



CABLE & WIRELESS
ST. KITTS & NEVIS LIMITED

2005 Annual Report & Accounts

Investing
in our future
means the best use of the present...

...our youth.



*World 100m Champion Kim Collins with
students of St. Johns Primary School Nevis.*

Cable & Wireless St. Kitts and Nevis Ltd.

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Acknowledgements: Kim Collins and the Principal and students of the St. Johns Primary School Nevis for the front cover and inside front cover photos.

Directors, Management & Advisors

in Office at 31st March 2005

CHAIRMAN

Mr. Joseph L. Edmeade B.Sc., MBIM

DIRECTORS

Mr. Paul Aspin B.Sc. (Eng.)

Mr. Theodore Hobson LL.B.(Lond.)

His Excellency Alfred Lam O.B.E., G.S.M., H.B.M.

Mr. Lawrence McNaughton B.Sc.,E.E.(Hons),Ms. Eng.,Dip Mgmt

Mr. Frans Vandendries B.A. (Hons), M.A., LL.B.

Ms. Patricia Walters B.A. (Hons), FCCA

MANAGEMENT EXECUTIVES AND OFFICERS

Ms. Patricia Walters B.A. (Hons), FCCA

Chief Executive

Mr. Richard Henry FCCA

Vice President Finance & Corporate Affairs

Mr. Curtis A. Martin

Vice President Human Resources

Mrs. Sheila DeSilva

Vice President Corporate Accounts

Mr. Clifton Riley EMBA

Vice President Networks

Mr. Jerome Rawlins

Vice President Nevis Operations

Mr. David Lake B.Sc.(Hons), M.Sc.(Eng.)

Vice President Mobile, Consumer Sales & Marketing

Mr. Robert Williams

Vice President Customer Services

ADVISORS

Auditors

KPMG Audit plc

Solicitors

Kelsick, Wilkin & Ferdinand

Registrars

National Bank Trust Company (St. Kitts-Nevis-Anguilla) Ltd

REGISTERED OFFICE

Cayon Street, Basseterre, St. Kitts, West Indies

Report from your Chairman



Mr. Joseph L. Edmeade

Chairman - Cable & Wireless St. Kitts & Nevis Ltd.

It is with profound pleasure that I greet you the owners of this, the most well known telecommunications entity in the Federations of St. Kitts and Nevis. As I take the baton from my predecessor, Dr. Osbert Liburd, I am not despaired, but resolved to ensure the continued growth and development of this financially solid company. I could not have wished for any better occasion to present this inaugural message to you the shareholders, than in a year when operating results have shown double-digit growth in turnover and profit before taxation. Further illustration of the Company's financial results will be provided in the financial review.

These solid results have been achieved behind the backdrop of an industry undergoing seismic changes in all the major sectors. Regulatory and technological changes are the two most significant factors shaping the telecommunications landscape today. Despite these changes, we are extremely happy to report improved financial results over last year. For the financial year ended 31 March 2005, the Company realized gross revenues of \$95.2 million as compared to \$86.2 million in the previous year, a 10% increase year on year. Net income after tax increased to \$15.3 million as compared to \$6.6 million last year. It should be noted that last year's net income was impacted by an additional tax charge of \$6.5 million.

Your Board of Directors remains confident in the future of the company, and we are pleased to inform you that the Board has declared a dividend of 40 cents per share, hence maintaining the dividend payout for the past five years. This level of returns on your investment is tangible testimony of the result of the astute management of your investment by the Board of Directors and Management.

As you are aware, the regulatory framework within the Federation of St. Kitts & Nevis, and the Caribbean region on a whole is at a nascent stage. During the year in review the citizens of the Federation of St. Kitts and Nevis were able to witness tangible signs of the advent of competition within the telecommunications landscape, with the construction of several cell sites by the other players in the mobile market. The granting of several international voice resale licences further concretized the progress being made by the Regulators in their efforts to facilitate liberalization of the telecommunications market.

Liberalization has long been accepted as an inevitability, and you should remain confident that Cables & Wireless St. Kitts & Nevis Limited is poised to leverage on its many strengths in order to capitalize on the opportunities that an open telecommunications sector would produce. Our many years of operation in the Federation of St. Kitts & Nevis have yielded substantial knowledge of the market, and developed deep customer loyalty. Our traditional ubiquitous land-based network is a critical component of the Company's strength, as this will in no small measure provide the platform for Cable & Wireless St. Kitts and Nevis limited to remain ahead in emerging sectors, such as the broadband evolution.

Whilst we have always worked with the Regulators, we remain uncompromising in our belief that it is imperative that the Regulators ensure a level playing field that would facilitate effective competition, and ensure that values are added to the customers on prices and quality of products and services. Matters that are considered anti-competitive or detrimental to the local market, such as the impasse on the Foreign Home Network Identity codes, must be dealt with in a timely and fair manner by the Regulators.

The Regulators, particularly the officials of the Eastern Caribbean Telecommunications Authority (ECTEL) should remain resolute in achieving fairness. The benefits envisioned by the pioneers of liberalization will only be realized if the

Chairman's Statement

continued

regulatory advisors provide proper and timely advice to the National Telecommunications Regulatory Commission (NTRC), and are seen by all the major stakeholders as being professional and unbiased in the discharge of their duties. Cable & Wireless is committed to engage in transparent competitive practices, while at the same time ensuring high quality products and services.

Throughout the year in review significant capital investment was expended for the expansion in capacity and coverage of our GSM network. These expansions facilitated the accommodation of significant growth in GSM mobile customers. The capital investment in the GSM network is expected to continue during the next financial year, as the Company works towards realizing its objective of having the superior mobile network in the Federation. We remain committed to our promise of providing a bigger and better GSM network, as we head into full-blown mobile competition.

With the eroding of traditional revenue streams such as fixed international and national voice, we will continue to seek new avenues to add value for our customers and the country as a whole. The creation of the Caribbean Single Market and Economy (CSME) will undoubtedly create new challenges to the small and medium enterprises, and we consider this an opportunity to leverage on our ubiquitous status within the Caribbean. We will aim to facilitate an e-enabling environment for these businesses to better operate and compete within the single market.

