

20004

ANNUAL
REPORT

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Corporate Information

DIRECTORS

Dennis Michael Arthur Morton
Chairman, Executive Director

Earle Austin Kelly, B.A., M.B.A.
Finance Director

Austin Vincent DaSilva
Executive Director

Nicolas Narayan Menon, B.Sc., M.B.A.
Executive Director

Basil Michael Lynch King, C.S.M., O.B.E.
Management Consultant

Jacques Augustine Copel Cramer
Marketing Consultant

Charles Lucien Arthur Wilkin, Q.C., M.A. (Cantab)
Legal Counsel

Clive Elton Ramus Ottley, M.B., B.S., (Lond) F.R.C.O.G.

Kenneth Norman Kelly

Myrna Rosina Walwyn, B.Sc., M.A., Dip. Law
Legal Counsel

Corporate Information

SECRETARY

Maritza Simone Bowry, B.Sc, M.B.A.

AUDITORS

Pannell Kerr Forster
Chartered Accountants
North Independence Square
Basseterre, St. Kitts

BANKERS

FirstCaribbean International Bank (Barbados) Ltd.
The Circus, Basseterre, St. Kitts

St. Kitts Nevis Anguilla National Bank Ltd.
Central Street, Basseterre, St. Kitts

Royal Bank of Canada
The Circus, Basseterre, St. Kitts

The Bank of Nova Scotia
Fort Street, Basseterre, St. Kitts

REGISTERED OFFICE

Fort Street, Basseterre, St. Kitts

Notice of Meeting

Notice is hereby given that the 31st Annual General Meeting of the St. Kitts Nevis Anguilla Trading and Development Company Limited will be held at the Pereira Conference Room, Ocean Terrace Inn, Fortlands, Basseterre, St. Kitts, on Thursday 24 June, 2004 at 5.00 p.m.

AGENDA

1. To receive the Report of the Directors
2. To receive and consider the Accounts for year ended 31 January 2004
3. To declare a final Dividend
4. To elect Directors to replace those retiring by rotation
5. To appoint Auditors and to authorize the Directors to fix their remuneration for the ensuing year

BY ORDER OF THE BOARD



Maritza Bowry
Secretary

1 June, 2004

The Transfer Books and Register of Members will be closed from 10 June to 24 June 2004.

A member entitled to attend and vote is entitled to appoint one or more Proxies to attend, and on a poll, to vote instead of him/her. A Proxy need not be a member of the Company.

P.S. Notice was previously published in local newspapers during the week ending 29 May 2004

Directors' Report

The thirty-first year of the Company's operations resulted in Net Income of \$6,353,092 after taxation and minority interests, compared to the restated Net Income of \$6,343,302 for the last year.

In January 2004, an interim dividend of 4% (20 cents per share) was paid. The Board recommends a final dividend of 5% (25 cents per share) making the total dividend 9% (45 cents per share) for the year, amounting to \$2,250,000.

PERFORMANCE REVIEW

TRADING

Our **Automotive Division** in St Kitts experienced improved performance both in sales and profitability. However, in Nevis weak vehicle sales caused losses for that department. The **Home and Building Depots** had reduced profits due to discounting brought about by strong competitive pricing. The **Business Equipment and Stationery** business in St Kitts did well but Nevis suffered losses.

SERVICES

The **Shipping Agencies** performed well, even though in St Kitts, due to the completion of the Marriott Resort, the volume of construction materials carried by our principals, CMA/CGM, decreased around mid-year. The St. Kitts Agency responded by successfully embarking on an aggressive sales initiative to generate revenue from the local business houses. A 286 ton inter-island cargo vessel, the MV Bo II, was purchased. This replaced the aging MV Bo, which the Company has owned and operated for over seven years. The MV Bo is now being offered for sale.

TDC Rentals Ltd and TDC Rentals (Nevis) Ltd both performed creditably. While the hire purchase business experienced little growth, auto rentals increased substantially, particularly during the tourist season. The accounts for the year under review includes prior year adjustments as shown in Note 14.

Directors' Report

FINANCE & INSURANCE

St Kitts Nevis Insurance Company Ltd (SNIC) had another good year during which we experienced no major loss events. However, we are disappointed that the Government has decided that local insurance companies will be allowed to set aside, for tax purposes, only 5% of their premiums in Catastrophe Reserves. This will weaken indigenous insurers and force them to buy more reinsurance coverage, resulting in the outflow of vital foreign exchange. We call on the authorities to review their position which is out of step with other Caribbean jurisdictions.

St. Kitts Nevis Finance Company Ltd (FINCO) generated lower profits than last year, due to increased operating expenses and provisions for loan losses.

TOURISM

The Hotel, Airline Services and Tours businesses had mixed results. **Ocean Terrace Inn (OTI)** suffered losses due in part to reduced corporate business and lower room rates. The significant increase in hotel rooms on the island forced rates down. The Airline services business in Nevis had a very challenging year due to the low volume of aircrafts handled. However, in St Kitts, the increased airlift provided by our principals US Airways from the USA, Excel Airways from the UK, Sky Service from Canada and the strong growth of the other charter and private jet services, contributed to a very strong performance. **TDC Tours** also had a good year due to the additional business generated from our association with the St Kitts Marriott Resort and Royal Beach Casino.

DEVELOPMENT

TDC Real Estate and Construction Company Ltd, which developed **Leeward Cove** and **Conaree Estates Ltd**, made positive contributions. Five units at Leeward Cove and three lots at Conaree were sold this year.

Directors' Report

ASSOCIATED COMPANIES

St Kitts Bottling Company Ltd continues to make a small contribution to the Group's overall performance but there is uncertainty about the Company's continued viability given the opening of the local market to unrestricted imports in 2005. That Company's management continues to evaluate options to improve its market share.

St Kitts Masonry Products Ltd generated losses due to the high cost of raw materials. To reduce costs we are seeking to purchase land suitable for the mining of aggregate.

MAICO, our associated insurance company in Anguilla has again contributed significantly to the Group's performance. The Company will, in the ensuing financial year, pay its first dividend since our investment in 1998.

CAPITAL PROJECTS

The amalgamation of the Home Centre and the Building Materials Departments on St Kitts, into the Home and Building Depot during the latter half of the year, has produced a state of the art "one stop" shopping experience. We have upgraded our information technology system by commissioning a new point of sale, inventory management and management information system.

The Leeward Cove development has only one unit for sale and the Sands commercial/residential development has 22 units. The prospects for further sales in the short-term look good. Your Group's management is also developing plans to construct an upscale villa development on approximately 9 acres of land at Frigate Bay, overlooking the golf course. Further, we are also seeking suitable lands for a middle-income housing development.

