

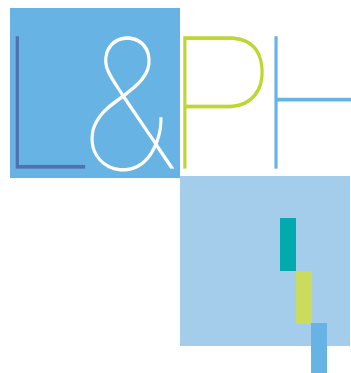


Contents

| | |
|--------------------------------|----|
| Letter to the Shareholders | 2 |
| Operations Report | 6 |
| Simplified Financial Statement | 12 |
| Auditors' Report | 13 |
| Financial Statements | 14 |
| Notes | 18 |
| Financial Statistics | 50 |
| Operating Statistics | 51 |
| Corporate Information | 52 |

Light & Power Holdings Ltd. is an investment company with electricity supply being its core business. The Company's wholly owned regulated electric utility, The Barbados Light & Power Company Ltd., has been serving electricity customers in Barbados since 1911. Electricity service is available to the entire island community. Light & Power Holdings Ltd. has invested in telecommunication services and operates a self insurance fund.

Sixty per cent of the shares in Light & Power Holdings Ltd. are held by approximately 2,700 Barbadian shareholders. The Common Shares of the Company are quoted on the Barbados Stock Exchange.



Letter to the Shareholders



During 2008, fuel and production costs for the Company's main subsidiary, The Barbados Light & Power Company Limited, increased substantially. Kilowatt hour sales for 2008 were only marginally higher when compared to 2007 due to the effects of conservation as customers found ways to cut back on electricity usage. The financial performance for 2008 fell back to the level of financial year 2006. For 2007 it had been boosted by a reduction in the tax rate requiring a substantial write-back of deferred taxes. The Self Insurance Fund performed reasonably in 2008 with investments being held primarily in Government instruments. There were no claims against the Fund in 2008.

The oil price decline in the latter part of the year resulted in welcome relief to customers. On December 17, 2008 the Barbados Nation newspaper editorial stated in its opening paragraph "If ever there was an occasion of pleasant hope, it was the news of the decline in energy and fuel costs to levels not seen for some five years. Last month, fuel costs disclosed in Barbados Light & Power bills gladdened the heart."

Customer hearts were certainly gladdened that oil prices plunged more than US \$100 a barrel and as a consequence, the fuel clause adjustment on electricity bills dropped from BDS 49.5 cents in August to BDS 12 cents per kilowatt hour in December.

Increases and decreases in the cost of fuel are automatically passed on to customers through the fuel clause adjustment on electricity bills.

Electricity customers in Barbados have experienced a remarkable twenty-five year period with basic rates, other than fuel clause adjustment, remaining unchanged since 1983, while the Retail Price Index climbed more than 100 percent.

Regrettably, the service that will be required by customers in the future just cannot be provided with the same basic rates that were granted by the Public Utilities Board in 1983 and the electric utility is forced to apply to the Fair Trading Commission for a review of the rates.

Very simply, here is the challenge. With simultaneous recessionary conditions being experienced in North America, Europe and the Far East, the utility is proceeding cautiously with its capital expenditure program, but the capital-intensive electric utility cannot put off capital work indefinitely, because it needs to be ready when demand resumes. Once the recession ends, the need for power can bounce back fast, as has happened in the past, and the utility's job is to have reliable electricity available when needed to satisfy customer requirements.

To meet service obligations to customers and to maintain and develop the generation and distribution plant required to furnish power for homes, hotels, businesses, manufacturers and government projects, the utility has to raise money through bank borrowings and from investors.

New investments will continue to be needed in the future to replace facilities that have reached the end of their useful lives and to maintain reliable, affordable and environmentally sustainable electric service to customers. It is planned that these new investments will be made in a gradual way in order to minimise electricity price increases to customers.

In seeking a rate review, the utility will submit detailed financial information about revenues and expenses, with a request that a needed small adjustment in basic rates should be urgently approved to enable the utility to access loan capital from banks as needed to continue to provide a reliable electricity service.

The Company through its subsidiary, LPH Telecom Ltd., has twenty-five percent interest in a multi-million dollar international telecommunications carrier, Antilles Crossing, which has a fiber optic cable network from the United States to Barbados, via a dedicated 940 kilometer, 20 gigabit sub-sea cable from St. Croix to Barbados with a branch to St. Lucia.

In 2008, the Antilles Crossing sub-sea fiber assets were combined with those of a French business enterprise, Group Loret, based in Martinique, which had also built a sub-sea fiber optic cable system in the Caribbean.

Group Loret and Antilles Crossing formed a Joint Venture, Global Caribbean Fiber with sixty percent being held by Group Loret. The Company's largest shareholder, Leucadia National Corporation, and Light & Power Holdings together own forty percent of the shares in Global Caribbean Fiber through a newly formed entity Caribbean Fiber Holdings that is owned seventy-five percent by Leucadia and twenty-five percent by LPH Telecom Ltd.

LPH Telecom Ltd. also owns twenty-five percent of the telecommunications company, TeleBarbados, which provides international high-speed internet connections and private leased circuits to customers in Barbados.

TeleBarbados provides a full range of top-quality telecommunications solutions to a customer base that comprises nearly all of the leading Barbados business enterprises, as well as Government departments and statutory corporations that require fast, robust, reliable telecommunications services.

The TeleBarbados on-island fiber optic network stretches from the west coast to the south coast and a wireless network deploying modern technologies allow businesses just about anywhere in Barbados to connect to the Antilles Crossing sub-sea fiber system.

With the internet playing an increasingly large part in producing and distributing services, telecommunications is now a hi-tech sector and will be a driving force in the economic and social development of Barbados. The skilled people who work for

TeleBarbados are to be commended for the establishment of this venture in a relatively short time.

Thanks to Leucadia's initiative with support from Light & Power Holdings, these telecom ventures have created tremendous value for Barbados and considerable cost savings for customers.

The Government is rethinking its position on the real estate project to redevelop the Old Eye Hospital and derelict Savoy Hotel properties on Bay Street. The Company and Leucadia had reached an agreement with the Barbados Tourism Investment Inc. to redevelop these properties to create civic buildings with significant public view corridors and access to the beach and ocean.

The Company maintains its interest in the original concept which is to enhance the positive aspects of this site and to demonstrate how the area could be developed for the good of the neighbourhood.

Quality electricity service continues to be the top priority for the Company. A critical component of the electric system operations calls for knowledge and skills that build on a reputation for service. Individuals within the enterprise perform these roles on behalf of the organisation as they focus on the Company's core energy business to deliver safe, reliable and reasonably priced electricity to the people who power the Barbados economy.



Frank McConney
On behalf of the Board of Directors,
Light & Power Holdings Ltd.
February 19, 2009



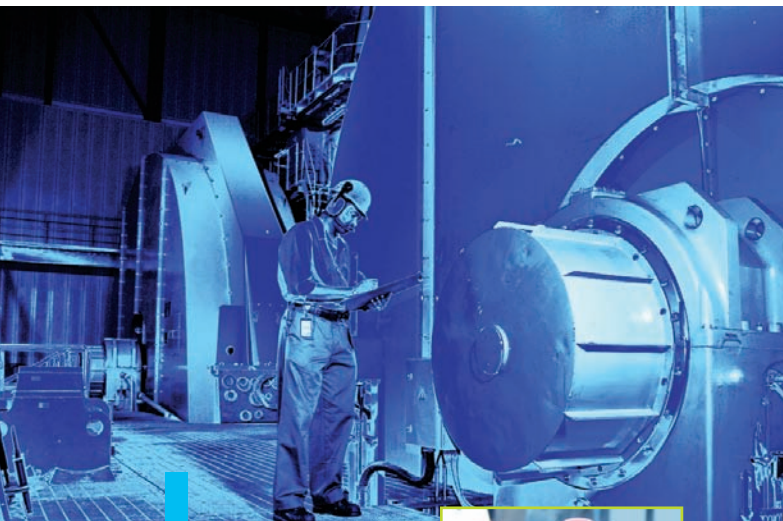




Report on Operations of The Barbados Light & Power Co. Ltd.

Annual Report

Report on Operations of
The Barbados **Light & Power** Co. Ltd.



Henry Scantlebury
Supervisor of the Year

Commercial customers felt the full impact of the dramatic increase in the cost of fuel...

Barbados, like the rest of the world, felt the effects of high oil prices in the first half of the year, followed by the economic turmoil that jolted the world towards the end of the year. As a result, electricity sales growth was flat in 2008, and with continued uncertainty in the financial world, it is anticipated that electricity sales growth in 2009 will be modest at best.

The Oil Price 'Tsunami'

International oil prices, which started 2008 at a record high of around US\$100 per barrel, continued their unprecedented climb, reaching almost US\$150 per barrel by July. After a fifth straight year of price increases, the total cost of fuel purchased by the Company amounted to \$297 million dollars, representing approximately two-thirds of the cost of electricity.

The Company's investment in modern generating plant capable of operating on the least expensive, low grade, residual fuel oil has helped significantly to moderate the increases in electricity prices through this period. Over 81% of electricity produced during 2008 was generated on residual fuel, and the two new 30 MW low speed diesels, which were installed in 2005 at a cost of Bds\$140 million, have already saved the country and our customers about Bds\$200 million through reduced fuel costs.

Commercial customers felt the full impact of the dramatic increase in the cost of fuel, as the Fuel Clause Adjustment reached an all time high of about 49.5 cents per kilowatt hour in August. As the world economies stumbled, oil prices also fell dramatically, ending the year at US\$38 per barrel, with the Fuel Clause Adjustment for all customers dropping as a consequence to about 12 cents per kilowatt hour in December.

