1. Incorporation and principal activity

Light & Power Holdings Ltd. was incorporated on October 9, 1997 under the Laws of Barbados and is listed on the Barbados Stock Exchange Inc. The principal activity of the group is generation, distribution and supply of electricity. Its wholly owned subsidiary company, The Barbados Light & Power Company Limited is governed by the Electric Light and Power Act (1899) and regulated under the Fair Trading Commission Act, Cap. 2000-31 and the Utilities Regulation Act, Cap 2000-30.

2. Significant accounting policies

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). Significant accounting policies are as follows:

(a) Accounting convention

These financial statements have been prepared in accordance with the historical cost convention as modified by the revaluation of property, plant and equipment. (Note 2 (d)).

(b) Consolidation

These financial statements consolidate the financial statements of the Company and its subsidiary, The Barbados Light & Power Company Limited. The subsidiary company, The Electric Power Insurance Company Limited was dissolved during the year.

(c) Estimates

Preparation of financial statements in conformity with International Financial Reporting Standards requires management to make assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates.

(d) Property, plant and equipment

Property, plant and equipment of the subsidiary company, are stated at reproduction cost as of December 31, 2004. Reproduction cost was determined on the basis of an independent appraisal of the subsidiary's property, plant and equipment, made by Navigant Consulting Inc., as of January 1, 2002. The method of the appraisers was to determine reproduction cost new less observed depreciation at the appraisal date. The value of the assets at that date, together with the costs of subsequent additions, less retirals and contributions received from customers, was reappraised to December 31, 2004 using indices supplied by AMEC Engineering and Construction Services Ltd.

The group has adopted the accounting policy of transferring to retained earnings, from revaluation surplus, the revaluation element included in the annual depreciation charge. The transfer for 2004 is $17.9 million, (2003 - $20.2 million). Depreciation on the original cost basis for 2004 is $30.7 million. (2003 - $32.2 million).

Contributions received towards construction of electric plant are credited to the cost of construction or are shown as deferred credits in the case where construction has not yet started. Interest charges are accrued during the period of construction of property, plant and equipment and are capitalised. The group provides depreciation for financial reporting purposes on the straight line method using rates required to amortise the carrying value of the assets over the estimated service lives as follows:-

Generation	2 to 7%
Transmission and Distribution	2 to 14%
Other	2 to 37%

When depreciable plant and equipment other than motor vehicles and property are retired, the gross book value less proceeds net of retiral expense is charged to accumulated depreciation. For disposals of motor vehicles and property, the asset cost and accumulated depreciation are removed with any gain or loss credited or charged to current operations.

(e) Inventories
Inventories of fuel, materials and supplies are valued at cost, which is determined on an average cost basis. Provision is made where appropriate for obsolete inventories.

(f) Translation of foreign currency
The financial statements are stated in Barbados dollars. Balances denominated in foreign currencies have been translated to Barbados dollars at the rates of exchange prevailing at year end. Unrealised exchange losses or gains on the translation of foreign currency denominated balances and differences in exchange which are realised at the time of discharging the balances, are recognised in the income statement.

(g) Income and corporation tax
The group follows the liability method of accounting for deferred tax whereby all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes are determined using tax rates that have been enacted by the balance sheet date and are expected to apply when the related deferred income tax liability is settled.

(h) Investment tax credit
The tax credit from investment allowances associated with the acquisition of plant and equipment is being deferred and amortised to income over a period of twenty years.

(i) Manufacturing tax credit
The tax credit from manufacturing allowances associated with the acquisition of plant and equipment is being deferred and amortised to income over the lives of the respective plant and equipment.

(j) Revenue
The group records revenue, other than fuel clause revenue, as billed to its customers and does not recognise any unbilled portion which exists at the end of the accounting period. Fuel clause revenue is recognised on the basis of the amount actually recoverable for the accounting period. The unbilled revenue at year end is not material.

(k) Cash and cash equivalents
These consist of cash held in hand, at bank and demand deposits.

(l) Pension scheme
The company operates a fully insured purchased annuity plan pension scheme. This scheme takes the form of a defined benefit scheme in that it defines the amount of pension benefit that an employee will receive upon retirement. However, pension costs are accounted for on the basis of contributions payable in the year, as the group has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior period (Note 15).

3. Property, plant and equipment

	Generation $ 000's	Transmission and Distribution $ 000's	Other $ 000's	Total $ 000's
Valuation				
At December 31, 2003	624,887	385,061	100,325	1,110,273
Additions and transfers	71,301	28,582	4,681	104,564
Disposals and transfers	-	(4,504)	(2,415)	(6,919)
Revaluations	12,563	25,179	139	37,881
At December 31, 2004	708,751	434,318	102,730	1,245,799
Accumulated depreciation				
At December 31, 2003	308,916	126,155	42,008	477,079
Charge for the year	22,571	22,694	3,297	48,562
Disposals and transfers	-	(4,645)	(2,385)	(7,030)
Revaluations	8,111	8,238	191	16,540
At December 31, 2004	339,598	152,442	43,111	535,151
Net book values				
At December 31, 2004	369,153	281,876	59,619	710,648
At December 31, 2003	315,971	258,906	58,317	633,194

