

ST. KITTS NEVIS ANGUILLA TRADING & DEVELOPMENT COMPANY LIMITED



RESEARCH REPORT

JUNE 2003

This report was prepared internally using management information and financial information audited by our Auditors, Pannell Kerr Forster, Chartered Accountants. It is not a complete analysis of every natural fact regarding the Company and is not a recommendation to "buy" or "sell." It is, however, a starting point for your own research.

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Executive Summary

St. Kitts Nevis Anguilla Trading and Development Company Limited (TDC) is the Parent Company of a diversified Group of companies with Registered and Head Offices in Basseterre, St Kitts. Since its establishment, the Company, which has as its motto "TDC FOR SERVICE, TDC FOR QUALITY, TDC YOUR COMPANY" has revolutionized trading in St. Kitts and Nevis. In the process, through the expansion of its original trading businesses, diversification, acquisitions and joint ventures it has become the largest local non-bank business enterprise and one of the largest in the OECS region. The Company has always traded profitably and has paid a dividend every year.

TDC's Board of Directors and Senior Management comprise of highly qualified and experienced persons. The company has a programme which provides financial assistance to staff pursuing advanced educational training. Currently, there are 14 persons pursuing undergraduate, graduate and professional courses with the company's assistance.

The company has always focused on generating a good return for its shareholders. Dividends per share (DPS), on par value (\$5.00), have ranged from 5.5% or 27.5 cents to 11% or 55 cents during the period 1994 to 2003. Earnings per share (EPS) for the same period has ranged from 88 cents to \$1.58. The Dividend payout ratio has averaged 40% for the same period.

Since inception the company has sold five issues of its shares to the public, and has facilitated hundreds of private transfers through the company's Corporate Secretariat and Share Registry, located at its Registered and Corporate Head Offices. The shares outstanding currently total 5,000,000, with the directors and staff owning 17%, institutions 28% and other individuals 55%. Shares have changed hands at the price of \$10 each over the last three years.

However, with the establishment of the Eastern Caribbean Securities Exchange, the Company's Board of Directors and shareholders have agreed to list the company's shares on the exchange. This will take place in June 2003.

Three methodologies were used to assess the value of the Company and to determine its performance over the next five years - the Dividend Discount model, the Constant Dividend Growth Model and Net Assets Valuation.

Business Description

1.1 HISTORY OF THE COMPANY

The Company was incorporated in 1973 to acquire and operate, as a going concern, the trading and other assets of J W Thurston and Company Limited and H F Wildy and Company Limited, companies associated with trading, development, agriculture and finance for over 150 years. In 1974, the Company purchased substantial trading stocks and agencies from A M Losada Ltd, thereby consolidating its trading base.

The Company owns all of the land and buildings from which its trading businesses are conducted and has developed a wide range of businesses in construction materials, general hardware, vehicles and spares, agricultural products, home furnishings, school and office equipment supplies and maritime services.

Over the years, the Company has purchased and established several subsidiaries through which it has diversified its operations. The Group includes subsidiary companies that provide specialized services such as aircraft handling, auto rentals, hire purchase financing, general and life insurances, real estate development, hotel operations, group tours and mortgage and consumer financing. (See Group Structure for more details pg. 7.).

In addition to being a trader, the company is also a holding company for investments in various subsidiaries and associated companies.

The Company was re-registered under the Companies Act of 1996 and is permitted to increase or reduce its stated capital, redeem or purchase any of its shares, or issue any part of the capital.

1.2 DIRECTORATE

The TDC Board comprises of an Executive Chairman/Chief Executive Officer (CEO), three other Executive Directors and six Non-Executive Directors. The Executive Directors are responsible for the management of the Company. The objective of the management structure within the Group is to deliver sustainable value to shareholders. The Board meets regularly to formulate and review policies, develop and review the implementation of growth strategies, review major capital expenditure, operations and accounts and ensure the highest standards of corporate governance and accountability are maintained. A quorum requires a minimum of five members. Appointments are made in accordance with the Articles of Association and one third of the members retire each year, but are entitled to re-election.

The CEO and other Executive Directors are responsible for the management of the Group. Management of the corporate head office, trading departments, subsidiaries and associated companies is delegated to the management of these units. However, all Directors have full and timely access to information. Additionally, the Executive Directors have individual supervisory responsibilities for specific departments and subsidiaries of the Group. (See Group Organizational Chart, page 6)

A summary of the Board composition is as follows:

Mr D Michael Morton, Group Chairman / CEO

Mr Morton became a Group Executive Director in 1983; Chairman/Chief Executive Officer in 2001, Managing Director of St Kitts Masonry Products Limited in 1999. He is immediate past President of the St Kitts Nevis Chamber of Industry and Commerce; Director of the Brimstone Hill Fortress National Park; former Deputy Chairman of the Social Security Board of St Kitts Nevis; former Director of the St Kitts Nevis Development Bank Board.

Earle A Kelly, Group Finance Director

Mr Kelly became a Group Executive Director in 2000; Group Finance Director in 2002; Director/ Company Secretary of St Kitts Masonry Products Ltd; former Company Secretary of TDC. Holds a B.A. degree in Accounting and a Masters in Business Administration.

Austin V DaSilva, Director

Mr DaSilva became a Group Executive Director in 2000; former General Manager of St Kitts Nevis Insurance Ltd.; General Manager of East Caribbean Reinsurance Company Ltd.; Managing Director of Malliouhana-Anico Insurance Company Ltd; Former Director of the Chamber of Industry and Commerce; Past President of the St Kitts Rotary Club.

Nicolas N Menon, Director

Mr Menon became a Group Executive Director in 2000; Director of St. Kitts Bottling Company Ltd, Director of Rotary Club of St Kitts, Mentor of Schools Educational Development Project. Holds B.Sc. and Masters degree in Business Administration.

Basil Michael L King, Director

Mr Michael King is a Former Chairman/Chief Executive Officer and founding Director of the Group; former Chairman of Cable Bay Hotel Development Co Ltd, St Kitts Bottling Company Ltd and Ocean Terrace Inn Ltd; former Managing Director of St Kitts Masonry Products Ltd; Chairman of City Drug Store; Former

President of the St. Kitts Nevis Chamber of Industry and Commerce, former Director of the Centre for Management Development; Former Trustee of the Caribbean/Latin American Action.

Jacques A Cramer, Director

Mr Jacques Cramer is a founding Director of the TDC Group; Director of St Kitts Masonry Products and St Kitts Bottling Company; Managing Director of J Cramer Real Estate; Director of Brimstone Hill Fortress National Park; Former Member of the Public Service Commission & Police Service Commission of St Kitts Nevis; Former Director of Development & Finance Corp; former Chairman of the Eastern Caribbean Currency Authority (now Eastern Caribbean Central Bank); Honorary Warden for the Canadian Government in St Kitts Nevis; Honorary Consul for Israel in St Kitts and Nevis.