Our commitment to education remains paramount, and to this end, we will work with Government on its goal to ensure the proliferation of the use of computers in all learning institutions, hence, ensuring that our people are ready and equipped for the ever growing and changing information age. The Company's thrust towards the expansion of its broadband reach will undoubtedly ensure that the citizenry of the Federation is not left behind with regards to first class telecommunications technologies.

As we look forward in this era of openness, the Board of Directors will continue to support the management and staff, led by the astute and charismatic Chief Executive, Ms. Patricia Walters, as they endeavor to enhance the customer experience. I call on you the shareholders to support your

investment by promoting the good about your Company.

I take this opportunity to salute the former Chairman, Dr. Osbert Liburd and express my appreciation for the high standards that he had cultivated within the directorship of the Company. Acknowledgement is also made of the contributions of Mr. Usman Saadat former Director and Mr. Clifton Riley former Vice President Network. Let me also express thanks to fellow Directors for their endorsement and support during my tenure to date. My thanks and appreciation also goes to the management and staff for a great performance, by improving financial results in a period of tremendous uncertainty. On behalf of the Board of Directors, Shareholders, Management and Staff, let me extend our utmost appreciation to our customers for their continued patronage, loyalty and support. Your Company, Cable & Wireless has become synonymous with superior quality, and we intend to get better at it.



.....
Mr. Joseph L. Edmeade

Chairman

Cable & Wireless St. Kitts & Nevis Limited

Report from your Chief Executive



Ms. Patricia Walters, Chief Executive
Cable & Wireless St. Kitts and Nevis Ltd.

Much has changed in the telecommunications market, since I last reported to you one year ago via this medium. Competition in all of the sectors has seen eight players in the telecoms market in St. Kitts and Nevis, providing a range of services including mobile, Internet and international calling. Notwithstanding these dramatic changes in the market, I am happy to report that your company realized solid operating results for the financial year ended 31 March 2005. These strong results have undoubtedly made my task of addressing you, the owners of this company, much more pleasurable.

Revenue growth is one of the key pillars necessary for the sustainability of a telecoms business, and I am happy to report a 10% growth in revenues for the financial year ended 31 March 2005. In keeping with international trends, growth in mobile revenue was the mainstay of the overall increase, a direct benefit of the aggressive mobile market penetration activities directed by our zealous staff. Broadband revenue continued to grow as a result of increased customer numbers owing in large part to the introduction of several affordable Internet products and services. Meanwhile, the decline in revenues from the legacy telephony services such as fixed line domestic and international outgoing continued, as a consequence of technological development such as Voice

over Internet Protocol (VoIP), competitive price pressures, regulatory measures and the efforts of the global community to lower the cost of international communications.

Notwithstanding the 10% growth in revenue, you would be delighted to know that profit before taxation improved by 19% over the last financial year, benefitting from improved gross margin and reductions in operating costs. However, I need remind you, that liberalization has compelled a major paradigm shift for the Cable & Wireless Group. The national telecommunications companies are being tasked with achieving significant operational and capital cost efficiency; hence, we are constantly looking at ways to realize these efficiencies. The sharing of infrastructure and personnel expertise by national telecommunications businesses is among the changes that have been implemented to achieve these efficiencies.

Our market has changed, therefore, we no longer operate as a telephone company, but as a communications service provider. This change was quite evident during the year under review. Significant emphasis was placed on creating an exciting and pleasurable experience for our valued customers. Our emphasis on a sales and service culture has begun to bear fruits with the notable success of the *Tek u money Wutt* campaign. This involved the offer of a Motorola C333 mobile phone with the purchase of a phone card and aroused tremendous excitement across the Federation. The mobile experience was further enhanced with the introduction of intra Caribbean prepaid roaming. The appointment of the Premier Account Directors, in the Corporate Sales Department further demonstrated our efforts towards enhancing the level of service provided to our top corporate customers.

The increase in high speed Internet access was another key objective of the Company, which was actively pursued during the year. It is our way of contributing towards narrowing the proverbial "digital divide". The launching of the low cost MAX product- a personal Internet Communicator was a clear demonstration of the Company's desire to facilitate low cost access to the World Wide Web. To further enhance the Internet proposition a re-branded high speed Internet service called Xnet was launched.

The traditional fixed line customers were not left out, as January 2005 ushered a new price regime for domestic fixed telephony services, with all customers benefiting from

Report from your Chief Executive

continued

reduced local call rates and residential customers receiving 60 free minutes of local fixed to fixed calls monthly.

Whilst I believe that the quality and professionalism of our people will be the salient differentiators in this market, we are also strongly of the view that the provider with the superior network will have a competitive edge. Historically, we have always spoken proudly of our investment in first class technology, a prerequisite towards providing a first world telecommunication service to our valued customers. This was no different during the financial year in review, as \$25.8 million was invested in our network infrastructure. The enhancement of the GSM network and the strengthening of the Internet backbone were the focal points of these investments. These investments are expected to strongly support the future growth in the mobile and broadband markets.

Without fear of contradiction, I like to describe our company as a truly local entity, with global pedigree. The staff of this company is 98% local and have been constantly challenged to exhibit passion in their pursuit to exceeding our customers' expectations. The formation of several "passion for action" teams created a forum for staff at all levels to contribute towards the direction of the business. Staff training also remains paramount to refreshing knowledge and sharpening skills. Throughout the year, staff participated in numerous local and regional training, and the tradition of encouraging and supporting staff to pursue programs for their personal development remained alive. We remain categorical that the people within our organization are the only sustainable competitive advantage.

Improving the public image of this company was one of my main priorities, and this was pursued with a two-pronged approach: providing the best service to our customers and building loyalty with customers and the larger community. The bSmart initiative and the school adoption program were two main collaborations, which helped to improve the goodwill capital of the company. The scholarship program of which there are currently about 50 students remains the premier medium through which we contribute towards the educational growth of the future of the Federation. In March 2005, I also had the distinct privilege of announcing an exclusive sponsorship deal with Kim Collins, our "Sprint King." Our benevolence was also felt in other areas of our

community as we contributed to the programs of numerous organizations.

