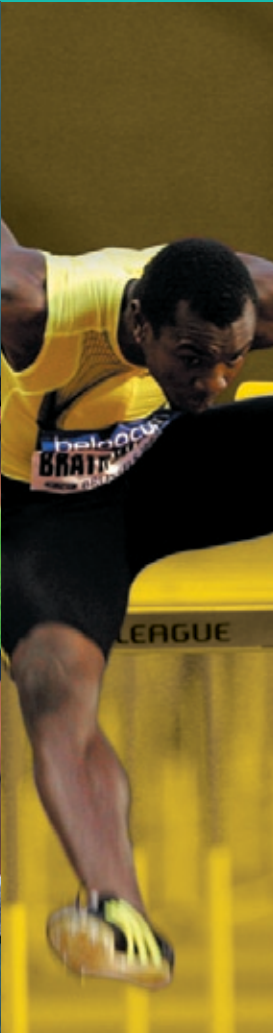


**On Any Given Day:**  
Touching the Lives of  
Caribbean People

**2010 Annual Report**  
Cable & Wireless St. Kitts & Nevis Limited



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# Notice of Annual General Meeting of Shareholders

COMPANY NO: 002216

NOTICE IS HEREBY GIVEN that the Twenty-fifth Annual General Meeting of the Shareholders of Cable & Wireless St. Kitts & Nevis Limited, ('the Company') will be held at the St. Kitts Marriott Resort Conference Room on Thursday, 9th September 2010 at 5.00 p.m. Shareholders in Nevis can use our Teleconferencing facility at Rambury to view and participate in the meeting.

## AGENDA

### The following Ordinary Business

1. To confirm receipt of notification of the Twenty-fifth Annual General Meeting.
2. To confirm and approve the minutes of the Twenty-fourth Annual General Meeting.
3. To receive and, if thought fit, accept the reports of the Directors and Auditors and the financial statements for the year ended 31 March 2010.
4. To re-appoint Auditors for the ensuing year and to authorize the Directors to fix the Auditors remuneration.
5. To re-elect to the Board of Directors, in accordance with Articles 122(a) to (e), Miss Patricia Walters and Mr. Geoff Batstone who having retired by rotation, and being eligible, offer themselves for re-election.
6. To elect to the Board of Directors, in compliance with Articles 112 of the Articles of Association Mr. Milton Brady and Mr. Davidson Charles.

### BY ORDER OF THE BOARD OF DIRECTORS



Jonathan Bass  
COMPANY SECRETARY  
8th July 2010

5:46 a.m. Estelle Clarke calls her neighbour to let her know she's ready for their morning exercise...





**9.01 a.m.** Courtney Bailey prepares to hand in the physics project she researched on the web.



## Company Information

DIRECTORS, MANAGEMENT & ADVISORS IN OFFICE AT 31ST MARCH 2010

### CHAIRMAN

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

### DIRECTORS

**Mr. Geoff Batstone B.A. (Hons), L.L.B.**

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

**Mr. Davidson Charles B.A., ICA**

**Dr. Osbert Liburd B.A., Ph.D.**

**Ms. Lyra Richards**

### MANAGEMENT EXECUTIVES AND OFFICERS

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

**Mr. Jonathan Bass B.A. (Hons) CPA,**  
Financial Controller Leewards and Company Secretary

**Mrs. Karen Blackett B.Sc. (Hons)**  
Manager Human Resources

**Mrs. Bibiana Henry, B.A. (Hons)**  
Head of Corporate Sales & Service

**Mrs. Laverne Caines B.Sc., PA**  
Manager, Corporate Communications

**Mr. Lionel Evans**  
Manager, Technology Operations

**Mr. Jerome Rawlins**  
Senior Manager, Sales & Service Delivery Nevis

### ADVISORS

**Auditors**  
KPMG Eastern Caribbean

**Solicitors**  
Kelsick, Wilkin & Ferdinand

**Registrars**  
Eastern Caribbean Central Securities Registry (ECCSR)

### REGISTERED OFFICE

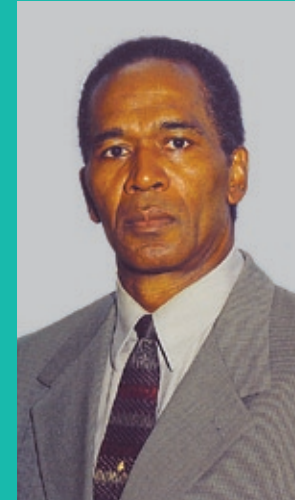
Cayon Street, Basseterre, St. Kitts, West Indies





**LAWRENCE McNAUGHTON**  
Chairman

Lawrence McNaughton has been a member of the Board of Directors for C&W St Kitts & Nevis since 2004 and was appointed as Chairman of the Board in March 2008. He joined Cable & Wireless Jamaica in 1980 and has held various positions during his 30 years service with the Company. As the Managing Director for the Windward Islands in LIME, he has responsibility for Grenada, St Vincent, Dominica and St Lucia and also functions as General Manager for St Lucia. Lawrence holds a Bachelors Degree (summa cum laude) and a Masters Degree in Electrical Engineering, both from Howard University (Washington DC) and a Post Graduate Diploma in Management from Henley Management College in the UK. He is a member of the University of Technology's Engineering Advisory Board in Jamaica and a past member of the Private Sector Organization of Jamaica's standing committee on National Security. Lawrence was also a member of the Government of Jamaica's task force on Information and Communications Technology (ICT) for its 2030 vision. He is currently a Director of CANTO.



**DR. OSBERT LIBURD**  
Director

Dr. Liburd joined the Cable & Wireless (St.Kitts and Nevis) Ltd. Board of Directors in December 2007. Dr. Osbert Liburd served as Chairman of the Board of Cable & Wireless (St.Kitts & Nevis) from October 2000 to January 2005. He is an experienced International Scientist and has conducted research in Africa, the USA and the Caribbean. He holds a B.A in Biology from the UVI and a Masters and PH.D in Plant Pathology from Cornell University, USA. He served as a Senior Diplomat as St.Kitts and Nevis' Ambassador to the United States and Permanent Representative to the Organisation of American States (OAS) from 1995 to 2000. Earlier in his professional career he served as Team Leader, Caribbean Agriculture Research and Development Institute (CARDI) and Director of Agricultural Services and Rural Development, Agricultural Missions, USA.



**PATRICIA WALTERS**  
Director

Patricia Walters has been a member of the Board of Directors for C&W St. Kitts & Nevis since 2004. Miss Walters who is the Executive Vice President, Customer Operations, LIME, is responsible for Customer Operations in the Caribbean region, a position which she holds from October 2008. Patricia Walters is a highly experienced individual with almost 20 years in the telecommunications industry. Ms Walters is a member of the Association of Certified Chartered Accountants, a graduate of the University of Humber in the UK, and is also a Melvyn Jones Fellow of the Lions International Service Club. Prior to working at Cable & Wireless, Ms Walters worked in the retail and shipping industries. She started with Cable & Wireless in the United Kingdom and then held positions of Financial Controller, Director and Company Secretary, Cable & Wireless Cayman Islands, Financial Controller, Cable & Wireless (St. Kitts and Nevis) Ltd, Chief Financial Officer at the Telecommunication Services of Trinidad and Tobago (TSTT) and former Chief Executive of Cable and Wireless (St. Kitts & Nevis) Ltd.



**MS LYRA RICHARDS**  
Director

Ms Richards joined the Cable & Wireless (St.Kitts and Nevis) Ltd. Board of Directors in December 2007. Ms Lyra Richards has been in the Banking sector from 1968 to present. She worked at Barclays Bank Int'l Ltd (now First Caribbean Bank) from 1968 to 1994. During her tenure at Barclays Bank she had a two year stint in Barbados where she worked as a Training Instructor. She also worked for two years in St.Lucia as Manager of the Soufriere Branch. She has been an Employee of the Bank of Nevis Ltd from 1994 to 2000 and of Bank of Nevis Int'l Ltd from 2000 to present, where she is currently the Acting Manager. She holds a diploma in Financial Services Management and has been exposed to numerous Banking courses throughout her banking career. She has served on various Government Boards and Committees, has been involved in various Community activities including past President and Treasurer of the Nevis Historical and Conservation Society, past President of the Nevis Dramatic and Cultural Society and a founding member of Culturama.