If property, plant and equipment were stated on the historical cost basis, the net book values would be as follows

	Generation $ 000's	Transmission and Distribution $ 000's	Other $ 000's	Total $ 000's
At December 31, 2004				
Cost	452,936	341,797	68,121	862,854
Accumulated depreciation	(188,962)	(100,225)	(28,641)	(317,828)
Net book value	263,974	241,572	39,480	545,026
At December 31,2003				
Cost	381,632	316,185	66,914	764,731
Accumulated depreciation	(178,232)	(85,507)	(29,950)	(293,689)
Net book value	203,400	230,678	36,964	471,042

4. Cash and cash equivalents

	2004 $000's	2003 $000's
Cash in hand and at bank	10,109	31,186
Demand deposits	17,887	3,846
	27,996	35,032

The demand deposits bear interest at an average rate of 2.40% (2003- 2.5%) per annum.

5. Inventories

	2004 $000's	2003 $000's
Fuel	3,601	4,136
Materials and spares	17,533	16,180
Goods in transit	2,158	1,630
	23,292	21,946

6. Other assets

	2004 $000's	2003 $000's
Finance charges	318	146
Other	240	22
	558	168

Finance charges associated with the financing of The Barbados Light & Power Company Limited's expansion programme are being amortised over the lives of the loans with which they are associated. Other deferred charges include the cost of work carried out for customers not yet billed.

7. Long term loans

	2004 $000's	2003 $000's
FirstCaribbean International Bank (Bahamas) Ltd. U.S.$1,700,000 (2003 - US $ 2,550,000) Libor plus 1.25% repayable 2005/2006	3,466	5,199
European Investment Bank - Protocol II US$13,188,799 (2003-U.S. $14,857,057) 6.23 % repayable 2005/2011	26,889	30,289
European Investment Bank - Protocol III (Total facility US $37,778,850) U.S. $31,252,113 (2003 US $19,748,414) 4.27% repayable 2005/2013	63,715	40,262
National Insurance Board - Debenture Stock Certificates (Total facility Bds. $20,000,000) 8.00% repayable 2005	20,000	20,000
FirstCaribbean International Bank (Cayman) Ltd U.S. $10,000,000 Libor +1% repayable 2005/2015	20,387	-
Total long term loans	134,457	95,750
Less current portion	(12,522)	(8,068)
Total long term loans repayable after one year	121,935	87,682

The long term loans with the exception of The European Investment Bank loans are secured under a Debenture Trust Deed which creates a first and floating charge on the subsidiary company's property, present and future. The Debenture Trust Deed restricts the subsidiary company from issuing debentures ranking pari passu with the floating charge created, unless the Company can meet the earnings coverage ratio and the equity/debt ratio set out in the Trust Deed. The subsidiary company may however issue a first security to manufacturers in respect of individual items of plant and machinery of up to 90% of the purchase price thereof and for a period not exceeding fifteen years. The financial ratios were met by the subsidiary company for 2004.

The European Investment Bank loans are guaranteed by the Government of Barbados.

The maturity of long term loans is as follows:

	2004 $000's	2003 $000's
Less than 1 year	12,522	8,068
Between 1 and 5 years	65,411	61,983
Over 5 years	56,524	25,699
	134,457	95,750

8. Taxation

	2004	2003
	$000's	$000's
Current tax	3,030	6,220
Deferred tax	(995)	(278)
Deferred manufacturing tax credit	1,225	1,785
Deferred investment tax credit	4,207	2,200
	7,467	9,927
Deferred tax credit arising from change in tax rate	(14,759)	(2,057)
	(7,292)	7,870

The tax on the income before tax differs from the theoretical amount that would arise using the corporation tax rate for the following reasons:

	2004	2003
	$000's	$000's
Income before taxation	19,524	18,606
Corporation tax calculated at 33% (2003-36%)	6,443	6,698
Depreciation on assets not qualifying for capital allowances	6,084	7,407
Expenses not allowed for tax purposes	31	-
Tourism development fund allowance	(45)	(50)
Manufacturing allowance net of portion deferred	(2,368)	(1,791)
Investment tax credit net of portion deferred	(2,668)	(2,364)
Under/(over) provision of prior year's tax	(10)	27
Effect of reduction in tax rate on deferred tax liability	(14,759)	(2,057)
Taxation expense	(7,292)	7,870

The net deferred tax liability is attributed to the following items:

	2004	2003
	$000's	$000's
a) Accelerated tax depreciation	49,089	51,423
b) Other temporary differences	(15,753)	(2,334)
	33,336	49,089

9. Deferred credits

	2004	2003
	$000's	$000's
Accumulated manufacturing tax credit	7,438	6,214
Accumulated investment tax credit	32,816	28,609
Customer contributions for work not yet started	676	816
	40,930	35,639

10. Share capital:

The share capital in the Company is represented by:

Authorised

100,000 - 5.5% Cumulative preference shares
500,000 - 10% Cumulative redeemable preference shares
100,000,000 - Common shares of no par value
10 - Class A Redeemable preference shares

Issued

	2004 $000's	2003 $000's
100,000 - 5.5% Cumulative preference shares	500	500
14,509,559 - (2003 - 14,464,515) Common shares	89,554	89,150
	90,054	89,650

Common shares

	No.	No.
Shares outstanding at January 1	14,464,515	14,437,248
Repurchased during the year	(27,607)	(34,301)
Issued during the year	72,651	61,568
Balance at December 31	14,509,559	14,464,515

The Directors have agreed to set aside 600,000 shares to be issued to the employees of the subsidiary company, under General By-Law No 1, Section 12.1 of the Articles of Incorporation and General By-Law of the Company. In November 2004, 72,651 common shares at $9.00 per share were issued under this Scheme. The company also repurchased 27,607 shares at prices ranging between $9.00 and $9.30 per share, which were cancelled.

11. Other Reserves

a) Special reserve
The Public Utilities Board in its decision of May 1983 granted tariffs to The Barbados Light and Power Company Limited which included an amount for depreciation expense based on asset lives which are different from those used by the Company as the economic useful lives of the assets for financial reporting purposes. The Directors consider it prudent to set aside in a special reserve the difference in the depreciation amounts arising therefrom.

	2004 $000's	2003 $000's
Balance at January 1	7,368	58,714
Transfer to retained earnings	(7,368)	(51,346)
Balance at December 31	-	7,368

b) Capital reserve

This represents an amount of retained earnings that was capitalised in the subsidary company and no longer available for distribution by that company.

	2004 $000's	2003 $000's
Balance at January 1	-	-
Capitalisation of retained earnings in subsidary company	109,522	-
Balance at December 31	109,522	-

12. Operating expenses - other

	2004 $000's	2003 $000's
Generation	28,247	21,849
Distribution	10,121	9,557
General	27,916	26,098
	66,284	57,504

13. Staff costs

Staff costs are comprised of the following:

	2004 $000's	2003 $000's
Wages and salaries	33,518	31,780
Social security cost	1,755	1,648
Pension costs	3,474	2,890
	38,747	36,318
Average number of persons employed by the group during the year	491	485

14. Earnings per share

Basic earnings per share is calculated on the basis of the earnings applicable to common shareholders and the weighted average number of common shares in existence of 14,452,742 (2003 -14,421,074). The company has no dilutive potential ordinary shares, therefore, diluted earnings per share is the same as basic earnings per share.

15. Retirement benefits

The Group operates a defined benefit pension plan for its employees. It pays a yearly insurance premium to fund the post employment benefit plan and will not have a legal or constructive obligation to either:

(a) pay the employee benefits directly when they fall due; or

(b) pay for the benefits if the insurer does not pay all future employee benefits relating to employee service in the current and prior periods.

In light of the above, and due to the fact that benefits due to employees would have been secured by the prior payment of premiums, the group will be under no obligation to pay any benefits due and, as such, the plan has been accounted for as if it were a defined contribution plan as prescribed by IAS 19. Pension cost for the year was $3.5 million (2003 - $ 2.9 million).

16. Bank overdraft facilities

On December 23, 1975 The Barbados Light & Power Company Limited issued a letter of undertaking to the Royal Bank of Canada to create upon demand a debenture for $3 million to be issued in accordance with the provisions of the Debenture Trust Deed to secure overdraft facilities granted to the subsidiary company. (Note 7).

17. Capital commitments

The group has budgeted capital expenditure of $61.3 million for the 2005 income year of which $17.7 million was contracted for at the balance sheet date but not incurred.

18. Insurance fund

During 1998, the subsidiary company, established a Trust under the Insurance Act 1996-32 and Regulations to effect self insurance cover on its transmission and distribution system.

The Trust is being financed by annual charges to income. The charge for the year was $ 7.7 million (2003- $7.3 million) which is included in the insurance expense of $12.0 million (2003 - $12.4 million).

In addition to the funds held in trust, the subsidiary company's bankers have provided credit facilities of US $5 million to support the expenditure requirements of the Company in the event of a loss exceeding the assets of the Trust.

19. Financial instruments

Financial assets of the group include cash, short term deposits and accounts receivable. Financial liabilities of the group include borrowings, accounts payable and customer deposits. The accounting policies for financial assets and liabilities are set out in Note 2 or the individual notes associated with each item.

(a) Interest rate risk

The interest rates and the terms of repayment of loans are disclosed in long term loans. (Note 7).

(b) Credit risk

Credit risk on accounts receivable is limited as accounts receivable are shown net of any required provision for bad and doubtful debts.

(c) Fair value

The fair values of cash, short term investments, accounts receivable, accounts payable, borrowings and customer deposits are assumed to approximate fair value, due to the short term nature of these financial instruments. The fair value of borrowings is assumed to approximate carrying value, as interest rates are considered to reflect current market rates.