The challenges ahead are expected to be immense. However, I remain forever confident that the competency and enthusiasm demonstrated by our employees will serve us well, in ensuring that Cable & Wireless remains the household name for all forms of telecommunication services. The significant investment in our infrastructure as noted earlier should also provide the enabling vehicle for us to defend our market share and continue to grow our business.

I take the opportunity to express my profound gratitude to our immediate past Chairman, Dr. Liburd, for the astute direction he provided during his tenure as Chairman. To the current Chairman, Mr. Edmeade, I would like to use this medium to welcome you again, and to record my gratitude for your support to date. To the Board of Directors, Management and Staff, I express my profound gratitude for your support. To our valued customers, I sincerely thank you for your continued patronage.



.....
Patricia Walters
Chief Executive

Corporate Social Responsibility

Giving back to the communities that it operates in has become second nature to Cable & Wireless. A significant percentage of the funds expended on Cable & Wireless' social responsibility programmes over the period of this report was spent on the youth of the Federation.

Beginning with the Academic Excellence Awards, dozens of students each year

Camp. Sponsorship in sports was not however limited to football as both the Nevis and St. Kitts Cricket Associations maintained their long-term sponsorship from Cable & Wireless.

Community development and in particular the enhancement of our cultural heritage also received prominence specifically through the support of the Children's Carnival, and the Culturama Mr.

endeavours.

Cable & Wireless will continue to reinforce its commitment to the people of St. Kitts & Nevis, not only through the continuous improvement of its products and services and enhancements to its customer service but also through its varied social outreach activities. As a company which has a 35% local shareholding, Cable & Wireless takes pride in



Top left to right: Participants in C&W Summer Soccer School of Excellence programme; Senior Cricketers in Nevis Cricket League; Make a Wish for the Elderly presentation of a wheel chair. Bottom photo: Awardees, parents, and invitees at the Academic Excellence Dinner.

are publicly recognized for their exemplary performance at an Annual Awards event. Had it not been for the support of Cable & Wireless, these students, their parents and guardians and education officials would hardly have had the privilege to congregate in one room to witness this very proud moment.

Sports also featured highly on the company's priority list and so for the 16th consecutive year Cable & Wireless embraced the opportunity to provide support for the young footballers in the Summer Soccer School of Excellence

& Miss Teen Talent. Our senior citizens were also deliberately targeted through the "Make a Wish for the Elderly" project, which recognized the wishes of four nominees. The wishes were presented to them on Valentines Day.

The items highlighted above are some of the more publicized events of the social contributions that Cable & Wireless has made to the community. Outside of these, the records would show that a significant number of non-governmental organizations, church and school groups have all been assisted in their respective

celebrating its localness with the people and institutions from whom it derives its profits. Future programmes will continue to complement the efforts that have already been made to set a firm foundation as a corporate champion for young people.

Financial Review

(all figures quoted are EC\$ million)



Mr Richard Henry

Vice President Finance & Corporate Affairs • Company Secretary

INTRODUCTION

During the financial year 2004/05 the Company focused on positioning itself as the leading provider in the growing mobile and emerging broadband markets. The overall financial results for the period ended 31 March 2005 represented an improvement over last year's solid performance, as gross turnover of \$95.2 million represented a (10%) growth and profit before tax of \$25.9 million represented a 19% growth. These auspicious results will no doubt delight you the shareholders.

The financial highlights for the year ended 31 March 2005 read as follow:

TURNOVER

International outgoing calls revenue continued its year on year decline as total revenue decreased by \$2.8 million (15%). This decline can be imputed to lower international rates. International rates are being pressured downwards by competitive entries in the market and the impact of new technologies, such as Voice over Internet Protocol (VoIP).

Revenues from international incoming calls registered a slight decline of \$0.2 million (2%), a satisfactory performance in light of the international price pressure that this sector has been facing.

In January 2005, a new price cap regime came into effect, reducing local call termination rates, as well as granting additional free minutes to residential customers. This new price regime contributed to domestic fixed to fixed call revenue dropping \$0.8 million or (3%) below last year. Revenues from local access charges and fixed to mobile calls were on par with the previous year.

The momentum of steady growth in mobile revenue, which started in the previous year continued during the year in review. As such, the Company realized a significant growth in its GSM subscriber base. Mobile revenue in 2004/05 was 79% higher than the last year. Efforts toward protecting and growing our mobile customer base will continue.

Revenue from Internet and Data products increased by \$1.1 million (12%) compared to the same period last year. This growth was driven primarily by increase in Frame Relay and Broadband revenues.

Other revenues were lower than last year by \$0.7 million (20%) primarily due to low sales of key systems equipment to our business customers.

OUTPAYMENTS AND COST OF SALES

Cost of sales increased by \$8.0 million (74%) over last year. The increase in cost of sales was mainly due to increased acquisition cost, associated with the growth realized in GSM subscribers. Outpayment cost linked to international outgoing traffic also increased by \$1.7 million (50%), the increase was associated to the increase in international outgoing mobile traffic.

OPERATING COSTS

Total operating costs was \$3.7 million or (7%) favorable compared to last year. Last year the Company reported exceptional items of \$8.3 million compared to \$0.4 million this year. The following are the key items that influenced the overall operating costs for the financial year ended 31 March 2005.

- (a) Employee costs increased compared to last year. This was primarily due to an accounting change in the treatment of staff incentive pay.
- (b) Advertising and marketing costs increased,

Financial Review

continued

compared to last year. This is indicative of the current competitive operating environment.

- (c) Depreciation expenses increased compared to last year, reflecting the wear and tear associated with the use of additional assets, as well as the impact of the accelerated depreciation of the TDMA assets.
- (d) Reductions were realized in 2004/05 in foreign exchange losses and government licence and spectrum fees, compared to 2003/04.

CAPITAL EXPENDITURE

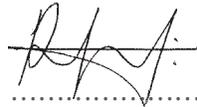
Capital expenditure of \$25.8 million in 2004/05 reflected increased investment in the GSM and broadband network infrastructures. This investment was driven by the increase in the GSM subscribers and growth in broadband customers, and will support the Company's ongoing expansion activities in mobile and broadband.

TAXATION

The corporation tax charge for 2004/05 of \$10.6 million represented a \$4.6 million decrease on 2003/04. It should be noted, that the corporation tax charge for 2003/04 included a charge of \$6.5 million for the settlement of a tax matter with the Inland Revenue Department.