**GEOFF BATSTONE**  
Director

Geoff Batstone was appointed as a Director to the Cable & Wireless (St. Kitts & Nevis) Ltd. Board in June 2006. He is a Lawyer by profession and is currently the Associate Director, Legal and Regulatory for Cable & Wireless Communications based in London. In this role he is responsible for coordinating the regulatory work of CWC's various worldwide business units. He has held several legal and regulatory positions within Cable & Wireless since joining the Company in May of 2001, including a pan-Caribbean role advising the wholesale unit of Cable & Wireless on various matters including interconnection with new entrant Providers. Prior to joining Cable & Wireless, Mr Batstone was Legal Counsel to the Canadian Radio-television and Telecommunications Commission, the telecommunications and broadcasting regulatory body for Canada where he worked on a number of significant regulatory proceedings including the liberalization of telecommunications markets and retail price regulation. Mr Batstone holds a Bachelor of Arts (Honours) degree from Queen's University, Kingston, Ontario, Canada, as well as a Bachelor of Laws degree from the University of New Brunswick in Fredericton, New Brunswick, Canada and was the recipient of several awards for academic achievement.



**DAVIDSON CHARLES**  
Director

Davidson Charles was appointed as a member of the Board of Directors of St. Kitts & Nevis in December 2009. He is no stranger to the Board having acted as an alternate director to the Board of Directors since 2003. He is currently Managing Director of Leeward Islands, which includes Turks and Caicos and British Virgin Islands, and also serves as General Manager of Cable & Wireless Antigua and Barbuda. Mr Charles has led the Cable & Wireless (LIME) Antigua business since 2003 and previously served as Chief Financial Officer for Leewards and Antigua. In 1986 he became a member of the Canadian Institute of Chartered Accountants and holds dual Bachelor degrees in Arts and Commerce from St. Mary's University in Halifax, Nova Scotia. Prior to joining Cable & Wireless Mr Charles spent ten years in the auditing and accountancy profession with KPMG and Pricewaterhouse. He is also a Director of CANTO Ltd a regional telecommunications nonprofit organization and Assistant Treasurer of the Diocese of Northeastern Caribbean and Aruba.





11:43 a.m. Sholanda Roberts makes a deposit at the ATM...

## Chairman's Report

I am pleased once again to report to you on the performance of Cable & Wireless St. Kitts & Nevis Ltd, trading as LIME, for the financial year ended March 31 2010.

Despite the worldwide recession, your company recorded a profit after tax of EC\$10.8m, a 26% increase over the previous year. This performance was against the background of a 12.5% decline in tourism arrivals in the Federation and a projected negative 9.5% GDP growth.

I am also pleased to report that the Board of Directors has decided to maintain the dividend at 35 cents per share in line with previous years.

During the year, it was obvious that the One Caribbean model continued to transform our business and our brand into a single pan Caribbean operation, bringing with it benefits and opportunities for our staff and shareholders alike.

The Company is currently in discussion with a major supplier, Ericsson, to provide a total network solution for the Caribbean businesses. This transformation programme will bring tremendous improvements to our existing network, and will allow us to offer the long-anticipated entertainment packages. LIME has announced a significant investment in its networks across the Caribbean to provide a total network solution to LIME's Caribbean businesses.

The LIME Operating Board (OB) is led by CEO Mr. David Shaw and his senior management team consists of Mr. David Crawford, Chief Operating Officer, Mr. Milton Brady, Chief Commercial Officer, Mr. Donald Austin, EVP Legal, Regulatory and Corporate Affairs, Mr. Henry Reid, EVP Human Resources, Mr. Chris Dehring, Chief Marketing Officer and Mr. Gerard Borely, Chief Financial Officer.

As our one Caribbean transformation programme moves into its final stages we continue to see the consolidation of several functions which is designed to improve the way we work. We continue to adapt our C&W St. Kitts & Nevis business into the One Caribbean structure which should bring material efficiencies to our operations as we further leverage our regional capabilities and attendant economies across the entire LIME organisation.

Although we have not yet achieved our stated objective in the area of our customer services, we have nonetheless experienced material improvements in our performance due to, among other initiatives, continued efforts with our regional call centre and the establishment of 'hit squads' to resolve some of the more onerous teething pains we face in our evolution to a truly one Caribbean operation. We are making further investments in our systems to improve the way we deal with our customers.

In the area of Corporate Social Responsibility, we continue to support activities and events that have a positive impact on the social and economic development of the Federation of St Kitts & Nevis.

As the largest sponsor of Carnival, we received significant favourable publicity in the local media during the period December to January. From the signing of the Agreement with Officials in the Ministry of Culture to the actual cheque presentation, the public was kept fully apprised of the significant contribution that our company makes to Carnival. As a first time sponsor of Inferno Mas Troupe this year, our monetary contribution also directly impacted the Extreme J'ouvert troupe, Children's Carnival, the Calypso finals as well as the two main Calypso tents.

In Nevis, the company provided the prizes to the winning community of the Christmas Tree Lighting activity which was one of the staff suggestions identified to support the Community under the five Cs approaches that our company has embarked upon.

Part sponsorship of the trophies as well as full sponsorship of the telecommunications facilities were provided to the Nevis Debating Society and marked the official commencement of a long term agreement to work with similar societies in the Leeward Islands. The agreement also covered provision of free land lines for Internet and fixed line services at the venue of the debates as well as the donation of a mobile phone to the leader of each of the six participating islands in the Leeward Island Debate Competition. In the spirit of Christmas, many lucky commuters travelling by bus and boat enjoyed free passage, (courtesy of LIME) during the busy Christmas week. This was another impromptu random act of kindness undertaken by our company's executives who were present at the bus and ferry terminals in St. Kitts &



MR. LAWRENCE Mc NAUGHTON  
Chairman





2:38 p.m. Paul Bourne goes out for a practice run...

Nevis to pick up the tab. Many customers were pleasantly surprised and were very complimentary in their comments about the gesture.

Five years after the introduction of *Make a Wish for the Elderly*, a record number of requests were received for recognition of our senior citizens and nearly 50 persons in St. Kitts & Nevis benefited from a variety of gifts presented to them just before Valentine's Day. Gifts ranging from fruit baskets, to food hampers and sheet sets were presented to the nominees in a joint partnership with members of the Rotary Club of Liamuiga. The recipients expressed their kind appreciation for the thoughtfulness of both organisations and many described it as "a touching gesture".

We want to acknowledge the contribution of two members of our senior management team who left us since I last addressed you, namely Messrs. Curtis Martin and Terrence Crossman, and to use this medium to thank them for their years of service and very significant contribution to our company

I take this opportunity to express my deep appreciation to my fellow Directors, the Management and Staff for the invaluable support given to me during this year and, on behalf of the Board of Directors, Shareholders, Management and Staff. I extend our sincere gratitude to our customers for their continued patronage and kind support.

Mr. Lawrence Mc Naughton  
Chairman



# General Manager's Report

## GREETINGS

It is a pleasure to give an account of my stewardship and that of the talented team of colleagues with whom I work. With the start of financial year 09/10 we were ever conscious of the challenges that would beset us as signs of economic inertia were already evident in the previous year. Given the odds that were stacked against us, I believe it is fair to say that we fared well and delivered results that would earn your commendation.

## FINANCIAL PERFORMANCE

Operating in an economy that is highly geared to that of the financially-troubled US financial system, we were cognizant of the challenges that would arise in achieving our financial targets.

Mindful of the fact that revenues would decline because of market conditions, every effort was made to keep the lid on operating expenditure, which delivered significant savings in staff costs and network expenses. Further costs savings of over EC\$200k (annualised) were also realised in reduced building rentals with commensurate decreases in the cost of utilities and security, which resulted from the relocation of the Cashiers' Section from Fort Street to our Cayon Street Office and the consolidation of our Retail Store and Bill Payments on Main Street in Charlestown.

