Annual Report 2006

Light & Power Holdings Ltd.

Contents

Annual Meeting

The Annual Meeting of Shareholders
will take place at 5:00 p.m. on
Thursday, May 24, 2007
at the Island Inn Hotel,
Aquatic Gap, St. Michael, Barbados.

Light & Power Holdings Ltd.

Light & Power Holdings Ltd. is an investment company with electricity being its core business. The Company has a wholly owned regulated electric utility, The Barbados Light & Power Company Ltd., which has been serving electricity customers in Barbados since 1911. Electricity service is available to the entire island community.

During 2006, the Company issued rights to shareholders to subscribe for additional Common Shares of the Company. The proceeds of the rights issue are being used by the Company to invest in a fibre optic telecommunications network built to service the Eastern Caribbean, including Barbados, in a telecommunications service provider in Barbados, in a real estate project located in Barbados and for general corporate purposes.

Sixty-two per cent of the shares in Light & Power Holdings Ltd. are held by approximately 2,800 Barbadian shareholders. The Common Shares of the Company are quoted on the Barbados Stock Exchange.

L&PH

Electricity demand hit record levels in 2006 with customer consumption passing the 900 million kilowatt-hour mark. However, increases in the costs of production are having a material effect on the operations of Light & Power Holdings' main subsidiary, The Barbados Light & Power Company Limited. Another subsidiary, LPH Telecom, completed its investment in new telecommunications enterprises and began operations during the year. This initiative is a joint venture with Leucadia National Corporation which has long been a major investor in the Company.

As illustrated on page eight of this report, ninety-four per cent of the money collected from electricity customers in 2006, including Fuel Clause Adjustment, was used to purchase fuel and materials, pay wages, taxes and insurance, and contribute to investment in new and replacement plant.

The Fuel Clause Adjustment on electricity bills is linked to the cost of the fuel used to produce electricity. Increases in the total price of electricity, including Fuel Clause Adjustment, have been less than increases in the retail price index since 1983, the year in which the rates still being charged for electricity were set by the Public Utilities Board.

In 2006, the Fair Trading Commission reviewed the Fuel Clause Adjustment element of customer electricity bills and reported that the calculation used by The Barbados Light & Power Company is fair and equitable and that the revenue from the Fuel Clause Adjustment has not been contributing to the Company's profits.

The electric utility business is highly capital intensive. During the last three years, The Barbados Light & Power Company, invested $205 million in new plant and equipment with assistance from the European Investment Bank, First Caribbean International Bank and Barbados National Insurance Board.

The Company, through the efforts of its employees and by careful management, has been able to achieve a twenty-four year record of customer service without any increase in the basic rates for electricity. Additional new generation, transmission and other infrastructure needed to satisfy increasing customer demand for electricity are continuing to increase in cost. In addition, the prices of basic commodities, such as copper, steel, and aluminium, which are used in large quantities by the company have increased substantially.

Consequently, the electricity rates, which were set in 1983, are proving to be inadequate to enable the utility to continue maintaining the service standards that customers require. All the cost escalation trends indicate that a review of the electricity rates will be necessary.

Except for Trinidad & Tobago, electricity rates in Barbados are among the most competitive in the Caribbean and residential customers enjoy among the lowest average electric bills in the region.

As indicated previously, the LPH Telecom subsidiary, together with Leucadia National Corporation, invested in new telecommunications ventures, TeleBarbados and Antilles Crossing, which were busily engaged in start-up operations during the year. Through a Rights Offering, shareholders subscribed $28.5 million, the majority of which was invested for a 25% interest in these new enterprises.

TeleBarbados is serviced by Antilles Crossing's new 940-kilometre, submarine fibre-optic cable which links Barbados to St. Lucia and the US Virgin Island of St. Croix, and then on to gateways in Miami and New York. TeleBarbados is constructing the land-based infrastructure and connecting other service providers, large data businesses and residential customers who require broadband access for high speed internet data transmission.

While the private line, commercial internet and voice termination business is doing well, regrettably a situation has arisen with Cable & Wireless subsequent to year-end which is preventing other customers from benefiting from the lower international call charges that TeleBarbados is able to offer. This is a critical issue and TeleBarbados is taking steps to resolve the matter.

The LPH Real Estate subsidiary, together with Barbados Tourism Investment Inc. and Leucadia National Corporation, is seeking to restore two buildings on Bay Street to help rejuvenate this historic area of Bridgetown and help preserve its heritage, an increasingly important feature of the island's tourism product. Finalising agreements and the necessary governmental permits is proving to be much more complex and time-consuming than was expected. The delays will increase development costs and may result in cancellation of the project.

Instead of reporting financial results based on the replacement value of assets, as has been done in the past, the Directors have been advised and have decided to report on the historic cost basis as is now being done in electric utilities in the United States and elsewhere. Consolidation of financial results from the telecom operations are being reported on the same historic cost basis.

New accounting standards also require consolidation of the Self Insurance Trust Fund established by the subsidiary company, The Barbados Light & Power Company Limited. Under the Insurance Regulation 1998, the Self Insurance Fund can only be utilized for the purpose of replacing or reinstating self-insured assets which are damaged by catastrophe and compensating for any associated financial loss. As a result of these accounting changes, Net Income for 2006 is being reported as BDS$30 million and for 2005 the Net Income is restated at approximately BDS$39 million.

Mrs. Margaret Walcott, S.C.M. and Mr. Alfred Clarke, C.B.E., Q.C., who served as Directors of the Company since 1976 and 1986 respectively, retired during the year. The Board acknowledges the valued contributions of Mrs. Walcott and Mr. Clarke to the Company. Their dedication and advice on Company matters are much appreciated.

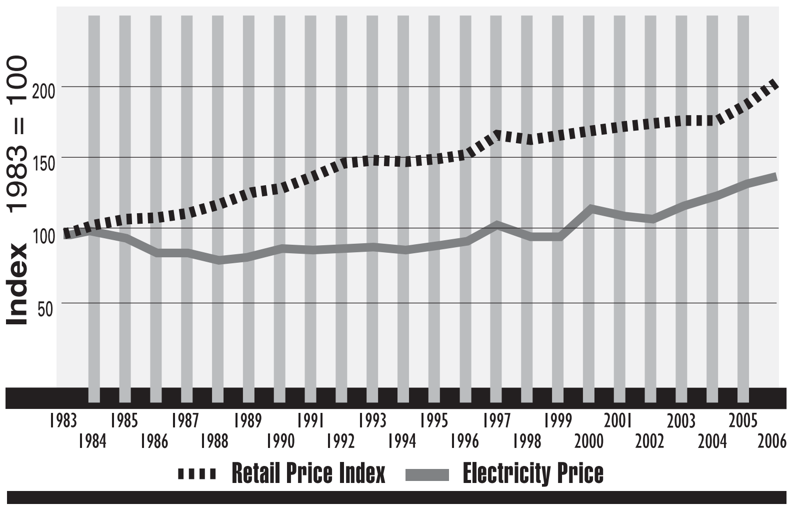
In June, Mr. Andrew Gittens retired from the position of Managing Director of The Barbados Light & Power Company. Mr. Gittens is highly respected, in the Company and beyond, for his knowledge, experience and leadership in the electricity business and the Directors are pleased that he has consented to continue serving as a member of the Boards of Light & Power Holdings Limited and its subsidiary, The Barbados Light & Power Company Limited.