PROFIT

Profit After Tax of \$15.3 million represented an improvement on last year. The tax settlement alluded to above adversely impacted last year's position.

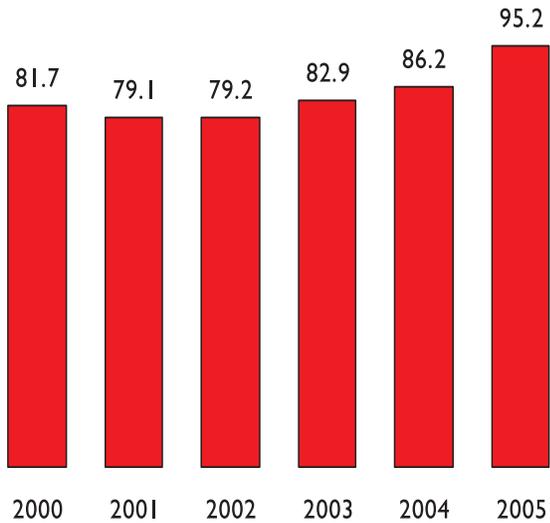


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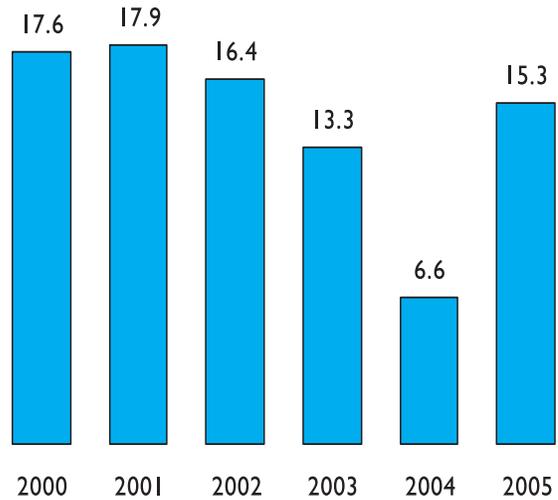
Mr. Richard Henry
Vice President Finance & Corporate Affairs- Company Secretary

Financial Highlights

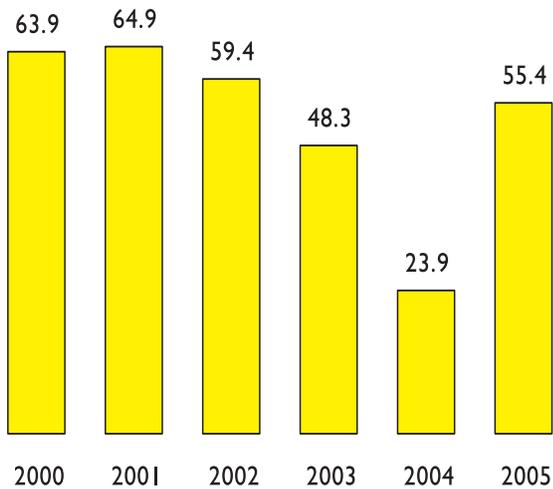
Gross Turnover (EC\$ millions)



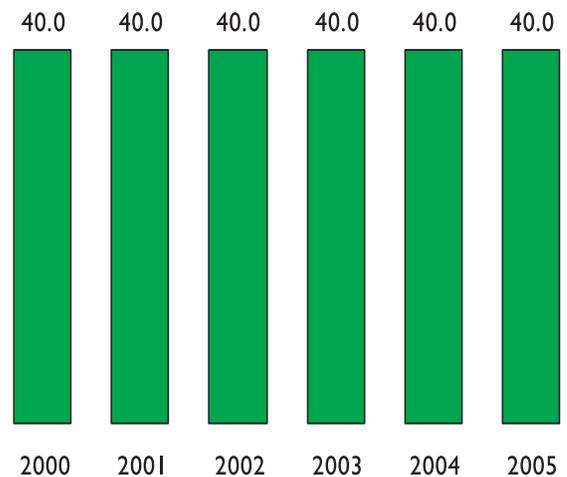
Profit After Tax (EC\$ millions)



Earnings Per Share (EC cents)