Despite the tough market conditions that we faced during the last year we were able to close the year with a respectable performance. We performed markedly better than the previous year, returning a 2009-10 Profit after Tax that was 26% higher than that of 2008-09.

## INFRASTRUCTURE DEVELOPMENT

Our technology team successfully migrated our voicemail system to a new platform effectively upgrading the voicemail facility with new prompts and other exciting new options. This is all part of a company wide strategy to modernise many of the service delivery platforms that we use.

Another aspect of these upgrades took place in early December, when a few of our colleagues distinguished themselves by performing exceptional work that improved the performance of our network. Firstly, the re-routing of 911 calls to the appropriate switch now means that the emergency calls of Customers in Nevis will terminate in Nevis and not in St. Kitts. Secondly, improvements to the switching of traffic at New Castle and Market Shop will redound to better service for our customers in Nevis.

During the review period we continued to deploy the wider 2G Mobile Expansion Project in both St Kitts and Nevis. Upgrades were also done to many of the cell sites. These initiatives were undertaken to improve our mobile coverage and capacity.

Expansion work was also done on our Internet network with the installation and commissioning of a Multi-Service Access Platform. There was also the upgrade of bandwidth out of St. Kitts & Nevis to increase capacity and facilitate direct connection.

## OUR CUSTOMERS

In furtherance of our *Go Green* initiatives, customers in September began receiving a simpler bill via multiple billing options. Both business and residential customers were able to choose three ways to get their bills: a summary bill, a detailed bill or an online bill. Fashioned from the inputs and opinions of several focus groups of customers, the new bill format is easy to understand and has been simplified by adding easy to read headings which provide information under *Your Account*, *Your Rewards*, *Your Bill* and *Your Spending History*. The addition of information about exciting new products and services are some of the distinguishing features of the new bill.

The year was punctuated with numerous promotions that allowed our customers the opportunity to cash in on a variety of offers. From the Summer Promotion to our Christmas Specials and those in between our customers were the beneficiaries of thousands of dollars of cash awards and gift prizes. Our Christmas promotion saw a young man from Nevis walk away with EC\$30,000 as the grand prize winner. The presentation brought to an official end LIME's Christmas Goodie bag promotion which started in mid November



**DAVID LAKE**  
General Manager

3:30 p.m. George Carson holds a conference call with colleagues in St. Lucia...



and saw several hundred customers winning a variety of prizes in the weekly and random drawings.

#### OUR SHAREHOLDERS

During the year 65,397 units of ordinary shares in Cable and Wireless St. Kitts Ltd (CWKN) traded on the Eastern Caribbean Securities Exchange (ECSE). There was a total of 58 trades by investors at prices ranging between \$5.00 and \$6.75 per share. The total value of all the trades occurring in the year was \$393,937.

By comparison, this performance was slightly lower than the previous year, when shareholders traded a total of 72,915 units in 57 transactions with a total traded value of \$461,444. This decline was comparable to an overall fall in market performance experienced by equities listed on the ECSE. The traded price per share in the previous year ranged between \$5.00 and \$7.50 per share.

In the current year, CWKN remained an actively traded security, with trades occurring in each month. The most active months were December and March, which each recorded nine transactions. CWKN trades accounted for 12.9% of total trades in equities listed on the ECSE during the year, an improvement over its contribution of 11.2% in the previous year.

#### OUR COLLEAGUES

Colleagues bade goodbye to two senior members of the team who moved on to new careers during the course of the year. VP HR for the Leeward Islands Curtis Martin and Head of Customer Service and Sales, Terrence Crossman changed careers after a combined 30 years of service to the organisation. We thank them for their respective contributions to the growth of the company and offer them our best wishes in their new pursuits.

A number of colleagues sharpened their skills in a variety of disciplines over the course of the year. Technicians benefitted from training courses on ADSL Configuration and Provisioning, held twice during the year. This training placed our colleagues in better stead to provide improved services in internet installation and repair. Mention should be made of Lester Liburd and Clinton David who both earned perfect scores on the final exams in their training.

#### SOCIAL RESPONSIVENESS

Our local staff pitched in to help in the earthquake relief initiative for Haiti, providing food, clothes and cash in the amount of EC\$4,000. Our company then matched the cash donations of all our colleagues across the Region and added an additional quarter of a million dollars US to bring our total cash donation to over US\$300,000 to the earthquake victims of Haiti. This summed up LIME's commitment to helping to alleviate the difficult conditions experienced by our neighbours at their most difficult time.

Winning the Tourism Partner of the Year Award was an especially proud moment for the team as this was the second such honour we had received in recent times. Our winning this year was attributable to the important role we played in recovery efforts during times of national emergency as well as our continued sponsorship of major sporting and cultural events such as Music Festival, Culturama and Carnival.

#### LOOKING AHEAD

Guided by our 5Cs which embrace Customers, Colleagues, Commercial, Community and 1-Caribbean, we are leading the charge to convert our organization to a more customer-centric and competitive business. We are committed to delivering a key set of targets for each of these groups with specific timelines to achieve them, having a view of the short, medium and long term picture, which will keep our targets in sharp focus.

#### ACKNOWLEDGEMENTS

Challenges aside, the battle was made easier by the unquestionable commitment of all of our colleagues. This report clearly reflects how each team worked tirelessly throughout the year to deliver results that matter. The praise therefore belongs to each and every member of our proud organization who put their hands to the proverbial plough in very tough times. I feel very privileged to work with the brightest and best talent that this Federation has produced and wish to close by saluting them all.



David Lake  
General Manager





Runner-up State Scholar, Michelle Slack collects trophy from LIME's General Manager, David Lake



Third from right, David Lake, LIME's General Manager stands with Ministry of Education, CFBC and UVI Officials at Launch of Video Conference Facilities

# Corporate Social Responsibility

Going beyond our business imperative of providing essential telecommunications services, our company continues to fully embrace its responsibility to support communities in many ways. Our commitment to our communities is manifested in our giving of our time, services and financial support to several worthy causes and events in St. Kitts & Nevis.

During the year under review, some US\$350K was spent in support of our local communities.

One of the highlights during the period came very early in the financial year when the Clarence Fitzroy Bryant College was the recipient of free Dedicated Internet Access. This gift provided the foundation for the video conference technology that enabled students to participate in lectures from distant campuses. This was after our company had contributed a substantial amount towards the preparation and customization of the video conference room at the College. This historic achievement was shared with the Ministry of Education and officials of the University of the Virgin Islands who were also stakeholders in the project.

The incorporation of the care of our physical environment into our corporate social responsibility focus was visibly demonstrated with the planting of trees to mark World Earth Day. Expanding on our Go Green initiatives which have been recently adopted in several of our business processes, colleagues teamed up with the LIME-sponsored Basketball team, and planted several Lignum Vitae trees in the community of Sandy Point in observance of the day.

Employee volunteerism again came to the fore when colleagues rolled up their sleeves and got their hands dirty for a most worthy cause on our inaugural LIME Kindness Day in March. On this day, designated to give back something tangible to the communities where we live and work, colleagues in St. Kitts & Nevis agreed to beautify the entrance way of the main hospital – the JNF General Hospital. After five hours of hard but gratifying labour, colleagues left satisfied that they had made a very tangible difference.

During the year, Education remained in focus and a very noteworthy contribution was the donation of a Laptop to the French Department of the Basseterre High School. This donation was aimed at stimulating excitement for the language through interconnecting with other French-speaking islands and facilitating virtual classroom interactions.

We were also especially proud to celebrate 20 years of supporting Academic Excellence. Two decades ago our company was asked to fill the void as the sponsor of an event to celebrate our young, bright students who achieved outstanding results in the CXC and CAPE Examinations. Twenty years later hundreds of young professionals who have benefitted from this programme are now making a contribution to nation-building.