Mr Charles L A Wilkin, Director, Legal Counsel

Mr Wilkin became a Director of the Group in 1978; became a Barrister-at-Law in 1971 having gained a M.A. degree from Cambridge University; became a Queen's Counsel in 1998. He has been the Senior Partner at the law firm, Kelsick, Wilkin & Ferdinand since 1988.

Myrna R Walwyn, Director

Mrs Walwyn became a Director in 2000; became a Barrister-at-Law in 1980; member of the Middle Temple Inns of the Courts of London; Senior Partner of the law firm, Myrna Walwyn & Associates. Holds a B.Sc. (Hons) degree in Social Sciences and M.A. degrees in Law and Sociology.

Dr Clive Ottley, Director

Dr Ottley became a Director in 1990. He is a retired Obstetrician/Gynaecologist. He currently owns and manages a software development and consultancy firm.

Kenneth N Kelly, Director

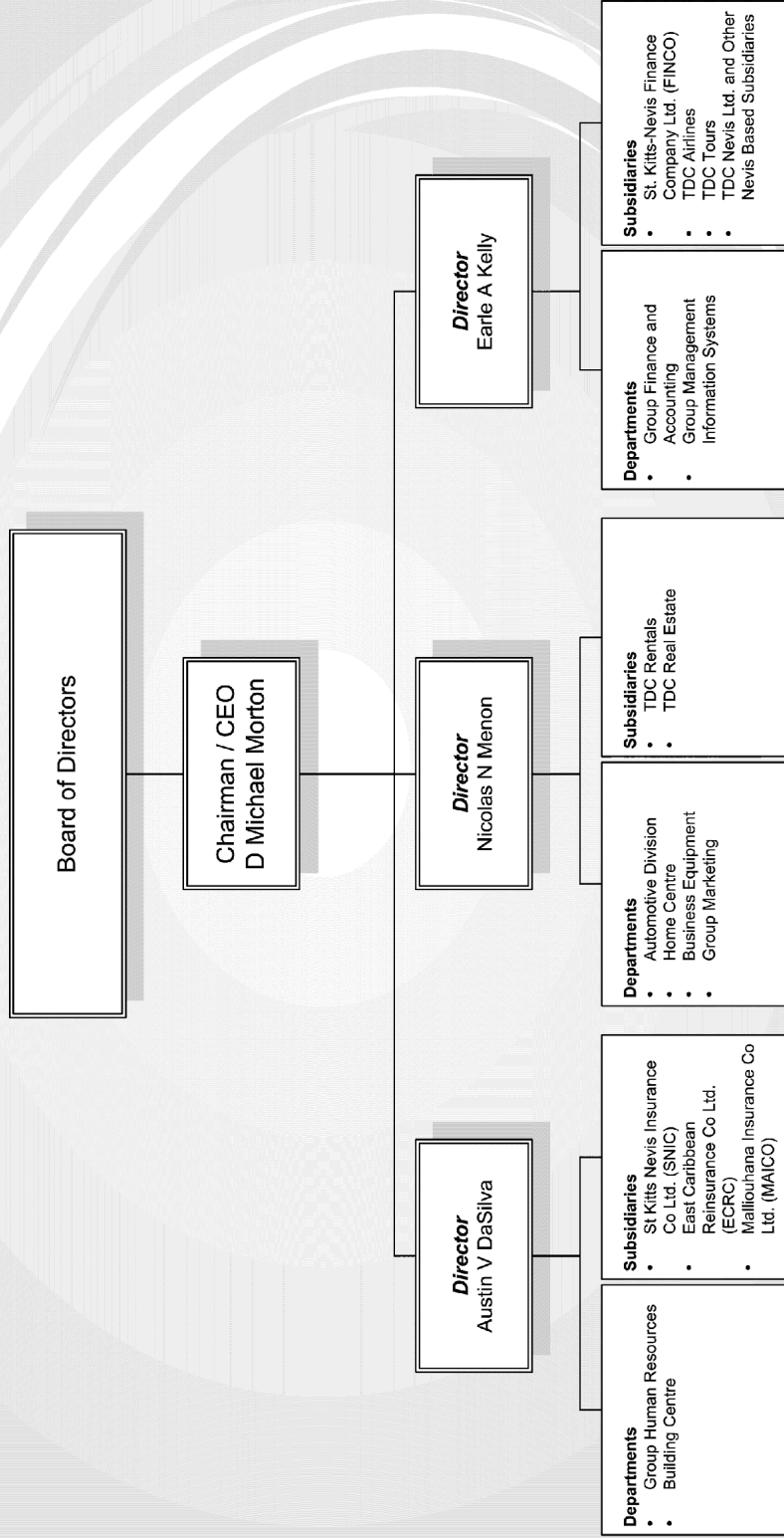
Mr Kelly became a Director in 1990. He is a Merchant and Realtor; Established Barker and Kelly (Partners) Limited; (a supermarket operator, importer/wholesaler and ships' agent in 1960); Developer of several housing estates in St. Kitts.

Maritza S Bowry, Company Secretary/Chief Accountant

Appointed Company Secretary and Group Chief Accountant in 2001; Former Assistant Manager TDC Airline Services Ltd; Holds a B.Sc. Degree in Accounting and Economics and a M.B.A. with a concentration in Finance.

St Kitts Nevis Anguilla Trading & Development Co., Ltd (TDC)

Organizational Chart



1.3 GROUP STRUCTURE

In addition to the trading and related activities undertaken by the Parent Company, it is also a holding company for investments in several subsidiary and associated companies through which other trading businesses are conducted and specialized services provided.

