



Artist's impression of the proposed restoration of two historic buildings on Bay Street



Letter to the **Shareholders**



This report focuses on the operations of our subsidiary company, The Barbados Light & Power Company Limited

The operations of Light & Power Holdings (LPH) substantially reflect the work of the subsidiary company, The Barbados Light & Power Company Limited (BL&P). The economic strength of Barbados is a major contributor to the Company's financial success as reflected in its long-term loan position being only about 17% of the value of the Company's total assets of BDS \$790 million at the end of 2004.

Total revenue in 2004 amounted to BDS \$301.6 million. The greatest part of this revenue, BDS \$149.0 million, was spent on the fuel needed to manufacture and deliver the product to the customers. Operating income for the year was BDS \$23.0 million, a slight increase when compared to the operating income for 2003 of BDS \$22.4 million.

The company welcomes Legislation by the Government, enacted in December 2004, to reduce the corporation tax rate on manufacturers in 2005 from 33% to 25%. This will ease the Company's future operating tax cost. The consequential change in deferred tax liability, as stated in Note 8 to the Financial Statements, was the major factor in the increase in net income for 2004.

Twenty two years without an increase in basic rates

In 2004, BL&P extended its enviable record of rate stability having served customers for the past twenty-two years without an increase in basic electricity rates.

Recently fuel prices on the international market have skyrocketed causing the fuel adjustment clause on electricity bills to increase to unusually high levels. The company's employees continue working to control operating costs and help customers to conserve, while providing a highly reliable electric service.

New low speed diesel plant will meet customers' needs

Work is virtually completed on a new low speed diesel plant, at Spring Garden Power Station, that will produce an additional amount of 60 megawatts (MW) of electricity for customers. The new power plant, being constructed at a cost of BDS \$120 million and illustrated in the operating section of this

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report, will help to moderate the effects of the high fuel prices. This new power generation facility will serve customers' demand and replace plant, due for retirement, as customers continue to increase their use of electricity every year.

Helping with telecommunications demand

The Government has liberalized the telecommunications industry in Barbados with the objective of creating a market to enable new investment in broadband to take place.

Until recently, broadband was something that was desired only by large international organizations. However, many new business applications require advanced broadband technology, including products that provide access to huge databases and carry voice, data and video on one network at the same quality and speed as if the parties were in the same building.

Light & Power Holdings and Leucadia National Corporation (LNC), parent company of our major shareholder, Canadian International Power, are interested in the possibility of providing a new high-capacity fibre optic cable to connect Barbados to the rest of the world. LPH and LNC have created two new commercial enterprises, Antilles Crossing, LP and TeleBarbados Inc., for the purpose of building new facilities to handle large quantities of electronic data at very high speeds to meet

the increasing demand for telecommunications bandwidth in Barbados. The feasibility of providing and operating the proposed new submarine digital fibre optic cable is being evaluated.

Partners in tourism development

Over the years, BL&P has made significant contributions to the Tourism Development Corporation (TDC), to help improve the quality of the tourism product in Barbados.

The Company and Leucadia National Corporation are also planning to assist the Government in converting some vacant land and abandoned buildings into profitable commercial enterprises through the development and re-positioning of strategic real estate assets.

Accordingly, LPH and LNC have joined with Barbados Tourism Investment Inc. to restore two historic buildings on Bay Street that were architecturally valuable structures. As soon as planning approval is received, construction work will commence.

Chairman Emeritus passes on

Mr. Eric Campbell, former Chairman Emeritus, passed away peacefully on December 30, 2004, age ninety-five, at his cherished family home in Hudson Heights, Quebec. He was the former President of Canadian International Power Company, a member of the Board of Directors of The Barbados Light & Power Company since

1963 and served as its Chairman from 1971 to 1996. Mr. Campbell was a thoughtful and compassionate gentleman, who was very knowledgeable about the electric utility business and from whom directors and managers learned a great deal. His many friends will especially remember him for his kind and gracious manner. We are indebted to him and we extend deepest sympathies to his family.

Appreciation

Light & Power people work in partnership with the Barbados community to make a difference in its quality of life. Working together with the community and other stakeholders is the way we do business. Without the loyalty of customers, employees and investors we could not succeed. Thank you for your confidence and support.



Frank O. McConney On behalf of
the Directors
Light & Power Holdings Ltd.
March 10, 2005