Residential customers however, were cushioned from the full impact of the increase, through a government subsidy on fuel oil used in the production of electricity for these customers. The subsidy, which was introduced in December 2007, held the Fuel Clause Adjustment at 23.5375 cents per kilowatt-hour and cost the Government some \$36 million up to the time it was discontinued in November 2008 when the Fuel Clause Adjustment fell below the subsidized level as international oil prices eased.

The Ongoing Quest for Renewable Energy

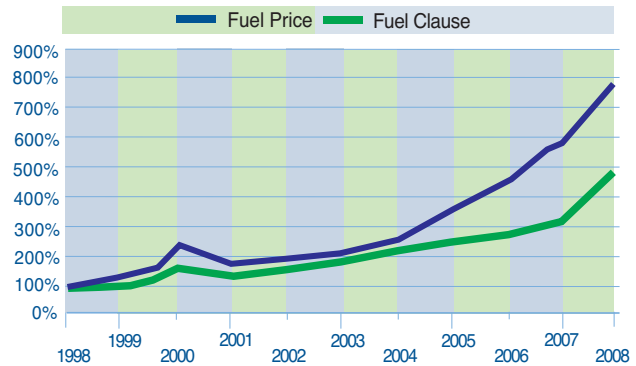
Oil has been the main source of energy for Barbadians since the beginning of electricity service in 1911. Oil prices during the past year have reinforced the need to diversify energy sources. However, there is no single replacement for oil, and several alternatives need to be considered to transition us to new energy sources over the coming decades.

The new Democratic Labour Party administration, which was elected in January 2008 under the leadership of now Prime Minister, the Honourable David Thompson, has stated its support for the increased use of renewable energy and has announced initiatives to reduce our dependence on oil.

Importing natural gas from Trinidad & Tobago via undersea pipeline also offers a means by which Barbados can secure a clean source of fuel and do so on terms that provide price stability over the longer term. The Company has discussed with government the benefits associated with the proposal to import natural gas and, together with the project's proponents, perseveres in its efforts to bring the project to fruition.

Renewable sources such as wind and solar are intermittent in nature, and therefore do not add firm generating capacity which can be dispatched as needed to meet customer demand for electricity. These sources do, however, provide a means to replace a modest amount of imported oil.

The Company has been seeking to introduce wind energy into the electricity mix for several years and at year-end was still awaiting a decision on its application to the Town & Country Development Planning Office to construct a 10 megawatt wind farm at Lamberts, St. Lucy. The Company has completed a comprehensive Environmental Impact Assessment on the project and is disappointed that the process has taken so long. The Lamberts site has long been identified as a preferred location for wind energy development, and is included in the National Physical Development Plan for this kind of wind energy development. The Company will continue to pursue this and other wind energy opportunities.



The Company is also preparing for the interconnection of small, customer owned solar photovoltaic systems into the grid. These units, generally less than 5 kilowatts in size, are designed to connect directly to a customer's electrical panel and offset the amount of energy required from the grid, with any excess feeding back into the grid. While electricity from solar photovoltaic panels is still not price competitive, these systems would add to the portfolio of energy sources when oil prices increase again. It is anticipated that the necessary technical and regulatory framework will be in place towards the end of 2009.

As stated in last year's report, the Company continues to promote energy efficiency among all of its customers. The Company has long held the philosophy that for it to be successful its customers must be energy efficient in this highly competitive world. It also strives to be efficient in its own operations, and technical losses from the transmission and distribution of electricity, which for 2008 stood at 6.3%, continue to be among the lowest in the region and comparable to levels in utilities in Europe and North America.

Delivering Quality Service - Helping Barbados to Compete

The Company recognises that a reliable and efficient electricity service with high levels of customer service is essential for the continued growth and development of the Barbadian economy. The Company therefore places a great deal of importance on its ability to continuously improve on its service, develop its staff and help Barbados compete on the world stage.

During 2008, the Company reached a significant milestone in its Quality Management initiative when it achieved certification under the ISO 9001:2000 Quality Management standard. Auditors from National Quality Assurance in the United States conducted the certification audit during October and shortly thereafter confirmed that the Company had been successful in gaining certification. The Company is now among eight companies in Barbados achieving this milestone.

The team charged with responsibility for the HSEQ (Health Safety Environment and Quality) management initiative received much deserved kudos for this achievement, and is now pressing ahead with efforts to guide the Company to certification under the ISO14001 Environmental Management Standard, and OHSAS18001, the Occupational Health & Safety Assessment standard. This is an ongoing journey to ensure that the Company is prepared to meet the highest standards required in this demanding world.

The Company also launched a new Customer Care & Billing computer system to provide customers with new and improved ways to transact business. The old system was developed almost twenty years ago and the software and hardware are no longer supported. We therefore appreciate the efforts of our employees who continue to work through the challenges that often accompany a change of this magnitude, as well as the patience of our customers as we adjust to the workings of the new system.

The Company views advancements in information technology as a strategic opportunity and during 2008 continued the expansion of its fiber optic network to provide faster and more reliable communications between its various sites, as well as to provide a means for quickly identifying and isolating faults on the electrical network through modern protection systems. During 2009, the Company will be conducting a study on the feasibility of introducing advanced metering systems which would allow remote reading of meters at customer premises as well as the introduction of automatic outage management systems.

In response to the flat sales and in anticipation of a possible further deterioration in the economic situation, the Company deferred a number of capital projects during 2008. However, work is continuing on projects that were already well advanced, including the installation of new 24,000 and 132,000 volt underground cables along the Ronald Mapp Highway to strengthen the transmission system supplying the north of the island, as well as the upgrade of substations along the route. As demand for electricity grows, and older plant and equipment nears the end of their economic and technical lives, the Company will continue to plan for new facilities to ensure that it is ready to meet the needs of its customers.

*... the Company
is prepared to
meet the
highest
standards
required in this
demanding
world*



*Tiffani Straker
Employee of the Year*

Securing Against Hurricanes

The 2008 hurricane season was an active one, but once again Barbados was spared the devastating effects of these powerful storms. Some of our sister utilities were less fortunate, and the Company, as part of the Caribbean Electric Utility Service Corporation (CARILEC) mutual aid programme, sent a six man team from its Distribution Department to assist with restoration efforts in Grand Turk, Turks & Caicos Islands, following the passage of Hurricane Ike in September. BLPC engineers, supervisors, and linemen have participated in several restoration efforts in other Caribbean islands and have thereby gained considerable experience in the reconstruction of distribution systems after a hurricane.

Prudent management requires that a Company protect its assets against catastrophe and other risks. A reliable electric service is one of the cornerstones of the economy and the Company therefore needs to be able to restore supply as soon as possible following any natural disaster but commercial insurance is not available against hurricanes for the transmission and distribution network. In order to protect its

customers and investors, the Company continues to build its self-insurance fund. The Company has made meaningful progress towards placing new transmission links underground and constructing 'indoor' substations which house switchgear and controls in hurricane resistant buildings. The cost of placing the entire distribution network underground would be prohibitively expensive.

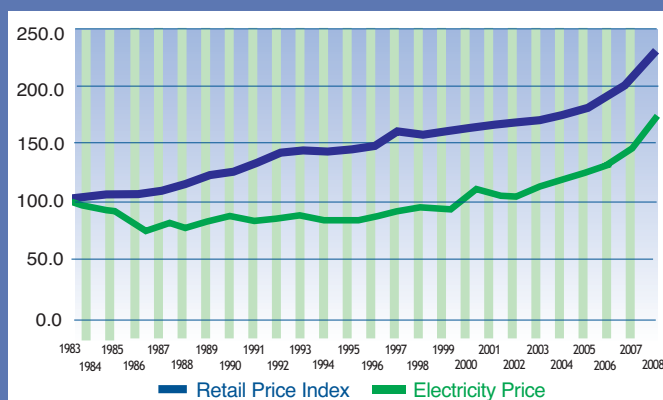
The Need for New Rates

The Company has made efforts to hold the line on production and distribution costs while striving to improve service, and is very proud of the fact that it has been able to avoid an increase in basic electricity rates for the past 25 years since the last increase in basic electricity rates was granted on May 12, 1983 by the Public Utilities Board (the "PUB").

The most recent CARILEC survey again confirms that electricity rates in Barbados are among the lowest in the region. A comparison of electricity prices in 2008 compared to the Consumer Price Index (CPI) indicates that while the CPI has risen by 109% since 1983, the price of electricity has increased by only 48% excluding VAT, due to increased fuel prices alone. In 1997, the Government of Barbados introduced a 15% Value Added Tax ("VAT"), which was applied to all electricity sales. Commercial customers are VAT registered and typically are able to recover the input VAT. However, Domestic customers have seen an increase in electricity bills since VAT was introduced.

Inputs into the electricity business have since increased significantly and the Company requires an adjustment in electricity rates to allow it to maintain the high level of service required by the modern, developed society that Barbados has become, while meeting its commitments to its lenders and investors.

As a prerequisite for a review of its rates, the Company requires a determination of the rates to be



used to depreciate the plant and equipment used in electricity service. On November 9, 2008, the Fair Trading Commission, the utility regulator, issued a notice advising that the Company had submitted an application for a "re-prescription of the useful lives of the assets and plant in service", in essence, depreciation rates, and invited persons wishing to intervene in the proceeding to file a letter of intervention. At year-end the Company was awaiting a public hearing on this issue.

The regulations governing an application for a review of rates require that the Company submit proposed standards of service. On October 29, 2008 the Commission initiated a Public Consultation on a Review of Standards of Service for the Company and invited written comments from the public. Service Standards were first introduced in June 2006, and the Company has generally performed well since their introduction. At year-end the Company was awaiting the decision of the Commission regarding any proposed changes to the Service Standards.