SUBSIDIARY COMPANIES: (Wholly owned and domiciled in St Kitts- Nevis except where otherwise stated)

TDC Nevis Ltd

Traders of construction materials, general hardware, vehicles and spares, soft drinks and brewery products, agricultural products, home furnishings, school and office supplies and ships' agents

TDC Airlines Services Ltd & TDC Airlines Services (Nevis) Ltd

General sales and aircraft handling agents for several regional and international scheduled and charter airlines

TDC Tours Ltd

Transportation managers, tour operators and providers of destination management services

TDC Rentals Ltd and TDC Rentals (Nevis) Ltd

Rental and hire purchase financing of vehicles, home and office appliances, furniture and equipment

TDC Real Estate & Construction Company Ltd

Real Estate Developers

St Kitts-Nevis Insurance Co Ltd (SNIC)

Providers of several General and Life Insurance Products

SNIC (Nevis) Ltd

General and life insurance agents on Nevis

St. Kitts-Nevis Finance Company Ltd (FINCO)

Taking of term deposits and financing of real estate, vehicles and consumer loans

Ocean Terrace Inn Ltd – 91.88%

Owner and operator of 75 rooms full service business and tourist class hotel

Sakara Shipping NV- British Virgin Islands

Owner and operator of cargo vessel

East Caribbean Reinsurance Company Ltd (ECRC)– (80%) Anguilla

Provider of reinsurance services

ASSOCIATED COMPANIES - holding between 20% & 50%

St. Kitts Masonry Products Ltd. (50%)

Manufacturer of concrete blocks and ready mix concrete

St Kitts Bottling Co., Ltd. (43.5%)

Manufacturer and importer of Coca Cola and other aerated soft drinks.

Malliouhana-Anico Insurance Company- (25%) Anguilla

Provider of general and marine insurances, agent for a reputable Caribbean life insurer

Cable Bay Hotel Development Company Limited (25%)

Developer of proposed 225-room resort at Frigate Bay, St Kitts, to be managed by SuperClubs under its Grand Lido brand

1.4 SENIOR MANAGEMENT

Group

Mr. Shawn Richards, B.A., M.Sc., – Auditor

Mr Dennis Knight, B.A., M.B.A. – Human Resource Manager

Miss Julie Charles, A.S., B.B.A. – Marketing Manager

Mr Michael Richardson, B.Sc. – Engineer

Mr Noah G Mills, A.A., B.A., M.B.A. – Customer Service Manager

Mr Dennis Amory, B.Sc. – Management Information Systems Manager

Parent Company Departments

Mr Don Boncamper, M.B.A – Automotive Division Manager

Mr Glenville Jeffers, B.B.A. – Business Equipment Division Manager

Mr Winston Hendrickson, Dip. Intl., Shipping & Logistics – Shipping Manager

Mr Mitchell Gumbs - Building Materials Division Manager

Mr Leon Bass, Dip. Mgmt. - Home Centre Division Manager

Subsidiaries

Mr Percival Hanley, M.B.A. – General Manager FINCO

Mrs Nesta Seaton-Clarke, M.B.A. – General Manager SNIC

Mr Vincent Gumbs – General Manager TDC Rentals Ltd

Mr Elroy Lewis – General Manager TDC Airlines Services Ltd

Mr Andrew Merchant, B.A. – Manager, TDC Nevis Ltd

Mr Ernie France, B.A. - Manager, TDC Nevis Ltd

Mrs. Charlene Stapleton, B.Sc., C.P.A. - Manager, TDC Nevis Ltd.

CORPORATE INFORMATION

Auditors

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

Bankers

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

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

Royal Bank of Canada
The Circus
Basseterre, St. Kitts

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

Legal Advisors:

Kelsick, Wilkin & Ferdinand
South Independence Square
Basseterre
St Kitts

Myrna Walwyn & Associates
Main Street
Charlesown
Nevis

Registered Office:

Fort Street
Basseterre, St. Kitts

1.5 CORPORATE STRATEGY

Our strategy is to deliver a superior customer experience and to build deeper customer relationships by offering the most complete range of products and services of the highest possible quality. We aim to do this with investments in every facet of the business but most importantly in the development of our human resources to ensure above market returns on shareholders funds.

1.6 OUR PRIORITIES

1. To intensify focus on the development of all employees at every level.
2. To continue the improvement of the Group's properties, plant, equipment and systems.
3. To intensify the process of diversification and expansion of the Group's operations into services locally and regionally.
4. To deliver the company's offering of goods and services at the lowest possible cost.

1.7 OUR VISION

To be the leading company in the OECS as measured by:

- Customer Satisfaction
- Return on Investment (ROI)
- Human Resources Development
- Good corporate citizenship

1.8 THE FUTURE

Even though, the Group is already a highly diversified organisation, management continues to pursue initiatives to take advantage of new opportunities. Towards this end, the Group is actively pursuing the expansion of the operations of its Finance (FINCO), Insurance (SNIC) and Reinsurance (ECRC) companies into the neighbouring islands. The Group will also consider acquisitions of interests in new and established ventures. So far, diversification away from the Group's original core businesses of trading and agencies has paid major dividends as over 40% of its net income is generated from non-core activities.

The Group is also aggressively pursuing developments in the local real estate sector catering to potential middle income and upper income homeowners. The Group already owns lands suitable for upscale residences but is in negotiations to acquire suitable lands for middle-income housing. Management is optimistic that these negotiations will be successful. These real estate developments, will be financed from internally generated funds and bank loans. Management intends to build the infrastructure up-front but to construct houses on demand and after prospective homeowners have paid substantial deposits. Real estate development is seen as a means of synergistically bringing together the resources of the Group generally, but in particular its Building & Home Depot, FINCO and SNIC.

Recent years have witnessed the establishment of better-organised and better-capitalised competitors, including some from outside the region. These and other factors have resulted in some erosion of the Group's share of the market for its core trading businesses. However, management's vigilant focus on inventory purchasing and management, marketing initiatives, technological innovation, and expense control has paved the way for a new era of improved performance for the company. Over the next six to twelve months the Company will execute several projects that are expected to have major positive impacts on its operations. These include the commissioning of a new and modern management information system and the amalgamation of the Home Centers and Building Centers in both St Kitts and Nevis. The consolidation of these two departments, under one roof, will provide home owners and builders with a "one stop" shopping experience and more customer convenience. It is also expected to help lower operating costs.

The relocation of the Home Center in St. Kitts will make way for the re-development of the prime and strategically located Central Street property. This space will then be occupied by a new expanded Business Centre, which will include business and school equipment and furniture showrooms and related supplies, an expanded Copy Center, a Home Center and some space for rent.

Management continues to review its financing needs and their related costs. In the short term it is anticipated that some overdraft balances will be converted into fixed term loans at lower interest rates. Tighter controls of purchasing and improved management of inventories will result in reductions in their levels and the related finance costs. Expenses in general will continue to be tightly controlled..

2. OPERATING ENVIRONMENT

The Federation of St Kitts Nevis is part of the Leeward Islands group of the Caribbean chain. The country, which gained its political independence from Britain on 19th September 1983, has a government based on the Westminster model with a unicameral parliament and an Executive comprising of a Cabinet of Ministers, headed by the Prime Minister. The Head of State is the British monarch, represented by the Governor General. The population is approximately 55,000.