Directors' Report

EASTERN CARIBBEAN SECURITIES EXCHANGE

The Company was successfully listed on the Eastern Caribbean Securities Exchange in June 2003. Your directors are quite pleased with the performance of the Company's shares since the listing.

SOCIAL CONTRIBUTION

The Group is totally committed to its policy of involvement in social development and nation building through active association with programs and organizations geared towards achieving improved standards in industry, education, sports and community development. These activities including our recent sponsorship of the victorious Newtown United Football Club which recently won the Premier Division of the Western Union Football League.

HUMAN RESOURCES

We believe that the Company's most valuable resource is its employees and as a result, the Company continues to focus on their development at all levels. In addition to assisting employees currently pursuing studies at the undergraduate, graduate and diploma levels, we continue to develop and deliver in-house and external training programmes to ensure that employees keep abreast of the latest issues and techniques.

THE ECONOMY

During the year under review, the local economy improved slightly due mainly to growth in the tourism sector. Promising growth in airlift out of the USA, UK and Canada, our main tourist markets, and the opening of the Marriott Resort resulted in a relatively strong tourist season for the hotel sector. In addition, the cruise sector experienced its best season ever. However, contractions in agriculture and construction moderated the expansion in the economy.

Directors' Report

STATUTORY REPORT

The Directors have pleasure in submitting their Report and Audited Accounts for the year ended January 31 2004.

	<u>2004</u>	<u>2003</u>
Profit for the year after providing Taxation	\$6,353,092	\$6,343,302
The Board recommends a total Dividend of 9% free of tax (2003 -9%)	<u>\$2,250,000</u>	<u>\$2,250,000</u>
Retained Earnings	\$4,103,092	\$4,093,302

In accordance with Article 99 of the Articles of Association, Messrs D M Morton, A V DaSilva, and N N Menon retire and being eligible, offer themselves for reappointment.

In closing, the Board wishes to thank employees for their unwavering loyalty and commitment and solicit their continued support. We also take this opportunity to thank our shareholders for their confidence in us, and our valued customers for their patronage, because it is only through these stakeholders that we can be true to our motto:

**TDC for Service
TDC for Quality
TDC your Company**



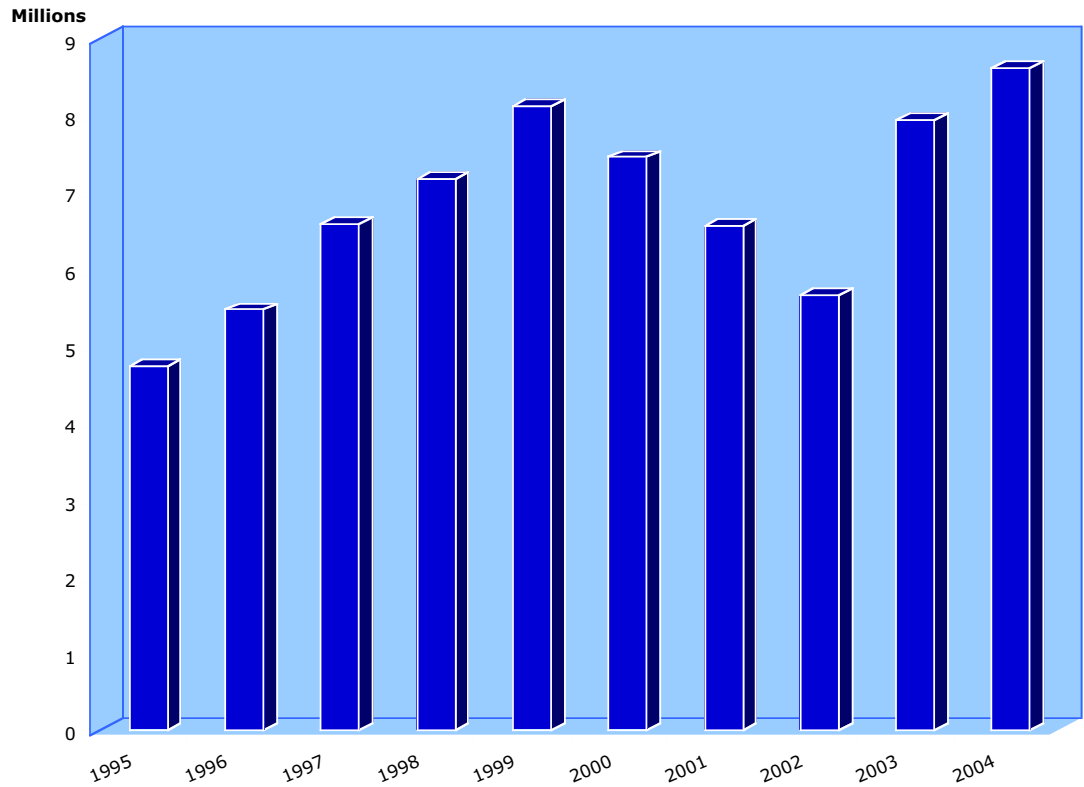
D Michael Morton
Chairman



Nicolas N Menon
Director

Group Financial Information

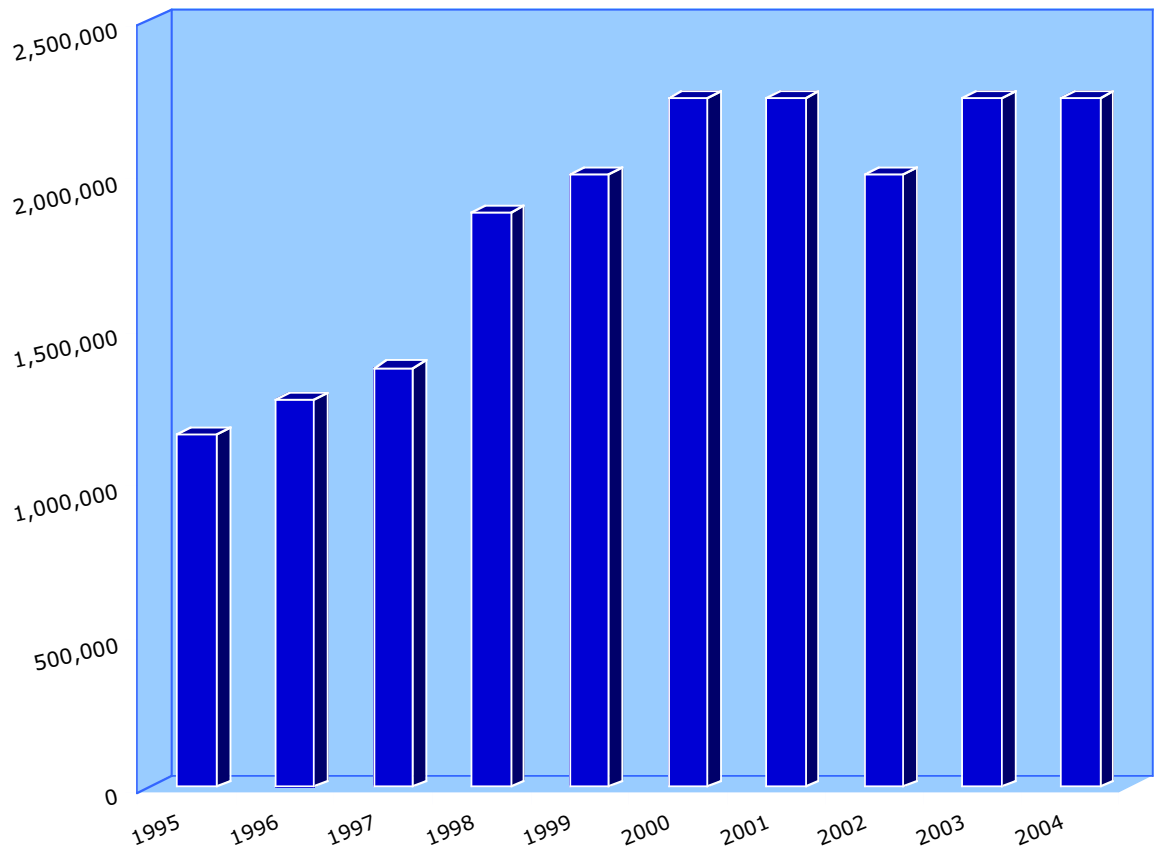
PRE-TAX PROFITS



Group Financial Information

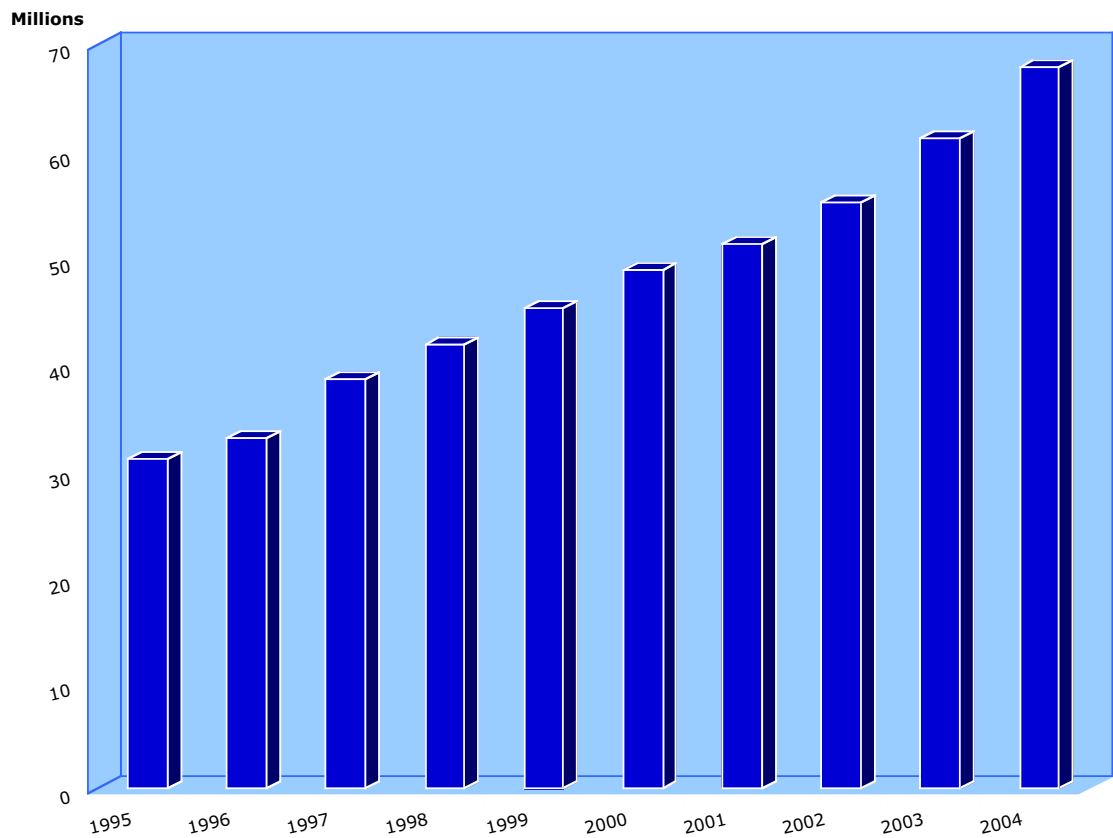


DIVIDENDS



Group Financial Information

SHAREHOLDERS' FUNDS



Group Financial Information

Year to 31 January	Interest Net	Depreciation	Pre-Tax Profit	Corporation Tax	Dividends	Retained Income	Share Holders Funds
1995	1,032,393	2,280,503	4,740,017	1,817,174	1,150,000	1,772,843	31,021,889
1996	1,140,144	2,653,177	5,471,399	1,834,171	1,265,000	2,372,228	32,995,197
1997	1,434,539	3,248,412	6,588,516	2,169,400	1,368,750	3,012,483	38,615,080
1998	2,402,696	3,469,066	7,179,728	2,213,103	1,875,000	3,242,576	41,876,271
1999	3,628,658	3,977,700	8,131,604	2,368,280	2,000,000	3,598,591	45,216,808
2000	2,999,387	4,392,109	7,459,836	2,313,340	2,250,000	2,752,254	48,856,869
2001	3,619,050	4,057,866	6,566,931	1,840,444	2,250,000	2,367,648	51,267,401
2002	2,473,208	3,611,706	5,660,804	1,699,755	2,000,000	2,080,246	55,134,240
2003	1,241,355	3,154,541	7,951,861	1,711,663	2,250,000	4,093,302	61,206,898
2004	1,910,437	3,698,484	8,618,943	2,215,468	2,250,000	4,103,092	67,979,396

Auditors' Report

TO THE MEMBERS OF ST KITTS NEVIS ANGUILLA TRADING AND DEVELOPMENT COMPANY LIMITED

We have audited the Consolidated Balance Sheet of the Group as at 31 January 2004, and the related Consolidated Profit and Loss Account and Statements of Changes in Equity and Cash Flows for the year then ended. These Financial Statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these Financial Statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform an audit to obtain reasonable assurance that the Financial Statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Financial Statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as, evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, these Financial Statements present fairly, in all material respects, the financial position of the Group at 31 January 2004, and the results of its operations, changes in equity and its cash flows for the year then ended, in accordance with International Accounting Standards except as disclosed in Note 2 (n) & (p) to the Financial Statements.