*The Company
exists to
provide
service to our
community*



*Peter Williams
Managing Director*

Goodbyes ... & Hellos

This year we said goodbye to Mr. Keith Richards, Senior Manager Distribution, who retired at the end of 2008 after 28 years with the Company. The Board of Directors wishes to place on record its appreciation for his leadership of the Distribution Department and to welcome his successor, Mr. Rohan Seale, to the management team.

The Company exists to provide service to our community and is known to its customers by the individuals that represent the Company on a daily basis. Many members of our staff are long serving. 167 employees, or about one third of our staff, have served for over 25 years with the Company and we acknowledge that all of our employees are our ambassadors. We continue to attract and retain talented and dedicated individuals, people who share our values, and thrive on the opportunity to grow and achieve. Every year, several members of our staff take the initiative to further their own studies and professional development. The Company continues to support these initiatives, and is proud when these individuals achieve excellence. Their success assures the Company and Barbados of the skills that are needed to succeed in this competitive world. During 2008, several employees graduated with first degrees from part-time studies at the University of the West

Indies, while others achieved their Masters degrees, with two members of our professional staff being the sole recipients of distinctions in this year's graduating class in the Durham University MBA programme.

We value our relationship with the Barbados Workers' Union (BWU) and continue to work to build good labour relations. Several employees participated in courses at the BWU Labour College, thus enhancing their understanding of modern labour and supervisory practices. In-house training also continues to be upgraded to meet the growing demands of a highly specialised workforce that is required to maintain our generating plant and operate an electricity system that delivers power to each and every customer at the speed of light and at voltages as high as 69,000 volts.

Our commitment to excellence also extends to assisting our schools. This year we celebrated the 10th anniversary of the launch of the popular Student's Planner, a convenient booklet viewed by both pupils and teachers as a positive and meaningful aid towards effective time management and goal setting. We are pleased with the success of this initiative which is supporting the development of the youth of our nation, helping them develop good study habits and preparing them for life after school.

We are grateful for the kudos that we receive when we exceed customer expectations, and we take seriously the criticisms which point to improvements that we need to make. Our Company works to satisfy customer requirements, and I thank each and every member of our team for their hard work during 2008.

Peter W. B. Williams
Managing Director
The Barbados Light & Power Co. Ltd.
February 19, 2009

Annual Report

Financial Statements & Corporate Information of Light & Power Holdings 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

- Sandra Franklyn

Customer Services Manager

- Hallam Hunte

Chief Operating Officer

- Mark King

Distribution Manager

- Rohan Seale

Chief Marketing Officer

- Stephen Worme

Human Resources Manager

- Wayne Yearwood

2008 Simplified Financial Statement

The Barbados Light & Power Co. Ltd

How each electricity customer dollar was spent in **2008**

55¢ Fuel excluding VAT

17¢ Labour & materials

14¢ Taxes and VAT

7¢ Capital Investments

2¢ Repayment of borrowings

2¢ Insurance

2¢ Shareholders' dividends

1¢ Interest

100 cents TOTAL

Independent 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.** which comprise the consolidated balance sheet as of December 31, 2008, 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 as set out on pages 14 to 49.

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 consolidated financial position of **Light & Power Holdings Ltd.** as of December 31, 2008, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.



Chartered Accountants
March 23, 2009
Bridgetown, Barbados

PricewaterhouseCoopers refers to the East Caribbean firm of PricewaterhouseCoopers and the other member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity. A full listing of the partners of the East Caribbean firm is available on request at the above address.

Consolidated Balance Sheet

As of December 31, 2008 (expressed in thousands of Barbados dollars)

| | Notes | 2008 \$ | 2007 \$ |
|--|-------|------------|------------|
| Assets | | | |
| Non-current assets | | | |
| Property, plant and equipment | 5 | 604,130 | 592,291 |
| Investment in associates | 6 | 15,379 | 14,170 |
| Investments - available-for-sale | 7 | 81,834 | 79,818 |
| | | <hr/> | <hr/> |
| | | 701,343 | 686,279 |
| Current assets | | | |
| Cash resources | 8 | 46,861 | 60,216 |
| Trade and other receivables | 9 | 49,971 | 56,334 |
| Corporation tax recoverable | | 133 | 82 |
| Inventories | 10 | 30,209 | 34,308 |
| | | <hr/> | <hr/> |
| | | 127,174 | 150,940 |
| Total assets | | <hr/> | <hr/> |
| | | 828,517 | 837,219 |
| Equity | | | |
| Share capital | 11 | 115,090 | 119,074 |
| Other reserves | 12 | 218,890 | 207,939 |
| Retained earnings | | 266,285 | 252,373 |
| | | <hr/> | <hr/> |
| | | 600,265 | 579,386 |
| Non-current liabilities | | | |
| Borrowings | 13 | 95,211 | 108,368 |
| Customers' deposits | 14 | 22,449 | 20,201 |
| Deferred credits | 15 | 44,131 | 42,537 |
| Deferred tax liability | 16 | 18,359 | 20,287 |
| Provisions for other liabilities and charges | 17 | 2,973 | 2,973 |
| | | <hr/> | <hr/> |
| | | 183,123 | 194,366 |
| Current liabilities | | | |
| Trade and other payables | 18 | 30,121 | 48,567 |
| Provision for other liabilities and charges | 17 | 1,471 | 1,850 |
| Current portion of borrowings | 13 | 13,537 | 13,050 |
| | | <hr/> | <hr/> |
| | | 45,129 | 63,467 |
| Total equity and liabilities | | <hr/> | <hr/> |
| | | 828,517 | 837,219 |

The accompanying notes form an integral part of these financial statements.

Approved by the Board of Directors on March 12, 2009 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, 2008 (expressed in thousands of Barbados dollars)

| | Preference shares \$ | Common shares \$ | Other reserves \$ | Retained earnings \$ | Total \$ |
|---|----------------------------|------------------------|-------------------------|----------------------------|-------------|
| Balance at December 31, 2006 | 500 | 118,933 | 200,310 | 208,359 | 528,102 |
| Dividends paid | - | - | - | (7,001) | (7,001) |
| Issue of common shares | - | 585 | - | - | 585 |
| Repurchase of common shares | - | (944) | - | - | (944) |
| Transfer to Self Insurance Fund/reserve | - | - | 7,335 | (7,335) | - |
| Change in fair value of financial investments (note 7) | - | - | 294 | - | 294 |
| Net income for the year | - | - | - | 58,350 | 58,350 |
| Balance at December 31, 2007 | 500 | 118,574 | 207,939 | 252,373 | 579,386 |
| Share issue costs reclassified | - | (494) | 494 | - | - |
| Dividends paid | - | - | - | (6,856) | (6,856) |
| Issue of common shares | - | 534 | - | - | 534 |
| Repurchase of common shares | - | (4,024) | - | - | (4,024) |
| Transfer to Self Insurance Fund/reserve | - | - | 10,948 | (10,948) | - |
| Change in fair value of financial investments (note 7) | - | - | (491) | - | (491) |
| Net income for the year | - | - | - | 31,716 | 31,716 |
| Balance at December 31, 2008 | 500 | 114,590 | 218,890 | 266,285 | 600,265 |

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Income

For the year ended December 31, 2008 (expressed in thousands of Barbados dollars)

| | Notes | 2008 \$ | 2007 \$ |
|--|-------|------------|------------|
| Operating revenue | 19 | 473,310 | 397,636 |
| Operating expenses | | | |
| Fuel | | 297,612 | 225,299 |
| Generation | | 51,061 | 40,747 |
| General | | 36,683 | 33,745 |
| Distribution | | 11,738 | 12,470 |
| Insurance | | 4,810 | 4,715 |
| Depreciation | | 37,275 | 33,660 |
| Foreign exchange loss | | 83 | 9 |
| | 20 | 439,262 | 350,645 |
| Operating income | | 34,048 | 46,991 |
| Finance income | 21 | 4,319 | 4,962 |
| Interest and finance charges | | (6,502) | (6,323) |
| Share of loss of associated companies | 6 | (1,229) | (2,195) |
| Income before taxation | | 30,636 | 43,435 |
| Taxation | 16 | 1,080 | 14,915 |
| Net income for the year | | 31,716 | 58,350 |
| Basic and diluted earnings per share (cents) | 23 | 166.0 | 314.7 |

