2006/2007 Second Quarter Report

October 31, 2006

CUC

You've got the power

General Data

Contents

About the Company

Caribbean Utilities Company, Ltd., known locally as "CUC", commenced operations as the only electric utility in Grand Cayman in May 1966. The Company has an installed capacity of 120 megaWatts ("MW"). A record peak load of 86.8 MW was experienced in October 2006. Our 187 employees are committed to providing a safe and reliable supply of electricity to over 22,000 recorded customers. The Company has been through many challenging and exciting periods but has kept pace with Grand Cayman's rapid development for the past 40 years. CUC was directly impacted on September 11 and 12, 2004 by Hurricane Ivan, a category-four storm that caused widespread destruction across Grand Cayman and the loss of approximately 20% of the Company's transmission and distribution system. Despite facing major logistical challenges, we successfully completed the restoration of service to all reconnectable customers on Grand Cayman on November 30, 2004, which was within the 90-day period we projected following the hurricane.

Cover Photo

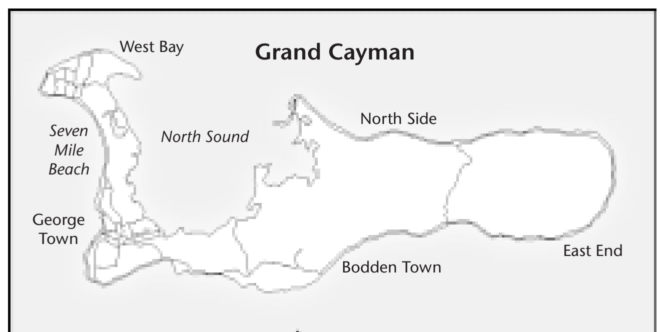
The replacing and repainting of playground equipment at Seven Mile Public Beach was completed by members of the Community Involvement Team in the second quarter. In addition, Line Operations employees and our line sub-contractors MasTec, Inc. assisted with the rebuilding of cabanas destroyed by Hurricane Ivan in 2004.

About the Islands

The Cayman Islands, a United Kingdom Overseas Territory with a population of approximately 52,000, are comprised of three islands: Grand Cayman, Cayman Brac and Little Cayman. Located 150 miles south of Cuba, 460 miles south of Miami and 167 miles northwest of Jamaica, the largest island is Grand Cayman with an area of 76 square miles.

The islands, discovered by Christopher Columbus during his fourth and final voyage in 1503, were originally named "Las Tortugas" for their large turtle population. The islands later became known as "Cayman" representing the Carib word for crocodiles, a large number of which existed at that time. A Governor, presently His Excellency Mr. Stuart Jack, is appointed by Her Majesty the Queen. A democratic society, the Cayman Islands have a Legislative Assembly comprised of representatives elected from each of Grand Cayman's five districts as well as two representatives from the Sister Islands of Cayman Brac and Little Cayman.

All dollar amounts in this Quarterly Report are stated in United States dollars unless otherwise indicated.



To Our Shareholders

J.F. Richard Hew
President & Chief Executive Officer

Dear Shareholder,

CUC completed a strong second quarter and half-year 2007 fiscal performance as Grand Cayman's economy and electricity sales continue to grow at healthy rates as projected. Second quarter earnings on Class A Ordinary Shares were $6.7 million, or $0.27 per share, compared to $6.5 million, or $0.26 per share, for second quarter 2006. Year-to-date earnings on Class A Ordinary Shares were $14.4 million, a 9% increase over $13.2 million in fiscal 2006.

Second quarter electricity sales increased 10% over last year to 134.6 million kiloWatt-hours ("kWh") due to a combination of strong organic growth and hurricane recovery. Year-to-date electricity sales increased 12% to 265.6 million kWh. Fiscal 2007 sales growth is forecasted at 10%. Total customers as at October 31, 2006 were 22,052, an increase of 9% over last year.

The Board of Directors has declared a regular quarterly dividend of $0.165 per Class A Ordinary Share, or an annualised dividend of $0.66 per share, which will be payable December 11, 2006 to shareholders of record November 20, 2006.

CUC's largest shareholder, Fortis Inc., through its wholly-owned subsidiary, Fortis Energy (Bermuda) Ltd. ("Fortis"), purchased additional Class A Ordinary Shares of the Company from International Power Holdings Limited ("IPHL") and four other vendors associated with IPHL in November. This transaction increased Fortis's share ownership from 38% to approximately 54% of the total issued and outstanding Class A Ordinary Shares while giving Fortis a controlling interest in CUC. IPHL no longer holds any interest in the Company. Fortis acquired an initial equity interest of 20% in CUC in March 2000 and an additional 18% in January 2003.

This additional investment by Fortis has enhanced our ability to serve our customers. We have enjoyed a long-standing relationship with Fortis, who has provided the Company with technical advice, training and resources for more than 15 years. Greater access as a Fortis subsidiary to the management and operational expertise of the Fortis group of companies, developed over many years of operating in diverse jurisdictions and environments, will be of benefit to our customers, as will be the resources to restore services in emergencies. More than 120 Fortis employees were deployed to Grand Cayman to assist CUC with electricity service restoration efforts following the hurricane in September 2004.

Reliability to customers for the second quarter, as measured by the Average Service Availability Index, was 99.92% compared to 99.82% a year ago. Year-to-date reliability was 99.93% compared to 99.81% a year ago. Total generating capacity was 120 megaWatts ("MW") on October 31, 2006, or 98% of pre-hurricane capacity of 123 MW. We reached a new record peak load of 86.8 MW in October. CUC recently completed two capital projects that will greatly improve reliability: (1) our refurbished and upgraded engine room containing four hurricane-damaged Caterpillar units, totaling 16.8 MW, that have been restored and returned to service; and (2) a newly installed 8.4 MW MAN gas turbine that is also available for service. We view these completions as positive developments for reliability of service to our customers.

Rising fuel costs in spring and summer 2006 significantly affected our customers through an increased fuel factor. While

Caribbean Utilities Company, Ltd.
Financial Highlights

Six months ended October 31

	2006	2005	Change	Change %
Operating Revenues	**84,168,733**	67,704,109	16,464,624	24%
Cash Flow from Operations *	**22,319,979**	20,310,124	2,009,855	9%
Earnings Applicable to Ordinary Shares	**14,386,641**	13,211,464	1,175,177	9%
Basic Earnings per Ordinary Share	**0.57**	0.52	0.05	10%
Diluted Earnings per Ordinary Share	**0.57**	0.52	0.05	10%

* *Before working capital adjustments*

To Our Shareholders

we have no control over fuel price fluctuations, we are concerned about their impact on customers. Therefore, we were pleased to see fuel prices fall in September and October, which will reduce the fuel factor and provide relief to customers. We continue to provide information and free energy audits through our Energy Smart programme to help customers reduce their electricity consumption. CUC also continues to explore alternative energy technologies that may prove viable for Grand Cayman.

We are very proud of our training performance, as we have recorded more than 7,500 training hours year-to-date. CUC is currently providing information technology instruction to a wide cross-section of employees as well as comprehensive apprenticeship programmes to our plant operators, linemen and fleet mechanics. In addition, the Company will award a four-year engineering scholarship and a two-year technical scholarship in the coming months.