PANNELL KERR FORSTER


Chartered Accountants
Basseterre
St Kitts – West Indies

22 May 2004

Balance Sheet

AS AT 31 JANUARY 2004

CURRENT ASSETS	NOTES	2004	2003
Cash and Short Term Investments	3	16,516,251	15,605,727
Accounts Receivable	4	51,174,816	43,844,192
Inventories and Goods in Transit		<u>34,567,491</u>	<u>27,517,073</u>
		<u>102,258,558</u>	<u>86,966,992</u>
CURRENT LIABILITIES			
Current Loans and Bank Overdrafts	5	19,066,263	17,791,020
Accounts Payable	6	63,874,410	58,840,654
Provision for Taxation	7	4,425,763	3,464,979
Proposed Dividend		<u>-</u>	<u>1,250,000</u>
		<u>87,366,436</u>	<u>81,346,653</u>
WORKING CAPITAL		14,892,122	5,620,339
TRADE INVESTMENTS	8	18,622,329	15,704,265
FIXED ASSETS	9	81,698,297	84,441,430
GOODWILL - at Cost	2(r)	-	603,137
INSURANCE STATUTORY DEPOSIT	10	<u>530,052</u>	<u>-</u>
TOTAL		<u>\$115,742,800</u>	<u>\$106,369,171</u>
FINANCED BY:			
SHARE CAPITAL	11	25,000,000	25,000,000
RESERVES		<u>42,979,396</u>	<u>36,206,898</u>
SHAREHOLDERS' EQUITY (page 18)		67,979,396	61,206,898
MINORITY INTEREST		2,351,902	2,301,519
LOANS-NON CURRENT	5	17,362,681	19,460,325
INSURANCE AND OTHER FUNDS	12	<u>28,048,821</u>	<u>23,400,429</u>
FUNDS EMPLOYED		<u>\$115,742,800</u>	<u>\$106,369,171</u>


D M Morton
Chairman


Earle A Kelly
Finance Director

The attached Notes form part of these Accounts.

Profit and Loss Account

FOR THE YEAR ENDED 31 JANUARY 2004

	NOTES	2004	2003
TURNOVER		<u>\$123,983,887</u>	<u>\$109,618,912</u>
Other Income		2,529,519	2,471,524
Changes in Inventories of Finished goods		7,050,418	3,171,798
Staff Cost		(18,978,853)	(18,074,585)
Depreciation and Amortisation		(3,698,484)	(3,154,541)
Other Operating Costs		<u>(98,608,062)</u>	<u>(81,766,884)</u>
		12,278,425	12,266,224
Finance Cost		(4,144,894)	(4,700,254)
DIVIDENDS RECEIVED (Free of Tax)		<u>231,412</u>	<u>144,187</u>
PROFIT BEFORE TAXATION			
Parent Company and Subsidiaries		8,364,943	7,710,157
Share of Profits of Associated Companies		<u>254,000</u>	<u>241,704</u>
		<u>8,618,943</u>	<u>7,951,861</u>
PROVISION FOR TAXATION			
Parent Company and Subsidiaries	7	2,064,220	1,560,006
Associated Companies		<u>151,248</u>	<u>151,657</u>
		<u>2,215,468</u>	<u>1,711,663</u>
PROFIT AFTER TAXATION		6,403,475	6,240,198
Minority Interest – Loss/(Profit)		<u>(50,383)</u>	<u>103,104</u>
Profit attributable to Shareholders		6,353,092	6,343,302
Interim Dividends Paid –4% (2003– 4%)		1,000,000	(1,000,000)
Final Dividends Proposed –5%		–	(1,250,000)
BALANCE CARRIED TO STATEMENT OF CHANGES IN EQUITY		<u>\$5,353,092</u>	<u>\$4,093,302</u>

The attached Notes form part of these Accounts.

Statement of Changes in Equity

FOR THE YEAR ENDED 31 JANUARY 2004

	Share Capital	Unrealised Holding Gain	Capital Reserve	Retained Earnings	Total
Balance at 31 January 2002					
– As previously reported	25,000,000	–	2,398,197	27,736,043	55,134,240
– Prior Year Adjustment (Note 14)	–	–	–	1,934,704	1,934,704
– As Restated	25,000,000	–	2,398,197	29,670,747	57,068,944
Reserve on Consolidation	–	–	2,045,703	–	2,045,703
Retained Earnings Capitalised					
– Subsidiary	–	–	–	(2,000,000)	(2,000,000)
(Decrease)/Increase in Reserves of Associated Companies	–	–	(1,051)	–	(1,051)
Transfer to Capita Reserves					
– Associates Company	–	–	20,472	(20,472)	–
Net Income for the Year Restated	–	–	–	6,343,302	6,343,302
Dividend paid and proposed	–	–	–	(2,250,000)	(2,250,000)
Balance at 31 January 2003					
– As Restated	<u>25,000,000</u>	<u>–</u>	<u>4,463,321</u>	<u>31,743,577</u>	<u>61,206,898</u>
Balance at 31 January 2003					
– As previously reported	25,000,000	–	4,463,321	28,946,440	58,409,761
– Prior Year Adjustment (Note 14)	–	–	–	2,797,137	2,797,137
– As Restated	25,000,000	–	4,463,321	31,743,577	61,206,898
Increase in Reserves of Associated Companies	–	–	413,858	–	413,858
Unrealised Holding Gain Investment (See Note 2 (c))	–	1,509,352	–	–	1,509,352
Transfer to Capital Reserves					
– Associated Companies	–	–	105,948	(105,948)	–
Goodwill Written Off	–	–	(503,804)	–	(503,804)
Net Income for the Year	–	–	–	6,353,092	6,353,092
Dividend Paid (Note 11)	–	–	–	(1,000,000)	(1,000,000)
Balance at 31 January 2004	<u>\$25,000,000</u>	<u>\$1,509,352</u>	<u>\$4,479,323</u>	<u>\$36,990,721</u>	<u>\$67,979,396</u>

The attached Notes form part of these Accounts.

