



■ LETTER TO THE SHAREHOLDERS

Light & Power Holdings Ltd. conducts its business principally through The Barbados Light & Power Company Ltd., which is engaged in supplying customers in Barbados with their electricity requirements.

The electricity is generated mostly by low speed diesel engines and steam turbines which use the lowest cost residual fuel available, and by gas turbines which are used for standby and peaking purposes. During 2005, the electric utility completed the installation and start up of a new low speed diesel generating plant that is realising considerable fuel efficiency. The benefits are all being passed on to customers.

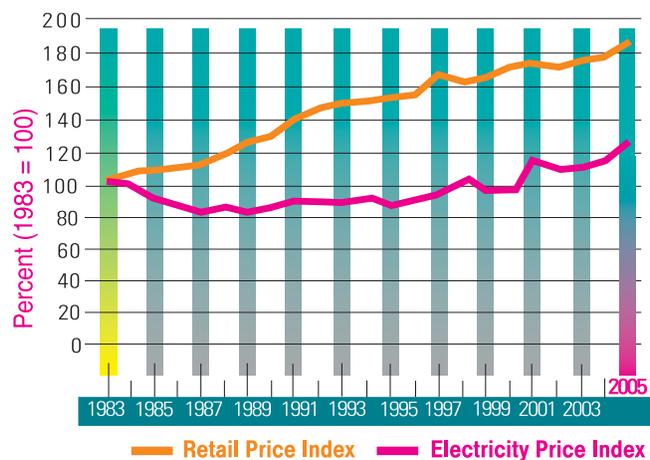
Highly competent manufacturers supply the utility with transmission and distribution equipment which is remotely managed by modern supervisory control and data acquisition (SCADA) systems that are integrated into the Barbados electricity grid.

Approximately BDS \$800 million is invested in the complex electricity service network that is designed to provide quality power to customers at the flick of a switch.

In 2005, all the customers together paid BDS \$339 million for the 885 million kwh of electricity they consumed. The majority of the money paid by customers for electricity was used to purchase fuel to generate the electricity, to pay suppliers for materials, to pay employees to operate the electricity system and for reinvestment in new plant and equipment. Net Income for the year was BDS \$15 million.

With escalating demand for fuel oil, consumers all over the world are seeing unprecedented price increases for all forms of energy. Increases and decreases in the cost of the fuel oil the utility purchases to generate electricity are passed through to customers via the fuel adjustment clause on electricity bills, so that fluctuations in fuel oil prices do not directly impact the electric utility business.

If it were not for increases in the price of fuel, the total bill for a kilowatt hour of electricity would be no more than it was in 1983 when the last basic electricity price increase was granted by the Public Utilities Board.



With a fuel adjustment clause on electricity bills being linked to the cost of fuel used to produce electricity, increases in the total price of electricity in Barbados have been significantly less than increases in the retail price index since 1983. This means that during the same period, considering the increase in the Barbados retail price index, there has been a decline in the real price of electricity over the years.

The Barbados Government is encouraging investment in the latest high speed international telecommunications technology which requires deployment of new fibre optic networks to transmit data and voice traffic. This is critical for advancement of the whole economy as businesses, research institutions, and other service providers need high-capacity telecommunications links with other businesses and customers across the world.

In 2000 the Government published a detailed Green Paper on the Telecommunications Industry and amended the Telecommunications Act. In 2005, the Government issued a licence for a new enterprise, Antilles Crossing, LP, to build a new high capacity submarine fibre optic network from St. Croix in the U.S. Virgin Islands to Barbados. This new cable enables communications traffic to be delivered at very high speed to and from the Eastern Caribbean and the rest of the world.

The Government has also granted licences to TeleBarbados to build a communications network utilizing the new submarine cable to provide commercial service to businesses and organizations seeking dedicated international access to and from the island.

Light & Power Holdings Ltd. has carefully studied a proposal to assist with this investment and has established a wholly owned subsidiary, LPH Telecom Ltd., for the purpose of making a twenty-five percent investment in these new telecommunications enterprises. The major investor and manager is a subsidiary of Leucadia National Corporation. Leucadia is the parent of Canadian International Power Company Ltd., which has held a principal interest in The Barbados Light & Power Company for over forty years.

Another newly formed subsidiary, LPH Real Estate Inc., will own forty-five percent of Savoy Properties SRL, a real estate joint venture organized by Barbados Tourism Investment Inc., Leucadia National Corporation and Light & Power Holdings Ltd., for the purpose of investing in a property located

in Bay Street, Bridgetown, comprising office space and a restaurant.

The new telecommunications business and the real estate venture will be financed from the proceeds of a shareholders' rights offering.

Sir Stanley Blanchette retired in September 2005, having served as a director of The Barbados Light & Power Company Ltd, since February, 1972 and of Light & Power Holdings Ltd., from its incorporation in October 1997. Sir Stanley's wise counsel and contribution to the growth and progress of the Company are highly valued. His analysis of Company matters is greatly missed.

Electricity has become the cornerstone of Barbadian life. High quality electricity service is the essential ingredient for the Barbados economy and over the years this has been provided through innovative leadership and people who are focused on satisfying customer requirements.

The Company continues working to satisfy customer requirements for reliable electricity service and is equally keen on helping to deploy the latest telecommunications infrastructure which will enable Government, commercial enterprises, educational institutions and health services in Barbados to continue meeting the demanding requirements of their customers in the most efficient manner.

The Directors congratulate the dedicated Light & Power people who make the power generation, distribution and customer service systems work so efficiently, and they appreciate the continued support of shareholders and lenders who provide the capital for new investments.



Frank O. McConney
On behalf of the Directors
Light & Power Holdings Ltd.
March 10, 2006