Consolidated Statement of Cash Flows

For the year ended December 31, 2008 (expressed in thousands of Barbados dollars)

| | 2008 | 2007 |
|---|----------|----------|
| | \$ | \$ |
| Cash flows from operating activities | | |
| Income before taxation | 30,636 | 43,435 |
| Adjustments for non-cash items: | | |
| Share of loss of associated companies | 1,229 | 2,195 |
| Depreciation | 37,275 | 33,660 |
| Loss on foreign exchange | 83 | 9 |
| Gain on disposal of property, plant and equipment | - | (146) |
| Finance income | (4,319) | (4,962) |
| Interest and finance charges | 6,502 | 6,323 |
| Net change in deferred revenue | 746 | 101 |
| Net change in provision for liabilities and other charges | (379) | 722 |
| | <hr/> | <hr/> |
| Operating income before working capital changes | 71,773 | 81,337 |
| Decrease/(increase) in trade and other receivables | 6,363 | (16,945) |
| Decrease/(increase) in inventories | 4,099 | (4,215) |
| (Decrease)/increase in trade and other payables | (18,446) | 23,261 |
| | <hr/> | <hr/> |
| Cash generated from operations | 63,789 | 83,438 |
| Interest and finance charges paid | (6,541) | (6,188) |
| Corporation tax (paid)/recovered | (51) | 20 |
| | <hr/> | <hr/> |
| Net cash from operating activities | 57,197 | 77,270 |
| | <hr/> | <hr/> |
| Cash flows used in investing activities | | |
| Additions to property, plant and equipment | (52,866) | (64,196) |
| Purchase of financial investments | (2,590) | (8,743) |
| Decrease in term deposits | 6,000 | 3,700 |
| Increase in restricted cash | (4,714) | (8,270) |
| Increase in investment in associates | (2,438) | (400) |
| Proceeds on disposal of property, plant and equipment | - | 187 |
| Interest received | 4,319 | 4,903 |
| | <hr/> | <hr/> |
| Net cash used in investing activities | (52,289) | (72,819) |
| | <hr/> | <hr/> |
| Cash flows used in financing activities | | |
| Repurchase of common shares | (4,024) | (944) |
| Issue of common shares | 534 | 585 |
| Dividends paid | (6,856) | (7,001) |
| Proceeds from borrowings | - | 25,000 |
| Repayment of borrowings | (12,727) | (12,414) |
| Issue costs | 96 | (396) |
| Customers' contributions | 3,752 | 5,989 |
| Customers' deposits and accrued interest | 2,248 | 382 |
| | <hr/> | <hr/> |
| Net cash (used in)/from financing activities | (16,977) | 11,201 |
| | <hr/> | <hr/> |
| Net (decrease)/ increase in cash and cash equivalents | (12,069) | 15,652 |
| Cash and cash equivalents - beginning of year | 28,087 | 12,435 |
| | <hr/> | <hr/> |
| Cash and cash equivalents - end of year (note 8) | 16,018 | 28,087 |
| | <hr/> | <hr/> |

The accompanying notes form an integral part of these financial statements.

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.

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.

2.1 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.

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

a) Standards, amendments and interpretations effective in 2008

The following amendments to published standards are mandatory for the Group’s accounting periods beginning on or after January 1, 2008:

- **IAS 39 (Amendment), ‘Reclassification of financial assets’.** An amendment to the standard, issued in October 2008, permits an entity to reclassify non-derivative financial assets (other than those designated at fair value through profit or loss by the entity upon initial recognition) out of the fair value through profit or loss category in particular circumstances. The amendment also permits an entity to transfer from the available-for-sale category to the loans and receivables category a financial asset that would have met the definition of loans and receivables (if the financial asset had not been designated as available for sale), if the entity has the intention and ability to hold that financial asset for the foreseeable future. The amendment has no impact on the Group’s financial statements as the Group has continued to classify these assets as available-for-sale.

- IFRIC 11, 'IFRS 2 - Group and treasury share transactions', provides guidance on whether share-based transactions involving treasury shares or involving group entities (for example, options over a parent's shares) should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand alone accounts of the parent and group companies. This interpretation does not have an impact on the Group's financial statements.
- IFRIC 14, 'IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction', provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. This interpretation does not have any impact on the Group's financial statements, as the Group does not have a defined benefit asset or is not subject to any minimum funding requirements.

b) **Standards and amendments early adopted by the Group**

There were no standards, interpretations or amendments which were early adopted by the Group in 2008.

c) **Interpretations effective in 2008 but not relevant to the Group's operations**

- IFRIC 12, 'Service concession arrangements', is mandatory for accounting periods beginning on or after January 1, 2008, but is not relevant to the Group's operations.

d) **Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group.**

The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after January 2009 or later periods, but the Group has not early adopted them:

- IAS 1 (Revised), 'Presentation of financial statements' (effective from January 1, 2009). The revised standard will prohibit the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning of the comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The Group will apply IAS 1 (Revised) from January 1, 2009. It is likely that two performance statements will be presented.

- IAS 23 (Revised), 'Borrowing costs' (effective from January 1, 2009). The new standard requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The Group will apply IAS 23 (Revised) retrospectively from January 1, 2009; this is not expected to have any impact on the financial statements as the Group currently capitalizes borrowing costs on qualifying assets.
 - IAS 23 (Amendment), 'Borrowing costs' (effective from January 1, 2009). The amendment is part of the IASB's annual improvement project published in May 2008. The definition of borrowing costs has been amended so that interest expense is calculated using the effective interest method defined in IAS 39 'Financial instruments: Recognition and measurement'. This eliminates the inconsistency of terms between IAS 39 and IAS 23. The Group will apply the IAS 23 (Amendment) prospectively to the capitalisation of borrowing costs on qualifying assets from 1 January 2009.
 - There are a number of minor amendments to IFRS 7, 'Financial instruments: Disclosures', IAS 8, 'Accounting policies, changes in accounting estimates and errors', IAS 10, 'Events after the reporting period', IAS 18, 'Revenue' and IAS 34, 'Interim financial reporting', which are part of the IASB's annual improvement project published in May 2008. These amendments are unlikely to have an impact on the Group's accounts and have therefore not been analysed in detail.
- e) The following standards, interpretations and amendments to existing standards are not yet effective and are not relevant to the Group's operations:

| | | |
|--------------------|---|--|
| IAS 1 (Amendment) | - | Presentation of financial statements |
| IAS 16 (Amendment) | - | Property, plant and equipment |
| IAS 19 (Amendment) | - | Employee Benefits |
| IAS 20 (Amendment) | - | Accounting for government grants and disclosure of government assistance |
| IAS 27 (Revised) | - | Consolidated and separate financial statements |
| IAS 28 (Amendment) | - | Investments in associates |
| IAS 29 (Amendment) | - | Financial reporting in hyperinflationary economies |
| IAS 31 (Amendment) | - | Interest in joint ventures |
| IAS 32 (Amendment) | - | Financial instruments: Presentation |
| IAS 38 (Amendment) | - | Intangible assets |
| IAS 40 (Amendment) | - | Investment property |
| IAS 41 (Amendment) | - | Agriculture |
| IFRS 1 (Amendment) | - | First time adoption of IFRS |
| IFRS 2 (Amendment) | - | Share-based payment |
| IFRS 3 (Revised) | - | Business combinations |
| IFRS 5 (Amendment) | - | Non-current assets held-for-sale and discontinued operations |
| IFRS 8 | - | Operating segments |

| | | |
|----------|---|---|
| IFRIC 13 | - | Customer loyalty programmes |
| IFRIC 15 | - | Agreements for construction of real estates |
| IFRIC 16 | - | Hedges of a net investment in a foreign operation |
| IFRIC 17 | - | Distribution of non-cash assets to owners |

2.2 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 28. 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.

a) 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 share holding 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.

b) Associated companies

Associated companies 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 behalf of the associate.

2.3 Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Barbados dollars which is also the Company'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.

2.4 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 Group operates in one geographical segment.

2.5 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 Group 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 equipment | 2% - 5% |
| Transmission and distribution | 3% - 6% |
| Other | 2% - 33% |

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 values, 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 (Note 2.7).

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

2.6 Financial investments

The Group has classified its financial investments as available-for-sale and loans and receivables. 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.

(a) Available-for-sale financial assets

Available-for-sale financial assets 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. They are included in non-current assets unless management intends to dispose within 12 months. Available-for-sale financial assets 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 investment is sold, or otherwise disposed of, or until the financial investment is determined to be impaired at which time the cumulative gain or loss will be included in net income or loss for the period.

(b) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Group's loans and receivables comprise cash resources and trade and other receivables.

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

2.7 Impairment of non-financial assets

Assets that have an indefinite life, e.g. land is not subject to amortisation and is reviewed for impairment annually.

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.

2.8 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.

2.9 Trade receivables

Trade receivables are recognised initially at fair value and are subsequently measured at amortised cost less provision for impairment and discounts. A provision for impairment of trade receivables 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. When a trade receivable is uncollectible it is written off against income. Subsequent recoveries of amounts previously written off are credited to the statement of income.

2.10 Inventories

Inventories of fuel, materials and supplies are valued at the lower of cost or net realisable value. Cost is determined on an average cost basis. Generation spares are carried at cost less provision for obsolescence.

2.11 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 nor is the Group mandatorily required to redeem them on a specific date.

Where the Group repurchases without cancellation its own shares, the consideration paid is deducted from equity, until such shares are reissued.

Incremental costs directly attributable to the issue of new shares are shown as a deduction from the proceeds in the statement of changes in equity.

2.12 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. Borrowings are classified as current liabilities unless the Group has the unconditional right to defer settlement of the liability for at least twelve (12) months after the balance sheet date.

2.13 Taxation

a) Deferred income tax

Taxation expense in the statement of income comprises current and deferred tax. Taxation expense is recognised in the statement of income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantially enacted at the balance sheet date.

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.

b) 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 the useful lives of the respective assets.

c) 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.

2.14 Customers' deposits

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).

2.15 Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost.

2.16 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 using the effective interest rate method.

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

2.17 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 24)

2.18 Share purchase scheme

The employees of the subsidiary company, The Barbados Light and 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.

2.19 Dividend distribution

Dividend distribution to the Group's shareholders is recognised as a liability in the period in which the dividend is declared and approved by the Board of Directors.

2.20 Related parties

Parties are considered related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Individuals, associates or companies that directly or indirectly control or are controlled by or are under common control with the Group are also considered related parties.

2.21 Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events; it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

3 Financial risk management

3.1 Financial instruments

A financial instrument is any contract that gives rise to both a financial asset in one entity and a financial liability or equity of another entity.

Financial assets of the Group include cash and cash equivalents, term deposits, trade and other receivables and available-for-sale financial investments initially measured at fair value.

Financial liabilities of the Group include borrowings, trade and other payables and customer deposits initially measured at fair value and subsequently carried at amortised cost.