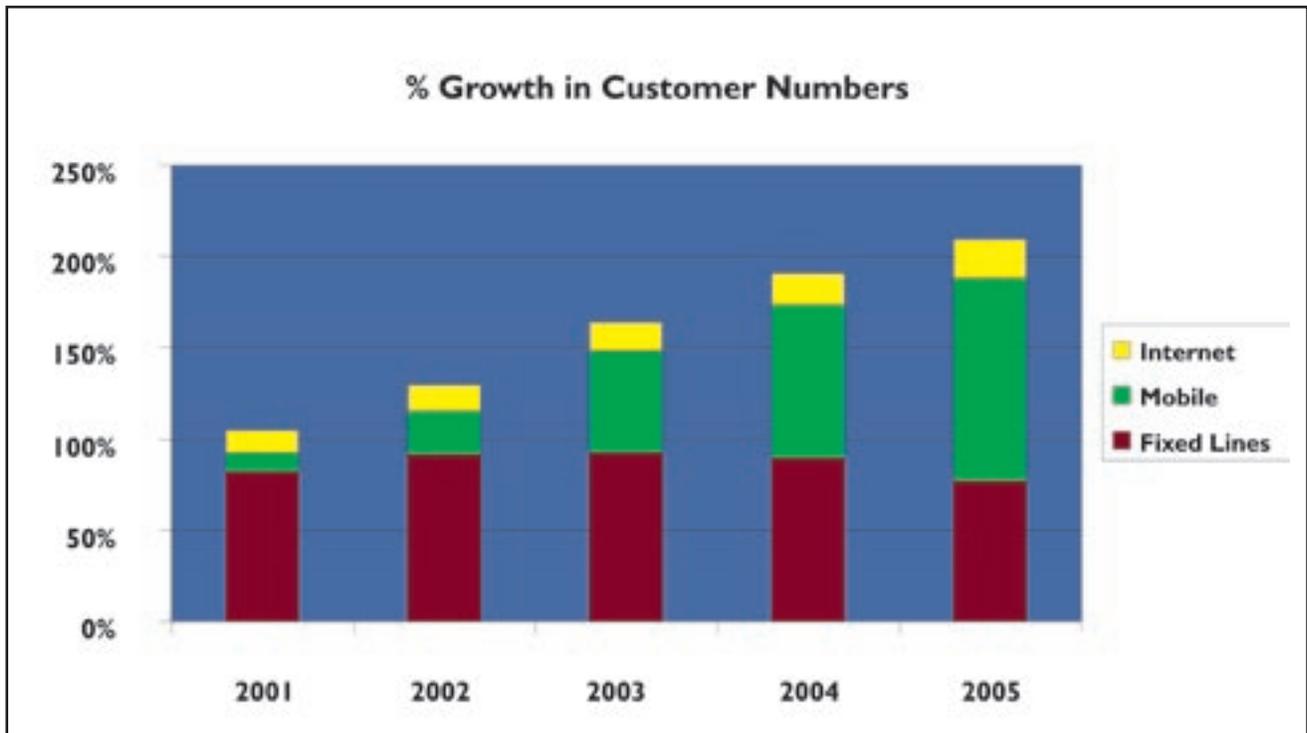
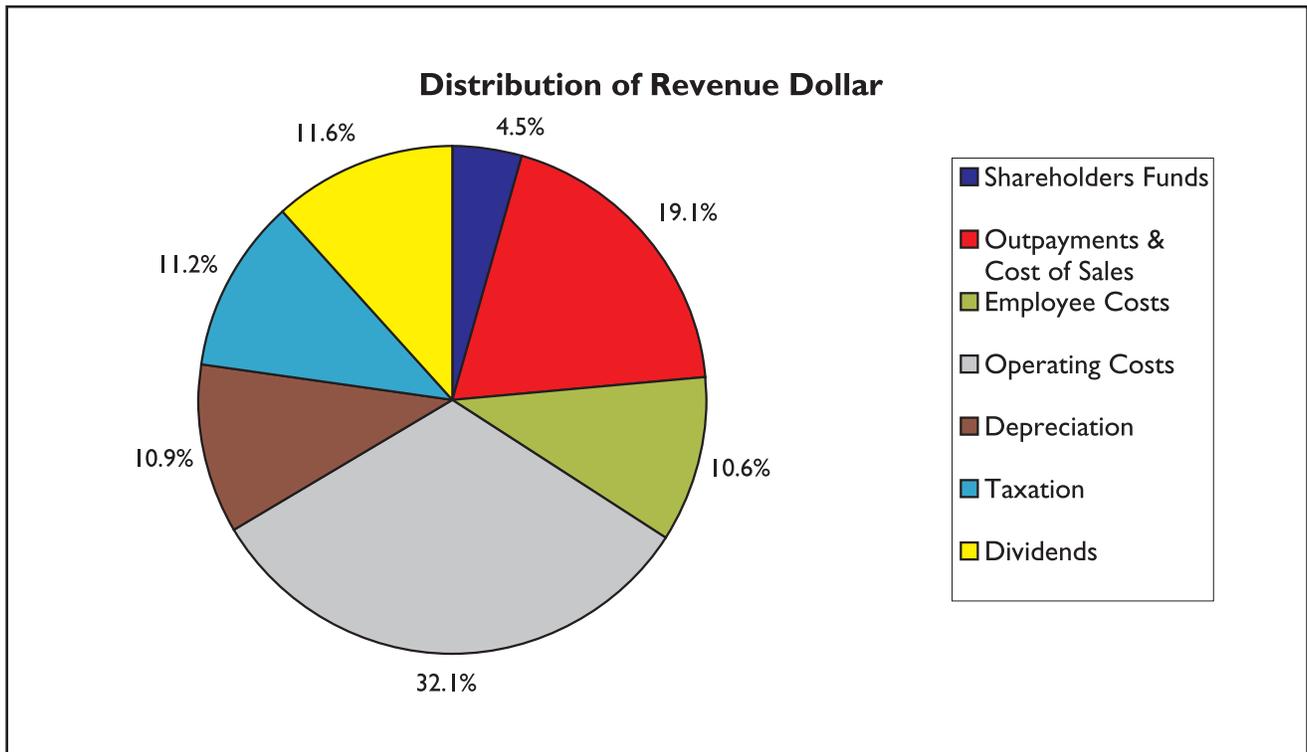


Dividends Per Share (EC cents)



Financial Highlights

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Board of Directors



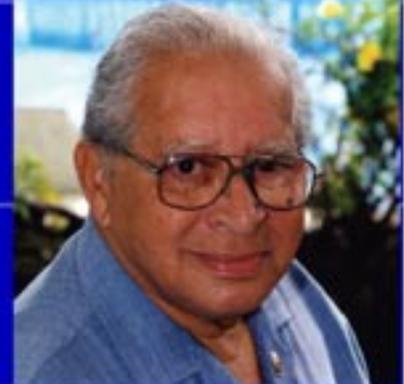
Joseph Edmeade
Chairman



Theodore Hobson
Director



Patricia Walters
Chief Executive C&W & Director



His Excellency Alfred 'Fred' Lam,
OBE, GSM, HBM - Director



Lawrence Mc Naughton
Director



Paul Aspin
Director



Frans Vandendries
Director

Directors' Report

The Directors submit their twentieth annual report together with the audited Financial Statements of the Company for the financial year ended 31 March 2005.

PRINCIPAL ACTIVITIES

Cable & Wireless St. Kitts and Nevis Limited supplies telecommunications services and facilities to the Federation of St. Kitts and Nevis. The Company's main business is the provision and operation of the public telecommunication services of the Federation of St. Kitts and Nevis under an Agreement dated 7 April 2001, which replaced a 25 year franchise granted by the Government that would have expired on 30 November 2015. Following this agreement, the company applied for new licenses and was granted non-exclusive licenses that will expire in 12 years.