We are delighted to announce the promotion of Andrew Small to Vice-President Production in August and welcome him to the executive team. Andrew is a CUC scholarship recipient who, like many young Caymanians, has risen through the ranks of the Company while contributing greatly to its success. We also thank Andrew's predecessor, the retiring Bob Smith, for his 13 years of service to the Company.

CUC continued to be active in community outreach programmes in the second quarter by contributing more than 800 employee volunteer hours (1,500 year-to-date). We are well on track to meet our year-end target of 1,700 hours. Community projects in the second quarter included the Seven Mile Public Beach restoration, 2006/2007 CUC Primary Football League season kickoff (CUC is the primary sponsor), participation in the annual Chamber of Commerce Business Expo and Florida Caribbean Cruise Association conference held locally, and ongoing partnerships with Meals on Wheels, Big Brothers/Big Sisters, the Lighthouse School and the Sunrise Adult Training Centre.

To commemorate the additional investment in CUC by Fortis Inc., Fortis President and C.E.O. Stanley Marshall (left) and CUC President and C.E.O. Richard Hew exchange corporate flags, which each company will display outside its corporate headquarters.

New licence negotiations are ongoing with Cayman Islands Government, with the two parties meeting regularly in the second quarter. Our current Licence remains in full force and effect until January 2011 or until replaced by a new Licence by mutual agreement.

Corporate governance remains a priority at CUC as we aim to meet or exceed Canadian regulatory requirements and best practices. Activities during the second quarter included our continued progress toward full CEO/CFO certification and the approval by our shareholders at the 2006 Annual General Meeting of various amendments to our Executive Stock Option Plan.

In closing, we are pleased with our second quarter results and hope to remain on a positive track for the balance of the year. I would like to thank our management team and employees for their success in bringing us to this position. Our employees' dedication, commitment and loyalty are greatly appreciated as we continue to provide world-class, reliable service to our customers.

The Management's Discussion and Analysis section of this report contains a detailed discussion of our unaudited second quarter financial results, the Cayman Islands economy, our liquidity and capital resources, capital expenditures and the business risks facing the Company.

J.F. Richard Hew
President & Chief Executive Officer

November 27, 2006

Management's Discussion and Analysis

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

The following management's discussion and analysis ("MD&A") should be read in conjunction with the Caribbean Utilities Company, Ltd. ("CUC" or "the Company") interim unaudited financial statements for the three and six months ended October 31, 2006 and the MD&A and audited financial statements for the year ended April 30, 2006 included in the Company's 2006 Annual Report. The material has been prepared in accordance with Multilateral Instrument 51-102 relating to Management's Discussion and Analysis. CUC includes forward-looking statements in this material. By their very nature, forward-looking statements are based on underlying assumptions and are subject to inherent risks and uncertainties surrounding future expectations generally that may cause actual results to vary from plans, targets and estimates. Forward-looking statements often, but not always, are identified by the use of words such as "believe", "estimate", "expect" and "require" and statements that an event or result "may", "will", "should" or "could" occur or be achieved and other similar expressions. These forward-looking statements are principally under the headings "Capital Expenditures" and "Outlook" in the MD&A. Such risks and uncertainties include but are not limited to general economic, market and business conditions, regulatory developments and weather. CUC cautions readers that should certain events or uncertainties materialise, or should underlying assumptions prove incorrect, actual results may vary significantly from those expected. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. All forward-looking statements in this MD&A are qualified by this cautionary statement and there can be no assurance that actual results or developments anticipated by the Company will be realised. For the reasons set forth above, investors should not place undue reliance on forward-looking statements. 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 Second Quarter Report were approved by the Audit Committee.

The principal activity of the Company is to generate and distribute electricity in its exclusive licence area of Grand Cayman, Cayman Islands pursuant to a 25-year exclusive Licence with the Cayman Islands Government ("Government").

Fortis Inc. Becomes Controlling Shareholder

On November 7, the Company announced that its majority

Caribbean Utilities Company, Ltd. ***Financial & Operational Highlights***	*Three months ended Oct. 31*		*Six months ended Oct. 31*			
	2006	2005	**2006**	2005	Change	Change %
Operating Revenues	**42,881,736**	35,935,649	**84,168,733**	67,704,109	16,464,624	24%
Hurricane Ivan Cost Recovery Surcharge	**1,197,765**	1,087,888	**2,363,033**	1,087,888	1,275,145	117%
Business Interruption Insurance	-	1,808,353	-	4,285,312	(4,285,312)	-100%
Total Operating Expenses	**34,472,868**	29,348,045	**66,048,397**	55,143,828	10,904,569	20%
Earnings Year-to-Date	**6,827,509**	6,657,427	**14,926,641**	13,751,464	1,175,177	9%
Basic Earnings per Ordinary Share	**0.27**	0.26	**0.57**	0.52	0.05	10%
Dividends paid per Class A Ordinary Share	**0.165**	0.165	**0.330**	0.330	-	Nil
Net Generation (millions of kWh)	**141.44**	128.54	**281.98**	252.37	29.61	12%
Peak Load Gross (MW)	**86.83**	79.04	**86.83**	79.04	7.79	10%
Kilowatt-hour Sales (millions of kWh)	**134.63**	122.63	**265.61**	236.70	28.91	12%
Total Customers	**22,052**	20,199	**22,052**	20,199	1,853	9%

Management's Discussion and Analysis

shareholder Fortis Inc. through its wholly-owned subsidiary, Fortis Energy (Bermuda) Ltd. ("Fortis"), acquired an additional 16% of the outstanding Class A Ordinary Shares of CUC from International Power Holdings Limited ("IPHL") and four other vendors associated with IPHL. Following this purchase, Fortis controls CUC by beneficially owning 13,565,511, or approximately 54%, of the outstanding Class A Ordinary Shares of CUC. IPHL no longer holds any interest in CUC. The purchase by Fortis of the additional Class A Ordinary Shares of CUC was made in compliance with the Shareholders Agreement and Standstill Agreement entered into in connection with the increased investment of Fortis in CUC in January 2003.

Licence Negotiations

Negotiations continue between CUC and the Government. The current Licence remains in full force and effect until January 2011 or until replaced by a new Licence by mutual consent.

Earnings

Net earnings for the three months ended October 31, 2006 were $6.8 million, a 1% increase over $6.7 million for the same period last year. After the adjustment for preference dividends, earnings on Class A Ordinary Shares for the second quarter were $6.7 million, or $0.27 per share, compared to $6.5 million, or $0.26 per share, for second quarter fiscal 2006. The primary reasons for the 3% quarter-over-quarter increase in earnings applicable to ordinary shares are strong organic sales growth and lower maintenance costs, partially offset by increased depreciation and interest expenses. On a comparative basis, second quarter fiscal 2006 included $1.8 million of business interruption ("BI") revenues. There are no BI revenues in fiscal 2007 as the insurance claim was settled at the end of fiscal 2006 and full and final payment received from the insurer.