The country is a member of several regional and international organisations including the Organisation of Eastern Caribbean States, Eastern Caribbean Central Bank, Eastern Caribbean Supreme Court, CARICOM, Organisation of American States, United Nations, British Commonwealth, World Bank and International Monetary Fund.

The economy is based mainly on tourism, construction, sugar and non-sugar agriculture, light manufacturing and offshore financial services. While the Government has not announced a definitive position on the future of the sugar industry, it is anticipated that it will be eventually phased out. However, new investments in the tourism sector are expected to fill the employment and foreign exchange gaps that will result from the industry's closure.

2.1 ECONOMY

Real economic growth in St. Kitts Nevis during the period 1997-2001 exhibited significant fluctuation from a peak of 7.3% in 1997 to 1.0% in 1998, 5.5% in 2000 and 2.0% in 2001. The rehabilitation of infrastructure as result of damages from hurricanes in 1998 and 1999, the government's investments in housing, health care, roads, air and sea ports as well as private sector investment in the tourism sector have contributed to the construction sector emerging as the leading sector during this period. While the construction sector led in terms of contribution to the growth performance during this period, the tourism and agricultural sectors recorded rather dismal performances.

However, recent events in the Tourism Sector, which include the re-construction and re-opening of the cruise port, the opening of a new 900 room resort, the introduction of direct weekly flights from the United States and the United Kingdom and the introduction of a passenger railway service catering to the tourist trade are expected to have positive impacts on the local economy.

The construction industry is expected to experience substantial activity even if only some of the planned projects materialize. These projects include a golf course surrounded by villas, villa developments in the main tourist area of Frigate Bay, several middle income housing developments and a 250 rooms resort. The Group generates a large part of its revenues directly and indirectly from the sector and is well positioned to benefit from growth in this area.

2.2 COMPETITION

While there has not been any formal ranking of local companies in recent years it is generally accepted that TDC is the largest non-banking enterprise. Based on the published results of similar companies, the Group leads in terms of sales in trading, aircraft handling and auto rentals and is second in General insurance and hire purchase financing. The Group's Finance company is the largest non-bank financial institution in the Federation.

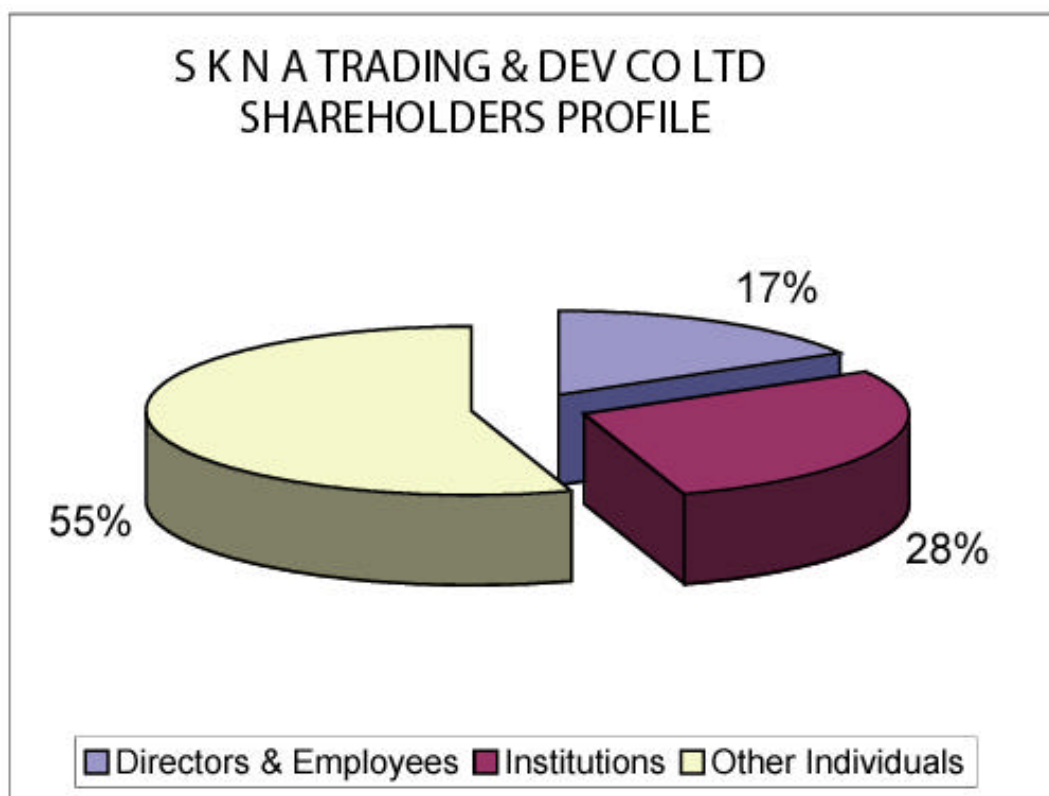
Due to the diversity of the Group its competitors are diverse and varied. There are several competitors of varying sizes in the trading, auto rentals, hire purchase financing and general insurance businesses. The finance company is the only non-bank institution licensed to accept deposits and make loans. It competes with six commercial banks, which include two local, two regional and two international banks. The aircraft handling business has a few minor competitors. Ocean Terrace Inn is one of several hotels in the country.