RESULTS AND DIVIDENDS

	2005 EC\$000	2004 EC\$000
Profit for the year after taxation	15,302	6,592
Added: Retained earnings brought forward	42,716	47,167
Amount available for distribution	58,018	53,759
It is recommended that this be dealt with as follows:		
Dividends: Interim Paid	(3,313)	(3,313)
Final Proposed	(7,730)	(7,730)
Total	(11,043)	(11,043)
Retained earnings carried forward	46,975	42,716

DIRECTORS

During the year Messrs. Usman Saadat tendered his resignation from the Board. In accordance with Article 112 of the Company's Articles of Association, Cable & Wireless (West Indies) Limited nominated Mr. Lawrence McNaughton as his replacement. On 11th January 2005, Dr. Osbert Liburd was replaced from the Board, and in accordance with Article 112 of the Company's Articles of Association, the Government of St. Kitts & Nevis nominated Mr. Joseph L. Edmeade as his replacement.

In accordance with Article 122(a) to (e), the Directors retiring by rotation are Mr. Frans Vandendries and Ms. Patricia Walters who, being eligible, offer themselves for re-election.

Other Directors who served during the year were His Excellency Alfred Lam O.B.E., G.S.M., H.B.M., Mr. Theodore Hobson and Mr. Paul Aspin

AUDITORS

Pursuant to the Company's Articles, the retiring auditors are KPMG Audit plc. A resolution proposing the reappointment of KPMG Audit plc will be put before the next Annual General Meeting on 9th March 2006.

APPRECIATION

The Directors wish to express their sincere thanks and gratitude to all who have contributed to the continuing success of the Company over the past year, in particular to the loyal and dedicated employees and their families. The Directors

Directors' Report

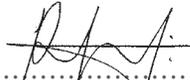
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also wish to convey their gratitude to those employees who have left the Company during the year for their years of service and support and wish them the very best for the future.

BY ORDER OF THE BOARD OF DIRECTORS



.....
Mr. Joseph L. Edmeade
Chairman



.....
Mr. Richard Henry
Vice President Finance & Corporate Affairs • Company Secretary

Dated: 28 October 2005

Cayon Street
Basseterre
St. Kitts
West Indies

DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE PREPARATION OF FINANCIAL STATEMENTS

Company law requires the Directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those financial statements, the Directors are required to:

- a) select suitable accounting policies and then apply them consistently;
- b) make judgements and estimates that are reasonable and prudent;
- c) state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- d) prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with Generally Accepted Accounting Standards as required by s. 104(2) of the St. Kitts and Nevis Companies Act 1996 which states the following.

“The accounts shall be prepared in accordance with generally accepted accounting principles and show a true and fair view of the profit or loss of the company for the period and of the state of the company’s affairs at the end of the period and comply with any other requirements of this Act”

They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG Eastern Caribbean
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REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF CABLE AND WIRELESS ST. KITTS AND NEVIS LIMITED

We have audited the accompanying balance sheet of Cable and Wireless St. Kitts and Nevis Limited, as of March 31, 2005, and the related statements of profit and loss, changes in equity and cash flows for the year then ended as set out on pages 16 to 26. 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 the audit to obtain reasonable assurance about whether 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 company as at March 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles and practices generally accepted in the United Kingdom.

Chartered Accountants
Kingstown, St. Vincent and the Grenadines
October 28, 2005

KPMG Eastern Caribbean, a partnership registered in Antigua & Barbuda, St. Lucia and St. Vincent & The Grenadines, is the Eastern Caribbean member firm of KPMG International, a Swiss cooperative.

Cleveland S. Seaforth
Brian A. Glasgow

Frank V Myers
Reuben M. John

PROFIT AND LOSS ACCOUNT

for the Year ended 31 March 2005

	Notes	2005 EC\$000	2004 EC\$000
Turnover	1	95,202	86,184
Outpayments and cost of sales		(18,202)	(9,675)
Gross profit		77,000	76,509
Operating costs	2	(51,464)	(55,203)
Operating profit		25,536	21,306
Net interest	4	413	469
Profit on ordinary activities before taxation		25,949	21,775
Taxation on ordinary activities	5	(10,647)	(15,183)
Profit on ordinary activities after taxation		15,302	6,592

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

BALANCE SHEET

as at 31 March 2005

	Notes	2005 EC\$000	2004 EC\$000
FIXED ASSETS			
Tangible assets	6	94,794	79,639
Loan to related party	7	2,248	3,549
		97,042	83,188
CURRENT ASSETS			
Stocks		2,739	1,641
Debtors	8	12,828	15,067
Amounts due from Group companies		713	1,670
Cash at bank and in hand	9	21,741	17,030
		38,021	35,408
CURRENT LIABILITIES			
Trade creditors		(117)	(149)
Amounts owed to Group companies		(9,240)	(375)
Taxation		(3,232)	(10,088)
Other creditors	10	(7,948)	(7,342)
Accruals and deferred income		(12,023)	(1,980)
Dividends payable		(11,043)	(11,043)
		(43,603)	(30,977)
NET CURRENT ASSETS		(5,582)	4,431
TOTAL ASSETS LESS CURRENT LIABILITIES		91,460	87,619
LONG TERM LIABILITIES			
Provision for liabilities and charges	11	(13,867)	(14,285)
NET ASSETS		77,593	73,334
CAPITAL AND RESERVES			
Called up share capital	12	27,609	27,609
Share premium account	13	3,009	3,009
Profit and loss account		46,975	42,716
Total equity shareholders' funds		77,593	73,334

The financial statements set out on pages 16 to 26 were approved by the Directors of Cable and Wireless St. Kitts and Nevis Limited on October 28, 2005 and signed on their behalf by:

.....
Mr. Joseph L. Edmeade
Chairman

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His Excellency Alfred Lam, OBE, HBM
Director

Dated: 28th October 2005

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

STATEMENT OF CHANGES IN EQUITY

for the Year ended 31 March 2005

	Share Capital	Share Premium	Profit and Loss Account	TOTAL
	EC\$000	EC\$000	EC\$000	EC\$000
Balance as of March 31, 2003	27,609	3,009	47,167	77,785
Dividend	-	-	(11,043)	(11,043)
Net profit for the year	-	-	6,592	6,592
Balance as of March 31, 2004	27,609	3,009	42,716	73,334
Dividend	-	-	(11,043)	(11,043)
Net profit for the year	-	-	15,302	15,302
Balance as of March 31, 2005	27,609	3,009	46,975	77,593