The Directors appointed Mr. Peter Williams to the Boards of Light & Power Holdings and The Barbados Light & Power Company and effective July 1, 2006, as Managing Director of The Barbados Light & Power Company. Mr. Williams who joined the Company in 1977, has a Bachelor of Science degree in Mechanical Engineering from Manchester University, a Master of Science degree in Power Systems from the University of the West Indies and a Master of Business Administration degree from the University of Western Ontario. The Board extends its best wishes to Mr. Williams in his new role and looks forward to the continued success of the Company under his leadership.

Management and staff have performed well over the years. The Directors appreciate their continued efficient operation of the Company's complex technical systems that are used to serve customers in an increasingly competitive, global marketplace.

On behalf of the Board of Directors
Light & Power Holdings Ltd.
March 12, 2007

2006 *High oil prices continued to dominate World energy markets in 2006, and this impacted on the Company and its customers.*



Meeting the Challenge of Rising Costs

High oil prices continued to dominate World energy markets in 2006, and this impacted on the Company and its customers.

The new 60,000 kilowatt low speed diesel generating plant at Spring Garden, which was commissioned in May 2005, mitigated the impact of these high fuel prices. Customers benefited significantly from the use of these very efficient generating units which use the least expensive residual fuel oil. Indeed, 4.2% less fuel was required in 2006 to produce 2.8% more electricity than in 2005.

Despite these efficiency improvements, the Fuel Clause Adjustment reached an all time high of 22.9373 cents per kilowatt-hour in September 2006. However, demand for electricity still grew by 2.1% to 903,397,751 kilowatt-hours and the peak demand grew by 1.8% from 154.2 megawatts in 2005 to 157.0 megawatts in 2006.

While the Fuel Clause Adjustment fluctuates with the cost of fuel, basic rates for electricity have remained unchanged since 1983. The Company has maintained the basic electricity rates over the many years through continuous efficiency improvements.

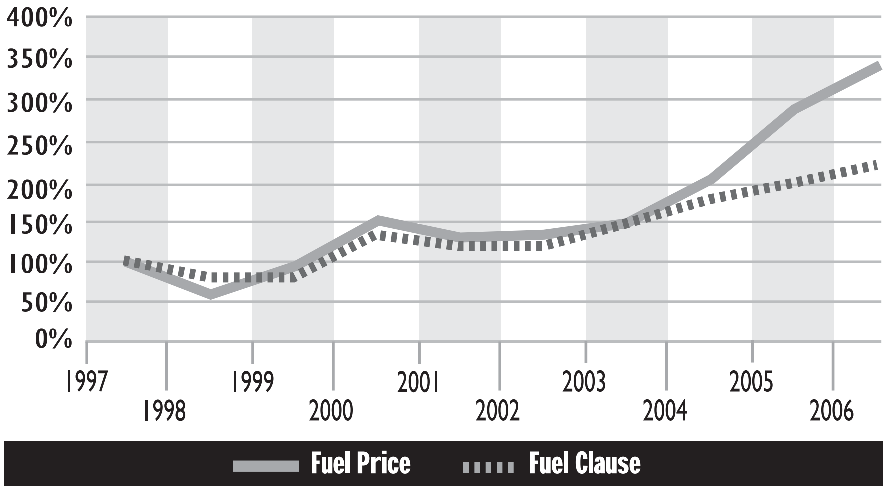
Substantial increases in the cost of non-fuel inputs have put pressure on the Company's ability to provide enough funds to meet its financial obligations and provide for investment in new plant and equipment while maintaining the present electricity rates.

Prices of copper and aluminium commodities that are required for the manufacture of transformers, overhead conductors and other items used by the Company in its transmission and distribution network, rose to record highs. Copper, which was quoted on London Metal Exchange at about US$1,700 per tonne in 2001, skyrocketed to levels over US$8,000 per tonne in 2006.

Improving Service Operations

The Barbados Light & Power continues to provide a safe and reliable electricity service to its customers. The Company continues to plan ahead to meet the increasing demand for electricity as well as to cater for the increasing requirement for better service and greater reliability.

New fuel supply arrangements came into operation during 2006. The Needham's Point fuel terminal was closed, and the Barbados National Terminal



Company Limited (BNTCL) opened its new fuel storage terminal at Fairy Valley to handle all distillate products imported into the island. BNTCL also reached agreement with ESSO to store residual fuel oil at ESSO's Holborn Terminal. Fuel is now transferred to the Spring Garden Generating Station via underground pipeline, replacing the steady stream of road tankers that previously transported fuel to the station.

Through careful attention to maintenance, overall generating plant availability remained at high levels. There was one disappointment during the year when on November 2nd a breakdown occurred on a 20,000 kilowatt gas turbine generator at the Seawell Generating Station. The repair is the subject of an insurance claim, and our insurers have been notified.

The Company continues to 'harden' its main generating and substation facilities against storm events and is placing all new transmission lines underground. A new 24,000 volt underground transmission circuit between Regency Park and Garrison Substations was commissioned during the year and provides a more secure and reliable connection to the south coast, including the Hilton Hotel and other major tourism developments.

It is uneconomic, however, to place all distribution lines underground. The cost of insurance against storm damage to the overhead distribution system remains prohibitive, and the Company, advised by its insurance broker, continues to build its self-insurance fund.

Service Standards Introduced

The Company is regulated by the Fair Trading Commission under the Utilities Regulation Act 2000. On June 1st 2006, the Commission, with the full cooperation of the Company, instituted standards of service which the Company is required to achieve. The Company has made information available to the public on the details of these standards. These include Guaranteed Standards, for which penalties apply if the Company fails to meet the required level of performance, and Overall Standards for which there are no direct penalties, but are monitored by the Commission to ensure that the Company provides an acceptable level of service. Up to year-end there were no claims by customers for failure to achieve the Guaranteed Standards.

Consultants engaged by the Commission also completed work on a review of the Fuel Clause

Adjustment. Subsequent to year-end, the Commission published its findings, accepting the consultant's recommendation for the continued use of the current method for calculating the Fuel Clause Adjustment. The Commission also indicated that it would intensify monitoring of the Company's efficiency.

In addition, the Commission concluded a regulatory audit of the Company during 2006 and has shared the report from this audit with the Company.

Expanding to Meet Customer Requirements

The economy of Barbados continues to expand. While still heavily dependent on tourism, the off-shore services sector is increasing in importance, with light manufacturing, and agriculture continuing to play important roles.

The estimated annual per capita income at US$8,500 in 2005 is high when compared to several neighbouring Caribbean countries, and Barbados also ranks high at number 30 on the United Nations Human Development Index of "Most Liveable Countries". It is the only country in the Caribbean and Latin America ranked in the top 30. Increasingly, Barbados is in the international spot-light, hosting major events such as the World Cup of Golf in 2006 and the ICC World Cup Cricket tournament in 2007.

Commensurate with this trend in the development of the island, the Company is committed to continuous improvement in the service it provides.

Rapid development is now taking place in the north of the island, featuring new residential and tourism projects. New underground transmission circuits are being installed along Highway 2A to meet the projected increase in demand for electricity. Plans are also progressing well for a new generating station at Trents, St. Lucy. After careful review, the Company has decided to install a 20,000 kilowatt gas turbine, which it expects to be in service by 2009. The unit would be used for peaking duty, but would be suitable for base load duty on natural gas if the proposed undersea gas pipeline from Trinidad & Tobago becomes a reality.

After evaluation, SPL Worldgroup, now a division of Oracle, was selected to supply a new computerised Customer Information System. The existing system, which has served the Company well for the past fifteen years, will be retired.

A team is also hard at work on the implementation of a new integrated Quality Management System, which encompasses several standards established and certified under the International Standards Organization. These include the ISO 9001-2000 standard for Quality Management, ISO 14001-2004 covering Environmental Management, and OHSAS 18001-1999 which deals with Health & Safety. This project is scheduled to be completed in 2008.