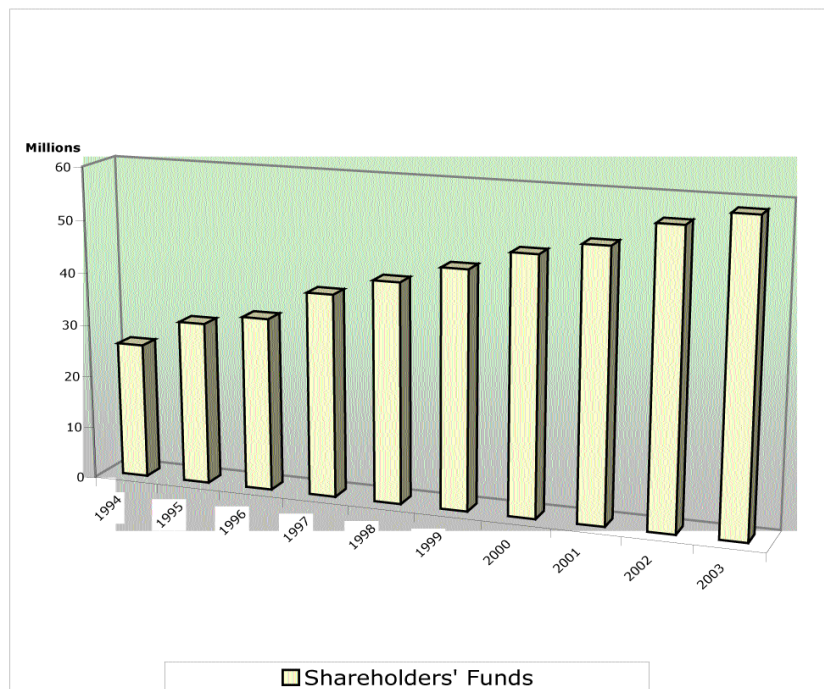
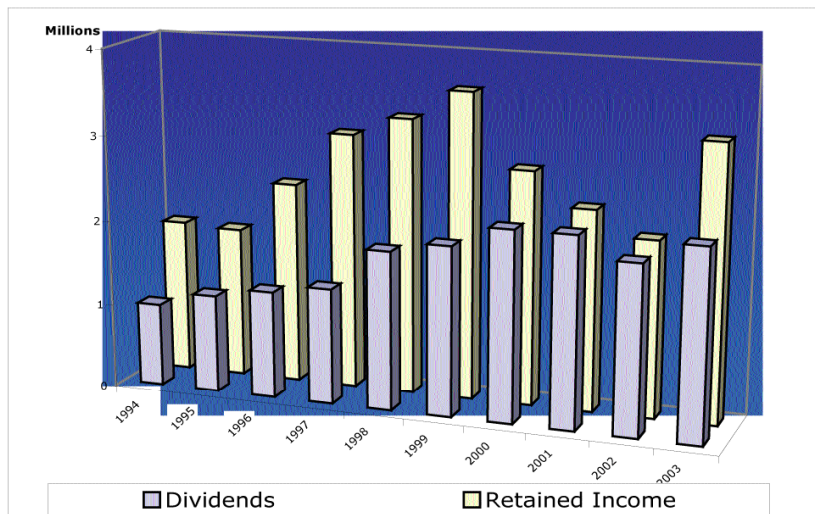
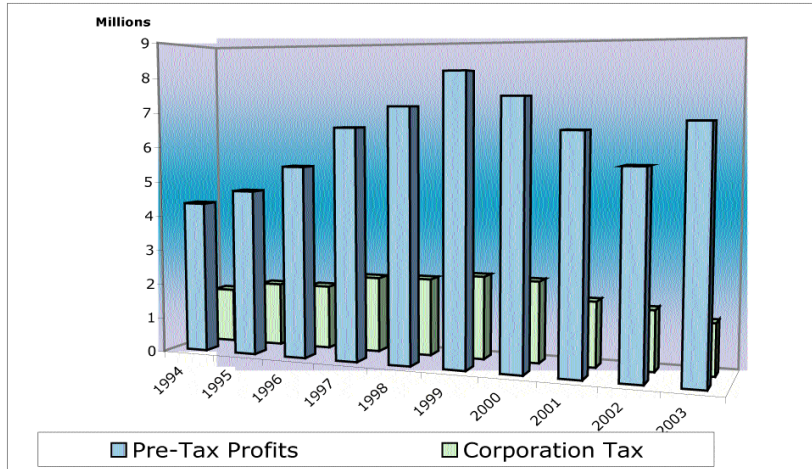
The associated company, St. Kitts Masonry Products faces very stiff competition in the market for its products. The soft drink bottler, St Kitts Bottling Company Ltd, battles for market share with another bottler and several importers of similar products.

SKNATRADING &DEV CO LTD

STATISTICAL DATA

	NUMBER OF SHARES	%
Directors & Employees	839,156.00	17
Institutions	1,414,290.00	28
Other Individuals	2,746,554.00	55
TOTAL	5,000,000.00	100





GROUP FINANCIAL INFORMATION

YEAR TO 31 ST JAN	INTEREST NET	DEPRECIATION	PRE-TAX PROFIT	CORPORATION TAX	DIVIDENDS	RETAINED INCOME	SHARE HOLDERS FUNDS
1994	1,097,101	1,806,250	4,343,287	1,563,750	977,500	1,802,037	25,820,223
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	6,824,151	1,446,386	2,250,000	3,230,869	58,409,761

**GROUP CONSOLIDATED
PROFIT AND LOSS ACCOUNT
For the year ended 31 Jan 2003**

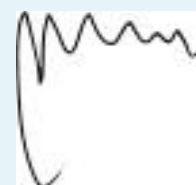
	<u>2003</u>	<u>2002</u>
TURNOVER	\$109,618,912	\$107,744,691
OPERATING PROFIT (After charging all Expenses including the following)	<u>6,438,260</u>	<u>4,807,275</u>
Directors' Fees	272,036	240,113
Interest (Net)	1,241,355	2,473,208
Auditors' Remuneration	248,000	248,000
Depreciation	<u>3,154,541</u>	<u>3,611,706</u>
	<u>\$4,915,932</u>	<u>\$6,573,027</u>
DIVIDENDS RECEIVED (Free of Tax)	<u>144,187</u>	<u>130,599</u>
PROFIT BEFORE TAXATION		
Parent Company and Subsidiaries	6,582,447	4,937,874
Share of Profits of Associated Companies	<u>241,704</u>	<u>722,930</u>
	<u>6,824,151</u>	<u>5,660,804</u>
PROVISION FOR TAXATION		
Parent Company and Subsidiaries	1,294,729	1,466,791
Associated Companies	<u>151,657</u>	<u>232,964</u>
	<u>1,446,386</u>	<u>1,699,755</u>
PROFIT AFTER TAXATION	5,377,765	3,961,049
Minority Interest - Loss	<u>103,104</u>	<u>119,197</u>
Profit attributable to Shareholders	5,480,869	4,080,246
DIVIDENDS - Paid and Proposed - 9% (2002 - 8%)	<u>2,250,000</u>	<u>2,000,000</u>
BALANCE CARRIED TO RETAINED EARNINGS	<u>\$3,230,869</u>	<u>\$2,080,246</u>