Year-to-date fiscal 2007 net earnings were $14.9 million compared to $13.8 million for the same period last year. Year-to-date earnings on Class A Ordinary Shares were $14.4 million, a 9% increase over $13.2 million for the first six months of fiscal 2006. These higher earnings were primarily a result of 12% sales growth, Hurricane Ivan Cost Recovery Surcharge ("CRS") revenues, gains from the Company's metal recycling programme of $0.2 million and a 4% decrease in non-power generation operating expenses.

Operating Revenues

Operating revenues for the second quarter were $42.9 million, a 19% increase over $35.9 million for the same period last year. This $7.0 million increase was comprised of a 7% increase in electricity sales revenues, a 44% increase in fuel factor revenues (which were offset by increased fuel expenses; see *"Power Generation"* section on page 6) and a 9% increase in CRS revenues. Operating revenues for the six months ended October 31, 2006 totaled $84.2 million, a 24% increase from $67.7 million for the first six months of fiscal 2006.

Overall electricity sales for second quarter fiscal 2007 increased 10% to 134.6 million kiloWatt-hours ("kWh") from 122.6 million kWh for the same period last year. Residential electricity sales increased 10% and commercial electricity sales increased 15% compared to second quarter fiscal 2006. Year-to-date electricity sales increased 12% from 236.7 million kWh for the six months ended October 31, 2006 to 265.6 million kWh for the same period in fiscal 2007.

During first quarter fiscal 2007, CUC surpassed its pre-Hurricane Ivan (the "hurricane") customer base of 21,462, reflecting the Island's post-hurricane recovery. Three hundred forty-nine residential customers and 61 commercial customers were added to the system during second quarter fiscal 2007. Total customers as at October 31, 2006 were 22,052, an increase of 9% over the number of customers at the same time last year. The Company connected an average of 156 customers per month from May to October 2006.

CRS revenues for the three months ended October 31, 2006 were $1.2 million, a $0.1 million increase over the same period last year. As at October 31, 2006, a total of $5.4 million has been collected from the CRS, leaving $8.0 million to be recovered.

The Company's net earnings for second quarter fiscal 2007, excluding the impact of the CRS, would have been $5.6 million or $0.22 per share. On a year-to-date basis, net earnings, excluding the CRS, would have been $12.6 million, or $0.50 per share.

Management's Discussion and Analysis

Operating Expenses

Operating expenses for the three and six months ended October 31 were as follows:

Operating Expenses

	Three months ended October 31		
	2006	2005	Change
	$	$	%
Fuel and lube oil costs	24,696,439	18,542,129	33%
Other generating costs	846,105	1,289,932	-34%
Total power generation expenses	25,542,544	19,832,061	29%
Other operating expenses	8,930,324	9,515,984	-6%
Total operating expenses	34,472,868	29,348,045	17%

	Six months ended October 31		
	2006	2005	Change
	$	$	%
Fuel and lube oil costs	46,338,482	34,194,604	36%
Other generating costs	1,783,220	2,212,885	-19%
Total power generation expenses	48,121,702	36,407,489	32%
Other operating expenses	17,926,695	18,736,339	-4%
Total operating expenses	66,048,397	55,143,828	20%

For the three months ended October 31, 2006, total operating expenses increased 17% to $34.5 million from $29.3 million for the same period last year. This increase was primarily caused by a 29% increase in power generation expenses partially offsetting higher power generation costs was a 6% decline in other operating expenses, quarter-over-quarter. This is in line with the Company's strategy of improving efficiencies to maintain expense levels during a period of rising costs.

For the six months ending October 31, 2006, total operating expenses increased 20% from $55.1 million to $66.0 million for the same period last year.

1989 engineering scholarship recipient, Andrew Small, was promoted to Vice-President Production in August.

Power Generation

Power generation expenses increased $5.7 million, or 29%, to $25.5 million for the three months ended October 31, 2006 from $19.8 million for the second quarter last year. This increase was driven by rising fuel prices, higher generation levels and a reduction in the deferred fuel account partially offset by a reduction in leased generation expenses.

Power generation expenses for the six months ended October 31, 2006 totaled $48.1 million, an increase of 32% from $36.4 million for the same period last year. Power generation expenses comprise 73% of CUC's total operating expenses.

World fuel prices continue to impact the price of electricity. During the six months ended October 31, 2006, CUC's average price per imperial gallon of fuel increased to $3.08 from $2.76 for the same time last year.

Changes in fuel prices, which include Government duty of $0.60, are recovered from customers through the fuel adjustment. On an aggregate basis, rising fuel prices have resulted in the Company's deferral of $2.4 million of recoverable fuel costs in the first six months of fiscal 2007 (2006: $4.2 million). The Company defers excess fuel costs arising from the difference in actual fuel prices above the base price until it can be collected from the customer on a two-month delay basis through the fuel factor. Large swings in this account, although normal, occur infrequently. For any particular period, the impact is timing in nature.

CUC leased 11.4 megawatts ("MW") of mobile capacity in the aftermath of the hurricane. Total expenses related to these rental units were $1.7 million for the year ended April 30, 2006, net of $0.5 million recovered from the insurer. An additional $0.2 million of leased generation expenses, including shipping costs, was incurred during the six months ended October 31, 2006. All of the rental units were returned by July 2006 as CUC's owned generation was brought back online and with the addition of the newly installed 8.4 MW gas turbine unit. The Company's total installed capacity at October 31, 2006 was 120 MW and a new record peak load of 86.8 MW was achieved in October 2006.

Management's Discussion and Analysis

Power Generation Expenses

	Three months ended October 31		
	2006	2005	Change
	$	$	%
Fuel	**23,755,281**	20,648,335	15%
Deferred Fuel	**524,694**	(2,463,117)	121%
Lube	**416,464**	356,911	17%
Leased Generation	**13,757**	618,673	-97%
Other	**832,348**	671,259	24%
Total	**25,542,544**	19,832,061	29%

	Six months ended October 31		
	2006	2005	Change
	$	$	%
Fuel	**47,802,810**	37,783,568	27%
Deferred Fuel	**(2,368,328)**	(4,232,873)	44%
Lube	**904,000**	643,909	40%
Leased Generation	**221,843**	914,566	-76%
Other	**1,561,377**	1,298,320	20%
Total	**48,121,702**	36,407,489	32%

The seven-storey Butterfield Bank building, located in central George Town, is scheduled for completion in July 2007.

General and Administration (G&A)

G&A expenses for the three months ended October 31, 2006 of $2.8 million increased 4% over the same period last year. For the six months ended October 31, 2006, G&A expenses increased to $5.6 million over $5.4 million for the same period last year. This increase is due primarily to higher insurance premiums. Total insurance premium expenses for the six months ended October 31, 2006 were $1.7 million compared to $1.4 million for the same period last year.

Insurance Coverage

In August 2006, the Company renewed its BI, machinery breakdown and property insurance with major international insurers at a premium of $3.2 million. Terms and coverages include $100.0 million in property insurance on all assets excluding transmission and distribution ("T&D") assets, as the cost of such coverage in not considered economical; $55.0 million in BI insurance per annum with a 24-month indemnity period and a 45-day deductible; and $15.0 million in machinery breakdown insurance.

The BI policy 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.