Our Random Acts of Kindness, first introduced with the launch of the LIME brand, have been very well received by our customers and the general public. During the last Christmas season dozens of persons were very pleasantly surprised when LIME's Executives turned up at the bus and ferry terminals in St. Kitts and in Nevis and paid the boat and bus fares for all the people in line.

We also continued our sponsorship support for the perennial events in Music Festival, Carnival and Culturama which we consider priorities for our company and which are valuable for their ability to spur economic activity. On a smaller scale, we also sponsored several community festivals in and around St. Kitts & Nevis. For us, sponsorships of this nature are demonstrable acts of community empowerment.

Looking ahead, we'll continue to pursue progressive approaches, working with government and community organisations as we make our contribution to improving education and preserving culture. The trust, credibility and goodwill that we have built with communities throughout the years continue to create a positive business environment at LIME.



LIME's General Manager David Lake accepts Tourism Award from CEO of Tourism Rosecita Jeffers



# Financial Review



**JONATHAN BASS**  
Financial Controller,  
Leewards & Company  
Secretary

## INTRODUCTION

The Company was not spared from the global financial and economic challenges. Gross revenue of \$102.5m was \$3.1m or 3% lower than the year 2008/09. Nonetheless, the Company achieved a profit after tax of \$10.8m, an increase of \$2.2m or 26% over the previous year.

A review of the financial highlights for the year ended 31 March 2010 is provided below.

## TURNOVER

The mobile environment remains very aggressive and competitive. However, for the financial year, mobile revenue increased by 6% when compared with 2008/09. Steady growth in our customer base and the retention of our market share accounted for this.

Internet revenue decreased by 3% over last year. This was due to a slight decline in market share. However, this declining trend is expected to reverse in the next financial year with further upgrade and expansion to the broadband network.

Data revenue experienced a significant increase of \$642k or 16% compared to the previous year. This is as a result of the growth in the IDD leased circuit market.

International revenue from incoming calls decreased by \$0.3m or 4% when compared with the previous year. This was impacted by a decline in tourist arrival and the global financial crisis.

Domestic fixed line revenue declined by 9% when compared with 2008/09. Fixed line customers continue to migrate to the trendier mobile network. This shift is mainly responsible for this declining trend.

International outgoing revenue dropped by 4% when compared with the previous year. This decline is expected to continue in the future with the reduction in international outgoing rates and the emergence of new technologies that offer lower IDD rates.

Other revenues increased by 11% compared with the last year. An uplift in new DIA customers accounted for this.

## OUTPAYMENTS

Total outpayments and cost of sales decreased by \$2.7m (10%) in comparison with the previous year. Lower handset subsidies and reduction in cost of sales due to the decline in gross revenues for the year contributed to this decrease.

## OPERATING COSTS

Total operating costs decreased marginally by \$0.8m (1%) compared with 2008/09. With the exception of management fees, license fees and other operating costs, most of the other items of cost decreased significantly when compared with the previous year. Management fees and other operating costs are expected to show a reversing trend as the transformation process gets closer to the end.

## CAPITAL EXPENDITURE

Capital expenditure for the year was \$7.5m compared to \$10.6m in the previous year, a decrease of \$3.1m (29%). Most of this capex was invested to upgrade and expand our mobile and broadband networks.

## TAXATION

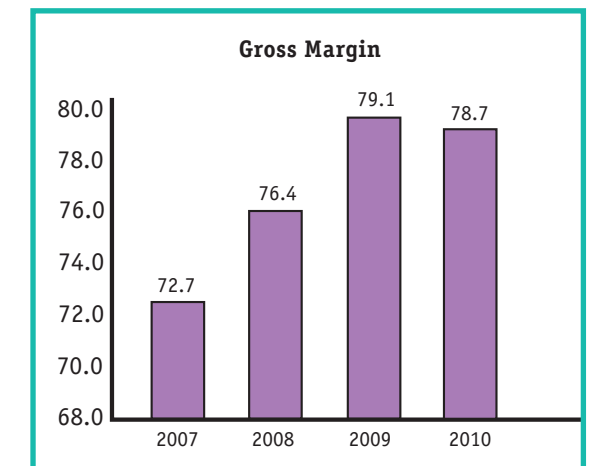
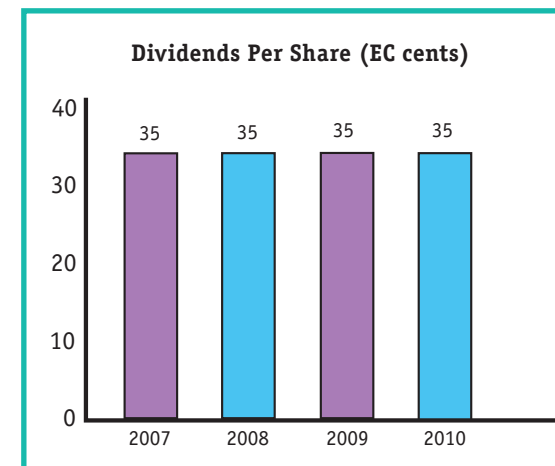
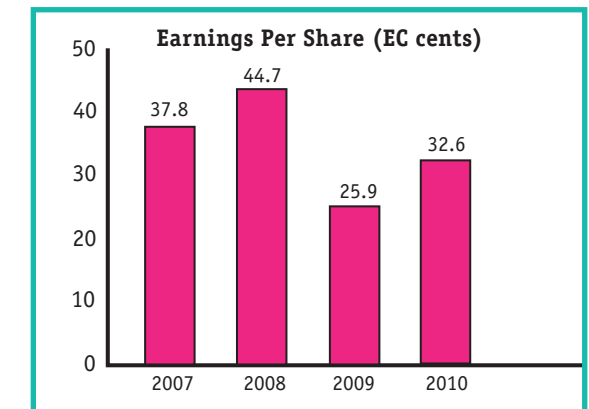
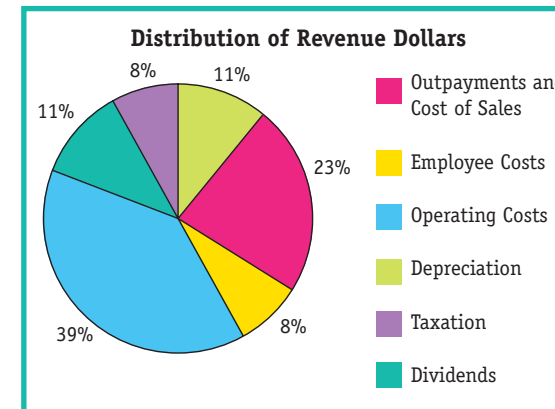
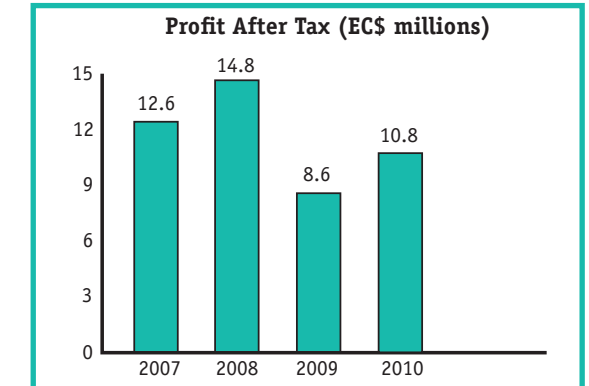
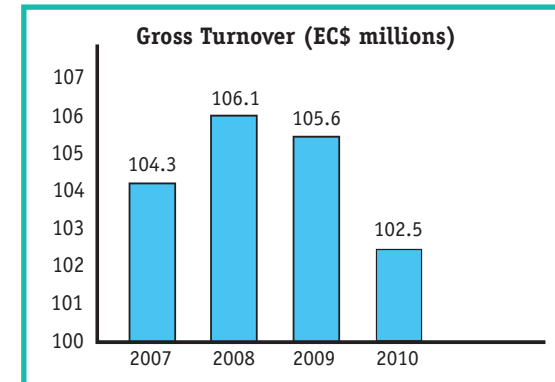
Corporation tax for the year was \$8.4m compared with \$8.9m in 2008/09. Reduction in the non-deductible expenditure accounted for the lower tax figure in 2010.