Global Warming & Renewable Energy

During 2006, the Company carried out an environmental impact assessment as part of the planning approval process for a proposed 10,000 kilowatt wind farm at Lamberts in St. Lucy. It is anticipated that this wind farm would produce about 26 to 30 million kilowatt-hours of electricity per year, or about 2.5% of the island's overall demand. This would avoid burning about 45,000 barrels of oil in conventional generators. With oil prices high, and uncertainty regarding future price increases, wind energy, the fastest growing and most proven source of renewable energy, offers an alternative for a portion of our future electricity needs.

Another potential source of renewable energy is biomass, and the Government has appointed a committee to develop a project for restructuring the sugar industry, which includes a generating plant to burn bagasse as part of a new factory and production of ethanol for use in vehicles.

Environmental Responsibility

Being environmentally responsible is one of the Company's key objectives. The Company was faced with a challenge regarding the disposal of eight diesel generators that were retired in 2005. With the cooperation of the Coastal Zone Management Unit, the old engine blocks, each weighing several tonnes, have been earmarked for use as mooring anchors and will be cleaned and placed in their locations offshore.

The Company has also installed additional equipment to assist in the clean up of our Garrison Hill compound, which has been contaminated with oil products over the many years. Clean up is also underway in a small area at the Spring Garden Generating Station following a leak in a diesel fuel pipeline.

National Energy Policy

Towards the end of the year, the Ministry of Energy and the Environment invited representatives of the Company to a presentation on plans for a proposed National Energy Policy. Subsequent to year-end the Government issued a draft policy document and the Company will be pursuing further discussions on the matter.

Management Changes

During 2006 there were several changes to the management team.

Mr. Tony Watkins, retired as Manager Information Systems, at the end of December 2005, having guided that department from its inception in 1971.

My predecessor, Mr. Andrew Gittens, retired as Managing Director at the end of June after 44 years of service to the Company. I wish to express my personal thanks to Mr. Gittens for his exemplary leadership.

I take this opportunity to thank these two gentlemen for their sterling contributions to the Company.

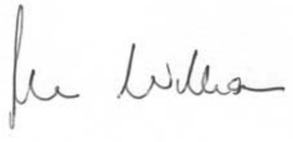
As a result of these changes, several new appointments were made to the management team: Mr. Mark King was appointed Chief Operating Officer, Mr. Stephen Worme, Chief Marketing Officer, Mr. Wayne Yearwood, Human Resources Manager, and Miss Sandra Franklyn, Manager Information Systems (designate).

Outgoing Managing Director, Andrew A. Gittens and new Managing Director, Peter Williams at a handing over ceremony

Engaging our Employees

A highly skilled and motivated team of people is at the core of service that the Company provides. During the period 2000 to 2006, 45 employees successfully completed diploma, bachelors and masters degrees in technical, business and human resource areas. The Company applauds these individuals for their commitment and continues to provide ongoing training and development for all its employees through a variety of training programmes.

I look forward to working with this group of people within our organisation who continue to strive to provide our customers with excellent service.



Peter W. B. Williams
Managing Director,
The Barbados Light & Power Co. Ltd.

The Barbados Light & Power Co. Ltd.	Senior Management
Managing Director	- Peter Williams
Chief Financial Officer	- Hutson Best
Senior Manager, Generation	- Hallam Edwards
Information Systems Manager (designate)	- Sandra Franklyn
Customer Services Manager	- Hallam Hunte
Chief Operating Officer	- Mark King
Corporate Services Manager	- Hartley Richards
Senior Manager, Distribution	- Keith Richards
Chief Marketing Officer	- Stephen Worme
Human Resources Manager	- Wayne Yearwood

Simplified Financial Statement

The Barbados Light & Power Company Limited

	2006
47 ¢	Fuel excluding VAT
20 ¢	Labour & materials to operate & maintain the system
14 ¢	Taxes and VAT
10 ¢	Contributions to investment in new equipment needed to meet customers future requirements
3 ¢	Repayment of long term loans
3 ¢	Insurance
2 ¢	Shareholders' dividends
1 ¢	Interest on loans
100 cents	

PRICEWATERHOUSECOOPERS

Auditors' Report

To the Shareholders of
Light & Power Holdings Ltd.

PricewaterhouseCoopers
The Financial Services Centre
Bishop's Court Hill
P.O. Box 111
St. Michael BB14004
Barbados, W.I.
Telephone (246) 436-7000
Facsimile (246) 436-1275

We have audited the accompanying consolidated financial statements of Light & Power Holdings Ltd.(the company) and its subsidiaries (together "the Group) which comprise the consolidated balance sheet as at December 31, 2006, and the consolidated statement of income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 2006, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers

Chartered Accountants
Bridgetown, Barbados
March 15, 2007

Consolidated Balance Sheet

As of December 31, 2006 (expressed in Barbados dollars)

	Notes	2006 $000's	2005 $000's
Assets			
Non-current assets			
Property, plant and equipment	5	**567,785**	546,200
Investment in associates	6	**15,965**	-
Financial investments	7	**70,863**	61,766
Other assets	8	**220**	249
		654,833	608,215
Current assets			
Cash resources	9	**39,994**	51,683
Trade and other receivables	10	**39,378**	32,829
Corporation tax recoverable		**102**	57
Inventories	11	**30,093**	30,976
		109,567	115,545
Total assets		**764,400**	723,760
Equity			
Share capital	12	**119,433**	89,840
Other reserves	13	**200,310**	188,864
Retained earnings		**208,359**	195,520
		528,102	474,224
Non-current liabilities			
Borrowings	14	**96,699**	109,113
Customers' deposits	15	**19,819**	17,646
Deferred credits	16	**45,439**	42,934
Deferred tax liability	17	**32,197**	34,308
		194,154	204,001
Current liabilities			
Trade and other payables	18	**25,629**	24,582
Provision for other liabilities and charges	19	**4,101**	7,111
Current portion of borrowings	14	**12,414**	13,842
		42,144	45,535
Total equity and liabilities		**764,400**	723,760

Approved by the Board of Directors on March 15, 2007 and signed on its behalf by:

Frank O. McConney - Director

E. L. Greaves - Director

Consolidated Statement of Changes in Equity

For the year ended December 31, 2006 (expressed in Barbados dollars)

	Preference shares $000's	Common shares $000's	Revaluation surplus $000's	Other reserves $000's	Retained earnings $000's	Total $000's
Balance at December 31, 2004 as previously reported	500	89,554	165,623	109,522	171,993	537,192
Change to the cost model of accounting for property, plant and equipment (Note 27)	-	-	(165,623)	-	-	(165,623)
SIC 12 adjustment - re Self Insurance Fund (Note 27)	-	-	-	69,646	-	69,646
Balance at December 31, 2004 as restated	500	89,554	-	179,168	171,993	441,215
Dividends paid	-	-	-	-	(5,818)	(5,818)
Issue of common shares	-	870	-	-	-	870
Repurchase of common shares	-	(1,084)	-	-	-	(1,084)
Transfer to Self Insurance Fund	-	-	-	9,606	(9,606)	-
Change in fair value of Financial investments	-	-	-	90	-	90
Net income for the year	-	-	-	-	38,951	38,951
Balance at December 31, 2005 as restated	**500**	**89,340**	-	**188,864**	**195,520**	**474,224**
Balance at December 31, 2005 as previously reported	500	89,340	154,636	109,522	195,520	549,518
Change to the cost model of accounting for property, plant and equipment (Note 27)	-	-	(154,636)	-	-	(154,636)
SIC 12 adjustment - re Self Insurance Fund (Note 27)	-	-	-	79,342	-	79,342
Balance at December 31, 2005 as restated	500	89,340	-	188,864	195,520	474,224
Dividends paid	-	-	-	-	(6,119)	(6,119)
Issue of common shares	-	29,652	-	-	-	29,652
Repurchase of common shares	-	(59)	-	-	-	(59)
Share issue costs (Note 12)	-	-	-	(494)	-	(494)
Transfer to Self Insurance Fund	-	-	-	11,408	(11,408)	-
Change in fair value of financial investments	-	-	-	532	-	532
Net income for the year	-	-	-	-	30,366	30,366
Balance at December 31,2006	**500**	**118,933**	-	**200,310**	**208,359**	**528,102**