The accounting policies for financial assets and liabilities are set out in note 2 or the individual notes associated with each item.

3.2 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange, price risk, cash flow and interest rate risk), liquidity, credit risk and underinsurance risks. The Group's overall risk management policy is to minimise potential adverse effects on its' financial performance and to optimise shareholders' value within an acceptable level of risk.

Risk management is carried out by the Group's management under direction from the Board of Directors. The Group's exposure and approach to its key risks are as follows:

a) Market risk

i) Foreign exchange 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.

Borrowings have been formally fixed to the United States dollar (US\$) to limit 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 purchases are transacted in United States dollars.

The Group has not entered into forward exchange contracts to reduce its exposure to fluctuations in foreign currency exchange rates.

ii) **Price risk**

The Group is exposed to equity securities price risk because of financial investments held by the Group and classified on the consolidated balance sheet as available-for-sale. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio.

The equities held in the portfolio are indexed to the S&P 500 index.

The below table shows the effect of a 5% increase/decrease in equity prices of the Group's available-for-sale financial assets at December 31, 2008 with all other variables held constant.

| | Impact on other components of equity | |
|-------------------|---|------|
| | 2008 | 2007 |
| | \$ | \$ |
| Equity securities | 96 | 161 |

The carrying value of listed securities would increase/decrease as a result in the change of values. Other components of equity would increase/decrease as a result of gains/losses on equity securities classified as available-for-sale.

Commodity price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in commodity (copper, aluminum) prices. Prices for these commodities are impacted by world economic events that dictate the levels of supply and demand.

To minimise the risks associated with fluctuations in the prices of these commodities, the Group requests that suppliers bidding for major cable products utilise financial derivatives to hedge against commodity risks.

iii) **Cash flow and fair value 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's interest bearing assets expose it to cash flow interest rate risk. Interest margins may increase or decrease as a result of such changes and may reduce or increase losses in the event that unexpected movements arise. At December 31, 2008, a 1% increase/decrease in interest rates would have resulted in an increase/decrease in profit of \$0.8 million (2007 \$0.7 million) respectively.

The Group's interest rate risk also arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

The Group's policy is to maintain its borrowings in fixed rate instruments thereby minimising cash flow interest rate risk. Exposure to fair value interest rate risk on its borrowings results from fluctuations in the fair value of borrowings in response to changes in market interest rates.

The Group's exposure to interest rates and the terms of borrowings are disclosed in notes 8 and 13.

b) 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 monitors the Group's liquidity reserve which comprises undrawn borrowing facility (note 25) and cash and cash equivalents (note 8), on the basis of expected cash flows and is of the view that the Group holds adequate cash and credit facilities to meet its short-term obligations.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. Balances due within 12 months equal their carrying balances.

| | Less than 1 year \$ | Between 1 & 2 years \$ | Between 2 & 5 years \$ | Over 5 years \$ |
|-----------------------------|---------------------------|------------------------------|------------------------------|--------------------|
| At December 31, 2008 | | | | |
| Borrowings | 17,704 | 39,644 | 34,351 | 50,768 |
| Trade and other payables | 24,826 | - | - | - |
| Customer deposits | - | - | - | 22,449 |
| At December 31, 2007 | | | | |
| Borrowings | 17,557 | 40,084 | 46,464 | 55,632 |
| Trade and other payables | 44,360 | - | - | - |
| Customer deposits | - | - | - | 20,201 |

The amounts included in the above table for borrowings and trade and other payables will not reconcile to the balance sheet as they are the contractual cash flows.

c) 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 and financial instruments 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, 2008.

d) Underinsurance risk

Prudent management requires that a company protect its assets against catastrophe and other risks. In order to protect its customers and investors, the Subsidiary Company, The Barbados Light & Power Company has established a "Self Insurance Fund" in accordance with the Insurance Act - Insurance (Barbados Light & Power Company Limited) (Self Insurance Fund) Regulations 1998 (Act 1996-32) to set aside funds on an annual basis to mitigate this risk. The Fund was required under the Act in order to self insure the schedule of assets of The Barbados Light & Power Company Limited against damage and consequential loss as a result of a catastrophe.

The Fund is periodically reviewed by a risk consultant who makes recommendations to ensure the continued security and solvency of the Fund.

3.3 Capital risk management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders, benefits for other stakeholders and maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus net debt.

The gearing ratios at December 31, 2008 and 2007 were as follows:

| | 2008 \$ | 2007 \$ |
|--|------------|------------|
| Total borrowings (note 13) | 108,972 | 121,699 |
| Less: Cash and cash equivalents (note 8) | (16,018) | (28,087) |
| Net debt | 92,954 | 93,612 |
| Total equity | 600,265 | 579,386 |
| Total capital | 693,219 | 672,998 |
| Gearing ratio | 13% | 14% |

3.4 Fair value estimation

Fair value amounts represent estimates of the consideration that would currently be agreed upon between knowledgeable, willing parties who are under no obligation to act and is best evidenced by a quoted market price, if one exists.

The carrying value of cash, trade receivables less impairment provision and payables are assumed to approximate their fair values due to their short term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

4 Critical accounting estimates and judgements

4.1 Critical accounting estimates and assumptions

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 current 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.

4.2 Critical judgements in applying the entity's accounting principles

Special Purpose Entity/(SPE) - Self Insurance Fund

The Group has established a special purpose entity (SPE) (Note 3.2 (d)) primarily for the purpose of building an insurance fund to cover risk against damage and consequential loss to certain generating, transmission and distribution systems. In making a judgement that the Group controls the SPE, management considered that in substance, the activities of the SPE are being conducted on behalf of the Group according to a specific business need so that the Group alone obtains benefits from the SPE's operations. Additionally, because the Group has rights to all the benefits of the SPE it is therefore exposed to the risks incident to the activities of the SPE and in this case the SPE is consolidated.

5 Property, plant and equipment

| | Generation \$ | Transmission & distribution \$ | Other \$ | Work in progress \$ | Total \$ |
|---|------------------|--------------------------------------|---------------|---------------------------|----------------|
| At December 31, 2008 | | | | | |
| Cost | 462,652 | 400,267 | 87,613 | 76,922 | 1,027,454 |
| Accumulated depreciation | (235,228) | (150,654) | (37,442) | - | (423,324) |
| Net book amount | 227,424 | 249,613 | 50,171 | 76,922 | 604,130 |
| Year ended December 31, 2008 | | | | | |
| Opening net book amount | 240,309 | 239,681 | 42,443 | 69,858 | 592,291 |
| Additions and transfers | 968 | 26,314 | 13,153 | 7,064 | 47,499 |
| Disposals | 1,458 | 157 | - | - | 1,615 |
| Depreciation charge | (15,311) | (16,539) | (5,425) | - | (37,275) |
| Closing net book amount | 227,424 | 249,613 | 50,171 | 76,922 | 604,130 |
| At December 31, 2007 | | | | | |
| Cost | 461,684 | 382,427 | 76,203 | 69,858 | 990,172 |
| Accumulated Depreciation | (221,375) | (142,746) | (33,760) | - | (397,881) |
| Net book amount | 240,309 | 239,681 | 42,443 | 69,858 | 592,291 |
| Year ended December 31, 2007 | | | | | |
| Opening net book amount | 248,000 | 227,791 | 36,685 | 55,309 | 567,785 |
| Additions and transfers | 7,592 | 27,741 | 8,325 | 14,549 | 58,207 |
| Disposals | - | - | (41) | - | (41) |
| Depreciation charge | (15,283) | (15,851) | (2,526) | - | (33,660) |
| Closing net book amount | 240,309 | 239,681 | 42,443 | 69,858 | 592,291 |

During the year, the Group capitalised interest of \$1.7 million (2007: \$1.2 million)

If plant, property and equipment were stated on the revaluation cost basis, the net book value would be as follows:

| | Generation \$ | Transmission and distribution \$ | Other \$ | Work in progress \$ | Total \$ |
|-----------------------------|------------------|--|---------------|---------------------------|----------------|
| At December 31, 2008 | | | | | |
| Cost | 719,132 | 757,639 | 128,201 | 76,922 | 1,681,894 |
| Accumulated depreciation | (383,682) | (322,413) | (35,280) | – | (741,375) |
| Net book amount | 335,450 | 435,226 | 92,921 | 76,922 | 940,519 |
| At December 31, 2007 | | | | | |
| Cost | 639,837 | 669,779 | 113,891 | 69,858 | 1,493,365 |
| Accumulated depreciation | (321,161) | (283,499) | (30,396) | – | (635,056) |
| Net book amount | 318,676 | 386,280 | 83,495 | 69,858 | 858,309 |

6 Investment in associates

| | 2008 \$ | 2007 \$ |
|------------------------------|---------------|---------------|
| Balance - beginning of year | 14,170 | 15,965 |
| Investment in associates | 2,438 | 400 |
| Share of loss for year | (1,229) | (2,195) |
| Balance - end of year | 15,379 | 14,170 |

The Group has a 100% ownership in LPH Telecom Limited, a telecommunications company incorporated in Barbados.

During the year as part of a restructuring exercise, LPH Telecom Limited transferred its 25% shareholding in Antilles Crossing International, LP, Antilles Crossing - St. Croix Inc. and AC (Barbados) IBC. Inc., the immediate parent company for Antilles Crossing (St. Lucia) Limited to Caribbean Fiber Holdings, LP. Further to that restructuring the net assets of Antilles Crossing, LP were transferred to AC Barbados, LP newly formed Delaware partnership which is wholly-owned by Caribbean Fiber Holdings, LP.

During the year Caribbean Fiber Holdings, LP created two wholly-owned subsidiaries Tele (St. Lucia) Inc. a telecommunication company based in St. Lucia along with its immediate parent company Antilles Crossing (Barbados) IBC Inc.