Transmission and Distribution

T&D expenses in second quarter 2007 decreased by 33% to $0.4 million from $0.6 million for the same period last year. This is due primarily to the T&D Division's focus on capital projects during second quarter fiscal 2007. This is in line with the Company's plan for fiscal 2007.

Similarly, T&D expenses for the six months ended October 31, 2006 decreased $0.1 million to $1.0 million from $1.1 million for the same period last year.

Depreciation and Amortisation (D&A)

D&A expenses for the second quarter increased $0.2 million, or 6%, to $3.6 million from $3.4 million for the same period last year. For the six months ended October 31, 2006, D&A expenses were $7.4 million, a 9% increase over $6.8 million for the same period last year. This increase was a result of new capital expenditures and generation assets damaged by the hurricane being brought back into service.

Management's Discussion and Analysis

Maintenance

Maintenance expenses declined $0.7 million to $1.8 million for second quarter fiscal 2007 from $2.5 million for the same period last year. Second quarter fiscal 2007 saw delays in the Company's generator maintenance programme, which has resulted in lower than normal maintenance expenses. All budgeted maintenance remains scheduled to be completed prior to the end of fiscal 2007.

On a year-to-date basis, maintenance expenses declined to $3.4 million from $4.7 million for the same period last year. The first six months of fiscal 2006 were impacted by the unexpected failure of two of the Company's generating units, resulting in higher than normal generator maintenance expenses.

Other Income and Expenses

Interest expense for the three months ended October 31, 2006 of $2.3 million increased $0.1 million from $2.2 million for the same period last year. The 5% quarter-over-quarter increase is due primarily to additional net borrowings of $21.5 million. The Company closed in mid-December 2005 on a $30.0 million private debt placement of 5.96% Senior Unsecured Notes due December 2020. Proceeds from the private placement were used to repay $18.5 million of short-term indebtedness and finance ongoing additions to CUC's generating capacity and T&D system. In May 2006, the Company drew down $10.0 million against its capital expenditures credit facility for the interim funding of capital expenditures. The Company repaid $2.0 million of this short-term debt in October 2006.

Foreign exchange gains increased 100% to $0.4 million from $0.2 million in second quarter 2006. This is a result of timing of the Company's United States dollar purchases for the three months ended October 31, 2006 compared to the previous year. Foreign exchange gains for the six months ended October 31, 2006 were comparable to the same period last year.

Other income for the second quarter of $0.3 million was comparable to the same period last year. Other income for the six months ended October 31, 2006 increased $0.2 million to $0.8 million from $0.6 million for the same period last year. This is primarily a result of the growth in the Company's metal recycling programme.

The Economy

Two years after the hurricane, the Cayman Islands economy continues to show growth in the tourism and financial services sectors. These sectors are the pillars of the Cayman Islands economy and drive the Company's sales growth.

Air arrivals for the first nine months of calendar 2006 exceeded arrivals for the same period last year by 69%. The Cayman Islands is establishing itself as a higher-end tourism destination with five-star resort facilities being developed around the island, including The Waterford, The Residences at Beach Bay and Mandarin Oriental.

Cruise arrivals also remained strong at 1.4 million passengers for the first nine months of calendar 2006. This was a 5% increase over arrivals for the same period last year.

The following table presents tourist statistics between January and September:

Arrivals	**2006**	2005	2004	2003	2002
By Air	**202,961**	120,126	242,545	221,045	233,683
By Sea	**1,430,762**	1,356,327	1,352,556	1,288,644	1,183,178
Total	**1,633,723**	1,476,453	1,595,101	1,509,689	1,416,861

The Cayman Islands Monetary Authority ("CIMA") announced in September 2006 that the Cayman Islands now has more than 8,000 registered hedge funds, an increase of more than 2,000 funds compared to the beginning of calendar 2005, and is considered one of the leading jurisdictions in the industry. According to Hedge Fund Research, Inc. ("HFR"), the hedge fund industry attracted $42.1 billion in new money in the second quarter of 2006 alone, bringing total industry assets under management to $1.2 trillion. This influx is the biggest quarterly jump in new funds since HFR commenced tracking in 2003.

There were a total of 295 active banks under the supervision of the Banking Supervision Division of CIMA at the end of September 2006, down from 312 active bank licences at the end of December 2005. The fundamentals of the banking sector remain sound and the industry in general has been relatively resilient in a very challenging market environment. Banks continue to consolidate and restructure in search of cost efficiencies and improvements in operational risk management and governance.

There are increasing signs that the banking sector of the Cayman Islands financial services industry is maturing. While consolidation facilitated by globalisation has resulted in a reduction in the number of bank licencees, the volume of assets being booked through the jurisdiction has continued to increase. As of June 2006, total assets were reported at $1.4 trillion.

Management's Discussion and Analysis

Liquidity and Capital Resources

The following table outlines the summary of cash flow:

Summary of Cash Flow
($ millions)

	Three months ended October 31 **2006** $	2005 $
Cash, beginning of period	**3.70**	0.36
Cash provided by (used in)		
Operating Activities	**13.06**	11.46
Investing Activities	**(8.31)**	(9.84)
Net Financing Activities	**(6.09)**	(1.38)
Cash, end of period	**2.36**	0.60

	Six months ended October 31 **2006** $	2005 $
Cash, beginning of period	**0.58**	0.96
Cash provided by (used in)		
Operating Activities	**27.10**	20.59
Investing Activities	**(17.03)**	(17.67)
Net Financing Activities	**(8.29)**	(3.28)
Cash, end of period	**2.36**	0.60

Operating Activities

Cash flow from operations, after working capital adjustments, for second quarter fiscal 2007 was $13.1 million, a $1.6 million increase from $11.5 million for the same quarter last year. The increase in cash from operations was primarily driven by a reduction in trade receivables and increased loan interest accruals, partially offset by the payment of the Company's main property insurance premium.

Cash flow from operations, after working capital adjustments, year-to-date increased $6.5 million to $27.1 million from $20.6 million for the same period last year. This increase was primarily a result of the increased earnings of $1.1 million and full receipt of the insurance receivable balance of $9.1 million.

Investing Activities

Cash used in investing activities decreased $1.5 million to $8.3 million for the second quarter from $9.8 million for the same period last year as a result of lower capital expenditures.

Cash used in investing activities for the six months ended October 31, 2006 was comparable to the same period last year.

Financing Activities

Cash used in financing activities for the three months ended October 31, 2006 was $6.1 million, a $4.7 million increase over cash used in financing activities for the same period last year of $1.4 million. This increase is the net result of repayment of $2.0

Changes in Balance Sheets
(from April 30, 2006 to October 31, 2006)

Balance Sheet Account	Increase/(Decrease) ($ millions)	Explanation
Cash	1.8	Increase due to cash provided by operating activities of $27.1 million partially offset by cash used in investing activities of $17.0 million and cash used in financing activities of $8.3 million.
Accounts receivable - trade	2.6	The increase is due to higher consumption and higher fuel factor billings as a result of higher fuel prices.
Other receivable - insurance	(9.1)	Decrease is due to final payment received from the insurer in June 2006.
Property, plant and equipment	9.6	The increase is comprised of capital expenditures of (1) $17.0 million and (2) depreciation expense of $7.4 million.
Other assets	2.5	The increase is due to increased deferred fuel costs as a result of higher average fuel prices.
Retained earnings	6.0	The increase is due to net earnings for the period of $14.9 million, Class A dividends of $8.4 million and Class B dividends of $0.5 million.

