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%