Consolidated Statement of Income

For the year ended December 31, 2006 (expressed in Barbados dollars)

	Notes	2006 $000's	2005 $000's
Operating revenue	20	**361,653**	339,231
Operating expenses			
Fuel		**195,447**	176,669
Generation		**44,496**	30,828
General		**36,148**	34,161
Distribution		**12,585**	12,377
Depreciation		**37,630**	39,574
Foreign exchange (gain)/loss		**(111)**	60
		326,195	293,669
		35,458	45,562
Other income	21	**5,028**	3,235
Operating income		**40,486**	48,797
Interest and finance charges		**(6,808)**	(7,067)
Share of loss of associated companies	6	**(2,800)**	-
Income before taxation		**30,878**	41,730
Taxation	17	**(512)**	(2,779)
Net income for the year		**30,366**	38,951
Basic and diluted earnings per share (cents)	24	**174.33**	254.66

Consolidated Statement of Cash Flows

For the year ended December 31, 2006 (expressed in Barbados dollars)

	2006 $000's	2005 $000's
Cash flows from operating activities		
Income before taxation	30,878	41,730
Adjustments for non-cash items:		
Share of loss of associated companies	2,800	-
Depreciation	37,630	39,574
(Gain)/loss on foreign exchange	(111)	60
(Gain)/loss on disposal of property, plant and equipment	(5)	2
Interest income	(5,028)	(3,235)
Interest expense	6,808	7,067
Net change in provision for other liabilities and charges	(3,010)	277
Deferred charges	29	309
Operating income before working capital changes	69,991	85,784
Increase in trade and other receivables	(5,865)	(4,862)
Decrease/(increase) in inventories	883	(7,684)
Increase in trade and other payables	1,092	3,074
Cash generated from operations	66,101	76,312
Interest paid	(6,716)	(6,631)
Corporation tax (paid)/recovered	(45)	2
Net cash from operating activities	59,340	69,683
Cash flows (used in)/from investing activities		
Additions to property, plant and equipment	(62,476)	(42,874)
Purchase of financial investments	(8,700)	(7,693)
Decrease/(increase) in fixed term deposits and restricted cash	9,688	(9,020)
Acquisition of associates	(18,765)	-
Proceeds on disposal of property, plant and equipment	10	28
Interest received	4,344	2,470
Net cash used in investing activities	(75,899)	(57,089)
Cash flows from/(used in) financing activities		
Share issue costs	(494)	-
Repurchase of common shares	(59)	(1,084)
Issue of common shares	29,652	870
Dividends paid	(6,119)	(5,818)
Repayments of borrowings	(13,842)	(11,503)
Customers' contributions	3,248	2,096
Customers' deposits and accrued interest	2,173	2,025
Net cash from/(used in) financing activities	14,559	(13,414)
Net decrease in cash and cash equivalents	(2,000)	(820)
Cash and cash equivalents - beginning of year	28,135	28,955
Cash and cash equivalents - end of year (note 9)	26,135	28,135

1 **General information**

Light & Power Holdings Ltd. ("the Company") was incorporated on October 9, 1997 under the Companies Act, Chapter 308 of the Laws of Barbados and is listed on the Barbados Stock Exchange. The principal activities of the Company and its subsidiaries (including special purpose entities) ("the Group") include the generation, distribution and supply of electricity, the provision of telecommunication services and the operation of a self insurance fund to manage certain of the Group's insurance risks. Details of subsidiary and associated companies are set out in Note 30.

The registered office of the Company is located at Garrison Hill, St. Michael.

2 **Summary of significant accounting policies**

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

a) Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) and under the historical cost convention, as modified by the revaluation of available-for-sale financial investments.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

Standards, interpretations and amendments to published standards effective in financial year 2006

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group in the current financial year. The Group has assessed the relevance of all such new standards, amendments and interpretations and has adopted the following IFRSs, which are relevant to its operations. The 2005 comparative figures have been amended as required, in accordance with the relevant requirements.

SIC 12 (Amendment)	Consolidation - Special Purpose Entities (effective from January 1, 2005)
IAS 19 (Amendment)	Employee Benefits (effective from January 1, 2006)

Standards, interpretations and amendments to published standards that are not yet effective

Management has reviewed the new standards, amendments and interpretations to published standards that are not yet effective and concluded that only those listed below are relevant to the company's operations. These will be adopted in the financial year beginning January 1, 2007.

i) IFRS 7 - Financial Instruments: Disclosures. This standard introduces additional qualitative and quantitative information on each type of risk arising from financial instruments. Additional sensitivity analyses may be undertaken to comply with this standard.

ii) IAS 1 (Amendment) - Presentation of Financial Statements. This amendment requires disclosure on an entity's objectives, policies and processes for managing capital.

b) Principles of consolidation

The consolidated financial statements include the assets, liabilities and results of operations of the parent company and its subsidiaries (including special purpose entities) ("the Group") as disclosed in Note 1. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All inter-company balances and transactions have been eliminated in full.

i) Subsidiaries

Subsidiary companies are entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than 50% of the voting rights and is able to exercise control over the operations.

Subsidiaries are fully consolidated from the date on which control is transferred and continue to be consolidated until the date that such control ceases. The purchase method of accounting is used to account for acquisition of subsidiaries. The cost of acquisition is measured at the fair value of shares issued, assets given up, or liabilities undertaken at the date of acquisition, plus costs directly attributable to the acquisition.

ii) Associate Companies

Associates are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement. When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on the behalf of the associate.

c) Foreign currency translation

Functional and presentation currency

The consolidated financial statements are presented in Barbados dollars which is also the Group's functional currency.

Transactions and balances

Foreign currency transactions are translated into Barbados currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

d) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments.

A geographical segment is engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments. The company has one geographical segment.

e) Property, plant and equipment

Property, plant and equipment are stated at historic cost less accumulated depreciation and impairment losses. Cost represents expenditure that is directly attributable to the acquisition of the items and include cost of materials, direct labour, supervision and engineering charges and interest incurred during construction which is directly attributable to the acquisition or construction of a qualifying asset.

Subsequent costs are included in the asset's carrying value or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of income during the financial period in which they are incurred.

Contributions received towards construction of electric plant are credited to the cost of work in progress or are shown as deferred credits in the case where construction has not yet started.

Interest cost on property, plant and equipment is capitalised and included in the appropriate capital asset account until the asset is made available for service.

Land is not depreciated. No depreciation is provided on work-in-progress until the assets involved have been completed and are available for use. For financial reporting purposes depreciation on other property, plant and equipment is calculated by the straight line method using rates required to allocate the cost of the assets less salvage over their estimated service lives as follows:

Generation	-	2% - 5%
Transmission and Distribution	-	2% - 15%
Other	-	2% - 37%

When depreciable property, 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 material 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.