Management's Discussion and Analysis

million of short-term financing in the second quarter of fiscal 2007 versus a drawdown of $2.5 million in short-term debt during the same period last year.

Cash used in financing activities year-to-date increased $5.0 million due to the impact of transactions described above and a decrease of $2.0 million in proceeds from share issues. The Company's $10.05 options expired in June 2005, and 191,601 of these options were exercised for the period commencing May 1, 2005 and ending on the expiry date. Conversely, a total of 18,342 shares have been issued for the six months ended October 31, 2006.

Financial Position

The table *"Changes in Balance Sheets"* (see page 9) is a summary of significant changes to the Company's balance sheets from April 30, 2006 to October 31, 2006.

Capital Resources

The Company's capital structure as of October 31, 2006 is shown below:

Capital Structure

	Six months ended October 31 **2006** **$**	**%**
Total Debt	**156,791,051**	**53%**
Shareholders' Equity	**140,013,689**	**47%**
Total	**296,804,740**	**100%**

	Six months ended October 31 2005	%
Total Debt	144,903,437	52%
Shareholders' Equity	132,847,251	48%
Total	277,750,688	100%

The change in the Company's capital structure is the result of a net increase in debt of $11.9 million partially offset by an increase in retained earnings due to fiscal 2006 earnings.

Total credit facilities at October 31, 2006 were as follows:

Credit Facilities

	Details
Capital Expenditures Line of Credit	$10.0 million
Operating Line of Credit	$ 5.0 million
Catastrophe Standby Loan	$ 5.0 million
Letters of Credit	$ 2.4 million
Corporate Credit Card Line	$ 0.3 million
Total	**$22.7 million**

Following a credit facility and banking services review, the Company recently renegotiated and renewed its credit facilities with the Royal Bank of Canada on an unsecured basis. Total credit facilities currently are $34.7 million. At October 31, 2006, the Company had an outstanding balance of $8.0 million against the capital expenditure line of credit (see Note 10).

Contractual Obligations

The contractual obligations over the next five years and periods thereafter, as at October 31, 2006, are outlined in the table below (*"Contractual Obligations"*).

Capital Expenditures

The electric utility business is capital-intensive, and capital expenditures for fiscal 2007 are expected to total more than $38.0 million. Capital expenditures for the six months ended

Contractual Obligations
(period ended October 31 in $ millions)

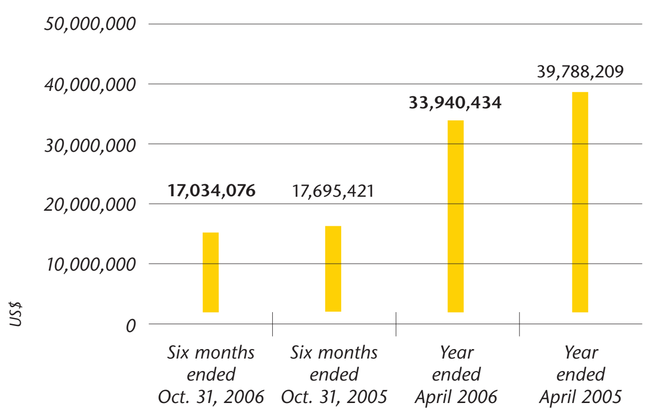
	Total ($)	**< 1 year ($)**	**1 to 3 years ($)**	**4 to 5 years ($)**	**> 5 years ($)**
Total debt	156.8	18.5	38.8	25.0	74.5
MAN B&W 16 MW generating unit	16.5	6.6	9.9	-	-
Total	173.3	25.1	48.7	25.0	74.5

Management's Discussion and Analysis

October 31, 2006 were $17.0 million, a $0.7 million, or 4%, decrease from capital expenditures for the same period last year. Major capital projects for the period included:

(1) MAN B&W 16 MW generating unit - $5.7 million - During 2006, the Company entered into a project agreement with MAN B&W for the purchase and turnkey installation of one 16MW v48/60 medium-speed diesel generating unit and auxiliary equipment. This unit is scheduled for installation to meet the summer 2007 demand. The contract cost is $18.4 million, and the total estimated cost for completion of the project is $22.2 million.
(2) Distribution system upgrades - $1.3 million
(3) Caterpillar plant rebuild - $4.1 million

Capital Expenditures



Cayman International School opened its doors in September 2006. Once completed, this 57,000 square-foot facility will house 240 students from Nursery to Grade 12 and span 13.2 acres. The school is part of the 300-acre Camana Bay development.

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 October 31, 2006.

Business Risks

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

Licence Negotiations

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

Economic Conditions

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

Weather

CUC's facilities are subject to the effects of severe weather conditions. Despite preparations for such disasters similar to the hurricane, adverse conditions will always remain a risk notwithstanding any amount of preparation that is completed. In order to negate some of this risk, the Company maintains insurance coverage Management believes is proper and consistent with insurance policies obtained by similar companies (see *"Insurance Coverage"* section on page 7).

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 and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year.

Management's Discussion and Analysis

Correction of Insurance Claim Estimate

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

Future Accounting Pronouncements

During the three months ended October 31, 2006, there were no changes to the Company's disclosure of future accounting pronouncements from those disclosed in the Company's MD&A for the year ended April 30, 2006.

Quarterly Results

The table below (*"Quarterly Results"*) summarizes unaudited quarterly information for each of the eight quarters ended January 31, 2005 through October 31, 2006. 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.

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

October 2006/October 2005

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

July 2006/July 2005

Net earnings for the first quarter were $8.1 million, or $0.30 per share, as compared to $7.1 million, or $0.26 per share, for the first quarter of fiscal 2006. The primary reasons for the 14% year-over-year increase in earnings are positive sales growth, implementation of the CRS and an overall decline in non-power generation operating expenses.

April 2006/April 2005

Net earnings for fourth quarter 2006 were $5.2 million, or $0.20 per share, compared to $4.4 million, or $0.17 per share, for fourth quarter 2005. The increase in earnings reflects continued post-hurricane sales recovery, CRS revenues of $1.0 million and a gain of $1.2 million resulting from the insurance settlement.

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

Quarter Ended	Operating Revenue	Net Earnings	Income Applicable to Ordinary Shares	Earnings per Share (Basic)	Diluted Earnings per Share
October 31, 2006	42,881	6,827	6,715	0.27	0.27
July 31, 2006	41,287	8,099	7,672	0.30	0.30
April 30, 2006	33,150	5,223	4,902	0.20	0.20
January 31, 2006	34,822	3,884	3,771	0.15	0.15
October 31, 2005	35,936	6,657	6,545	0.26	0.26
July 31, 2005	31,768	7,094	6,667	0.26	0.26
April 30, 2005	21,078	4,356	4,244	0.17	0.17
January 31, 2005	20,574	5,726	5,613	0.22	0.22

Management's Discussion and Analysis

January 2006/January 2005

Net earnings for third quarter 2006 were $3.9 million, or $0.15 per share, compared to $5.7 million, or $0.22 per share, for third quarter fiscal 2005. The $1.8 million decrease was caused by an expense of $2.0 million in deferred fuel costs, increased insurance expenses and increased interest expenses partially mitigated by higher electricity sales.