Advances of \$2.4million (2007 - \$0.4million) were made during the year to LPH Telecom Limited.

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 \$ | Liabilities \$ | Revenues \$ | Profit/(loss) \$ |
|---|---------------|---------------|-------------------|----------------|---------------------|
| 2008 | | | | | |
| Caribbean Fiber Holdings, LP | 25% | 10,325 | 4,888 | - | (1,168) |
| Tele (Barbados) Inc. | 25% | 7,504 | 698 | 3,844 | 199 |
| WAMCO Technology Group Limited | 25% | 70 | - | - | (75) |
| Tele (St. Lucia) Inc. | 25% | 253 | 299 | 84 | (185) |
| | | 18,152 | 5,885 | 3,928 | (1,229) |
| 2007 | | | | | |
| Antilles Crossing International, LP | 25% | 8,617 | 893 | 693 | (183) |
| Tele (Barbados) Inc. via Antilles Crossing. Holding Co. St. Lucia Ltd. | 25% | 4,184 | 2,947 | 1,862 | (1,546) |
| Antilles Crossing, LP via Antilles Crossing Int'l, LP | 25% | 2,851 | 2,288 | - | (122) |
| Antilles Crossing - St. Croix Inc. | 25% | 1,391 | 236 | - | (157) |
| Antilles Crossing (St. Lucia) Ltd. via AC (Barbados) IBC, Inc | 25% | 2,788 | - | 48 | (187) |
| | | 19,831 | 6,364 | 2,603 | (2,195) |

7 Investments - available-for-sale

| | 2008 \$ | 2007 \$ |
|----------------------------------|---------------|---------------|
| Balance at beginning of year | 79,818 | 70,863 |
| Additions | 2,590 | 8,743 |
| Unrealised foreign exchange loss | (83) | (82) |
| Change in fair value | (491) | 294 |
| | 81,834 | 79,818 |

There were no disposals or impairment provisions for financial investments in 2008 or 2007.

Financial investments include the following:

| | 2008 | 2007 |
|---|---------------|---------------|
| | \$ | \$ |
| Listed securities | | |
| US Common Shares | 1,919 | 3,217 |
| US Mutual funds | 676 | 862 |
| US Corporate Bonds, Debentures, Short & Medium term notes | 48,101 | 59,529 |
| US Government Bonds | 31,138 | 16,210 |
| | <u>81,834</u> | <u>79,818</u> |

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

The financial investments are denominated in United States dollars.

At December 31, 2008 the maturity profile of debt securities is as follows:

| | 2008 | 2007 |
|-------------------------------|---------------|---------------|
| | \$ | \$ |
| Maturity within 1 year | 54,220 | 51,908 |
| Maturity in 1 - 5 years | 25,019 | 21,699 |
| Maturity greater than 5 years | - | 2,132 |
| | <u>79,239</u> | <u>75,739</u> |

The maximum exposure to credit risk at the reporting date is the fair value of the debt securities classified as financial investments. None of the financial assets are either past due or impaired.

8 Cash resources

| | 2008 | 2007 |
|-------------------------------------|---------------|---------------|
| | \$ | \$ |
| Cash in hand and at bank | 5,029 | 15,745 |
| Short term bank deposits | 10,989 | 12,342 |
| | <u>16,018</u> | <u>28,087</u> |
| Cash and cash equivalents | 16,018 | 28,087 |
| Bank deposits | 4,000 | 10,000 |
| Term deposits - Self Insurance Fund | 17,744 | 20,186 |
| Cash at bank - Self Insurance Fund | 9,099 | 1,943 |
| | <u>46,861</u> | <u>60,216</u> |

The interest rates on short-term bank deposits ranges between 4.00% and 6.50% (2007 – 4.85% and 6.50%) per annum. These deposits have an average maturity of 90 days.

The interest rates on the fixed term bank deposits ranges between 4% and 6.5% (2007 - 4% and 7.4%).

The cash and term deposits of \$26.8 million (2007 - \$22.1million) of the Self Insurance Fund are not available for use in the Group's operations.

9 Trade and other receivables

| | 2008 | 2007 |
|---|---------------|---------------|
| | \$ | \$ |
| Trade receivables | 40,332 | 35,228 |
| Less provision for impairment and discounts | (450) | (380) |
| Trade receivables, net | 39,882 | 34,848 |
| Other receivables | 3,948 | 14,692 |
| Prepayments | 6,141 | 6,794 |
| | <u>49,971</u> | <u>56,334</u> |

The fair values of trade and other receivables equal their carrying values due to the short term nature of these assets.

The movement in the provision for impairment was as follows:

| | 2008 | 2007 |
|---------------------------------|------------|------------|
| | \$ | \$ |
| Balance - beginning of year | 380 | 300 |
| Increase in provision – general | 70 | 80 |
| Balance - end of year | <u>450</u> | <u>380</u> |

Based on the historic trend and expected performance of customers, the Group believes that the above allowance for doubtful receivables sufficiently covers the risk of default.

The increase in provision for impairment of receivables of \$0.07 million is included in general operating expenses in the statement of income. Direct write offs for impaired receivables to the statement of income were \$0.5 million (2007 - \$0.3 million).

The ageing of trade and other receivables is as follows:

| | 2008 | | 2007 | |
|-------------------|----------------------|----------------------|----------------------|----------------------|
| | Trade receivables | Other receivables | Trade receivables | Other receivables |
| | \$ | \$ | \$ | \$ |
| Less than 30 days | 20,934 | 1,875 | 27,317 | 6,535 |
| 31 - 60 days | 9,479 | 189 | 6,832 | 6,594 |
| 61 - 90 days | 1,339 | 1,012 | 920 | 842 |
| Over 90 days | 8,580 | 872 | 159 | 721 |
| | 40,332 | 3,948 | 35,228 | 14,692 |

As of December 31, 2008, trade receivables of \$30.4 million (2007 \$34.1 million) were fully performing.

As of December 31, 2008, trade & other receivables of \$10.8 million (2007 - \$1.7million) were past due but not impaired. These relate to a few customers experiencing economic difficulties but with whom pay arrangements have been implemented to settle liability. The ageing analysis of these trade and other receivables is as follows:-

| | 2008 | | 2007 | |
|--------------|----------------------|----------------------|----------------------|----------------------|
| | Trade receivables | Other receivables | Trade receivables | Other receivables |
| | \$ | \$ | \$ | \$ |
| 61 - 90 days | 1,332 | 342 | 847 | 109 |
| Over 90 days | 8,478 | 649 | 146 | 626 |
| | 9,810 | 991 | 993 | 735 |

As of December 31, 2008, trade and other receivables of \$0.2m (2007 - \$0.2m) were impaired and provided for. The individually impaired receivables mainly relate to domestic and general service customers experiencing difficult economic situations.

| | 2008 | | 2007 | |
|--------------|-------------------|-------------------|-------------------|-------------------|
| | Trade receivables | Other receivables | Trade receivables | Other receivables |
| | \$ | \$ | \$ | \$ |
| 61 - 90 days | 7 | - | 74 | - |
| Over 90 days | 102 | 62 | 13 | 79 |
| | 109 | 62 | 87 | 79 |

10 Inventories

| | 2008 | 2007 |
|----------------------|---------------|---------------|
| | \$ | \$ |
| Fuel | 7,358 | 10,153 |
| Materials and spares | 21,849 | 21,716 |
| Goods in transit | 1,002 | 2,439 |
| | 30,209 | 34,308 |

The cost of inventories written down and recognised as an expense during the year is included in operating expenses in the amount of \$1.3 million (2007 - \$1.1million).

11 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

| | 2008 | 2007 |
|--|----------------|----------------|
| | \$ | \$ |
| Issued | | |
| 100,000 - 5.5% Cumulative preference shares | 500 | 500 |
| 17,106,110 (2007 - 17,412,611) Common shares of no par value | 114,590 | 118,574 |
| | 115,090 | 119,074 |

| | 2008 | | 2007 | |
|--|-------------------|----------------|-------------------|----------------|
| | No. | \$ | No. | \$ |
| Common Shares | | | | |
| Shares outstanding - beginning of year | 17,412,611 | 118,574 | 17,447,157 | 118,933 |
| Repurchased during the year | (353,161) | (4,024) | (89,974) | (944) |
| Costs reclassified | - | (494) | - | - |
| Issued during the year | 46,660 | 534 | 55,428 | 585 |
| Balance - end of year | <u>17,106,110</u> | <u>114,590</u> | <u>17,412,611</u> | <u>118,574</u> |

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 of the Articles of Incorporation and General By-Law of the Company. In November 2008, 46,660 common shares at \$11.45 per share were issued under this Scheme.

The Company also repurchased 353,161 shares at prices ranging from \$10.55 to \$11.45 per share, which were cancelled.