## PROFIT

Income on ordinary activities after taxation of \$10.8m was \$2.2 higher than the previous year. This was mainly as a result of the decrease in outpayments and cost of sales.

Mr. Jonathan Bass  
Financial Controller Leewards & Company Secretary

## FINANCIAL HIGHLIGHTS





# Directors' Report

The Directors of Cable & Wireless St. Kitts & Nevis Limited are pleased to present their Twenty-fifth annual report together with the audited Financial Statements of the Company for the financial year ended 31st March 2010.

## PRINCIPAL ACTIVITIES

Cable & Wireless St Kitts & 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 07 April 2001, which replaced a 25 year franchise granted by 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 8 years.

## RESULTS & DIVIDENDS

	2010 EC\$000s	2009 EC\$000s
Profit for the year after taxation	10,831	8,596
Added: Retained earnings brought forward	40,400	43,400
Amount available for distribution	51,231	51,996
It is recommended that this be dealt with as follows:		
Dividends: Interim Paid (10 cents per share)	(3,313)	(3,313)
Final Proposed (25 cents per share)	(8,283)	(8,283)
Total	(11,596)	(11,596)
Retained earnings carried forward	39,635	40,400

## DIRECTORS

Mr. Davidson Charles was appointed to the Board in December 2009.

In accordance with Article 122 (a) to (e), the Directors retiring by rotation are Miss Patricia Walters and Mr. Geoff Batstone, who, being eligible, offered themselves for re-election.

Directors who served during the year were: Mr. Lawrence Mc Naughton, Mr. Geoff Batstone, Mr. Davidson Charles, Dr. Osbert Liburd, Miss Patricia Walters, and Miss Lyra Richards.

## AUDITORS

Pursuant to the Company's Articles, the retiring auditors are KPMG Eastern Caribbean plc. A resolution proposing the reappointment of KPMG Eastern Caribbean plc will be put before the next Annual General Meeting on 09th September 2010.

## 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 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. Lawrence Mc Naughton  
Chairman



Mr. Jonathan Bass  
Financial Controller, Leewards & Company Secretary

Dated: 08 July 2010

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 the profit or loss for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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.



## Financial Statements

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### REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF CABLE & WIRELESS ST. KITTS & NEVIS LIMITED

We have audited the accompanying financial statements of Cable & Wireless St. Kitts & Nevis Limited which comprise the statement of financial position as at March 31, 2010 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

#### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at March 31, 2010, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Chartered Accountants  
St. Vincent and the Grenadines  
21 July 2010

KPMG Eastern Caribbean, a partnership registered in Anguilla, Antigua & Barbuda, St. Lucia and St. Vincent and the Grenadines, and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative.



## Statement of Comprehensive Income

for the year ended March 31, 2010 (With comparative figures for 2009)

	Notes	2010 EC\$'000	2009 EC\$'000
Turnover	4	102,469	105,625
Outpayments and cost of sales		(23,715)	(26,443)
Gross income		78,754	79,182
Operating costs	5	(60,123)	(60,912)
Operating income		18,631	18,270
Other income/(expense)		275	(1,013)
Net interest income	7	295	197
Income before taxation		19,201	17,454
Taxation	8	(8,370)	(8,858)
Income after taxation		10,831	8,596
Total comprehensive income		10,831	8,596


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

## Statement of Financial Position

for the year ended March 31, 2010 (With comparative figures for 2009)

	Notes	2010 EC\$'000	2009 EC\$'000
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	9	82,433	86,673
Intangible assets	10	540	810
<b>Total Non-current Assets</b>		<b>82,973</b>	<b>87,483</b>
<b>CURRENT ASSETS</b>			
Inventories	12	2,131	2,980
Debtors and prepayments	13	10,806	11,569
Amounts due from group companies	11	9,766	10,291
Cash at bank and in hand	14	6,271	7,227
<b>Total Current Assets</b>		<b>28,974</b>	<b>32,067</b>
<b>TOTAL ASSETS</b>		<b>111,947</b>	<b>119,550</b>
<b>SHAREHOLDER'S EQUITY AND LIABILITIES</b>			
<b>CAPITAL AND RESERVES</b>			
Share Capital	15	33,130	33,130
Share premium		3,009	3,009
Retained earnings		39,635	40,400
<b>Total Shareholder's Equity</b>		<b>75,774</b>	<b>76,539</b>
<b>LONG TERM LIABILITIES</b>			
Provision for liabilities and charges	16	10,026	10,426
<b>CURRENT LIABILITIES</b>			
Trade creditors		991	3,408
Amounts owed to group companies	11	14,387	15,997
Tax payable		895	78
Other creditors		4,689	5,867
Accruals and deferred income	17	5,185	7,235
<b>Total Current Liabilities</b>		<b>26,147</b>	<b>32,585</b>
<b>TOTAL SHAREHOLDER'S EQUITY AND LIABILITIES</b>		<b>111,947</b>	<b>119,550</b>

The financial statements set out on pages 24 to 43 were approved by the Directors of Cable & Wireless St. Kitts & Nevis Limited on 08 July 2010 and signed on their behalf by:

  
Lawrence Mc Naughton  
Chairman

  
Patricia Walters  
Director

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



## Statement of Changes in Equity

for the year ended March 31, 2010 (With comparative figures for 2009)

	Share Capital EC\$'000	Share Premium EC\$'000	Retained Earnings EC\$'000	Total EC\$'000
<b>Balances at March 31, 2008</b>	33,130	3,009	43,400	79,539
Dividend	-	-	(11,596)	(11,596)
Net income for the year	-	-	8,596	8,596
<b>Balances at March 31, 2009</b>	33,130	3,009	40,400	76,539
Dividends	-	-	(11,596)	(11,596)
Net income for the year	-	-	10,831	10,831
<b>Balance at March 31, 2010</b>	<b>33,130</b>	<b>3,009</b>	<b>39,635</b>	<b>75,774</b>

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

## Statement of Cash Flows

for the year ended March 31, 2010 (With comparative figures for 2009)

	2010 EC\$'000	2009 EC\$'000
<b>Cash flows from operating activities</b>		
Income before taxation	19,201	17,454
<b>Adjustments for:</b>		
Depreciation expense	11,161	11,281
Gain on disposal of property, plant and equipment	(275)	-
Net interest	(295)	(197)
Amortisation of intangible assets	270	270
<b>Operating cash flows before working capital changes</b>	<b>30,062</b>	<b>28,808</b>
Change in inventories	849	(78)
Change in debtors and prepayments	763	7,551
Change in amounts due from group companies - net	(1,085)	3,558
Change in creditors	(5,645)	1,243
<b>Net cash from operations</b>	<b>24,944</b>	<b>38,596</b>
Taxes paid	(7,953)	(13,183)
Interest received	295	197
<b>Net cash from operating activities</b>	<b>17,286</b>	<b>25,610</b>
<b>Cash flows used in investing activities</b>		
Purchase of tangible property, plant and equipment	(6,921)	(10,552)
Proceeds from disposal of tangible property, plant and equipment	275	-
<b>Net cash used in investing activities</b>	<b>(6,646)</b>	<b>(10,552)</b>
<b>Cash flows used in financing activity</b>		
Dividends paid	(11,596)	(14,909)
<b>Net cash used in financing activity</b>	<b>(11,596)</b>	<b>(14,909)</b>
<b>Net change in cash and cash equivalents</b>	<b>(956)</b>	<b>149</b>
Net cash and cash equivalents, beginning of year	7,227	7,078
<b>Net cash and cash equivalents, end of year</b>	<b>6,271</b>	<b>7,227</b>

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



# Notes to the Financial Statements

for the year ended 31st March, 2010

## 1. LEGAL STATUS

Cable & Wireless St. Kitts & Nevis Limited is registered under the laws of the Federation of St. Kitts & Nevis. The Company is a subsidiary of Cable and Wireless (West Indies) Limited which owns 77% (77% – 2009) of the issued and outstanding shares. The Company's registered office is Basseterre, St. Kitts. The ultimate parent company is Cable & Wireless Communications Plc., a company incorporated in the United Kingdom. The annual report and accounts of Cable & Wireless Communications Plc. are available at 3rd Floor, 26 Red Lion Square, London, WC1R 4HQ, United Kingdom. The Company provides telecommunication services in mobile, fixed line, data and internet.