Disclosure Controls and Procedures

CUC has established and maintains disclosure controls and procedures designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the Chief Executive Officer and Chief Financial Officer, on a timely basis so that appropriate decisions can be made regarding public disclosure.

Pursuant to Multilateral Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings, the President and Chief Executive Officer and the Chief Financial Officer have evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures as of October 31, 2006 and have concluded that such disclosure controls and procedures are effective.

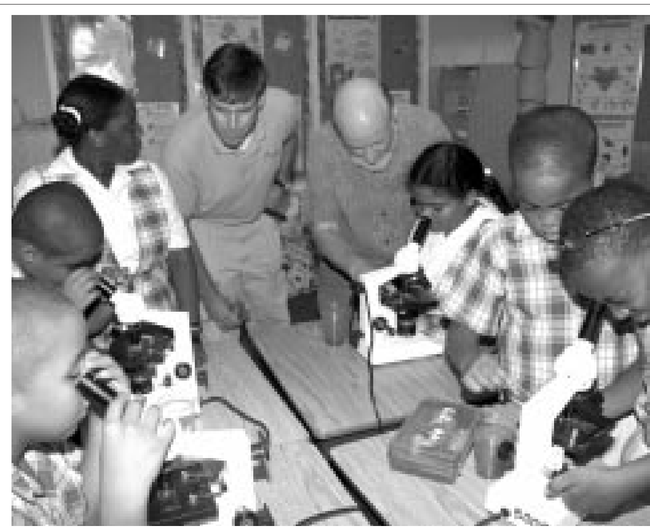
Outlook

CUC expects to invest $190.0 million in its capital programme over the next five years predominately related to customer and kWh sales growth, which will be financed by a combination of long-term and short-term debt and funds from operations.

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

November 27, 2006

For the past five years, CUC has partnered with the Education Department on an environmental education programme for primary school students designed to create a greater appreciation of our environment. During the week-long sessions, students have the opportunity to visit the Island's Central Mangrove Wetlands with peripatetic science teacher Martin Keeley (with hat).



Prior to visiting the Central Mangrove Wetlands, students participate in classroom sessions, learning about the fascinating flora and fauna that inhabit this fragile ecosystem. Pictured are CUC's Environmental Management Representative Chris Lansley (centre left) and peripatetic science teacher Martin Keeley with students from Red Bay Primary.

Balance Sheets

Unaudited - Fiscal 2007 (expressed in United States dollars)

	Note	As of Oct. 31, 2006 $	As of Oct. 31, 2005 $	As of April 30, 2006 $
Assets				
Current Assets				
Cash and due from banks		2,354,750	595,696	575,591
Accounts receivable - trade		18,261,113	16,687,716	15,681,991
Other receivable - insurance	*3*	-	8,058,137	9,075,125
Inventories		5,250,274	5,201,695	5,172,908
Prepayments		2,631,910	2,664,967	911,092
		28,498,047	33,208,211	31,416,707
Property, plant and equipment	*4*	280,397,131	259,193,342	270,720,745
Other assets	*12*	13,393,035	12,189,601	10,856,169
Total Assets		322,288,213	304,591,154	312,993,621
Liabilities and Shareholders' Equity				
Current Liabilities				
Bank overdraft		-	1,421,034	377,041
Accounts payable and accrued expenses	*13*	22,169,466	22,733,811	20,046,905
Short-term debt	*10*	8,000,000	9,900,706	-
Current portion of long-term debt		10,504,826	7,490,439	7,497,632
Consumers' deposits and advances for construction		3,314,007	2,685,621	2,811,611
		43,988,299	44,231,611	30,733,189
Long-term debt		138,286,225	127,512,292	148,540,542
Total Liabilities		182,274,524	171,743,903	179,273,731
Shareholders' Equity				
Share capital		1,756,020	1,752,658	1,754,929
Share premium		41,870,454	41,214,933	41,655,512
Contributed surplus		192,934	130,360	161,647
Retained earnings	*2*	96,194,281	89,749,300	90,147,802
		140,013,689	132,847,251	133,719,890
Total Liabilities and Shareholders' Equity		322,288,213	304,591,154	312,993,621

Statements of Earnings

Unaudited - Fiscal 2007 (expressed in United States dollars)

	Note	Three months ended October 31 2006 $	Three months ended October 31 2005 $	Six months ended October 31 2006 $	Six months ended October 31 2005 $
Operating Revenues					
Electricity sales		24,935,876	23,245,206	49,872,001	44,862,194
Hurricane Ivan cost recovery surcharge	*11*	1,197,765	1,087,888	2,363,033	1,087,888
Fuel factor		16,748,095	11,602,555	31,933,699	21,754,027
Total Operating Revenues		42,881,736	35,935,649	84,168,733	67,704,109
Operating Expenses					
Power generation		25,542,544	19,832,061	48,121,702	36,407,489
General and administration	*13*	2,756,178	2,658,529	5,565,797	5,437,841
Consumer service and promotion		327,592	351,837	607,325	613,793
Transmission and distribution		442,007	634,068	1,020,188	1,143,161
Depreciation and amortisation		3,630,866	3,399,699	7,370,978	6,794,384
Maintenance		1,773,681	2,471,851	3,362,409	4,747,160
Total Operating Expenses		34,472,868	29,348,045	66,048,397	55,143,828
Operating Income		8,408,868	6,587,604	18,120,336	12,560,281
Other Income/(Expenses)					
Interest expense		(2,333,037)	(2,188,962)	(4,689,628)	(4,406,261)
Foreign exchange gain		430,337	189,597	750,925	747,192
Business interruption insurance		-	1,808,353	-	4,285,312
Other income		321,341	260,835	745,008	564,940
Total Net Other (Expenses)/Income		(1,581,359)	69,823	(3,193,695)	1,191,183
Earnings for the Period		6,827,509	6,657,427	14,926,641	13,751,464
Dividends on preference shares		(112,500)	(112,500)	(540,000)	(540,000)
Earnings on Class A Ordinary Shares		6,715,009	6,544,927	14,386,641	13,211,464
Weighted average number of Class A Ordinary Shares issued and fully paid	*6*	25,290,268	25,244,509	25,294,016	25,211,861
Earnings per Class A Ordinary Share	*6*	0.27	0.26	0.57	0.52
Fully diluted earnings per Class A Ordinary Share	*6*	0.27	0.26	0.57	0.52
Dividends declared per Class A Ordinary Share		0.165	0.165	0.330	0.330

Statements of Retained Earnings

Unaudited - Fiscal 2007 (expressed in United States dollars)

	Three months ended October 31		Six months ended October 31	
	2006	2005	2006	2005
	$	$	$	$
Balance at Beginning of Period	93,647,483	87,360,003	90,147,802	84,863,402
Earnings for the Period	6,827,509	6,657,427	14,926,641	13,751,464
Dividends	(4,280,711)	(4,268,130)	(8,880,162)	(8,865,566)
Balance at End of Period	96,194,281	89,749,300	96,194,281	89,749,300