The assets' residual value, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each balance sheet date.

An asset's carrying value is written down immediately to its recoverable amount if the asset's carrying value is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These are included in the statement of income.

f) Financial investments

The Group has classified its financial investments as available-for-sale. Management determines the classification at initial recognition and reviews the designation at every reporting date. The classification depends on the purpose for which the financial investments are acquired.

Available-for-sale financial investments are intended to be held for an indefinite period of time, and may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices. Available-for-sale financial investments are carried at fair value based on current bid prices on the market. Unrealised gains and losses arising from changes in the fair value of available-for-sale financial investments are recognised directly in equity until the financial investments is sold, or otherwise disposed of, or until the financial investments is determined to be impaired at which time the cumulative gain or loss will be included in net income or loss for the period.

All purchases and sales of investments are recognised on the trade date, which is the date that the Company commits to purchase and sell the asset. Cost of purchase includes transaction costs.

g) Impairment of non-financial assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

h) Cash and cash equivalents

These consist of cash held in hand and at bank, deposits held at call with banks and other short-term highly liquid investments with original maturities of three (3) months or less.

i) Trade receivables

Trade receivables are recognised initially at fair value less provision for discounts. A provision for impairment of accounts receivable is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of receivables. In addition, a provision for discounts based on historical experience, is created in anticipation of accounts that will be settled prior to the scheduled due date. The amount of the provisions is recognised in the income statement.

j) 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.

k) Share capital

Common shares are classified as equity. Redeemable preference shares are treated as equity because they cannot be converted by the holders thereof at any time neither, is the Company mandatorily required to redeem them on a specific date.

Where the Company repurchases its own shares, the consideration paid is deducted from equity, until such shares are reissued or cancelled.

Incremental costs directly attributable to the issue of new shares, is shown as a deduction from equity in accordance with IAS 32 and included in other reserves in the statement of changes in equity.

l) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost and any difference between the net proceeds and the redemption value is recognised in the statement of income over the period of the borrowings using the effective interest method.

m) Taxation

Deferred income tax

Deferred income tax is provided in full using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates that have been enacted by the balance sheet date and are expected to apply when the asset is realised or the liability is settled. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which unused tax assets can be utilised.

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 twenty (20) years.

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.

n) Customers deposit

Commercial and all other customers except Barbadian residents categorised under the Domestic Service tariff are normally required to provide security for payment, however, Barbadian residents under this tariff may be asked to provide security if they are delinquent in paying their bills. The cash deposit is refunded with accumulated interest when the account is terminated or arrangements made to provide alternative security (e.g. a banker's guarantee).

Given the long term nature of the customer relationship, customer deposits are shown in the balance sheet as non-current liabilities (i.e. not likely to be repaid within twelve months of the balance sheet date). Interest accrues on deposits at 8% per annum.

o) Revenue recognition

Revenue comprises the value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities.

The Group records revenue, other than fuel clause revenue, as billed to its customers, net of value-added tax, and discounts 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.

Interest income is recognised on an accrual basis.

Dividend income is recognised when the Group's right to receive payment is established.

p) Employee benefits

The Group 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. 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 employees service in the current and prior periods. (Note 25).

q) Share purchase scheme

The employees of the subsidiary company, The Barbados Light & Power Company, have the option to receive their annual bonus in cash and or common shares of the parent company under General By-Law No. 1, Section 12.1 of the parent company's Articles of Incorporation and General By-Laws. The shares are issued at 80% of market value. The 20% discount is recognised as an expense, which is included in employee benefits.

r) Dividend distribution

Dividend distribution to the Group's shareholders is recognised as a liability in the period in which the dividend is declared by the directors.

3 **Financial risk management**

a. **Financial instruments**

Financial assets of the Group include cash resources, trade receivables and available-for-sale financial investments. Financial liabilities include borrowings, trade payables 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.

b. **Fair values**

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

c. **Financial risk factors**

The Group's main objective is to maximise shareholders' value within an acceptable level of risk. The Group's exposure and approach to its key risks are as follows:

(i) **Foreign currency risk**

This is the potential adverse impact on the Group's earnings and economic value due to movements in exchange rates.

The Group is exposed to foreign exchange risk arising primarily from foreign currency borrowings and purchases of plant, equipment and spares from foreign suppliers.

All borrowings have been formally fixed to the United States dollar (US$) to mitigate exposure to fluctuations in foreign currency exchange rates, since there is a fixed exchange rate between the Barbados dollar and United States dollar. Additionally most foreign currency purchases are denominated in United States dollars.

(ii) **Liquidity risk**

Liquidity risk refers to the risk that the Group cannot adequately generate sufficient cash and cash equivalents to satisfy commitments as they become due.

Management is of the view that the Company holds adequate cash and credit facilities to meet its funding requirements.

(iii) **Credit risk**

Credit risk is the inherent risk that counterparties may experience business failure or otherwise avoid their contractual obligations.

The Group's financial assets, which potentially subject the Group to concentrations of credit risk, consist principally of bank deposits and trade receivables. The Group's bank deposits are placed with highly rated financial institutions to limit its exposure. Credit risk with respect to trade receivables is substantially reduced due to the policies implemented by management. Deposits are required from commercial customers upon application for a new service and management performs periodic credit evaluations of its general customers' financial condition. Management does not believe significant credit risk exists at December 31, 2006.

(iv) **Underinsurance risk**

The subsidiary company, The Barbados Light & Power Company has established a "Self Insurance Trust Fund" to set aside funds on an annual basis to mitigate this risk.

In addition to the funds held in trust, the 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.

(v) **Interest rate risk**

Interest rate risk is the potential adverse impact on the earnings and economic value of the Group caused by movements in interest rates.

The Group manages interest rate risk by issuing long-term debt at fixed interest rates, thereby minimising cash flow and interest rate exposure. The Group is however exposed to changes in fair value on borrowings. The Group's exposure to interest rates and the terms of loan repayments are disclosed in notes 9 & 14.

4 **Critical accounting estimates and judgements**

The development of estimates and the exercise of judgement in applying accounting policies may have a material impact on reported assets, liabilities, revenues and expenses.

Other than in the establishment of routine provisions against trade receivables, inventories and provisions for liabilities and other charges no significant estimates or judgements have been required in applying accounting policies which may have a material impact on the group's reported assets, liabilities, revenues and expenses.

5 **Property, plant and equipment**

	Generation $000's	Transmission & distribution $000's	Other $000's	Work in progress $000's	Total $000's
At December 31, 2004					
Cost	319,971	329,153	65,418	148,316	862,858
Accumulated depreciation	(188,962)	(100,230)	(28,641)	-	(317,833)
Net book amount	131,009	228,923	36,777	148,316	545,025
Year ended December 31, 2005					
Opening net book amount	131,009	228,923	36,777	148,316	545,025
Additions and transfers	145,534	20,185	4,736	(129,678)	40,777
Disposals	-	-	(28)	-	(28)
Depreciation charge	(15,955)	(18,570)	(5,049)	-	(39,574)
Closing net book amount	260,588	230,538	36,436	18,638	546,200
At December 31, 2005					
Cost	462,211	343,210	67,489	18,638	891,548
Accumulated Depreciation	(201,623)	(112,672)	(31,053)	-	(345,348)
Net book amount	260,588	230,538	36,436	18,638	546,200
Year ended December 31, 2006					
Opening net book amount	260,588	230,538	36,436	18,638	546,200
Additions and transfers	3,360	16,464	2,734	36,671	59,229
Disposals	-	-	(14)	-	(14)
Depreciation charge	(15,948)	(19,211)	(2,471)	-	(37,630)
Closing net book amount	248,000	227,791	36,685	55,309	567,785
At December 31, 2006					
Cost	459,786	356,998	68,312	55,309	940,405
Accumulated depreciation	(211,786)	(129,207)	(31,627)	-	(372,620)
Net book amount	**248,000**	**227,791**	**36,685**	**55,309**	**567,785**

6 Investment in associates

	2006 $000's	2005 $000's
Balance - beginning of year		
Acquisition of associates	18,765	-
Share of loss for year	(2,800)	-
Balance - end of year	15,965	-

During the year the Group acquired a 100% ownership in LPH Telecom Limited, a telecommunications company incorporated in Barbados. LPH Telecom Limited has a 25% ownership in the companies listed in the table below and effectively, the Group owns 25% of these companies.

