

*This report has as its focus the operations of our main subsidiary company, The Barbados Light & Power Company Limited*

Demand for electricity is increasing in Barbados as tourism partners continue to develop and expand capacity in this vibrant industry. Investment in new electricity power plant plays an important part in meeting increasing customer demand for electricity.

Key strategies of achieving operating cost savings, maintaining a strong financial position, pursuing customer service excellence and keeping ahead of developments in the island's improving economic environment are all working well.

In 2003, The Barbados Light & Power Company extended its unmatched twenty-year record of rate stability without any increase in basic electricity rates. Only the fuel adjustment clause on electricity bills has fluctuated as the price of fuel used to generate electricity has gone up and down.

In December 2003, the average residential customer bill for 200 kilowatt hours of electricity was BDS \$66.87, excluding value added tax, compared to \$65.14 in December 1983. This three per cent increase when compared with seventy-six per cent increase in the retail price index over the same twenty-year period means that in economic terms, the real price of electricity has declined significantly.

The Barbados Light & Power Company's property, plant and equipment are stated at repro-



duction cost on the basis of periodic physical independent appraisals and are re-appraised annually using indices supplied by independent engineering consultants.

A recent physical independent appraisal indicates that the net fixed assets, at January 01, 2002, are valued to be BDS \$570 million instead of BDS \$530 million as previously estimated. Consequently, the depreciation charge for 2003, including the 2002 adjustment, is BDS \$52 million compared to BDS \$45 million for 2002. The resulting net income for 2003 was BDS \$11 million compared to net income for 2002 of \$15 million.

The financial position facilitates increased investment in electricity generating plant and service equipment for the benefit of customers. A new BDS \$120 million project to increase generating plant capacity is presently underway to keep ahead of customers' growing electricity demands. It is anticipated that operating cash flow will continue to strengthen and the Company is well positioned for further growth and value creation.

With primary emphasis on well planned and executed electricity system expansion, the Company continues to maintain focus on the electricity service business as opportunities for other long term investments are pursued.

Together with Barbados Tourism Investment, Inc. and the Company's major shareholder, Leucadia National Corporation, a joint venture enterprise has been formed to restore two historic buildings on Bay Street that were once prominent and architecturally valuable structures. The improvements will be done in a sensitive manner, supportive of the Barbadian vernacular, for use as high quality tourism and commercial office space, and should serve as a model for future investments in this area.

Mr. Peter Patterson, who served as a Director of The Barbados Light & Power Company since 1972 and Light & Power Holdings from its inception in 1997, passed away in February 2003. The Board places on record its most grateful appreciation of the valuable contributions of Mr. Patterson to the growth and progress of the Company.

Dr. Al Drischler who served as a Director since May, 1992, retired in July, 2003 to spend more time as a University Professor. Dr. Drischler's incisive analysis of Company matters will be greatly missed.

Mr. Richard Edghill kindly consented and was appointed as a Director in February 2003. Mr. Edghill brings to the Board significant experience in the construction industry and his business knowledge is a great asset to the Company.

The Company also welcomed Mr. H. E. Scruggs, Vice President of Leucadia National Corporation, President of Leucadia Asset Management Group, and Senior Vice President of WilTel Communications, who joined the Board in July, 2003. Mr. Scruggs holds degrees in Political Science and Law and has extensive civic and university interests.

Light & Power is an integral part of the Barbados energy landscape and, for almost one hundred years, has always aimed, with great success, to satisfy customer requirements with high quality service. The Directors will continue to keep this firmly in mind as they evaluate new business opportunities to create value for shareholders and enhance the Company's financial strength.

The Company's continued good performance says volumes about the dedication and commitment of Light & Power staff, which bind them together into one of the strongest teams in the electric utility business.



Frank O. McConney  
On behalf of the Directors  
Light & Power Holdings Ltd.  
March 11, 2004