**GROUP CONSOLIDATED
BALANCE SHEET
AS AT 31 JAN 2003**

CURRENT ASSETS	<u>2003</u>	<u>2002</u>
Cash and Short Term Investments	15,217,067	16,191,107
Accounts Receivable	43,844,192	42,828,736
Inventories and Goods in Transit	<u>24,077,624</u>	<u>24,345,275</u>
	<u>83,138,883</u>	<u>83,365,118</u>
CURRENT LIABILITIES		
Current Loans and Bank Overdrafts	17,402,360	11,556,973
Accounts Payable	59,019,190	56,399,130
Provision for Taxation	2,284,021	2,611,451
Proposed Dividend	<u>1,250,000</u>	<u>1,000,000</u>
	<u>79,955,571</u>	<u>71,567,554</u>
WORKING CAPITAL	3,183,312	11,797,564
TRADE INVESTMENTS	15,704,265	10,939,391
FIXED ASSETS	84,441,430	80,346,492
GOODWILL - at Cost	603,137	603,137
TOTAL	<u><u>\$103,932,144</u></u>	<u><u>\$103,686,584</u></u>
FINANCED BY:		
SHARE CAPITAL	25,000,000	25,000,000
RESERVES	<u>33,409,761</u>	<u>30,134,240</u>
SHAREHOLDERS' EQUITY	58,409,761	55,134,240
MINORITY INTEREST	2,301,519	3,146,900
LOANS-NON CURRENT	19,460,325	25,498,671
INSURANCE AND OTHER FUNDS	<u>23,760,539</u>	<u>19,906,773</u>
FUNDS EMPLOYED	<u><u>\$103,932,144</u></u>	<u><u>\$103,686,584</u></u>



D M Morton
Chairman



Earle A Kelly
Finance Director

**GROUP CONSOLIDATED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 JAN 2003**

CASH FLOWS FROM OPERATING ACTIVITIES	<u>2003</u>	<u>2002</u>
Income before taxation	6,824,151	5,660,804
ADJUSTMENTS TO RECONCILE NET PROFIT TO NET CASH FROM OPERATING ACTIVITIES		
Depreciation	3,154,541	3,611,706
Prior year adjustments	-	(102,673)
Gain on Disposal of Fixed Assets and Investments	(327,565)	(363,377)
Share of results of Associated Companies	(241,704)	(722,930)
Increase in Employment and insurance Funds	3,853,766	4,204,498
Minority Interest in earnings of subsidiaries	103,104	119,197
CHANGES IN ASSETS AND LIABILITIES		
Decrease in Inventories	267,651	9,545,566
Increase in Accounts Receivable	(1,015,456)	(3,039,575)
Increase in Accounts payable	2,620,060	6,128,830
Taxation Paid	(1,622,159)	(1,857,119)
Net cash inflow from operating activities	<u>13,616,389</u>	<u>23,184,927</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of fixed assets	1,428,580	1,292,389
Purchase of fixed assets	(8,350,493)	(7,509,138)
Return on Investments	-	2,499
Purchase of Investments	(4,819,183)	(2,687,500)
Liquidation expenses re Subsidiary	-	(11,118)
Dividends from associated companies	143,305	243,305
Reserve/(Goodwill) Purchased	45,702	-
Net cash outflow from Investing activities	<u>(11,552,089)</u>	<u>(8,669,563)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in non-current debt	(6,038,346)	(1,511,179)
Increase/(Decrease) in current debt	5,845,387	(8,545,351)
Increase/(Decrease) in Minority Interest	(845,381)	111,181
Dividends paid to Shareholders	<u>(2,000,000)</u>	<u>(2,000,000)</u>
Net cash outflow from financing activities	<u>(3,038,340)</u>	<u>(11,945,349)</u>
Net (Decrease) / Increase in cash and cash equivalents	(974,040)	2,570,015
Cash and cash equivalents at beginning of year	<u>16,191,107</u>	<u>13,621,092</u>
Cash and cash equivalents at end of year	<u>\$15,217,067</u>	<u>\$16,191,107</u>

SKNATRADING &DEV CO LTD

PROJECTIONS

COMPANY	2004	2005	2006	2007	2008
	ECS	ECS	ECS	ECS	ECS
General Merchants and Shipping	3,471,222	3,664,783	3,827,022	4,018,373	4,219,292
Insurance and Finance	1,357,488	1,425,362	1,496,630	1,571,462	1,650,035
Rentals, Airlines Agencies and Hotel Operation	2,281,656	2,395,738	2,515,252	2,641,302	2,773,367
Real Estate Development and Property	289,634	409,116	429,572	451,050	473,603
Budgeted Profit Before Tax for The Parent Company and the Subsidiaries	7,500,000	7,875,000	8,268,750	8,682,187	9,116,296
Budgeted Profit Before Tax for Tax Free Companies	1,082,132	1,136,239	1,193,051	1,252,703	1,315,338
Budget Profit Before companies subject to Taxation	6,417,868	6,738,761	7,075,699	7,429,484	7,800,958
Tax (35%)	2,246,254	2,358,566	2,476,495	2,600,319	2,730,335
Budget Profit After Tax for The Parent Company and the Subsidiaries	5,253,746	5,516,433	5,792,255	6,081,868	6,385,961
Number of Shares	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000
Earnings Per Share	\$1.05	\$1.10	\$1.16	\$1.22	\$1.28
Dividend Payout Ratio	40%	40%	40%	40%	40%
Dividends	2,101,498	2,206,573	2,316,902	2,432,747	2,554,384
DPS	\$0.42	\$0.44	\$0.46	\$0.49	\$0.51

SKNATRADING & DEV CO LTD

HISTORICAL DATA

PARTICULARS	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003		
Earnings Per Share (EPS)	\$1.21	\$1.27	\$1.58	\$0.88	\$1.02	\$1.12	\$1.00	\$0.92	\$0.82	\$1.10		
Dividend Cover (times)	2.04	2.54	2.88	3.20	2.73	2.80	3.22	2.05	2.04	2.44		
Dividend Per Share (DPS)	\$0.43	\$0.50	\$0.55	\$0.27	\$0.30	\$0.40	\$0.45	\$0.45	\$0.40	\$0.45		
											TOTAL	AVERAGE
	EC \$	EC \$	EC \$	EC \$	EC \$	EC \$	EC \$	EC \$	EC \$	EC \$		
Net Profit for the year after taxation	2,779,537	2,922,843	3,637,228	4,381,233	5,117,576	5,516,591	5,002,254	4,617,648	4,080,246	5,480,869	43,618,025	4,361,803
Dividends	977,500	1,150,000	1,265,000	1,368,750	1,875,000	2,000,000	2,250,000	2,250,000	2,000,000	2,250,000	17,386,250	1,738,625
Number of Ordinary Shares Issued	2,300,000	2,300,000	2,300,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000		
Dividend Payout Ratio	0.35	0.39	0.35	0.31	0.37	0.36	0.45	0.49	0.49	0.41	3.97	0.40