The Group's share of the results of its principal associates and its share of the assets and liabilities are as follows:

Name	% Interest	Assets $ 000's	Liabilities $ 000's	Revenues $ 000's	Profit/(loss) $ 000's
Antilles Crossing International, LP	25%	10,940	11,338	57	(398)
Tele(Barbados) Inc.	25%	3,190	5,141	219	(1,870)
Antilles Crossing, LP	25%	2,391	2,624	-	(96)
Antilles Crossing - St. Croix, Inc.	25%	1,454	1,802	-	(348)
Antilles Crossing (St. Lucia) Limited	25%	1,312	1,403	-	(88)

7 Financial investments

Available-for-sale

	2006 $000's	2005 $000's
Balance - beginning of year	61,766	54,128
Additions	8,700	7,693
Unrealised foreign exchange loss	(135)	(145)
Change in fair value	532	90
Balance - end of year	70,863	61,766

	2006 $000's	2005 $000's
Listed securities		
US Common Shares	2,597	2,339
US Corporate Bonds, Debentures, Short & Medium term notes	54,429	52,637
US Government Bonds	13,837	6,790
	70,863	61,766

These available-for-sale financial investments include assets held in trust on behalf of the Self Insurance Fund that are not available to the Group for use in its operations.

8 Other assets

	2006 $000's	2005 $000's
Deferred finance charges	208	249
Other	12	-
	220	249

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.

9 Cash resources

	2006 $000's	2005 $000's Restated
Cash in hand and at bank	11,562	10,331
Short term bank deposits	14,573	17,804
Cash and cash equivalents	26,135	28,135
Fixed term deposits	-	6,900
Fixed term bank deposits - Self Insurance Fund	13,670	14,716
Cash at bank - Self Insurance Fund	189	1,932
Cash resources	39,994	51,683

Interest rates on short-term bank deposits range between 4% and 5.75% (2005 - 4% and 4.75%) per annum. These deposits have an average maturity of 90 days.

Interest rates on the fixed term bank deposits range between 3% and 7.5% (2005 - 2% and 7.5%).

The cash and term deposits of the Self Insurance Fund are not available for use in the Group's operations.

10 Trade and other receivables

	2006 $000's	2005 $000's Restated
Trade receivables	28,279	22,840
Less provision for impairment and discounts	(300)	(260)
Trade receivables, net	27,979	22,580
Other receivables	5,013	4,702
Prepayments	6,386	5,547
	39,378	32,829

The movement in the provision for impairment was as follows:

	2006 $000's	Restated 2005 $000's
Balance - beginning of year	260	210
Increase in provision - general	40	50
	300	260

11 **Inventories**

	2006 $000's	2005 $000's
Fuel	6,878	5,109
Materials and spares	18,489	22,684
Goods in transit	4,726	3,183
	30,093	30,976

12 **Share capital**

Authorised
100,000 - 5.5% Cumulative preference shares
500,000 - 10% Cumulative redeemable preference shares
100,000,000 - Common shares
10 - Class A redeemable preference shares

Issued

	2006 $000's	2005 $000's
100,000 - 5.5% Cumulative preference shares	500	500
17,447,157 (2005 - 14,488,457) Common shares of no par value	118,933	89,340
	119,433	89,840

	2006 No.	2005 No.
Common Shares		
Shares outstanding at January 1	14,488,457	14,509,559
Repurchased during the year	(5,646)	(98,394)
Issued during the year	2,964,346	77,292
Balance at December 31	17,447,157	14,488,457

The Directors of the Company have agreed to set aside 600,000 common shares to be issued to the employees of Light & Power Holdings Ltd. and the subsidiary company, The Barbados Light & Power Company Limited under General By-Law No 1, Section 12.1. In November 2006, 66,655 common shares at $10.13 per share were issued under this Scheme. The Company also repurchased 5,646 shares at $10.50 per share, which were cancelled.

Of the total shares issued during the year, 2,897,691 represented the approved Offering of Rights for Shareholders to subscribe for additional Common Shares. Under the terms of the offer, each shareholder was issued one right for every five shares held. The proceeds from the issue will be used for investment in telecommunications projects and other investment opportunities. The incremental cost attributable to the share issue amounted to $0.5 million.

13 Other reserves

	2006 $000's	2005 $000's
i) **Capital Reserve**		
Balance - beginning and end of year	109,522	109,522
ii) **Self Insurance Fund**		
Balance - beginning of year	79,342	69,646
Transfer from retained earnings	11,408	9,606
Change in fair value of investments	532	90
Balance - end of year	91,282	79,342
iii) **Share issue costs**		
Incremental cost attributable to share issue (note 12)	(494)	-
Total other reserves	200,310	188,864

i) This represents an amount of retained earnings that was capitalised in the subsidiary company, The Barbados Light & Power Company Limited, in 2004 and is no longer available for distribution.

ii) Funds set aside by the subsidiary company, The Barbados Light & Power Company Limited, to build an insurance reserve to cover risk against damage and consequential loss to its transmission and distribution system as a result of a catastrophe.

Under the Insurance Regulation 1998, the Self Insurance Fund shall only be utilized by the subsidiary company, The Barbados Light & Power Company for the purpose of replacing or reinstating the self insured assets which are damaged by catastrophe and compensating for any financial loss suffered as a result of such damage. Where the Fund is utilized for any other purpose any monies withdrawn shall be subject to corporation tax.

The total funds set aside plus investment income accrued less related expenses is consolidated with the Group's accounts in accordance with IAS 27 - SIC 12.

iii) This represents the incremental costs directly attributable to the Offering of Rights issue. In accordance with IAS 32, these costs are shown as a deduction from equity.

14 Borrowings

	2006 $000's	2005 $000's
FirstCaribbean International Bank (Bahamas) Limited Repaid in 2006 (2005 - US $850,000) Libor plus 1.25%	-	1,733
European Investment Bank - Protocol 11 US$ 9,697,382 (2005 - US $11,470,000) 6.23% repayable 2006/2011	19,771	23,384
European Investment Bank - Protocol 111 US $25,012,090 (2005 - US $28,178,750) 4.27% repayable 2006/2013	50,993	57,450
National Insurance Board - Debenture Stock Certificates (Total facility BDS $20,000,000) 5% repayable 2020	20,000	20,000
FirstCaribbean International Bank (Cayman) Ltd US $9,000,000 (2005 - US $10,000,000) 5.98% repayable 2006/2015	18,349	20,388
Total long term borrowings	109,113	122,955
Less current portion	(12,414)	(13,842)
Non-current portion	96,699	109,113

Borrowings, 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 present and future property of the subsidiary company, The Barbados Light & Power Company Limited. The Debenture Trust Deed restricts the subsidiary company from issuing debentures ranking pari passu with the floating charge created, unless the subsidiary 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 2006.