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

STATEMENT OF CASH FLOWS

for the Year ended 31 March 2005

	2005 EC\$000	2004 EC\$000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit on ordinary activities before taxation	25,949	21,775
ADJUSTMENTS FOR:		
Depreciation expense	10,365	9,193
Gain on disposal of fixed assets	(150)	(5)
Net interest	(413)	(469)
Impairment	174	3,398
Operating cash flows before working capital changes	35,925	33,892
Decrease in debtors	4,498	3,321
(Increase) decrease in stocks	(1,098)	1,204
Increase (decrease) in accounts payable and accrued expenses	19,481	(11,031)
NET CASH FROM OPERATIONS	58,806	27,386
Income taxes paid	(17,921)	(9,572)
Interest received	440	499
Interest paid	(27)	(30)
Net cash from operating activities	41,298	18,283
CASH FLOWS USED IN INVESTING ACTIVITIES		
Purchase of tangible fixed assets	(25,820)	(5,074)
Proceeds from disposal of tangible fixed assets	276	126
NET CASH USED IN INVESTING ACTIVITIES	(25,544)	(4,948)
CASH FLOWS USED IN FINANCING ACTIVITY		
Dividends paid	(11,043)	(11,043)
NET CASH USED IN FINANCING ACTIVITY	(11,043)	(11,043)
NET CHANGE IN CASH AND CASH EQUIVALENTS	4,711	2,292
Net cash and cash equivalents- beginning of year	17,030	14,738
NET CASH AND CASH EQUIVALENTS- END OF YEAR	21,741	17,030

STATEMENT OF ACCOUNTING POLICIES

for the year ended 31 March 2005

a) **BASIS OF ACCOUNTING**

The financial statements are prepared on the historical cost basis of accounting and are required by s. 104(2) of the St. Kitts and Nevis Companies Act 1996 to be prepared in accordance with generally accepted accounting principles. As such, the basis of preparation used for these financial statements is UK Generally Accepted Accounting Principles.

b) **REVENUE RECOGNITION**

Revenue from services rendered is recognised in the profit and loss on a customer usage basis.

c) **USE OF ESTIMATES**

The preparation of financial statements in conformity with United Kingdom Standards requires management to make estimates and assumptions that could affect the reported amount of assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the year. Actual results could differ from those reported.

d) **TANGIBLE FIXED ASSETS AND DEPRECIATION**

All tangible fixed assets and depreciation are stated at historical cost less accumulated depreciation and impairment losses. Depreciation is calculated on the straight-line method to write-off the cost of each asset to its residual value over its estimated useful life as follows: -

Freehold land and buildings	- 40 years
Leasehold land and buildings	- 40 years or term of lease if less
Plant	- 5 to 20 years
Motor vehicles	- 4 years

e) **CASH AND CASH EQUIVALENTS**

Cash and cash equivalents comprise cash balances and call deposits.

f) **DEBTORS**

Debtors are stated at their cost less provision for doubtful debts.

g) **STOCKS**

Stocks of equipment, held for use in the maintenance and expansion of the Company's telecommunications systems, are stated at cost, including appropriate overheads, less provision for deterioration and obsolescence. Stocks held for resale are stated at the lower of cost and net realisable value.

h) **IMPAIRMENT**

The carrying amounts of the Company's tangible fixed assets are reviewed to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised in the profit and loss statement whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

The recoverable amount of tangible fixed assets is the greater of their net selling price or value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

STATEMENT OF ACCOUNTING POLICIES

for the year ended 31 March 2005

i) CREDITORS

Creditors are stated at cost.

j) FOREIGN CURRENCY

All amounts in these financial statements are expressed in Eastern Caribbean dollars. Transactions in foreign currencies are translated at the balance sheet date at the foreign exchange rate ruling at that date. Foreign exchange differences arising at the exchange on translation are recognised in the profit and loss statement. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Eastern Caribbean dollars rate ruling at the date the values were determined

k) DEFERRED TAXATION

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in future or a right to pay less tax in future have occurred at the balance sheet date, except as otherwise required by FRS 19. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements. A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

l) PENSION

The Company is a member of the Cable & Wireless plc pension scheme, a defined benefit scheme. However, as permitted by FRS 17, the Company is exempt from accounting for the pension scheme as a defined benefit scheme within the financial statements as the Company is unable to identify its share of the underlying assets and liabilities from those of the other participating employers within the group defined benefit scheme. Therefore the Company has treated the pension scheme as if it was a defined contribution scheme and therefore the contributions payable to the scheme for the year are shown as costs within the profit and loss account (2005 - \$481k, 2004 - \$548k).

m) LEASES

Payments made under operating leases are charged to the profit and loss account.

NOTES TO THE FINANCIAL STATEMENTS

at 31 March 2005

1. TURNOVER

Turnover represents amounts derived from international and domestic telecommunications products and services. All revenue streams and operating profit derive entirely from continuing operations.

2. OPERATING COSTS

	2005 EC\$000	2004 EC\$000
Employee costs (Note: 3)	10,132	9,104
Directors' fees	48	48
Pension costs	481	548
Rental of transmission facilities	1,178	1,280
Management Fees	4,387	4,142
Operating lease rentals	196	197
Other operating costs	24,142	21,477
Depreciation of tangible fixed assets	10,365	9,193
Exceptional items	492	8,339
Auditor's remuneration- current year	158	97
Trading foreign exchange losses	35	783
Profit on sale of fixed assets	(150)	(5)
	51,464	55,203

Exceptional items relate to restructuring activities (2005 - \$318k; 2004 - \$4,081k), the impairment or write-off of fixed assets (2005 - \$174k; 2004 - \$3,398k) and the write-off of previously deferred mobile handset subsidy costs (2005 - Nil; 2004- \$860k).

Some of the Company's staff are members of Cable and Wireless plc pension schemes. Particulars of the actuarial valuations of the group's schemes are contained in the accounts of Cable and Wireless plc.

No amounts were paid to Directors under defined contribution or defined benefit pension schemes (2004 - \$nil).