Statement of Cash Flows

FOR THE YEAR ENDED 31 JANUARY 2004

CASH FLOWS FROM OPERATING ACTIVITIES	2004	2003
Income before taxation	8,618,943	7,951,861
ADJUSTMENTS TO RECONCILE NET PROFIT TO NET CASH FROM OPERATING ACTIVITIES		
Depreciation	3,599,151	3,154,541
Amortisation of Goodwill	99,333	-
Prior year adjustments	-	(2,850,385)
Gain on Disposal of Fixed Assets and Investments	(498,166)	(327,565)
Share of results of Associated Companies	(254,000)	(241,704)
Increase in Employment and insurance Funds	4,648,392	3,493,656
Minority Interest in earnings of subsidiaries	(50,383)	103,104
CHANGES IN ASSETS AND LIABILITIES		
Increase in Inventories	(7,050,418)	(3,171,798)
Increase in Accounts Receivable	(7,330,624)	(1,015,456)
Increase in Accounts payable	5,033,756	2,441,524
Taxation Paid	<u>(1,103,436)</u>	<u>(1,622,159)</u>
Net cash inflow from operating activities	<u>5,712,548</u>	<u>13,616,389</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of fixed assets	10,597,501	1,428,580
Purchase of fixed assets	(10,955,352)	(8,350,493)
Purchase of Investments	(935,408)	(4,819,183)
Dividends from associated companies	43,305	143,305
Insurance Statutory Deposit	(530,052)	-
Reserve/(Goodwill) Purchased	-	<u>45,702</u>
Net cash outflow from Investing activities	<u>(1,780,006)</u>	<u>(11,552,089)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in non-current debt	(2,097,644)	(6,038,346)
Increase/(Decrease) in current debt	1,275,243	6,234,047
Increase/(Decrease) in Minority Interest	50,383	(845,381)
Dividends paid to Shareholders	<u>(2,250,000)</u>	<u>(2,000,000)</u>
Net cash outflow from financing activities	<u>(3,022,018)</u>	<u>(2,649,680)</u>
Net (Decrease) / Increase in cash and cash equivalents	910,524	(585,380)
Cash and cash equivalents at beginning of year	<u>15,605,727</u>	<u>16,191,107</u>
Cash and cash equivalents at end of year	<u>\$16,516,251</u>	<u>\$15,605,727</u>

The attached Notes form part of these Accounts.

Notes to the Accounts

FOR THE YEAR ENDED 31 JANUARY 2004

1. PRINCIPAL ACTIVITIES

St Kitts Nevis Anguilla Trading and Development Company Limited, incorporated in St Kitts, is the Parent Company of a diversified trading, manufacturing and service group. A list of subsidiary companies and their main activities is given at the end of this report.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Accounting:

The Accounts of the Parent Company and its subsidiaries have been prepared under the historical cost convention modified to give effect to the revaluation of certain fixed assets.

b) Basis of Consolidation:

The Group Accounts include the Accounts of the Parent Company and its subsidiary companies, which are made up to 31 January 2004. The Group Accounts also include the Group's share of the post-acquisition results and the reserves of associated companies.

The Group's share of attributable post acquisition income of its associated companies is dealt with in the Consolidated Profit and Loss Account while in the Consolidated Balance Sheet the investments are shown at cost plus the Group's share of post acquisition reserves.

Inter-Company transactions, including inter-company profits in year-end inventories, where material, have been eliminated from these Accounts.

c) Investments:

Investments in shares of associated companies (holding of 20% to 50%) are accounted for on the equity method of accounting. Trade and other investments are stated at cost or valuation less provision for diminution in value. Investments in Companies quoted on the Eastern Caribbean Securities Exchange are carried at fair value based on quoted market prices at the year end.

d) Inventories and Goods in Transit:

Inventories and goods in transit are valued at the lower of cost and net realizable value, which have been applied consistently with the previous financial year.

e) Hire Purchase Transactions:

The gross profit and interest charges relating to hire purchase sales are apportioned over the period in which the instalments are received in the proportion which instalments received bear to the total selling price. Hire purchase stock is valued at hire purchase sale price less deferred gross profit and interest charges and less cash received on account. This value is not greater than cost or net realizable value and has been consistently applied over the years.

Notes to the Accounts

FOR THE YEAR ENDED 31 JANUARY 2004

f) Policyholders' Funds

St. Kitts Nevis Insurance Company Limited (SNIC), a wholly owned subsidiary, is required to set aside and maintain funds for both statutory and actuarial reasons to adequately safeguard the policyholders' interests. These funds are shown separately from the funds attributable to the shareholders and are not available for distribution. An actuary will value the long term insurance funds at intervals not exceeding five years.

g) Premium Income:

Premium income is accounted for in these Accounts when written. This corresponds in the main to the date the insurance cover becomes effective. Any subsequent revisions to or cancellations of premiums are accounted for in the year during which these occur.

h) Underwriting Profits:

Underwriting profits are on general insurance business stated after setting off reinsurance premiums and after making adequate provisions for unearned premiums, unexpired risks, outstanding claims and claims equalisation reserve.

i) Provisions for Unearned Premiums:

Provisions for unearned premiums represent the proportions of the premiums written in the period less reinsurance thereon which relate to periods of insurance subsequent to the balance sheet date and have been computed on a monthly pro rata fractional basis (the "24th's" method).

j) Provisions for un-expired risks:

Provisions for un-expired risks represent amounts set aside at the end of the year in respect of subsequent risks to be borne by the Company under contracts of insurance in force at the end of the year and have been computed as a percentage of the unearned premiums.

k) Outstanding Claims:

Outstanding claims comprise the estimated cost of all claims incurred but not settled at the balance sheet date, less recoveries from re-insurers. Provision is also made for claims incurred but not reported until after the balance sheet date. Differences between the provisions for outstanding claims and subsequent settlements and revisions are included in the revenue statements in the year the claims are settled.

l) Claims Equalisation Reserve:

Claims Equalisation Reserve represents annual transfers from gross premiums on fire, motor and miscellaneous business deemed necessary by the Directors to provide for unforeseen risks and catastrophes, in keeping with standard practice in the insurance industry.