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

The maturity of borrowings is as follows:

	2006 $000's	2005 $000's
Less than 1 year	12,414	13,842
Between 1 and 5 years	61,624	66,319
Over 5 years	35,075	42,794
Total	109,113	122,955

15 **Customers' deposits**

Commercial and non-resident customers are required to pay a security deposit for energy connections that are refundable when service is no longer required. Interest accrues on these deposits at a rate of 8% per annum (2005 - 8% p.a.).

	2006 $000's	2005 $000's
Balance - beginning of year	17,646	15,621
New deposits	1,773	1,641
Deposits refunded	(885)	(757)
Net interest	1,285	1,141
Balance - end of year	19,819	17,646

16 **Deferred credits**

	2006 $000's	2005 $000's
Accumulated investment tax credit	32,240	32,102
Accumulated manufacturing tax credit	12,412	9,928
Customer contributions for work not yet started	787	904
	45,439	42,934

17 **Taxation**

a) Corporation tax expense

	2006 $000's	2005 $000's
Current tax	-	31
Deferred tax	(2,111)	972
Deferred investment tax credit	138	(714)
Deferred manufacturing tax credit	2,485	2,490
	512	2,779

The tax on income before taxation differs from the theoretical amount that would arise using the corporation tax rate of 25% for the following reasons:

	2006 $000's	Restated 2005 $000's
Income before taxation	30,878	41,730
Corporation tax at 25% (2005- 25%)	7,719	10,432
Depreciation on assets not qualifying for capital allowances	97	91
Tourism development fund allowance	(34)	(36)
Share of loss in associate	700	-
Income not subject to tax	(959)	(525)
Tax allowance - Self Insurance Fund income	(1,892)	(1,874)
Expenses not allowable for tax purposes	-	13
Manufacturing allowance net of deferred portion	(2,611)	(2,875)
Investment tax credit net of deferred portion	(2,753)	(2,711)
Deferred tax asset not recognised	229	245
Over provision of prior year's tax	16	19
	512	2,779

b) Deferred tax liability

The net deferred tax liability is calculated in full on temporary differences under the liability method using a tax rate of 25% (2005 25%). The movement on the account is as follows:

	2006 $000's	2005 $000's
Balance at January 1	34,308	33,336
(Credit)/charge to the income statement	(2,111)	972
Balance at December 31	32,197	34,308

The deferred tax liability on the balance sheet consists of the following components:

	2006 $000's	2005 $000's
Accelerated tax depreciation	166,600	156,511
Taxed provisions	(11,214)	(12,678)
Unutilised tax losses	(26,596)	(6,601)
	128,790	137,232
Deferred tax liability at corporation tax rate of 25% (2005 - 25%)	32,197	34,308

The Group has a deferred tax asset of $0.6 million (2005 - $0.3 million) that has not been recognised due to the uncertainty of its recovery in future periods.

Accelerated tax depreciation and taxed provisions have no expiry dates. The expiry dates of the unutilised tax losses are disclosed in note 17 (c).

c) Tax losses

The group has tax losses of $29.1 million (2005 $7.7 million) available to be carried forward and applied against future taxable income. The losses are as computed by the Group in its tax returns and have not been confirmed nor disputed by the Commissioner of Inland Revenue. The losses and their expiry dates are as follows:

Income Year	Amount $000's	Expiry date
1999	28	2008
2000	15	2009
2001	11	2010
2002	9	2011
2003	9	2012
2004	13	2013
2005	7,582	2014
2006	21,439	2015
	29,106	

18 **Trade and other payables**

	2006 $000's	2005 $000's
Trade payables	18,702	16,987
Accrued expenses	2,302	1,954
Other payables	4,625	5,641
	25,629	24,582

19 **Provision for other liabilities and charges**

	Environmental restoration $000's	Maintenance $000's	Performance & Other Bonuses $000's	Regulatory fees $000's	Total $000's
At January 1, 2005	3,340	1,581	1,345	845	7,111
Charged to income					
- Additional provisions	-	-	1,700	500	2,200
- Unused amounts reversed	-	-	(326)	-	(326)
Used during year	(367)	(1,581)	(2,135)	(801)	(4,884)
At December 31,2006	2,973	-	584	544	4,101

20 **Segmental reporting**

The revenue collection of the subsidiary company The Barbados Light & Power Company, is organised into domestic, commercial, street lighting and miscellaneous revenue segments.

Costs and assets cannot be readily allocated to revenue segments, as common property, plant and equipment, other assets, labour and overheads are used to generate electricity for all revenue segments.

An analysis of revenue by business segment is detailed as follows:

	2006 $000's	2005 $000's
Business segments		
Domestic service	111,318	106,168
Commercial service	244,382	227,500
Street lights	4,109	3,871
Miscellaneous	1,844	1,692
Total revenue	361,653	339,231

21 **Other income**

Other income is comprised as follows

	2006 $000's	2005 $000's
Investment income - Self Insurance Fund	4,027	2,421
Interest income	1,001	814
	5,028	3,235

22 **Expenses by nature**

	2006 $000's	2005 $000's
Maintenance of plant	26,040	15,523
Employee benefits (excluding amounts charged to capital)	38,027	35,159
Insurance	4,271	3,966
Other expenses	52,072	51,420
	120,410	106,068

Employee benefits comprise:

	2006 $000's	2005 $000's
Wages and salaries	37,588	35,615
Social security costs	2,139	1,870
Pension (note 25)	3,669	4,244
Other benefits and share discount	1,403	1,454
	44,799	43,183
Average number of persons employed by the Group During the year	506	500

23 **Related party transactions**

Key management compensation

	2006 $000's	2005 $000's
Salaries & other short term benefits	3,267	3,407
Directors' fees	97	106
Pension	584	609
Share discount	35	39
	3,983	4,161

24 **Earnings per share**

The earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of common shares in issue during the year.

	2006 $000's	2005 $000's
Net income for the year	30,366	38,951
Less income from restricted funds (Self Insurance Fund)	(3,838)	(2,106)
Profit attributable to equity holders of the Company	26,528	36,845
Weighted average number of common shares	15,217,493	14,469,427
Basic earnings per share (cents)	174.33	254.66

The Company has no dilutive potential ordinary shares, therefore, diluted earnings per share is the same as basic earnings per share.

25 **Retirement benefits**

The Group operates a defined benefit pension plan for its employees. It pays a pension 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, and the insurer has sole responsibility for paying the benefits, the plan has been accounted for as if it were a defined contribution plan as allowed by IAS 19. Pension cost for the year was $3.7 million (2005 - $4.2 million)

26 **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 $3.0 million to be issued in accordance with the provisions of the Debenture Trust Deed to secure overdraft facilities granted to the Company. (Note 14).

27 **Prior period adjustments**

i) Accounting policy change - property, plant and equipment

During the year, the Group changed its policy for accounting of property, plant and equipment from the revaluation model to the cost model.

The revaluation model was introduced in 1966. However, the directors consider that the cost model provides more objective, verifiable and understandable information and brings the Company accounting for property, plant and equipment in alignment with other utilities and capital intensive industries in Barbados and Edison Electric Institute (EEI) members in the USA and makes the Company's financial statements more comparable.

As a result of this policy change, property, plant and equipment has been reduced by $154.6 million and $165.6 million as at December 31, 2005 and 2004, and net income increased for 2005 by $13.9 million. The change had no effect on opening retained earnings.

ii) Consolidation of Self Insurance Fund

During the year, management reviewed the amendment to IAS 27 – Consolidated and Separate Financial Statements along with SIC 12 - Consolidation- Special Purpose Entities and concluded that the assets and liabilities of the Self Insurance Fund were required to be consolidated under SIC 12. This change has been accounted for retrospectively and its effects are disclosed in the statement of changes in equity. As a result of this change, other reserves have increased by $79.3 million and $69.6 million as at December 31, 2005 and 2004, respectively.