On 19th March, 2010, the Cable & Wireless Group effected a group reorganization whereby Cable & Wireless Communications Plc. was inserted as a new holding company for the Cable & Wireless Group via a Scheme of Agreement. Cable & Wireless Communications Plc. therefore replaced Cable and Wireless Plc. (now Cable & Wireless Limited) as the parent company of the Cable & Wireless Group at this date. On 22nd March 2010, the entire ordinary share capital of Cable and Wireless Plc. was cancelled and shareholders were given one share in CWC and one share in Cable & Wireless Worldwide Plc. for each share in Cable and Wireless Plc. held on that date. At this time, the Cable & Wireless Group was renamed the Cable & Wireless Communications Group. Cable & Wireless Communications group companies are referred to in these financial statements as "related companies".

On January 31, 2008, the Company was listed in the Eastern Caribbean Securities Exchange.

## 2. BASIS OF PREPARATION

### a) Statement of Compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations adopted by the International Accounting Standards Board (IASB) and comply with the provisions of the St. Kitts & Nevis Companies Act 1996.

### b) Basis of Preparation

The financial statements have been prepared on the historical cost basis.

### c) Functional and Presentation Currency

These financial statements are denominated in Eastern Caribbean Dollars and the measurement basis used is historical cost.

### d) Use of Estimates and Judgments

The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and contingent liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reported periods presented. Actual results could differ from estimates made by management.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

### e) Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of revised International Financial Reporting Standards (IFRS) as mentioned below:

Accounting Standards	Effective Date
Revised IAS 1 <i>Presentation of Financial Statements</i>	1 January, 2009
Revised IAS 23 <i>Borrowing Costs</i>	1 January, 2009
Revised IAS 23 <i>Borrowing Costs</i>	1 January, 2009
<i>Amendments to IAS 32, Financial Instruments: Presentation and IAS 1, Presentation of Financial Statements</i>	1 January, 2009

# Notes to the Financial Statements

for the year ended 31st March, 2010

## 2. BASIS OF PREPARATION continued

### e) Changes in Accounting Policies and Disclosures continued

*IAS 1 (Revised 2007) – Presentation of Financial Statements*, requires the presentation of all non-owners changes in equity in one or two statements: either in a single statement of comprehensive income, or in a statement of income and in a statement of comprehensive income. The standard becomes mandatory for the Company's 2010 financial statements and is not expected to have any significant impact on the financial statements.

*IAS 23, Revised – Borrowing Costs* (effective for annual periods beginning on or after January 1, 2009) removes the option of immediately recognising all borrowing costs as an expense. The standard requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of the asset. This does not have an impact on the Company's 2010 financial statements, having regard to existing financing arrangements.

*Amendments to IAS 32, Financial Instruments: Presentation and IAS 1, Presentation of Financial Statements* are effective for annual periods beginning on or after January 1, 2009. The amendments allow certain instruments that would normally be classified as liabilities to be classified as equity if certain conditions are met. Where such instruments are reclassified, the entity is required to disclose the amount, the timing and the reason for the reclassification. Adoption of this amendment in the Company's 2010 financial statements is not expected to have a material effect.

## 3. SIGNIFICANT ACCOUNTING POLICIES

### a) Revenue Recognition

Gross turnover represents the amounts receivable in respect of telecommunication services and equipment provided to customers and is accounted for on the accruals basis. In respect of services invoiced in advance, amounts are deferred until provision of the service. Amounts payable by and to telecommunications operators of national and international networks are recognised as services are provided. Charges are negotiated separately and are subject to continuous review.

Turnover from sales of telecommunication equipment is recognised upon delivery to the customer. Turnover from the provision of other services is recognised evenly over the periods in which the service is provided.

### b) Property, Plant and Equipment and Depreciation

#### (i) Owned Assets

Items of property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses (see accounting policy f).

Where parts of an item of plant and equipment have different useful lives, they are accounted for as separate items of plant and equipment.

#### (ii) Subsequent Costs

The Company recognises in the carrying amount of an item of plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Company and the cost of the item can be measured reliably. The costs of repairs and replacements of a routine nature are charged to the statement of income whilst those expenditures that improves or extent useful life of the asset are capitalised.



# Notes to the Financial Statements

for the year ended 31st March, 2010

## 3. SIGNIFICANT ACCOUNTING POLICIES continued

### b) Property, Plant and Equipment and Depreciation continued

#### (iii) Depreciation

Depreciation is charged to the income statement on a straight line basis over the estimated useful lives of each part of an item of property, plant and equipment. The annual rates for the current and comparative periods are determined 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

### c) Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances and call deposits.

### d) Debtors

Accounts receivable and other receivables are stated at their cost less provision for doubtful debts.

### e) Inventories

The cost of inventories is based on the first-in-first-out principle and includes expenditure incurred in acquiring the inventory and bringing them to their existing location and condition.

Inventories of equipment held for use in the maintenance and expansion of the Company's telecommunication systems are stated at cost, including appropriate overheads, less provision for deterioration and obsolescence. Inventories held for resale are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of the business, less the estimated costs of completion and selling expenses.

### f) Impairment of Non-Financial Assets

The carrying amounts of the Company's property, plant and equipment 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 statement of income whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

The recoverable amount of property, plant and equipment 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.

### g) Intangible Assets

Intangible assets are stated at cost less accumulated amortisation and any impairment in value. The Company amortises the intangible assets using the straight-line method over a period of five years.

### h) Accounts Payables and Accruals

Accounts payable and accrued liabilities are stated at cost.

### i) Foreign Currency Transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Eastern Caribbean dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the statement of financial position. Non-monetary assets and liabilities that are measured in terms of historical cost in foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities

# Notes to the Financial Statements

for the year ended 31st March, 2010

## 3. SIGNIFICANT ACCOUNTING POLICIES continued

### i) Foreign Currency Transactions continued

denominated in foreign currencies that are stated at fair value are translated to Eastern Caribbean dollars at foreign exchange rates ruling at the dates the fair value was determined.

### j) Financial Instruments

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

#### (i) Financial Assets

The Company classifies its financial instruments as "loans and receivables" depending on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at each reporting date. At the reporting date, financial assets include debtors and prepayments due within one year, amounts due from group companies, and cash in hand and at bank.

#### (ii) Financial Liabilities

The Company's financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost using the effective interest method. At the reporting date, trade creditors, amounts owed to group companies, tax payables, other creditors, and accruals and deferred income were classified as financial liabilities.

### k) Related Parties

A party is related to the Company, if:

- (i) directly, or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, the Company (this includes parents, subsidiaries and fellow subsidiaries); has an interest in the Company that gives it significant influence over the Company; or has joint control over the Company;
- (ii) the party is an associate of the Company;
- (iii) the party is a joint venture in which the Company is a venturer;
- (iv) the party is a member of the key management personnel of the Company or its parent;
- (v) the party is a close member of the family of any individual referred to in (i) or (iv);
- (vi) the party is the Company that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or
- (vii) the party is a post-employment benefit plan for the benefit of employees of the Company, or of any company that is a related party of the Company.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

### l) Borrowing Costs

Borrowing costs are recognised initially at cost, less attributable transaction costs. Subsequent to initial recognition, borrowing costs are stated at amortised cost with any difference between cost and redemption value being recognised in the statement of income over the period of the borrowing on an effective interest rate basis.