SELECTED FINANCIAL INDICATORS

	1999	2000	2001	2002	2003
CAPITAL STRUCTURE & SOLVENCY					
Long Term Debt to Equity	0.68	0.83	0.89	0.88	0.78
Total Debt to Equity	2.11	2.28	2.34	2.18	2.15
Total Liabilities to Total Assets	0.68	0.70	0.70	0.69	0.68
LIQUIDITY					
Current Ratio	1.05	1.17	1.17	1.16	1.04
Quick Ratio	0.60	0.72	0.72	0.82	0.74
Cash Ratio	0.10	0.17	0.18	0.23	0.19
RETURN ON INVESTED CAPITAL					
Return on Assets	3.98%	3.12%	2.69%	2.33%	2.98%
Return on Equity	12.38%	10.24%	9.01%	7.40%	9.38%
ASSET UTILIZATION & EFFICIENCY					
Fixed Assets Turnover (number of times)	1.67	1.73	1.53	1.28	1.36
Working Capital Turnover	38.49	10.49	9.18	9.13	34.44
Total Assets Turnover	0.81	0.77	0.69	0.61	0.60
Accounts Payable/Accounts Receivable	1.29	1.18	1.26	1.32	1.35
PROFITABILITY					
Profit Margin	4.91%	4.03%	3.89%	3.79%	5.00%
Earnings per share	\$1.12	\$1.00	\$0.92	\$0.82	\$1.10
Return on Total Assets	3.98%	3.12%	2.69%	2.33%	2.98%
Book Value per share	\$9.04	\$9.77	\$10.25	\$11.03	\$11.68
PARTICULARS					
	1999	2000	2001	2002	2003
	EC \$	EC \$	EC \$	EC \$	EC \$
Long-Term Debt	18,741,646	24,705,055	27,009,850	25,498,671	19,460,325
Equity	45,216,808	48,856,869	51,267,401	55,134,240	58,409,761
Current Assets	67,820,793	83,125,511	87,301,094	83,365,118	83,138,883
Total Assets	140,796,416	160,472,033	171,389,648	175,254,138	183,887,715
Current Liabilities	64,861,037	71,302,319	74,374,403	71,567,554	79,955,571
Long-Liabilities	30,718,571	40,312,845	45,747,844	48,552,344	45,522,383
Total Liabilities	95,579,608	111,615,164	120,122,247	120,119,898	125,477,954
Inventories and Goods in Transit	28,737,930	31,999,969	33,890,841	24,345,275	24,077,624
Net Profit for the year after taxation	5,598,591	5,002,254	4,617,648	4,080,246	5,480,869
Fixed Assets	68,065,463	71,524,456	77,378,072	84,441,430	80,346,492
Turnover	113,920,478	124,028,488	118,614,060	107,744,691	109,618,912
Accounts Receivable	32,573,091	38,862,184	39,789,161	42,828,736	43,844,192
Accounts Payable	41,866,692	45,884,643	50,270,300	56,399,130	59,019,190
Working Capital	2,959,756	11,823,192	12,926,691	11,797,564	3,183,312
Number of Ordinary Shares Issued	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000
Cash and Short Term Investments	6,509,772	12,263,358	13,621,092	16,191,107	15,217,067
Net Assets	45,216,808	48,856,869	51,267,401	55,134,240	58,409,761

SKNATRADING & DEV CO LTD

**TABLE SHOWING DIVIDENDS PAID
1974-1993**

YEAR	DIVIDEND	%
1974	25,224.00	10.0
1975	60,035.00	12.5
1976	70,000.00	12.5
1977	75,000.00	12.5
1978	95,000.00	15.0
1979	95,000.00	15.0
1980	110,000.00	10.0
1981	140,000.00	17.5
1982	168,217.00	15.0
1983	112,145.00	5.0
1984	112,145.00	5.0
1985	134,573.00	6.0
1986	232,890.00	5.0
1987	359,768.00	7.5
1988	375,000.00	7.5
1989	400,000.00	5.0
1990	570,000.00	5.0
1991	575,000.00	6.0
1992	690,000.00	5.0
1993	862,500.00	7.5
1994	977,500.00	8.5
1995	1,150,000.00	10.0
1996	1,265,000.00	11.0
1997	1,368,750.00	7.5
1998	1,875,000.00	7.5
1999	2,000,000.00	8.0
2000	2,250,000.00	9.0
2001	2,250,000.00	9.0
2002	2,000,000.00	8.0
2003	2,250,000.00	9.0
TOTAL	22,648,747.00	
AVERAGE		9.07

4. RISKS ISSUES AND ANALYSIS

4.1 Legislation

Proposed "Customer Protection" legislation has the potential to have a very restrictive effect on the company's operations as well as to increase costs. Given these circumstances, if enacted, the law will require the company to dramatically alter the way the company operates.

4.2 Economic

The international economic conditions continue to negatively impact the economy of the Federation. The tourism sector continues to feel the effects of the worldwide decline in travel due to the events of September 11, 2001, the softening of the economies of our major tourist markets and now the SARS epidemic. The local manufacturers of electronic components also face challenges due to soft demand from their customers in the United States. Any increase in unemployment will affect the purchasing capacity of consumers and reduce the demand for goods and services offered by the company.

4.3 Natural Disasters

During the last decade, the country has been affected by several devastating hurricanes and they pose severe threats to the Group's profitability. While the Insurance (SNIC) and the Reinsurance (ECRC) companies face the greatest potential for losses due to policyholders' claims arising from natural disasters, other operations particularly the Building Divisions will benefit from the demand for supplies for the rehabilitation phase, as they have in the past.

4.4 Competition

The internet and more efficient, reliable and cost effective means of transportation have brought a new dimension to the way consumers shop. Competition is no longer restricted to other local businesses but now include suppliers anywhere in the world.

SWOT ANALYSIS

The overall evaluation of a company's strengths, weaknesses, opportunities and threats is called a SWOT analysis.

In general a business has to monitor key macroenvironmental forces, (demographic, economic, technological, political, legal, social and cultural), and significant microenvironmental factors, (customers, distributors, suppliers), that affect its ability to earn profits. TDC established a marketing intelligence system to track trends and important developments. Usually, for each trend or development management identifies the associated opportunities or threats.