12 Other reserves

| | 2008 | 2007 |
|-------------------------------------|----------------|----------------|
| | \$ | \$ |
| i) Capital Reserve | | |
| Balance - beginning and end of year | <u>109,522</u> | <u>109,522</u> |
| ii) Self Insurance Fund | | |
| Balance - beginning of year | 98,911 | 91,282 |
| Transfer from retained earnings | 10,948 | 7,335 |
| Change in fair value of investments | (491) | 294 |
| Balance - end of year | <u>109,368</u> | <u>98,911</u> |
| iii) Share issue costs | | |
| Balance - beginning of year | (494) | (494) |
| Reclassified to capital | 494 | - |
| | <u>-</u> | <u>(494)</u> |
| Total other reserves | <u>218,890</u> | <u>207,939</u> |

i) This represents an amount of retained earnings that was capitalised in the subsidiary company, The Barbados Light & Power Company Limited 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 in the event 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.

| 13 Borrowings | 2008 | 2007 |
|---|----------|----------|
| | \$ | \$ |
| Royal Bank of Canada BDS \$25,000, repayable in annual instalments of \$1.9m commencing in 2010 - interest rate 7% | 25,000 | 25,000 |
| European Investment Bank - Protocol 11 US\$ 5,991 (2007 - US \$7,872) repayable by 2011 in semi-annual instalments of blended principal and interest - interest rate 6.23%. | 12,215 | 16,049 |
| European Investment Bank - Protocol 111 US \$ 18,387 (2007 - US \$21,749) repayable by 2013 in semi-annual instalments of blended principal and interest - interest rate 4.27% | 37,486 | 44,340 |
| National Insurance Board - Debenture Stock Certificates (Total facility BDS \$20,000) repayable in full in 2020. Interest is payable semi-annually - interest rate 5%. | 20,000 | 20,000 |
| First Caribbean International Bank (Cayman) Ltd US \$7,000 (2007 - US \$8,000) repayable by 2015 in semi-annual instalments of \$0.5m - interest rate 5.98%. | 14,271 | 16,310 |
| | <hr/> | <hr/> |
| Total long term borrowings | 108,972 | 121,699 |
| Add: Accrued interest | 284 | 323 |
| Less: Issue costs | (508) | (604) |
| | <hr/> | <hr/> |
| | 108,748 | 121,418 |
| Less: Current portion including accrued interest | (13,537) | (13,050) |
| | <hr/> | <hr/> |
| Non-current portion | 95,211 | 108,368 |
| | <hr/> | <hr/> |

The long-term loans, with the exception of the European Investment Bank loans, are secured under a Debenture Trust Deed, which creates a first and floating charge on the Company's property, present and future. The Debenture Trust Deed restricts the subsidiary company from issuing debentures ranking pari passu with the floating charge created, unless the Company can meet the earnings coverage ratio and the equity/debt ratio set out in the Trust Deed. The subsidiary company, The Barbados Light & Power Company Limited, 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 2008.

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

The maturity of borrowings is as follows:

| | 2008 \$ | 2007 \$ |
|-----------------------|----------------|----------------|
| Less than 1 year | 13,252 | 12,727 |
| Between 1 and 2 years | 29,721 | 27,892 |
| Between 2 and 5 years | 26,435 | 37,816 |
| Over 5 years | 39,564 | 43,264 |
| Total | <u>108,972</u> | <u>121,699</u> |

The carrying amounts and fair value of the non-current borrowings are as follows:

| | Carrying amount | | Fair value | |
|------------|-----------------|----------------|---------------|----------------|
| | 2008 \$ | 2007 \$ | 2008 \$ | 2007 \$ |
| Borrowings | <u>95,720</u> | <u>108,972</u> | <u>89,586</u> | <u>106,970</u> |

The fair value of current borrowings equals their carrying amount as the impact of discounting is not significant. The fair values are based on cash flows discounted using a rate based on the borrowing rate of 6.85% (2007 - 7%).

14 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 (2007 - 8% p.a.).

| | 2008 | 2007 |
|-----------------------------|--------|---------|
| | \$ | \$ |
| Balance - beginning of year | 20,201 | 19,819 |
| New deposits | 1,580 | 1,800 |
| Deposits refunded | (797) | (2,711) |
| Net interest | 1,465 | 1,293 |
| | <hr/> | <hr/> |
| Balance - end of year | 22,449 | 20,201 |
| | <hr/> | <hr/> |

15 Deferred credits

| | 2008 | 2007 |
|---|--------|--------|
| | \$ | \$ |
| Accumulated investment tax credit | 26,761 | 27,957 |
| Accumulated manufacturing tax credit | 15,736 | 13,692 |
| Customer contributions for work not yet started | 1,634 | 888 |
| | <hr/> | <hr/> |
| | 44,131 | 42,537 |
| | <hr/> | <hr/> |

16 Taxation

a) Corporation tax expense

| | 2008 | 2007 |
|--|---------|----------|
| | \$ | \$ |
| Current tax | - | (2) |
| Deferred tax | (1,928) | 969 |
| Deferred investment tax credit | (1,196) | (4,283) |
| Deferred manufacturing tax credit | 2,044 | 1,280 |
| | <hr/> | <hr/> |
| Taxation credit | (1,080) | (2,036) |
| Deferred tax arising from change in tax rate in subsidiary | - | (12,879) |
| | <hr/> | <hr/> |
| | (1,080) | (14,915) |
| | <hr/> | <hr/> |

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:

| | 2008 | 2007 |
|--|---------|----------|
| | \$ | \$ |
| Income before taxation | 30,636 | 43,435 |
| Corporation tax at 25% (2007 - 25%) | 7,659 | 10,858 |
| Effect of different tax rate in subsidiary 15% (2007 - 15%) | (2,156) | (3,486) |
| Depreciation on assets not qualifying for capital allowances | 71 | 74 |
| Tourism development fund allowance | (21) | (21) |
| Environmental allowance | (7) | (7) |
| Tax loss on which the deferred tax asset is not recognised | 161 | 91 |
| Share of loss of associate | 307 | 550 |
| Income not subject to tax | (2,737) | (2,784) |
| Manufacturing allowance net of deferred portion | (1,774) | (1,657) |
| Investment tax credit net of deferred portion | (2,583) | (5,654) |
| Tax effect of the different tax rate on deferred tax liability | - | (12,879) |
| Taxation credit | (1,080) | (14,915) |

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 15% (2007 - 15%). The movement on the account is as follows:

| | 2008 | 2007 |
|--|---------|----------|
| | \$ | \$ |
| Balance - beginning of year | 20,287 | 32,197 |
| Transfer to the income statement - current year charge | (1,928) | 969 |
| - adjustment for change in rate | - | (12,879) |
| Balance - end of year | 18,359 | 20,287 |

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

| | 2008 | 2007 |
|--|----------|----------|
| | \$ | \$ |
| Accelerated tax depreciation | 200,031 | 178,668 |
| Taxed provisions | (13,854) | (12,435) |
| Unutilised tax losses | (63,782) | (30,984) |
| | 122,395 | 135,249 |
| Deferred tax liability at corporation tax rate of 15% (2007 - 15%) | 18,359 | 20,287 |

The Group has a deferred tax asset of \$0.7 million arising from losses in the parent company (2007 - \$0.6 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 16 (c).

c) Tax losses

The group has tax losses of \$66.7 million (2007 \$33.3 million) available to be carried forward and applied against future taxable income. The losses are as computed by the Group in their tax returns. The losses and their expiry dates are as follows:

| Income Year | Losses brought forward | Incurred/ (Expired) | Losses carried forward | Expiry date |
|-------------|------------------------|---------------------|------------------------|-------------|
| | \$ | \$ | \$ | |
| 1999 | 28 | (28) | - | 2008 |
| 2000 | 15 | - | 15 | 2009 |
| 2001 | 11 | - | 11 | 2010 |
| 2002 | 9 | - | 9 | 2011 |
| 2003 | 9 | - | 9 | 2012 |
| 2004 | 13 | - | 13 | 2013 |
| 2005 | 7,582 | - | 7,582 | 2014 |
| 2006 | 20,912 | - | 20,912 | 2015 |
| 2007 | 4,755 | - | 4,755 | 2016 |
| 2008 | - | 33,430 | 33,430 | 2017 |
| | <u>33,334</u> | <u>33,402</u> | <u>66,736</u> | |

17 Provision for other liabilities and charges

| | Environmental restoration | Bonuses | Regulatory fees | Total |
|---------------------------|---------------------------|--------------|-----------------|--------------|
| | \$ | \$ | \$ | \$ |
| At beginning of year | 2,973 | 1,390 | 460 | 4,823 |
| Charged to income | | | | |
| - Additional provisions | - | 2,265 | 1,164 | 3,429 |
| - Unused amounts reversed | - | (63) | - | (63) |
| Used during year | - | (2,543) | (1,202) | (3,745) |
| At end of year | <u>2,973</u> | <u>1,049</u> | <u>422</u> | <u>4,444</u> |

| | 2008 | 2007 |
|---|--------------|--------------|
| | \$ | \$ |
| Analysis of total provisions | | |
| Non-current (environmental restoration) | 2,973 | 2,973 |
| Current | 1,471 | 1,850 |
| | <u>4,444</u> | <u>4,823</u> |

a) Environmental restoration

The subsidiary company, The Barbados Light & Power Company Limited commenced investigations to identify and assess potential remedial work to be done at the Garrison Generating Plant site which was tested for free hydrocarbons (mixture of diesel fuel and bunker C) in the subsurface. A provision is recognised for the value of costs to be incurred for the recovery of the hydrocarbons and for restoration of the site.

b) Performance and other bonuses

The provision for performance bonus is payable within three (3) months of finalisation of the audited financial statements. The provision for other bonuses is payable before December 31, 2009.

c) Regulatory fees

The subsidiary Company, The Barbados Light & Power Company Limited is regulated by the Fair Trading Commission (FTC) which determines amounts to be levied upon utility service providers annually. The Company is also currently involved in reviewing the rate structure which was fixed in 1983. The provision for regulatory fees represents the estimate for annual FTC fees as well as professional fees for consultants contracted to assist with the rate process.

18 Trade and other payables

| | 2008 | 2007 |
|------------------|---------------|---------------|
| | \$ | \$ |
| Trade payables | 16,723 | 35,981 |
| Other payables | 8,103 | 8,379 |
| Accrued expenses | 5,295 | 4,207 |
| | <u>30,121</u> | <u>48,567</u> |

19 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 and distribute electricity for all revenue segments.