### m) Income Tax

Taxation on the profit or loss for the year comprises current and deferred tax. Taxation is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised directly to equity, in which case it is

# Notes to the Financial Statements

for the year ended 31st March, 2010

## 3. SIGNIFICANT ACCOUNTING POLICIES continued

### m) Income Tax continued

recognised in equity. Current tax is the expected tax payable on the income for the year, using tax rates enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided in full, using the balance sheet liability method and providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the balance sheet date.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

### n) Pension

The Company is a member of the Cable & Wireless Communication Limited pension scheme, a defined benefit scheme. However, as permitted by International Accounting Standards (IAS) 19, 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 statement of income (2010 – \$472K, 2009 – \$572K).

### o) Leases

Leases of assets under which all the risk and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating lease are charged to the statement of loss on a straight-line basis over the period of the leases.

## 4. TURNOVER

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

## 5. OPERATING COSTS

	2010 EC\$'000	2009 EC\$'000
Depreciation of tangible property, plant and equipment	11,161	11,281
Employee costs	7,984	10,932
License fees	5,355	4,404
Utilities	1,998	2,295
Management fees	7,178	4,995
Repairs and maintenance	2,140	2,739
Pension costs	472	571
Insurance	698	667
Operating lease rentals	123	170
Auditor's remuneration	126	150
Directors' fees	12	10
Transformation cost and restructuring costs	1,929	5,860
Branding fees	937	1,208
Network cost	3,236	3,990
Other operating costs	16,774	11,640
	<b>60,123</b>	<b>60,912</b>

# Notes to the Financial Statements

for the year ended 31st March, 2010

## 5. OPERATING COSTS continued

Other operating cost includes cost such as marketing, shared services re-charges and other related operating cost.

Some of the Company's staff are members of Cable & Wireless Communications Plc. pension schemes. Particulars of the actuarial valuations of the Group's schemes are contained in the accounts of Cable & Wireless Communications Plc.

No amounts were paid to Directors under defined contribution or defined benefit pension schemes.

Other operating costs comprised mainly of recharges and marketing costs. The Directors are of the view that these costs are of a sensitive nature and that providing a detailed analysis of them to the public will be detrimental to the interest of the Company.

## 6. EMPLOYEE COSTS

	2010 EC\$'000	2009 EC\$'000
Salaries and wages	6,379	9,048
Statutory payroll deductions	532	717
Staff training	180	154
Other staff costs	893	1,013
	<b>7,984</b>	<b>10,932</b>
Number of employees	<b>90</b>	<b>102</b>

## 7. NET INTEREST

	2010 EC\$'000	2009 EC\$'000
Interest paid	-	-
Interest received	295	197
	<b>295</b>	<b>197</b>

## 8. TAXATION ON ORDINARY ACTIVITIES

	2010 EC\$'000	2009 EC\$'000
Tax on profits for the year	8,767	9,399
Change in deferred taxation	(397)	(541)
	<b>8,370</b>	<b>8,858</b>

The current year tax charge of EC\$8,767 (2009: EC\$9,399) is higher than the standard rate tax charge, since the effective tax rate is higher than the standard tax rate of 35%. (2008:35%) See details overleaf:



# Notes to the Financial Statements

for the year ended 31st March, 2010

## 8. TAXATION ON ORDINARY ACTIVITIES continued

	2010 EC\$'000	2009 EC\$'000
<b>Income before income tax</b>	<b>19,201</b>	17,454
Tax at the standard rate of 35%	6,720	6,109
Tax effect/(benefit) arising from the following:		
Capital allowances in excess of depreciation	-	-
Tax on non-deductible expenditure	2,047	3,290
<b>Taxation on ordinary activities</b>	<b>8,767</b>	9,399

## 9. TANGIBLE FIXED ASSETS

	Land and Buildings EC\$'000	Plant EC\$'000	Motor Vehicles EC\$'000	Projects Under Construction EC\$'000	Total EC\$'000
<b>COST</b>					
At March 31, 2008	24,782	180,327	3,303	10,898	219,310
Additions	360	-	727	9,465	10,552
Transfers between items	-	16,820	(710)	(16,820)	(710)
Disposals	-	-	-	-	-
At March 31, 2009	25,142	197,147	3,320	3,543	229,152
Additions	-	-	-	6,921	6,921
Transfers between items	-	3,900	-	(3,900)	-
Disposals	-	-	(268)	-	(268)
At March 31, 2010	<b>25,142</b>	<b>201,047</b>	<b>3,052</b>	<b>6,564</b>	<b>235,805</b>
<b>ACCUMULATED DEPRECIATION</b>					
At March 31, 2008	9,639	119,727	2,542	-	131,908
Charge for the year	647	10,148	486	-	11,281
Eliminated on disposal	-	-	(710)	-	(710)
At March 31, 2009	10,286	129,875	2,318	-	142,479
Charge for the year	648	10,007	506	-	11,161
Eliminated on disposal	-	-	(268)	-	(268)
At March 31, 2010	<b>10,934</b>	<b>139,882</b>	<b>2,556</b>	<b>-</b>	<b>153,372</b>
<b>NET BOOK VALUE</b>					
At March 31, 2010	<b>14,208</b>	<b>61,165</b>	<b>496</b>	<b>6,564</b>	<b>82,433</b>
At March 31, 2009	14,856	67,272	1,002	3,543	86,673

# Notes to the Financial Statements

for the year ended 31st March, 2010

## 9. TANGIBLE FIXED ASSETS continued

The net book value of land and buildings comprises:

	2010 EC\$'000	2009 EC\$'000
Freehold	13,881	14,282
Leasehold	327	574
	<b>14,208</b>	14,856

## 10. INTANGIBLE ASSETS

Intangible assets represent the marketing rights acquired by the Company during the year. The marketing rights are amortised over a period of 5 years beginning April 1, 2007.

	2010 EC\$'000	2009 EC\$'000
Balance, April 1, 2009	1,192	1,192
Amortisation charges for the year	(652)	(382)
Balance, March 31, 2010	<b>540</b>	810

## 11. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

### (i) Amount due from related Parties

	2010 EC\$'000	2009 EC\$'000
Amount due from Cable & Wireless United Kingdom	8,095	6,409
Amount due from other subsidiaries of Cable & Wireless Communications Plc	1,671	3,882
	<b>9,766</b>	10,291

### (ii) Amount due to related Parties

	2010 EC\$'000	2009 EC\$'000
Amount due to Cable & Wireless Barbados Ltd	287	3,593
Amount due to Cable & Wireless Communications Plc	284	2,351
Amount due to CWI Caribbean Ltd	4,593	-
Amount due to Cable & Wireless West Indies Ltd	6,132	5,503
Amount due to other subsidiaries of Cable & Wireless Communications Plc	3,091	4,550
	<b>14,387</b>	15,997

# Notes to the Financial Statements

for the year ended 31st March, 2010

## 11. RELATED PARTIES AND RELATED PARTY TRANSACTIONS continued

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

	2010 EC\$'000	2009 EC\$'000
Included in turnover	3,277	2,485
Included in outpayments	3,635	3,777
	<b>6,912</b>	<b>6,262</b>

(iv) Payment is also made to a Group company for the provision of other services including:

	2010 EC\$'000	2009 EC\$'000
Management fees	7,178	4,995
Directors' fees	12	10
	<b>7,190</b>	<b>5,005</b>

(v) Key Management

	2010 EC\$'000	2009 EC\$'000
Wages and salaries	1,540	1,541
Bonus	186	352
Statutory contributions	138	138
Pension	116	116
	<b>1,980</b>	<b>2,147</b>

## 12. INVENTORIES

	2010 EC\$'000	2009 EC\$'000
Merchandise inventories	201	491
Other materials and supplies	1,930	2,489
	<b>2,131</b>	<b>2,980</b>

# Notes to the Financial Statements

for the year ended 31st March, 2010

## 13. DEBTORS AND PREPAYMENTS DUE WITHIN ONE YEAR

	2010 EC\$'000	2009 EC\$'000
Trade debtors	10,702	11,993
Other debtors	1,210	860
Prepayments	101	121
	<b>12,013</b>	<b>12,974</b>
Less: Provision	(1,207)	(1,405)
	<b>10,806</b>	<b>11,569</b>

## 14. CASH AT BANK AND CASH IN HAND

	2010 EC\$'000	2009 EC\$'000
Cash at bank and in hand	6,271	5,876
Short term deposits	-	1,351
	<b>6,271</b>	<b>7,227</b>

Short-term deposits earn interest at an average rate of 4% per annum.

