceeds from the issue of debt	15,000,000	–
Proceeds of share issues	687,874	347,201
Repayment of debt	(1,707,780)	(27,000)
Dividends paid	(3,955,256)	(397,500)
	10,024,838	(77,299)
Increase/(Decrease) in Net Cash	3,726,148	(5,537,137)
Net Cash Beginning of Period	2,738,475	11,078,009
Net Cash End of Period	6,464,623	5,540,872

Notes to Financial Statements *(Unaudited)*

(expressed in United States Dollars)

1. Financial Statement Presentation

These unaudited financial statements include all of the adjustments that, in management's opinion, are necessary for a fair presentation. These interim financial statements have been prepared using the same accounting policies as those used in preparing the most recent annual financial statements. These interim financial statements do not include all of the disclosures normally found in the annual financial statements and should be read in conjunction with the Company's financial statements for the year ended April 30, 2001.

2. Share Capital

	2001 US\$	2000 US\$
Authorised:		
60,000,000 (2000: 60,000,000) Class A Ordinary Shares of CI\$0.05 each		
250,000 (2000: 250,000) 9% Cumulative, Participating Class B Preference Shares of CI\$1.00 each (non-voting)		
1 Cumulative, Participating, Class D Preference Share of CI\$0.56 (non-voting)		
Issued and fully paid:		
24,059,768 (2000: 23,806,654) Class A Ordinary Shares	1,432,129	1,417,063
250,000 (2000: 250,000) 9% Cumulative, Participating Class B Preference Shares (\$1.00 par value) issued at a premium of \$19.00 per share	250,000	250,000
	<u>1,682,129</u>	<u>1,667,063</u>

At the sole option of the Directors, the Company is entitled to redeem all or any of the 9% Cumulative, Participating Class B Preference Shares at any time upon receipt by the Company of an application to redeem such shares.

Share capital movements for the period ended July 31, 2001 are summarised as follows:

- a) 22,651 (2000: 6,707) Class A Ordinary Shares were issued under the Customer Share Purchase and Dividend

Reinvestment Plans at \$12.41 (2000: \$10.00) per share.

- b) 11,675 (2000: 0) Class A Ordinary Shares were issued under the Employee Share Purchase Plan at \$10.00 per share.
- c) 41,900 (2000: 85,800) Class A Ordinary Shares were issued under the Executive Stock Option Plan at between \$6.02 and \$10.05 (2000: \$4.98 and \$6.02) per share.
- d) In March 2000, 4,750,000 Class A Ordinary Shares were issued to the Fortis Energy (Bermuda) group at \$11.50 per share. The Company redeemed an equal number of Class A Ordinary Shares from its other shareholders in April 2000. As a result of the Fortis transaction and public share buyback, Share Premium and Retained Earnings increased and decreased, respectively, by \$35,779,050, representing an aggregate cost over average capital per share on the shares redeemed. Following this transaction and in accordance with the Companies Law of the Cayman Islands, the Board of Directors of the Company passed a resolution that dividends would be paid and declared out of the Share Premium account.

3. Share Options

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

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

(3. Share Options continued on page 13)

Notes to Financial Statements *(Unaudited)*

(expressed in United States Dollars)

3. Share Options *(continued)*

	2001 Number of options	2000 Number of options
Outstanding at beginning of period	812,000	490,800
Granted	0	560,000
Exercised	(41,900)	(15,300)
Forfeited	0	0
Outstanding and exercisable at end of period	770,100	1,035,500

Range of exercise prices	US\$	US\$
Granted	–	10.05
Exercised	6.02 - 10.05	4.98 - 6.02
Outstanding at July 31, 2001	10.05 - 11.00	6.02 - 11.00

As at July 31, 2001, the position with respect to outstanding unexercised options was as follows:

Date of Grant	Number of Class A Ordinary Shares under Option	Exercise Price \$	Term of Option
May 2, 1998	242,000	11.000	5 years
June 8, 2000	528,000	10.050	5 years

4. Foreign Exchange

The closing rate of exchange on July 31, 2001 as reported by the Bank of Canada for the conversion of U.S. dollars into Canadian dollars was Cdn.\$1.6536 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 July 31, 2001 for conversion of Cayman Islands dollars into Canadian dollars was Cdn.\$1.9843 per CI\$1.00.

5. Comparative Figures

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

Shareholder Plans

CUC offers its shareholders a Dividend Reinvestment Plan. Please contact one of CUC's Registrar and Transfer Agents or write to CUC's Company Secretary if you would like to receive information about the plan or obtain an enrolment form.

CUC also has a Customer Share Purchase Plan for customers resident in Grand Cayman. Please contact our Customer Service Department (Tel: (345) 949-4300) if you are interested in receiving details.

Shareholder Information

Our Registrar and Transfer Agents are as follows:

CIBC Mellon Trust Company

P.O. Box 7010	Tel: (416) 813-4600
Adelaide Street Postal Station	Fax: (416) 643-5501
Toronto, Ontario M5C 2W9	E-mail: inquiries@cibcmellon.ca
Canada	

Caribbean Utilities Company, Ltd.

Assistant to the Company Secretary	Tel: (345) 949-5200
P.O. Box 38 GT	Fax: (345) 949-4621
Grand Cayman	Website: www.cuc-cayman.com
Cayman Islands	E-mail: sparky@cuc-cayman.com

This Quarterly Report highlights certain, but not all, events that may be of interest to you. If you require further information or have any questions regarding CUC's Class A Ordinary Shares and 8% Class C, Series 2 Preference Shares (listed in U.S. funds on The Toronto Stock Exchange), please contact:

Caribbean Utilities Company, Ltd.

Company Secretary	Tel: (345) 949-5200
P.O. Box 38 GT	Fax: (345) 949-4621
Grand Cayman	
Cayman Islands	

CUC's Toronto Stock Exchange symbols are:

Class A Ordinary Shares:

CUP.U

8% Cumulative Fixed Term Class C,
Series 2 Preference Shares:

CUP.PR.U