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

| | 2008 | 2007 |
|---|----------------|----------------|
| | \$ | \$ |
| Business segments | | |
| Domestic service | 144,133 | 119,699 |
| Commercial service | 321,721 | 271,740 |
| Street lights | 5,239 | 4,396 |
| Miscellaneous | 2,217 | 1,801 |
| Total revenue | 473,310 | 397,636 |
| | | |
| 20 Expenses by nature | 2008 | 2007 |
| | \$ | \$ |
| Fuel | 297,612 | 225,299 |
| Maintenance of plant | 31,167 | 22,142 |
| Employee benefits (excluding amounts charged to capital projects) | 40,199 | 39,133 |
| Depreciation | 37,275 | 33,660 |
| Insurance | 4,810 | 4,715 |
| Other expenses | 28,199 | 25,696 |
| Total operating expenses | 439,262 | 350,645 |
| | | |
| Employee benefits comprise: | | |
| | 2008 | 2007 |
| | \$ | \$ |
| Wages and salaries | 40,960 | 38,152 |
| Social security costs | 2,362 | 2,217 |
| Pension (note 24) | 3,616 | 3,858 |
| Other benefits and share discount | 1,071 | 1,194 |
| | 48,009 | 45,421 |
| | | |
| Allocated as follows: | | |
| Operating expenses | 40,199 | 39,133 |
| Capitalised | 7,810 | 6,288 |
| | 48,009 | 45,421 |
| | | |
| Average number of persons employed by the group | 504 | 512 |

21 Finance income

Finance income is comprised as follows:

| | 2008 | 2007 |
|---|--------------|--------------|
| | \$ | \$ |
| Investment income - Self Insurance Fund | 3,396 | 3,659 |
| Interest income | 923 | 1,303 |
| | <u>4,319</u> | <u>4,962</u> |

22 Related party transactions

Key management compensation

| | 2008 | 2007 |
|--------------------------------------|--------------|--------------|
| | \$ | \$ |
| Salaries & other short term benefits | 3,367 | 3,072 |
| Directors' fees | 89 | 89 |
| Pension | 713 | 774 |
| Share discount | 32 | 30 |
| | <u>4,201</u> | <u>3,965</u> |

23 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.

| | 2008 | 2007 |
|--|-------------------|-------------------|
| | \$ | \$ |
| Profit attributable to equity holders of the Company | 31,716 | 58,350 |
| Less: Income from restricted funds (Self Insurance Fund) | (3,292) | (3,524) |
| | <u>28,424</u> | <u>54,826</u> |
| Profit attributable to equity holders of the Company | 28,424 | 54,826 |
| Weighted average number of common shares | <u>17,124,706</u> | <u>17,422,113</u> |
| Basic earnings per share (cents) | <u>166.0</u> | <u>314.7</u> |

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

24 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 does 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 \$3.6 million (2007 - \$3.9 million)

25 Bank overdraft facilities

The subsidiary company, The Barbados Light & Power Company Limited entered into an agreement with Royal Bank of Canada on September 28, 2007 to create a debenture for \$15 million. This was issued in accordance with the provisions of the Debenture Trust Deed (note 13) to secure overdraft facilities granted to the Company.

26 Capital commitments

The Group has budgeted capital expenditure of \$42.7 million for the 2009 income year of which \$17.6 million was contracted for at December 31, 2008.

27 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.

28 Subsidiary and associated companies

| | Country of Incorporation | Equity % |
|--|-----------------------------|----------|
| Subsidiaries | | |
| The Barbados Light and Power Company Limited (Generation, Supply & Distribution of Electricity) | Barbados | 100% |
| LPH Telecom Ltd. (Telecommunications) | Barbados | 100% |
| The Barbados Light and Power Company Limited Self Insurance Fund (Special Purpose Entity) | Barbados | 100% |
| Associated Companies | | |
| Caribbean Fiber Holdings, LP | United States of America | 25% |
| Tele (Barbados) Inc. | Barbados | 25% |
| WAMCO Technology Group Limited | Barbados | 25% |
| Antilles Crossing Holding Co. St. Lucia Ltd. | St. Lucia | 25% |
| Tele (St. Lucia) Inc. | St. Lucia | 25% |
| Antilles Crossing (Barbados) IBC, Inc. | Barbados | 25% |
| Antilles Crossing, LP | United States of America | 25% |

Financial Statistics

| | 2008 \$000's | 2007 \$000's | 2006 \$000's | 2005 \$000's | 2004 \$000's |
|---------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Property plant and equipment | 1,027,454 | 990,172 | 940,405 | 891,548 | 862,854 |
| Less accumulated depreciation | (423,324) | (397,881) | (372,620) | (345,348) | (317,828) |
| Net fixed assets | 604,130 | 592,291 | 567,785 | 546,200 | 545,026 |
| Capital employed | 770,092 | 763,020 | 714,065 | 673,515 | 649,262 |
| Represented by: | | | | | |
| Long term debt (%) | 14.2 | 15.9 | 15.3 | 18.3 | 20.7 |
| Deferred credits (%) | 7.9 | 8.1 | 10.7 | 11.3 | 11.3 |
| Shareholders' equity | 77.9 | 76.0 | 74.0 | 70.4 | 68.0 |
| Total | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| Revenue and expenses | | | | | |
| Operating revenue | 473,310 | 397,636 | 361,653 | 339,231 | 301,593 |
| Expenses | | | | | |
| Fuel | (297,612) | (225,299) | (195,447) | (176,669) | (149,010) |
| Operating and maintenance | (104,292) | (91,677) | (93,229) | (77,366) | (73,696) |
| Depreciation | (37,275) | (30,660) | (37,630) | (39,574) | (30,692) |
| Gain/(loss) on exchange | (83) | (9) | 111 | (60) | (114) |
| Operating income | 34,048 | 46,991 | 35,458 | 45,562 | 48,081 |
| Investment income | 4,319 | 4,962 | 5,028 | 3,235 | 693 |
| Income before interest & taxation | 38,367 | 51,953 | 40,486 | 48,797 | 49,425 |
| Interest & finance charges | (6,502) | (6,323) | (6,808) | (7,067) | (3,756) |
| Share of loss of associated companies | (1,229) | (2,195) | (2,800) | - | - |
| Income before taxation | 30,636 | 43,435 | 30,878 | 41,730 | 45,669 |
| Taxation | 1,080 | 14,915 | (512) | (2,779) | 7,292 |
| Net income | 31,716 | 58,350 | 30,366 | 38,951 | 52,961 |
| Add/(deduct) | | | | | |
| Preference dividends | (27) | (27) | (27) | (27) | (27) |
| Common dividends | (6,829) | (6,974) | (6,092) | (5,791) | (5,784) |
| Transfer to Self Insurance reserve | (10,948) | (7,335) | (11,409) | (9,606) | (8,275) |
| Transfer from special reserve | - | - | - | - | 7,368 |
| Capitalisation of retained earnings | - | - | - | - | (109,522) |
| Reinvested earnings | 13,912 | 44,014 | 12,839 | 23,527 | (63,279) |

Operating Statistics

of the subsidiary company The Barbados Light & Power Company Limited

| | 2008 | 2007 | 2006 | 2005 | 2004 |
|--|----------------|---------|---------|---------|---------|
| GENERATING PLANT (Megawatts) | | | | | |
| Installed capacity | | | | | |
| Steam | 40.0 | 40.0 | 40.0 | 40.0 | 40.0 |
| Diesel | 113.1 | 113.1 | 113.1 | 113.1 | 66.0 |
| Gas turbine | 86.0 | 86.0 | 86.0 | 86.0 | 103.5 |
| TOTAL | 239.1 | 239.1 | 239.1 | 239.1 | 209.5 |
| PEAK DEMAND | 164.0 | 162.4 | 157.0 | 154.2 | 143.0 |
| GENERATION AND SALES (GWh) | | | | | |
| Gross Generation | | | | | |
| Steam | 204.7 | 261.9 | 210.0 | 239.1 | 256.9 |
| Diesel | 658.6 | 663.4 | 706.5 | 568.3 | 369.3 |
| Gas turbine | 190.4 | 123.9 | 103.9 | 185.4 | 302.6 |
| TOTAL | 1,053.7 | 1,049.2 | 1,020.4 | 992.8 | 928.8 |
| Net generation | 1,010.5 | 1,002.9 | 976.4 | 953.4 | 896.4 |
| Sales (GWh's) | | | | | |
| Domestic | 301.0 | 300.0 | 294.8 | 293.7 | 275.7 |
| Commercial | 643.0 | 640.8 | 608.6 | 591.0 | 555.6 |
| TOTAL | 944.0 | 940.8 | 903.4 | 884.7 | 831.3 |
| Load factor (%) | 73.1 | 73.8 | 74.2 | 73.5 | 73.9 |
| Losses (%) | 6.3 | 5.9 | 7.2 | 6.9 | 7.0 |
| NUMBER OF CUSTOMERS AT YEAR END | | | | | |
| Domestic | 99,000 | 97,801 | 96,486 | 95,223 | 94,045 |
| Commercial | 19,798 | 18,857 | 17,775 | 16,520 | 15,443 |
| TOTAL | 118,798 | 116,658 | 114,261 | 111,743 | 109,488 |
| No of Streetlights | 28,101 | 27,846 | 27,308 | 26,666 | 25,962 |



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 2009 the Directors declared a dividend of 10 cents per share that will be paid in March 2009.

Projected record dates for the remainder of 2009 are May 29, August 31 and November 27.

Projected payment dates for dividends declared during the remainder of 2009 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.
J. R. Wheeler
P. W. B. Williams