STRENGTHS

- Experienced Staff
- Loyalty (Employees, Customers, Shareholders)
- Strong Asset Base
- Diversity of Group (linkages)
- Aggressive Sales Culture
- Location of Retail Outlets
- Good Corporate Image

OPPORTUNITIES

- Cross selling among departments
- Opening of single market - Opportunities for expansion throughout OECS
- Purchasing from new markets - China, South & Central America
- Use of technology (e.g. E-commerce)
- Closure of Sugar Industry - More land available for real estate development

WEAKNESSES

- Insufficient Use of Technology
- Focusing in many areas (limited Resources)
- Gap in knowledge between management & Others
- Lack of structured planning (strategic)
- Customer Service (after sales)
- Idle underutilized assets

THREATS

- Opening of Single market - new entrants into local market
- Informal/unregulated business / competitors
- E-commerce
- Government Legislation
- Natural Disasters
- Threats of international conflicts and terrorism`

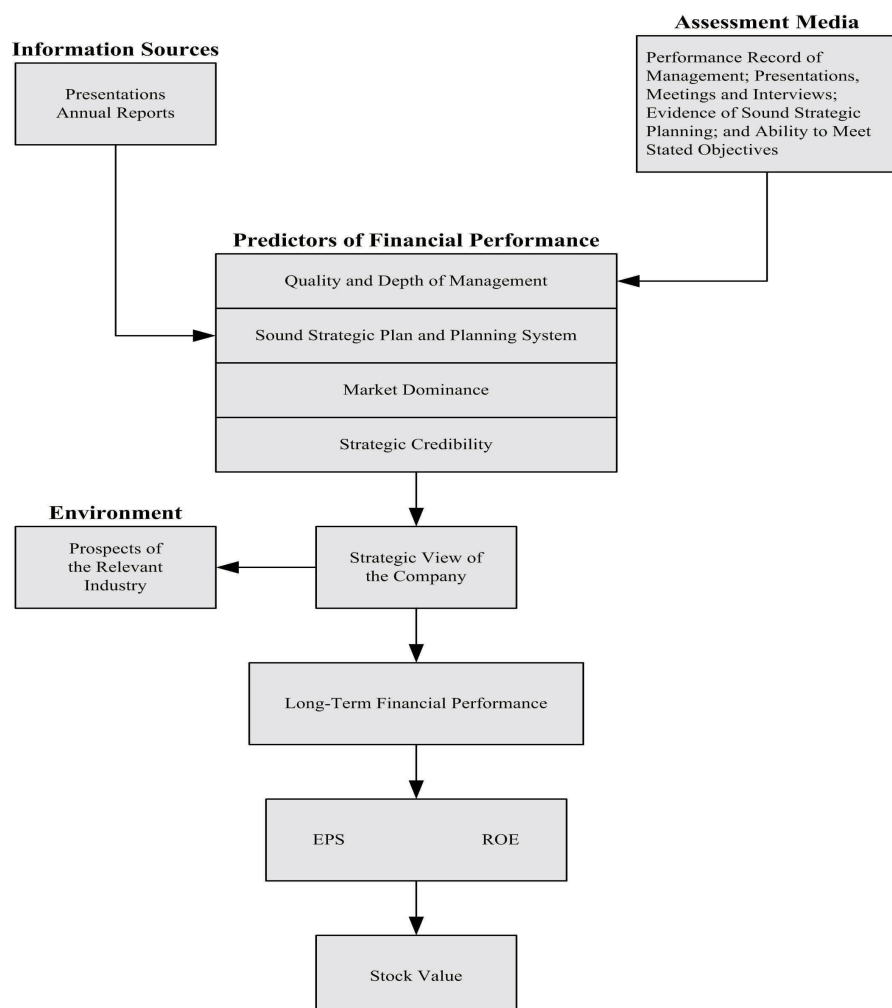
STOCK VALUATION

How do professionally trained security analysts evaluate common stocks? In the long-run, analysts attach greatest importance to

1. expected changes in EPS (Earnings Per Share)
2. expected return on equity
3. prospects of the relevant industry.

Arriving at the valuation of these factors and in particular the valuation of the changes in EPS, requires a detailed analysis of the firm. However, no single operating ratio from the company's financial statements, or single product or market event, captures the long-term prospective value of the stock. Analysts view a company in its entirety- its history, capabilities and position in the relevant industries. Analysts also evaluate qualitative factors such as the quality and depth of management, market dominance and strategic credibility to validate quantitative financial and economic variables.

STOCK VALUATION: A PROCESS MODEL



SHARE VALUATION

The valuation exercise was based on historical information sourced from the company's audited financial statements audited by Pannell Kerr Forster and the budgeted results for 2004.

Constant Dividend Growth Model

Stock valuation based on future dividends, is referred to as the dividend discount model because it discounts cash dividends. The constant dividend growth model is the most common valuation model used to determine both stock values and the firm's cost of equity. This model determines the stock price by the first year dividend, (d_1), the discount rate, (k), and the growth rate, (g). The model assumes that the firm's EPS, DPS, and as a result, the stock price are expected to grow every year by a constant growth model denoted by g , where g is expressed as a percentage.

The discount rate is the required rate of return by investors given the risk associated with the company's stock. The discount rate, k , was evaluated using the average rate of return on the company's shares for the last 30 years, 9.07%.

The average payout ratio for the last 10 years was 40%.

$ROE = (EPS_t / \text{Book Value Per Share}_{t-1})$, the book value per share in 2003 was \$11.68 the EPS for 2004 was estimated at \$1.05.

$$P_0 = \$7.67$$

Dividend Discount Model, (DDM)

When cash flows equals cash dividends, stock valuation models based on the discounted cash flow principle are called dividend discount models. Assuming the stock continues to trade at EC \$10.00 and DPS \$0.55, (2004), then an investor who sells his stock after the first year would price it as follows:

$$P_0 = \$9.55$$

It is worthy to note that the dividend discount model assumes that the discount rate is constant over time. Most firms have a rapid growth phase, an expansion phase and finally a maturity phase. The DDM incorporates the changing dividends as the firm progresses through its life cycle. Intuitively, k would be lower during the maturity state, because less risk is involved. Thus to estimate k , changes in dividends and the investors' require rate of return should be considered.

NET ASSET VALUATION METHOD

The net asset valuation method is calculated as follows:
Shareholder's Equity/Number of Ordinary Shares Outstanding

At 31 January 2003, shareholders equity summed \$58,409,761 and 5,000,000 ordinary shares were outstanding.

Based on the book value per share, the DDM and constant dividend growth model, the share price of S K N A Trading & Development Co Ltd ranges between EC \$7.67 and \$11.68.

CONCLUSION

The foregoing information indicates that the Company, TDC, is a relatively financially strong one. Among companies of its type in St Kitts-Nevis it is the dominant player in most of the sectors that it operates. It has an enviable record of achievement in terms of its financial performance historically and even though a large part of its business activities are undertaken in the mature and very competitive trading sector its diversification into the faster growing services sectors augur well for the Company's future.

Its investments in human resource development have and are expected to continue to pay dividends as a cadre of managers are developed to move the Company forward, with their new ideas and strategies to meet the challenges of an ever-changing local, regional and international environment.

The report provides pertinent information about and analysis of the Company but it does not constitute a recommendation to trade its shares. If you wish to do so it is advisable that you use this information as one of the tools to help you decide.