Notes to the Accounts

FOR THE YEAR ENDED 31 JANUARY 2004

m) **Fixed Assets:**

The Freehold and Leasehold properties were independently and professionally revalued in January 1995 at market values prevailing at that date. Properties acquired after that date have been stated at cost. Surpluses on revaluation have been taken directly to Capital Reserve. Other fixed assets are stated at cost less related accumulated depreciation.

n) **Depreciation of Fixed Assets:**

Depreciation is provided for at varying annual rates calculated to write off the cost of fixed assets other than Freehold and Leasehold Properties over their expected useful lives. It is the Group's policy not to provide for depreciation on the majority of its Freehold and Leasehold Properties because, in the opinion of the Directors, these assets are constantly repaired and adequately maintained in good condition and any depreciation, which may be required, would not be material. This policy, however, is not in accordance with International Accounting Standard No .16.

o) **Foreign Currencies:**

All amounts are stated in Eastern Caribbean Dollars. Transactions during the year between the Group and its customers and suppliers are converted into local currencies at the rates of exchange ruling at the dates of the transactions. Differences arising there from are reflected in the current year's results. Assets and liabilities in foreign currencies are translated into Eastern Caribbean Dollars at the rates of exchange prevailing at the balance sheet date.

p) **Taxation:**

Taxation is provided for under the taxes payable method. No account is taken of Deferred Taxation because, in the opinion of the Directors, the application of such a method has limited significance in the context of taxation legislation and company law requirements in St Kitts-Nevis. This method is not in accordance with the International Accounting Standards.

q) **Turnover:**

Turnover comprise sales to third parties, commissions and gross general insurance premiums.

r) **Goodwill:**

The cost of goodwill represents the excess of the purchase price over the net book value of the assets acquired at the date of purchase. Goodwill was written off during the year under review.

Notes to the Account

FOR THE YEAR ENDED 31 JANUARY 2004

3. CASH AND SHORT TERM INVESTMENTS

Included in cash and short term investments is an amount of \$7,459,375 (2003=\$7,947,500) which represents Government of St. Kitts and Nevis and Nevis Island Administration Treasury Bills stated at cost [Face Value \$7,500,000 (2003 = \$8,000,000)] maturing on a quarterly basis. Interest is earned at the rate of 6.5% and 7% per annum respectively free of tax.

4.ACCOUNTS RECEIVABLE	<u>2004</u>	<u>2003</u>
Trade Accounts Receivable	48,779,776	41,239,299
Amount due by Subsidiaries & Associated Companies	375,000	498,631
Other Receivables and Prepayments	<u>2,020,040</u>	<u>2,106,262</u>
TOTAL	<u>\$51,174,816</u>	<u>\$43,844,192</u>

5. LOANS AND BANK OVERDRAFTS

	<u>2004</u>	<u>2003</u>
Overdrafts	15,381,557	14,590,881
Loans-Current portion	<u>3,684,706</u>	<u>3,200,139</u>
OVERDRAFTS/LOANS-CURRENT	<u>\$19,066,263</u>	<u>\$17,791,020</u>
Bank and other Loans	21,047,387	22,660,464
Less-Current Portion	<u>(3,684,706)</u>	<u>(3,200,139)</u>
LOANS-NON-CURRENT	<u>\$17,362,681</u>	<u>\$19,460,325</u>

Secured loans are repayable over periods varying from one (1) to ten (10) years at rates of interest varying from LIBOR + 1.5% to 10%.

Collateral:

The Group's bankers hold debentures creating fixed and floating charges and an equitable mortgage on the Group's assets, including capital of the Parent Company and certain subsidiaries amounting to approximately \$33,343,000 (2003 = \$39,997,000).

6. ACCOUNTS PAYABLE

	<u>2004</u>	<u>2003</u>
Customer Deposits	31,091,339	31,713,064
Trade Accounts Payable	5,886,760	5,473,823
Amount due to Associated Companies	499,513	-
Sundry Accounts Payable and Accrued Charges	<u>26,396,798</u>	<u>21,653,767</u>
TOTAL	<u>\$63,874,410</u>	<u>\$58,840,654</u>

Notes to the Account

FOR THE YEAR ENDED 31 JANUARY 2004

7. PROVISION FOR TAXATION

	<u>2004</u>	<u>2003</u>
Provision for Taxation		
–Current Year	2,064,220	1,580,870
–Previous Year	<u>2,361,543</u>	<u>1,884,109</u>
TOTAL	<u>\$4,425,763</u>	<u>\$3,464,979</u>
The Charge in the Profit and Loss Account comprises the following:		
Provision for Taxation	2,064,220	1,580,870
Sundry under/(over) provisions	<u>-</u>	<u>(20,864)</u>
TOTAL	<u>\$2,064,220</u>	<u>\$1,560,006</u>

8. TRADE INVESTMENTS AT COST AND VALUATION

a) Associated Companies

	<u>2004</u>	<u>2003</u>
ST KITTS MASONRY PRODUCTS LTD		
6,500 Ordinary shares of \$100 each – At Valuation	2,417,496	2,684,554
ST KITTS BOTTLING COMPANY LTD		
86,611 ordinary Shares of \$5 each –At Valuation	1,644,946	1,610,024
CABLE BAY HOTEL DEVELOPMENT CO LTD		
3,500 (2003= 3,000) Shares of US\$100 each – At Cost	945,000	945,000
Deposit on Shares	110,417	110,417
MALLIOUHANA – ANICO INSURANCE CO.LTD		
81,375 Shares of \$10 each – At Valuation	<u>1,647,500</u>	<u>942,059</u>
Sub-total	<u>6,765,359</u>	<u>6,292,054</u>

b) Other Investments

ST.KITTS–NEVIS–ANGUILLA NATIONAL BANK LTD		
500,000 (2003= 500,000) Ordinary Shares of \$1 each – Quoted	1,925,000	500,000
CARIB BREWERY (ST.KITTS & NEVIS) LTD.		
333,000 Ordinary Shares of \$1 each – At Cost	516,151	516,151
THE BANK OF NEVIS LTD		
37,490 (Ordinary Shares of \$1.00 each – Quoted	187,450	103,098
CABLE AND WIRELESS ST.KITTS–NEVIS LTD.		
126,000 Shares of \$1 each – At Cost	<u>168,000</u>	<u>168,000</u>
Carried Forward	2,796,601	1,287,249