3. EMPLOYEE COSTS

	2005 EC\$000	2004 EC\$000
Salaries and wages	8,551	7,614
Statutory payroll deductions	638	647
Staff training	83	124
Other staff costs	860	719
	10,132	9,104
Number of employees	127	104

4. NET INTEREST INCOME

	2005 EC\$000	2004 EC\$000
Interest paid	(27)	(30)
Interest received	440	499
	413	469

NOTES TO THE FINANCIAL STATEMENTS

at 31 March 2005

5. TAXATION ON ORDINARY ACTIVITIES

	2005 EC\$000	2004 EC\$000
Tax on profits for the year	10,370	9,858
Adjustment in respect to prior year	695	6,893
	11,065	16,751
Deferred taxation	(418)	(1,568)
	10,647	15,183

The current year tax charge of EC\$10,370k is higher (2004 : higher) than the standard rate of tax of 35%. (2004 : 35%)

See details below:

	2005 EC\$000	2004 EC\$000
Tax at the standard rate of 35% (2004: 35%)	9,083	7,621
Tax effect arising from the following:		
Capital allowances in excess of depreciation	46	740
Tax on non-deductible expenditure	1,241	1,497
Adjustment in respect of prior periods	695	6,893
Current tax charge	11,065	16,751

6. TANGIBLE FIXED ASSETS

	Land and Buildings	Plant	Motor Vehicles	Projects Under construction	Total
	EC\$000	EC\$000	EC\$000	EC\$000	EC\$000
COST					
At beginning of year	23,461	140,593	3,290	8,968	176,312
Additions	–	–	–	25,820	25,820
Transfers between items	608	9,466	430	(10,504)	–
Disposals	–	(1,844)	(983)	(174)	(3,001)
At end of year	24,069	148,215	2,737	24,110	199,131
ACCUMULATED DEPRECIATION					
At beginning of year	7,339	86,569	2,765	–	96,673
Charge for the year	580	9,515	270	–	10,365
Charge for impairment	–	–	–	174	174
Eliminated on disposal	–	(1,844)	(857)	(174)	(2,875)
At year end	7,919	94,240	2,178	–	104,337
NET BOOK VALUE					
At 31 March 2005	16,150	53,975	559	24,110	94,794
At 31 March 2004	16,122	54,024	525	8,968	79,639

NOTES TO THE FINANCIAL STATEMENTS

at 31 March 2005

6. (Cont'd)

The net book value of land and buildings comprises:

	2005 EC\$000	2004 EC\$000
Freehold	15,474	15,410
Long leasehold	673	703
Short leasehold	4	9
	16,151	16,122

7. LOAN TO RELATED PARTY

During the financial year ended 31 March 1999, the Company's Board of Directors approved an eight and a half (8.5) year, seven and five tenth percent (7.5%) interest bearing loan of EC\$10,000,000 to the Government of St Kitts & Nevis for reconstruction of hospital and social services. The loan was effective from 1 July 1999 and was disbursed to the Government in four separate drawdowns. Interest earned in the year ended 31 March 2005 was approximately EC\$321k (2004: EC\$430k) and at 31 March 2005 the balance outstanding on the loan was as follows: -

	2005 EC\$000	2004 EC\$000
Loan to related party	2,248	3,549
Current portion of loan to related party	1,290	1,290
	3,538	4,839

8. DEBTORS

	2005 EC\$000	2004 EC\$000
Trade debtors	8,996	9,806
Other debtors	2,439	1,650
Current portion of loan to related party	1,290	1,290
Prepayments and accrued income	103	2,321
	12,828	15,067

9. CASH AND DEPOSITS

	2005 EC\$000	2004 EC\$000
Cash at bank and in hand	18,296	13,694
Short term deposits	3,445	3,336
	21,741	17,030

Short-term deposits earn interest at an average rate of 3.50% per annum (2004:3.25%).

NOTES TO THE FINANCIAL STATEMENTS

at 31 March 2005

10. OTHER CREDITORS

	2005 EC\$000	2004 EC\$000
Customers' deposits	(1,912)	(1,983)
Social Security	(106)	(350)
Other creditors	(5,930)	(5,009)
	(7,948)	(7,342)

11. PROVISIONS FOR LIABILITIES AND CHARGES

	Redundancy EC\$000	Deferred Taxation EC\$000	TOTAL EC\$000
At 1 April 2004	541	13,744	14,285
Adjustment to prior year	–	(372)	(372)
Credit related to accelerated capital allowances	–	(46)	(46)
At 31 March 2005	541	13,326	13,867

The deferred taxation liability is analysed as follows:-

	2005 EC\$000	2004 EC\$000
Accelerated capital allowances	13,326	13,744

12. SHARE CAPITAL

	2005 EC\$000	2004 EC\$000
Authorised: 50,000,000 Ordinary Shares of EC\$1.00 each	50,000	50,000
Allotted, called up and fully paid: - 27,608,682 Ordinary Shares of EC\$1.00 each	27,609	27,609

The percentage shareholdings of the Company are: Cable & Wireless (West Indies) Limited (65%); Government of St Kitts & Nevis (17%); members of the Public (18%).

NOTES TO THE FINANCIAL STATEMENTS

at 31 March 2005

13. RESERVES

	Share Premium Account EC\$000	Profit and Loss Account EC\$000	Total EC\$000
At 1 April 2004	3,009	42,716	45,725
Profit retained for the year	-	4,259	4,259
At 31 March 2005	3,009	46,975	49,984

14. RELATED PARTY TRANSACTIONS

Amounts receivable from or payable to Cable and Wireless Group companies, included in turnover or outpayments to other telecommunications administrations, are as follows: -

	2005 EC\$000	2004 EC\$000
Included in turnover	1,824	1,450
Included in outpayments	3,230	2,464

Payment is also made to a Group company for the provision of management services.

15. LEASE COMMITMENTS

At the year end, operating lease commitments payable in the following year, analysed according to the period in which each lease expires, were as follows:

	2005 EC\$000	2004 EC\$000
Land and buildings		
- Expiring within one year	-	86
- Expiring thereafter	155	70
	155	156

16. ULTIMATE HOLDING COMPANY

The Company's ultimate holding company is Cable and Wireless plc, incorporated in the United Kingdom. The annual report and accounts of Cable and Wireless plc are available at Lakeside House, Cain Road, Bracknell, Berkshire RG12 1XL, United Kingdom.

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*Working to
Improve Our
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