Statements of Cash Flows

Unaudited - Fiscal 2007 (expressed in United States dollars)

	Three months ended October 31		Six months ended October 31	
	2006	2005	2006	2005
	$	$	$	$
Operating Activities				
Earnings for the period	6,827,509	6,657,427	14,926,641	13,751,464
Items not affecting working capital:				
Depreciation and amortisation	3,630,866	3,399,699	7,370,976	6,794,384
Stock-based compensation	15,643	15,643	31,287	31,287
Loss/(Profit)on disposal of fixed assets	6,633	6,216	(8,925)	(267,011)
	10,480,651	10,078,985	22,319,979	20,310,124
Net decrease in non-cash working capital balances related to operations	2,583,046	1,380,955	4,785,802	277,758
Cash flow provided by operating activities	13,063,697	11,459,940	27,105,781	20,587,882
Investing Activities				
Proceeds of sale of fixed assets	357	7,738	2,738	26,622
Purchase of property, plant and equipment	(8,317,593)	(9,849,091)	(17,041,066)	(17,695,421)
Cash flow used in investing activities	(8,317,236)	(9,841,353)	(17,038,328)	(17,668,799)
Financing Activities				
Proceeds from debt financing	-	2,500,000	10,000,000	14,500,000
Repayment of debt	(2,000,000)	(520,099)	(9,247,124)	(11,117,559)
Increase/(Decrease) in bank overdraft	-	903,042	(377,041)	(8,855)
Dividends paid	(4,280,711)	(4,268,130)	(8,880,162)	(8,865,566)
Proceeds of share issues	191,927	2,419	216,033	2,205,628
Cash flow used in financing activities	(6,088,784)	(1,382,768)	(8,288,294)	(3,286,352)
(Decrease)/Increase in Net Cash	(1,342,323)	235,819	1,779,159	(367,269)
Net cash - beginning of period	3,697,073	359,877	575,591	962,965
Net Cash - end of period	2,354,750	595,696	2,354,750	595,696

Notes to Financial Statements

Unaudited - Fiscal 2007 (expressed in United States dollars)

1. Nature of Operations and Financial Statement Presentation

These unaudited interim financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles ("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, 2006.

The principal activity of the Company is to generate and distribute electricity in its exclusive licence area of Grand Cayman, Cayman Islands under licence from the Government of the Cayman Islands ("Government") originally dated May 10, 1966, amended November 1, 1979 and renewed for a further 25 years on January 17, 1986. Amendments to the 25-year licence dated January 17, 1986, as amended by a Supplementary Licence dated October 16, 1989, have been negotiated and incorporated into a further Supplementary Licence executed on November 15, 1994 (collectively, the "Licence").

2. Significant Accounting Policies

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. 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.

The Company accounts for its executive stock option grants using the fair value method where any compensation expense is amortised over the vesting period of the options.

The Company also maintains defined benefit and defined contribution pension plans for its employees. The pension costs of the defined benefit plan are actuarially determined using the projected benefits method prorated on service and best estimate assumptions. Past service costs from plan initiation are amortised on a straight-line basis over the remaining service period of the employee active at the date of initiation. The excess of any cumulative net actuarial gain (loss) over 10% of the greater of the benefit obligation and the fair value of the plan assets at the beginning of the year are deferred and amortised over the remaining service period of the employee. The balance of any such actuarial gain (loss) is also deferred. This policy has been consistently applied for all reporting periods although the relevant accounting policy stated that such actuarial gain (loss) was recognised in income in the year incurred. Actuarial gains (losses) from inception of the plan in fiscal 2003 to fiscal 2005 were nil. In 2006, an actuarial loss of $688,056 was deferred. The cost of the defined contribution pension plan is expensed as incurred.

Revenue derived from the sale of electricity is taken to income on a bills-rendered basis, adjusted for unbilled revenues. On August 1, 2005, the Company implemented a Cost Recovery Surcharge ("CRS") of $0.0089 (CI$0.0075) per kilowatt-hour (kWh) to recover approximately $13.4 million of direct Hurricane Ivan losses. Revenue derived from the CRS is taken to income on a bills-rendered basis, adjusted for unbilled revenues.

Property, plant and equipment ("PP&E") is stated on the basis of an appraised valuation at November 30, 1984 with subsequent additions at cost. The cost of additions to PP&E is the original cost of contracted services, direct labour and related overheads, materials and interest on funds used during construction. Damaged PP&E are written off, or appropriate provision made, where damage relates to assets that will be reconstructed.

3. Other Receivable - Insurance

On September 12, 2004, Hurricane Ivan (the "hurricane"), a catastrophic category-four hurricane, hit Grand Cayman. As a result of the hurricane, the Company recognised an impairment of $19,463,554 in respect of damaged PP&E in fiscal 2005. During the negotiation process, it was established that an element of the initial claim filed with the insurer included betterment of some assets and certain duplications of the claim, which were adjusted in the final settlement. As a result, the Insurance Receivable balance in fiscal 2005 was overstated by $2,334,552 and the PP&E was understated by the same amount. Correction of these estimates has been reflected in fiscal 2006 by adjusting PP&E and the Insurance Receivable by equal adjustments. These adjustments had no impact on net income reporting in fiscal 2005 or 2006.

4. Property, Plant and Equipment

As a result of the hurricane, the Company recognised an impairment in fiscal 2005 of its PP&E of $19,463,554 for assets that were damaged during the hurricane. This amount was the sum of the estimated cost to reconstruct these assets that would be reimbursed under the Company's insurance policy plus the estimated cost of the reconstruction of the submarine cable, which would be funded by the Company. See Note 3, which discusses an adjustment in fiscal 2006 relating to an error in the prior year with respect to determination of the impairment.

Notes to Financial Statements

Unaudited - Fiscal 2007 (expressed in United States dollars)

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

In addition, no depreciation charge had been expensed since September 2004 for various insured assets with a net book value of $17,843,761, consisting mainly of the generation plant assets requiring major reconstruction following the passage of the hurricane. These assets were considered to be under reconstruction and depreciation would commence when the asset was brought back into production. As at October 31, 2006, assets with a net book value of $10,474,588 were completed and brought back into service, thereby bringing the net book value of assets still under repair to $7,369,173. This amount relates to the damaged steam turbine and boilers, which the Company is still evaluating to determine the most appropriate option for repair and reconstruction of these assets. The Company will determine whether the reconstructed asset's useful life has increased at the time it is ready for production.

5. Capital Stock

Authorised:

a) 60,000,000 (2005: 60,000,000) Class A Ordinary Shares of CI$0.05 each
b) 250,000 (2005: 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:

	Quarter ended October 31, 2006		Year-to-date October 31, 2006	
	Number of Shares	Amount $	Number of Shares	Amount $
Balance beginning of period	25,284,831	1,505,050	25,282,801	1,504,929
Customer Share Purchase and Dividend Reinvestment Plans	16,312	970	18,042	1,073
Employee Share Purchase Plan	-	-	300	18
Executive Stock Option Plan	-	-	-	-
	25,301,143	1,506,020	25,301,143	1,506,020

6. 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 25,290,268 and 25,244,509 for the quarters ended October 31, 2006 and 2005, respectively. The year-to-date weighted-average shares outstanding were 25,294,016 and 25,211,861, respectively. Fully diluted earnings per Class A Ordinary Share was calculated using the treasury stock method.