Notes to the Accounts

FOR THE YEAR ENDED 31 JANUARY 2004

8. TRADE INVESTMENTS AT COST AND VALUATION (CONT'D)

	<u>2004</u>	<u>2003</u>
Brought Forward	2,796,601	1,287,249
EASTERN CARIBBEAN HOME MORTGAGE BANK 1,064 Class D Shares of \$100 each - At Cost	106,400	106,400
10 Year Bonds - At Cost	1,050,000	450,000
TRU SERV CORPORATION 332 Units of Common Stock at US\$100 each - At Valuation	89,793	89,793
FORTRESS CARIBBEAN PROPERTY FUND LTD 400,000 ordinary Shares of Bds \$1 each - At Cost	567,000	567,000
BANKS BARBADOS BREWERIES LTD 3,300 Ordinary Shares of Bds \$1 each - At Cost	501	501
NATIONAL BANK OF ANGUILLA LTD 5,000 Shares of no par value - At Cost	202,500	202,500
Fixed Deposits (medium term)	2,895,554	2,709,254
CARIBBEAN COMMERCIAL BANK (Anguilla) Ltd Fixed Deposits (medium term)	1,537,684	1,432,384
EASTERN CARIBBEAN SECURITIES EXCHANGE 10,000 Class D Shares of \$10 each fully paid	100,000	100,000
FEDERATION MEDIA GROUP - Fully paid up 1,000 Ordinary Shares of \$100 - At Cost	100,000	100,000
DO-IT-BEST Corp 20 Common Shares of US\$50 each - At cost	2,700	2,700
HOUSING DEVELOPMENT PROJECT - At cost	124,235	80,428
GOVERNMENT OF ST KITTS NEVIS BONDS - At cost	2,000,000	2,000,000
FIRST CARIBBEAN INTERNATIONAL BANK LTD 100,000 shares of no par value - At Cost	284,000	284,000
CARIBBEAN SHOE MANUFACTURERS LTD (Inactive) 175 Ordinary Shares of \$1,000 each	1	1
CARIBBEAN INVESTMENTS CORPORATION 40 Ordinary Shares of \$100 each (in liquidation)	<u>1</u>	<u>1</u>
Subtotal	<u>11,856,970</u>	<u>9,412,211</u>
TOTAL TRADE INVESTMENTS	<u>\$18,622,329</u>	<u>\$15,704,265</u>

Associated Companies

Investments in Associated Companies are accounted for on the equity basis as represented in the latest Financial Statements, which for two Companies was the year ended 30 June 2003 and for one company was the year ended 31 December 2003.

Other Investments

The investments in Caribbean Investments Corporation, and Caribbean Shoe Manufacturers Limited have been written down to a nominal value of \$1 each since no further material return is anticipated.

Notes to the Account

FOR THE YEAR ENDED 31 JANUARY 2004

8. TRADE INVESTMENTS AT COST AND VALUATION (CONT'D)

In the opinion of the Directors the aggregate value of investments is not less than the book value.

Quoted Investments

Investments in Companies quoted on the Eastern Caribbean Stock Exchange are carried at fair value based on quoted market prices at the year end.

9. FIXED ASSETS

	<u>TOTAL</u>	<u>LAND AND BUILDINGS</u>	<u>GENERAL EQUIPMENT</u>
Cost or Valuation – At Beginning of Year	105,854,950	70,323,650	35,531,300
Additions at Cost	10,955,352	3,389,347	7,566,005
Disposals/Transfers at Cost	<u>(12,646,131)</u>	<u>(6,378,217)</u>	<u>(6,267,914)</u>
Cost or Valuation– At End of Year	<u>104,164,171</u>	<u>67,334,780</u>	<u>36,829,391</u>
Depreciation– At Beginning of Year	21,413,520	1,632,437	19,781,083
Depreciation Charge in Year	3,599,151	-	3,599,151
Depreciation on Disposals	<u>(2,546,797)</u>	<u>-</u>	<u>(2,546,797)</u>
Depreciation– At End of Year	<u>22,465,874</u>	<u>1,632,437</u>	<u>20,833,437</u>
Net Book Value– 31 January 2004	<u>\$81,698,297</u>	<u>\$65,702,343</u>	<u>\$15,995,954</u>
Net Book Value – 31 January 2003	<u>\$84,441,430</u>	<u>\$68,691,213</u>	<u>\$15,750,217</u>

Revaluation of Freehold and Leasehold Properties:

The Parent and Subsidiary Companies' Freehold and Leasehold Properties were independently revalued in January 1995 by Cooper Kauffman Limited, Professional Valuers, and have been included in these accounts at \$30,500,000. The surplus arising on revaluation has been credited to Capital Reserves.

Two (2) parcels of leasehold land on which there are buildings of two subsidiary companies have been leased from Government for periods of 50 years effective 1982 and 1985 respectively.

Notes to the Accounts

FOR THE YEAR ENDED 31 JANUARY 2004

10 INSURANCE STATUTORY DEPOSIT

In accordance with the Insurance (Amendment) Act Section 17(b), all registered Insurance Companies are required to maintain a Statutory Deposit with the Accountant General. The amount of \$530,052 was therefore deposited by St. Kitts Nevis Insurance Company Limited in compliance with this legislation requirement.

11 SHARE CAPITAL

	<u>2004</u>	<u>2003</u>
Authorised		
5,000,000 Ordinary Shares of \$5 each	\$25,000,000	\$25,000,000
Issued and Allotted		
5,000,000 Ordinary Shares of \$5 each	\$25,000,000	\$25,000,000

During the year ended January 31, 2004, an interim dividend of 4 cents per ordinary share amounting to \$1,000,000 was paid.

In addition a further dividend of 5 cents per ordinary share amounting to \$1,250,000 in respect of 2004 has been proposed by the Directors. In accordance with the revised IAS 10 – “Events after the Balance Sheet date”, this proposed dividend is not recognised a liability at January 31, 2004 but will be accounted for as an appropriation of the reserves in the year ending January 31, 2005.

12 INSURANCE AND OTHER FUNDS

	<u>2004</u>	<u>2003</u>
Insurance Funds	24,183,083	20,194,795
Employee Benefit Funds	2,271,696	1,842,033
Policyholders' Funds	<u>1,594,042</u>	<u>1,363,601</u>
TOTAL	<u>\$28,048,821</u>	<u>\$23,400,429</u>

13. EARNINGS PER ORDINARY SHARE

	<u>2004</u>	<u>2003</u>
Group Net Earnings per Ordinary Share		
Including Share of Earnings of Associated Companies	\$1.27	\$1.26
Excluding Share of Earnings of Associated Companies	\$1.20	\$1.25

Earnings per Ordinary Share are calculated by dividing the Net Income of the Group after taxation, but before extraordinary items, by the number of ordinary shares in issue at year-end.

14. PRIOR YEAR ADJUSTMENTS

The prior year adjustments represent reserves and provisions previously included in the accounts deemed no longer required by management.