28 **Capital commitments**

The Group has budgeted capital expenditure of $91.6 million for the 2007 income year of which $37.7 million was contracted for at December 31, 2006.

29 **Contingent liabilities**

The Group is contingently liable in respect of various claims brought during the normal course of business. The amounts are considered negligible and are usually covered by insurance.

30 **Subsidiary and associated companies**

	Country of Incorporation	Equity %
Subsidiaries		
The Barbados Light & Power Company Limited (Generation, Supply & Distribution of Electricity)	Barbados	100%
LPH Telecom Ltd. (Telecommunications)	Barbados	100%
The Barbados Light & Power Company Limited Self Insurance Fund (Special Purpose Entity)	Barbados	100%
Associated Companies		
LPH Telecom Ltd. has investments in the below entities:		
Antilles Crossing International, LP	Delaware, USA	25%
Antilles Crossing - St. Croix Inc.	St. Croix - USVI	25%
Antilles Crossing, LP via Antilles Crossing Int'l. , LP	Barbados	25%
Antilles Crossing (St. Lucia) Ltd. via AC (Barbados) IBC, Inc.	St. Lucia	25%
Tele(Barbados) Inc. via Antilles Crossing Holding Co. St. Lucia Ltd.	Barbados	25%

Financial Statistics

	2006 $000's	2005 $000's	2004 $000's	2003 $000's	2002 $000's
Property plant and equipment	**940,405**	891,548	862,858	764,731	695,498
Less accumulated depreciation	**(372,620)**	(345,348)	(317,833)	(293,689)	(264,204)
Net fixed assets	**567,785**	546,200	545,025	471,042	431,294
Capital employed	**714,065**	673,515	649,262	571,428	503,930
Represented by:					
Long term debt (%)	**15.3**	18.3	20.7	16.8	12.0
Deferred credits (%)	**10.7**	11.3	11.3	14.8	16.5
Shareholders' equity	**74.0**	70.4	68.0	68.4	71.5
Total	**100.0**	100.0	100.0	100.0	100.0
Revenue and expenses					
Operating revenue	**361,653**	339,231	301,593	272,490	241,904
Expenses					
Fuel	**(195,447)**	(176,669)	(149,010)	(124,964)	(101,122)
Operating and maintenance	**(93,229)**	(77,366)	(73,696)	(65,326)	(65,929)
Depreciation	**(37,630)**	(39,574)	(30,692)	(32,229)	(32,226)
Gain (loss) on exchange	**111**	(60)	(114)	(206)	(107)
Operating income	**35,458**	45,562	48,081	49,765	42,520
Interest income	**5,028**	3,235	1,344	693	1,314
Income before interest & taxation	**40,486**	48,797	49,425	50,458	43,834
Interest & finance charges	**(6,808)**	(7,067)	(3,756)	(3,892)	(3,333)
Share of loss of associated companies	**(2,800)**	-	-	-	-
Income before taxation	**30,878**	41,730	45,669	46,566	40,501
Taxation	**(512)**	(2,779)	7,292	(7,870)	(3,850)
Net income	**30,366**	38,951	52,961	38,696	36,651
Add/(deduct)					
Preference dividends	**(27)**	(27)	(27)	(27)	(27)
Common dividends	**(6,092)**	(5,791)	(5,784)	(5,773)	(5,330)
Transfer to Self Insurance Fund	**(11,408)**	(9,606)	(8,275)	(7,742)	(8,832)
Transfer from special reserve	-	-	7,368	51,346	3,964
Capitalisation of retained earnings	-	-	(109,522)	-	-
Reinvested earnings	**12,839**	23,527	(63,279)	76,500	26,426

Operating Statistics

of the subsidary company The Barbados Light & Power Company Limited

		2006	2005	2004	2003	2002
GENERATING PLANT (Megawatts)						
Installed capacity	Steam	**40.0**	40.0	40.0	40.0	40.0
	Diesel	**113.1**	113.1	66.0	66.0	66.0
	Gas turbine	**86.0**	86.0	103.5	103.5	103.5
	TOTAL	**239.1**	239.1	209.5	209.5	209.5
PEAK DEMAND		**157.0**	154.2	143.0	141.6	134.7
GENERATION AND SALES (GWh)						
Gross Generation	Steam	**210.0**	239.1	256.9	256.5	253.6
	Diesel	**706.5**	568.3	369.3	361.8	333.1
	Gas turbine	**103.9**	185.4	302.6	282.2	273.3
	TOTAL	**1,020.4**	992.8	928.8	900.5	860.0
Net generation		**976.4**	953.4	896.4	867.6	827.7
Sales (GWh's)	Domestic	**294.8**	293.7	275.7	267.9	256.0
	Commercial	**608.6**	591.0	555.6	538.0	507.9
	TOTAL	**903.4**	884.7	831.3	805.9	763.9
Load factor (%)		**74.2**	73.5	73.9	72.6	72.9
Losses (%)		**7.2**	6.9	7.0	6.8	7.4
NUMBER OF CUSTOMERS AT YEAR END						
	Domestic	**96,486**	95,223	94,045	92,809	91,641
	Commercial	**17,775**	16,520	15,443	14,423	13,554
	TOTAL	**114,261**	111,743	109,488	107,232	105,195
No. of street lights		**27,308**	26,666	25,962	25,417	24,600

Corporate Information

Company Registered Office, Garrison Hill, St. Michael.

Company Officers
F. O. McConney, G.C.M., Managing Director
H. B. Richards, Secretary

Registrar & Transfer Agent
The Barbados Central Securities Depository Inc.

Attorneys-at-Law
Clarke, Gittens & Farmer
Carrington & Sealy

Auditors
PricewaterhouseCoopers

Dividend Payments

The Board of Directors sets the record and payment dates for quarterly dividends.

At the first meeting for 2007 the Directors declared a dividend of 10 cents per share that will be paid in March 2007.

Projected record dates for the remainder of 2007 are May 31, August 31 and November 29.

Projected payment dates for dividends declared during the remainder of 2007 are June 15, September 14 and December 14.

Common Stock

The common stock of Light & Power Holdings Ltd. is listed and traded on the Barbados Stock Exchange Inc.

Board of Directors

I. M. Cumming, Chairman
I. St. C. Carrington
R. L.V. Edghill
Sir Henry Forde, K. A., Q.C.
A. A. Gittens
E. L. Greaves
F. O. McConney, G.C.M.
H. E. Scruggs
P. W. B. Williams

Additional Information provided in accordance with the rules of the Barbados Stock Exchange Inc.

Subsidiaries	Equity %	Country of Operation
LPH Telecom Ltd.	100% owned	Barbados
The Barbados Light & Power Company Limited	100% owned	Barbados

Directors interest in the share capital of the Company:

	No. of shares held at December 31, 2006
Frank O. McConney, G.C.M.	56,498
Andrew A. Gittens	46,899
Peter W. B. Williams	23,147
Richard L.V. Edghill	3,000

Note: There has been no change in the ownership interest of the persons listed above between December 31, 2006 and March 31, 2007.

Interest of persons other than Directors holding more than 5% of the issued shares as at December 31, 2006.

	No. of shares held
C.I. Power Company Limited	6,592,351
The National Insurance Board	3,979,388
The Sagicor Group	1,916,538

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Light & Power
Holdings Ltd.