7. Share Options

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

The exercise price per share in respect of options is equal to the fair market value of the Class A Ordinary Shares on the date of grant. Each option is for a term not exceeding 10 years and will become exercisable on a cumulative basis at the end of each year following the date of grant. The maximum number of Class A Ordinary Shares under option shall be fixed and approved by the shareholders of the Company from time to time and is currently set at 1,051,677. Options are forfeited if they are not exercised prior to their respective expiry date or upon termination of employment prior to the completion of the vesting period.

	Quarter ended October 31, 2006	Year-to-date October 31, 2006
Outstanding at beginning of period	628,300	628,300
Granted	-	-
Exercised	-	-
Forfeited	-	-
Outstanding at end of period	628,300	628,300

Notes to Financial Statements

Unaudited - Fiscal 2007 (expressed in United States dollars)

7. Share Options ***(continued)***

	Quarter ended October 31, 2006	Year-to-date October 31, 2006
Range of exercise prices	$	$
Granted	N/A	N/A
Exercised	N/A	N/A
Forfeited	N/A	N/A
Outstanding at October 31, 2006	11.46 - 13.78	11.46 - 13.78

The position with respect to outstanding unexercised options as at October 31, 2006 was as follows:

Date of Grant	Number of Class A Ordinary Shares under Option	Exercise Price $	Term of Option
July 18, 2001	430,200	11.460	10 years
September 22, 2003	198,100	13.780	10 years

8. Foreign Exchange

The closing rate of exchange on October 31, 2006 as reported by the Bank of Canada for the conversion of U.S. dollars into Canadian dollars was Cdn. $1.1231 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 October 31, 2006 for conversion of Cayman Islands dollars into Canadian dollars was $1.3477 per CI$1.00.

9. 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.

10. Short-Term Financing

In June 2006, the Company drew down $10.0 million against its credit facilities with the Royal Bank of Canada ("RBC"). These funds were used for the interim funding of capital expenditures. In October 2006, the Company repaid $2.0 million on this outstanding debt. Total credit facilties as of October 31, 2006 were as follows:

Credit Facilities	*Details*
Capital Expenditures Line of Credit	$10.0 million
Operating Line of Credit	$ 5.0 million
Catastrophe Standby Loan	$ 5.0 million
Letters of Credit	$ 2.4 million
Corporate Credit Card Line	$ 0.3 million
Total	**$22.7 million**

Following a credit facility and banking services review, the Company recently renegotiated and renewed its credit facilities with the RBC on an unsecured basis. Total credit facilities currently are as follows:

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

Notes to Financial Statements

Unaudited - Fiscal 2007 (expressed in United States dollars)

11. Cost Recovery Surcharge (CRS)

On August 1, 2005, the Company implemented a CRS of $0.0089 (CI$0.0075) per kWh to recover approximately $13.4 million of direct hurricane losses. CUC agreed to absorb some $3.6 million of direct and indirect costs associated with the hurricane, which will not be passed on to consumers.CRS revenues for the three and six months ended October 31, 2006 were $1.2 million and $2.4 million, respectively. As at October 31, 2006, a total of $5.4 million has been collected since the implementation date, leaving $8.0 million to be recovered.

12. Other Assets

	October 31, 2006	April 30, 2006	October 31, 2005
	$	$	$
Sundry assets	204,274	165,956	330,463
Deferred licence renewal costs	1,134,588	920,372	719,397
Deferred debt issue expense	1,424,693	1,508,689	1,345,416
Deferred fuel costs	10,629,480	8,261,152	9,794,325
	13,393,035	10,856,169	12,189,601

Deferred licence renewal costs

Deferred licence renewal costs are related to the ongoing negotiations with the Government for new Licences for the Company. Amortisation of deferred licence renewal costs will commence upon conclusion of current licence negotiations.

13. Pension Plan

During 2003, the Company established a defined benefit plan for the retired Chairman. In May 2005, the Company's Board of Directors approved the establishment of a defined benefit pension plan for its retired CEO. The pension costs of the defined benefit plans are actuarially determined using the projected benefits method. A defined benefit expense of $181,893 (2005: $146,671) has been recorded in General and Administration Expenses for the three months ending October 31, 2006 and $363,786 (2005: $293,343) for the six months ended October 31, 2006. An accrued benefit liability of $166,840 (2005:$825,032) is included within Accounts Payable and Accrued Expenses as in the balance sheets.

14. Subsequent Events

(1) On November 7, the Company announced that its majority shareholder, Fortis Inc., through its wholly-owned subsidiary, Fortis Energy (Bermuda) Ltd. ("Fortis"), acquired an additional 16% of the outstanding Class A Ordinary Shares of CUC from International Power Holdings Limited ("IPHL") and four other vendors associated with IPHL. Following this purchase, Fortis controls CUC by beneficially owning 13,565,511, or approximately 54%, of the outstanding Class A Ordinary Shares of CUC. IPHL no longer holds any interest in CUC. The purchase by Fortis of the additional Class A Ordinary Shares of CUC was made in compliance with the Shareholders Agreement and the Standstill Agreement entered into in connection with the increased investment of Fortis in CUC in January 2003.

(2) On November 7, 2006, the Company's Board of Directors declared a regular quarterly dividend of $0.165 per Class A Ordinary Share, or an annualised dividend of $0.66 per share, with a payable date of December 11, 2006 to shareholders of record on November 20, 2006.

15. 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 at (345) 949-5200 if you are interested in receiving details.

Shareholder Information

Duplicate Quarterly Reports

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

Our Registrar and Transfer Agents are as follows:

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

Caribbean Utilities Company, Ltd.
Assistant to the Company Secretary
P.O. Box 38
Grand Cayman KY1-1101
CAYMAN ISLANDS
Tel: (345) 949-5200
Fax: (345) 949-4621
E-mail: investor@cuc.ky
Website: www.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 (listed in U.S. funds on the Toronto Stock Exchange), please contact:

Caribbean Utilities Company, Ltd.
Robert D. Imparato
Company Secretary & Chief Governance Officer
P.O. Box 38
Grand Cayman KY1-1101
CAYMAN ISLANDS
Tel: (345) 949-5200
Fax: (345) 949-4621

Trading Symbol

CUC's Toronto Stock Exchange symbol is:
Class A Ordinary Shares: **CUP.U**

40 YEARS
POWERING CAYMAN'S SUCCESS

INVESTOR IN PEOPLE

CUC
You've got the power

ISO 14001
QMI REGISTERED
014235
North Sound Road Site

Caribbean Utilities Company, Ltd.
457 North Sound Road, P.O. Box 38, Grand Cayman KY1-1101, CAYMAN ISLANDS
Tel: (345) 949-5200 ▲ Fax: (345) 949-4621
E-mail: investor@cuc.ky ▲ Website: www.cuc-cayman.com