Notes to the Accounts

FOR THE YEAR ENDED 31 JANUARY 2004

15. CONTINGENT LIABILITIES AND COMMITMENTS

- a) The Company is committed for calls on the unpaid portion of shares in its wholly-owned subsidiary, St. Kitts Nevis Insurance Company Limited, in the amount of \$500,000 (2003=\$500,000) and \$70,000 in respect of TDC Tours Limited (2003=\$70,000);
- b) At 31 January 2004, the Parent Company guaranteed bank loans and overdrafts on behalf of subsidiary companies totaling \$4,100,000 (2003=\$10,045,830);
- c) At 31 January 2004, commitments in respect of open Letters of Credit established in the normal course of business amounted to \$4,738,941 (2003=\$8,090,501);
- d) The Company is committed to investment in the Cable Bay Hotel Development project in the amount of \$7,044,583.
- e) The Group is presently holding negotiations with the Inland Revenue Authorities regarding proposed re-assessments covering the period 1998-2002. Any additional tax liabilities to the Group cannot be determined at this stage.

16. TDC REAL ESTATE AND CONSTRUCTION LIMITED

Leeward Cove Condominium Project

This subsidiary company completed the construction of thirty-four condominium units for sale. The company has been granted a ten year tax holiday in respect of the Leeward Cove Condominium Project.

17. FINANCIAL INFORMATION BY SEGMENT

SEGMENT	REVENUE		PRE-TAX PROFIT	
	2004	2003	2004	2003
General Merchants and Shipping	90,215,345	77,332,165	3,456,023	4,273,583
Insurance and Finance	12,192,594	12,447,126	2,581,219	1,389,099
Rentals, Airlines Agencies and Hotel	18,358,880	16,573,128	1,698,495	1,593,623
Real Estate	3,217,068	3,266,493	629,206	453,852
	<u>\$123,983,887</u>	<u>\$109,618,912</u>	<u>\$8,364,943</u>	<u>\$7,710,157</u>

SEGMENT	ASSETS		LIABILITIES	
	2004	2003	2004	2003
General Merchants and Shipping	107,947,819	96,704,224	63,636,836	59,522,718
Insurance and Finance	58,997,607	54,094,789	56,491,838	53,801,308
Rentals, Airlines Agencies and Hotel	33,185,975	31,411,763	14,589,175	12,829,634
Real Estate	2,977,835	5,505,048	411,991	355,266
	<u>\$203,109,236</u>	<u>\$187,715,824</u>	<u>\$135,129,840</u>	<u>\$126,508,926</u>

SEGMENT	ADDITIONS TO FIXED ASSETS		DEPRECIATION	
	2004	2003	2004	2003
General Merchants and Shipping	7,982,527	5,821,495	1,861,920	1,551,330
Insurance and Finance	193,208	147,789	165,873	181,401
Rentals, Airlines Agencies and Hotel	2,779,617	2,381,209	1,571,358	1,421,810
	<u>\$10,955,352</u>	<u>\$8,350,493</u>	<u>\$3,599,151</u>	<u>\$3,154,541</u>

Notes to the Account

FOR THE YEAR ENDED 31 JANUARY 2004

18. FINANCIAL INSTRUMENTS

a) Interest Rate Risk

Interest rates and terms of borrowing are disclosed in Note 5.

b) Credit Risk

The Group sells products and provides services to customers primarily in St. Kitts – Nevis. The Group performs on-going credit evaluation of its customers and counterparties and provisions are made for potential credit losses.

c) Fair values

The carrying amounts of the following financial assets and liabilities approximate their fair value: cash and bank balances, short-term deposits, accounts receivable, accounts payable, loans and long-term liabilities.

d) Currency Risk

Substantially all of the Group's transactions and assets and liabilities are denominated in Eastern Caribbean Dollars and United States Dollars. Therefore, the Group has no significant exposure to currency risk.

19. COMPARATIVE FIGURES

Certain of the 2003 Comparative figures have been reclassified to conform with the current year's presentation.

TDC GROUP OF COMPANIES

SUBSIDIARY COMPANIES

(Wholly-owned and resident in St. Kitts-Nevis except where otherwise stated)

GENERAL TRADING:
TDC Nevis Ltd

RENTAL AND HIRE PURCHASE:
TDC Rentals Ltd
TDC Rentals (Nevis) Ltd

INSURANCE AND REINSURANCE:
St. Kitts Nevis Insurance Co Ltd (SNIC)
SNIC (Nevis) Ltd
East Caribbean Reinsurance Co Ltd – 80% (Anguilla)

FINANCE:
St. Kitts Nevis Finance Co Ltd (FINCO)
Mercator Caribbean Trust Company Ltd – 51%

AIRLINE AGENTS AND TOUR OPERATORS:
TDC Airline Services Ltd
TDC Airline Services (Nevis) Ltd
TDC Tours Ltd

REAL ESTATE DEVELOPMENT:
TDC Real Estate and Construction Ltd
Conaree Estates Ltd
Dan Dan Garments Ltd

HOTEL OPERATOR:
Ocean Terrace Inn Ltd
OTI Pieces of Eight Ltd
Pelican Cove Marina Ltd } 91.88%

SHIPPING SERVICES:
Sakara Shipping NV- Tortola, BVI

ASSOCIATED COMPANIES:
(Holding between 20% and 50%)

BLOCK MANUFACTURING AND READY MIX CONCRETE:
St. Kitts Masonry Products Ltd – 50%

MANUFACTURERS OF AERATED BEVERAGES:
St. Kitts Bottling Co Ltd }
Antillean Beverages Ltd } 43.5%

INSURANCE:
Malliuhana Anico Insurance Co Ltd – 25% (Anguilla)

HOTEL DEVELOPMENT
Cable Bay Hotel Development Co Ltd – 26.5 %

A selection of our partners



SONY

Canon

HSBC 



Coca-Cola MR




PRINCESS



 **MITSUBISHI**[®]  **YAMAHA**[®]

 Mercedes-Benz  **TOYOTA**  LG Electronics

The Mission Continues



TDC is totally committed to total customer satisfaction; employee excellence through participation and training, to provide maximum benefits for shareholders while contributing meaningfully to the economic, social and cultural advancement of our Nation.



- 1 Mr. Michael Morton donates new state car to Honourable Dr. Denzil Douglas. 2
 Mr. Denrick Connor graduates from the UWI E.M.B.A. program. 3 Mr. Michael Morton
 celebrates with players and fans of TDC Newtown United Football Club. 4 2003
 Warren Tyson Memorial Scholarship Winners. 5 Participants of the 2003 HTA Tourism
 Pageant with staff. 6 Sandy Point three-peat as TDC/Coca-Cola Interschool Champions
 7 The new TDC/Berger Scholarship awarded to John Dore. 8 Workers pose with
 members of the Children home.

NOTES