## 15. SHARE CAPITAL

	2010 EC\$'000	2009 EC\$'000
Authorised: 50,000,000 Ordinary Shares of EC\$1.00 each	<b>50,000</b>	50,000
Allotted, called up and fully paid: - 33,130,418 Ordinary Shares of EC\$1.00 each	<b>33,130</b>	33,130

The Company is 77% owned by Cable & Wireless (West Indies) Limited. The remaining 23% is held by other minor stockholders (members of the Public).

## 16. PROVISIONS FOR LIABILITIES AND CHARGES

	Redundancy EC\$'000	Deferred EC\$'000	EC\$'000
At 31 March 2010	6	10,420	<b>10,426</b>
Charge/(credit) for the period	(3)	-	<b>(3)</b>
Credit related to accelerated capital allowance	-	(397)	<b>(397)</b>
At 31 March 2010	<b>3</b>	<b>10,023</b>	<b>10,026</b>



# Notes to the Financial Statements

for the year ended 31st March, 2010

## 16. PROVISIONS FOR LIABILITIES AND CHARGES continued

The deferred taxation liability is analysed as follows: -

	2010 EC\$'000	2009 EC\$'000
Accelerated capital allowances	10,024	10,420

## 17. OTHER CREDITORS

	2010 EC\$'000	2009 EC\$'000
Customers' deposits	1,678	1,644
Social Security	126	310
Other creditors	2,885	3,913
	<u>4,689</u>	<u>5,867</u>

## 18. 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:

	2010 EC\$'000	2009 EC\$'000
Land and buildings – expiring within one year	48	156
	<u>48</u>	<u>156</u>

## 19. DIVIDENDS

In the previous year the Directors declared and paid an interim dividend of EC\$0.10 per share (EC\$3,313,000) in September, 2008. The final dividend for the 2009 financial year which was declared on May 15, 2009 of EC\$0.25 per share (EC\$8,282,500) was paid in June 2009.

In December 2009, the Directors declared and paid an interim dividend of EC\$0.10 per share amounting (EC\$3,313,000) based on the financial performance of the Company for the six (6) months ended September 30, 2009. On 3rd June 2010, a final dividend of EC\$0.25 per share (EC\$8,282,500) was declared by the Directors.

## 20. FINANCIAL INSTRUMENTS

### (a) Financial Risk Factors:

The Company's activities expose it to a variety of financial risks, including the effects of changes in debt market prices, foreign currency exchange rates and interest rates. Management seeks to minimise potential adverse effects on the financial performance of the Company by applying procedures to identify, evaluate and manage these risks.

### (i) Currency Risk:

Currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company does not generally engage in currency hedges, and rather aims to have financial liabilities denominated in local currencies in order to avoid currency risk.

# Notes to the Financial Statements

for the year ended 31st March, 2010

## 20. FINANCIAL INSTRUMENTS continued

### (a) Financial Risk Factors continued:

### (i) Currency Risk continued:

The Company's exposure to foreign currency risk in the respective currencies at year end was as follows:

	2010 GB£ (£000)
Amounts due from group companies	188
Cash and cash equivalents	-
Amounts due to group companies	<u>(1,538)</u>
Gross exposure	<u>(1,350)</u>

	2009 US\$ (\$000)	GB£ (£000)
Amounts due from group companies	2,275	452
Cash and cash equivalents	612	-
Amounts due to group companies	<u>(2,540)</u>	<u>(1,932)</u>
Gross exposure	<u>347</u>	<u>(1,480)</u>

Exchange rates of 1 unit of the relevant foreign currencies to the Eastern Caribbean dollar at year end were as follows:

	US\$ (\$000)	GB£ (£000)
At March 31, 2010	-	0.240
At March 31, 2009	0.370	0.257

### Currency Risk Sensitivity Analysis:

A five (5%) percent weakening of the Eastern Caribbean dollar against the following currencies at March 31, 2009 would have increased/(decreased) profit and equity by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2009.

	2010		2009	
	Profit (\$000)	Equity (\$000)	Profit (\$000)	Equity (\$000)
US\$	-	-	17	17
GB£	(68)	(68)	(74)	(74)

# Notes to the Financial Statements

for the year ended 31st March, 2010

## 20. FINANCIAL INSTRUMENTS continued

### (a) Financial Risk Factors continued:

#### (i) Currency Risk Sensitivity Analysis continued:

A five (5%) percent strengthening of the Eastern Caribbean dollar against the above currencies at March 31, 2010 and 2009 would have had an equal but opposite effect to the amounts shown above, on the basis that all other variables remain constant.

#### (ii) Price Risk:

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer, or factors affecting all instruments traded in the market. The Company has no significant exposure to such risks.

#### (iii) Credit Risk:

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company has no significant concentration of credit risk attaching to receivables as the Company has a large and diverse customer base, with no significant balances arising from any single economic or business sector, or any single entity or group of entities.

The Company has policies in place to ensure that sales are made to customers with an appropriate credit rating. Accounts receivables are shown net of provision for impairment. Cash and cash equivalents are held with substantial financial institutions, which present minimal risk of default.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Carrying amount	
	2010 EC\$'000	2009 EC\$'000
Debtors and prepayments	10,806	11,569
Amounts due from group companies	9,766	10,291
Cash and cash equivalents	6,271	7,277
	<b>26,843</b>	<b>29,137</b>

#### (iv) Liquidity Risk:

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and the availability of funding through an adequate amount of committed credit facilities.

The management of the Company aims at maintaining flexibility in funding by monitoring budgeting commitments and by keeping committed lines of credit available, and by monitoring the timing of its cash flows.

#### (v) Interest Rate Risk:

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The table below summarises the Company's exposure to interest rate risks. Included in the table are the Company's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

# Notes to the Financial Statements

for the year ended 31st March, 2010

## 20. FINANCIAL INSTRUMENTS continued

### (a) Financial Risk Factors continued:

#### (v) Interest Rate Risk continued:

	2010					
	Immediately rate sensitive EC\$'000	1 to 3 months EC\$'000	3 to 12 months EC\$'000	Greater than 12 months EC\$'000	Non-rate sensitive EC\$'000	Total EC\$'000
<b>Financial assets</b>						
Debtors and prepayments	-	-	-	-	10,806	10,806
Amounts due from group companies	-	-	-	-	9,766	9,766
Cash at bank and in hand	6,271	-	-	-	-	6,271
<b>Financial Liabilities</b>						
Payables	-	-	-	-	(11,761)	(11,761)
Amount due to group companies	-	-	-	-	(14,387)	(14,387)
Total interest rate sensitivity gap	6,271	-	-	-	(5,576)	695
Cumulative gap	<b>6,271</b>	<b>6,271</b>	<b>6,271</b>	<b>6,271</b>	<b>695</b>	<b>-</b>



# Notes to the Financial Statements

for the year ended 31st March, 2010

## 20. FINANCIAL INSTRUMENTS continued

### (a) Financial Risk Factors continued:

#### (v) Interest Rate Risk continued:

2009

	Immediately rate sensitive EC\$'000	1 to 3 months EC\$'000	3 to 12 months EC\$'000	Greater than 12 months EC\$'000	Non-rate sensitive EC\$'000	Total EC\$'000
<b>Financial assets</b>						
Debtors and prepayments	-	-	-	-	11,569	11,569
Amounts due from group companies	-	-	-	-	10,291	10,291
Cash at bank and in hand	7,227	-	-	-	-	7,227
<b>Financial Liabilities</b>						
Payables	-	-	-	-	(16,588)	(16,588)
Amount due to group companies	-	-	-	-	(15,997)	(15,997)
Total interest rate sensitivity gap	7,227	-	-	-	(10,725)	(3,498)
Cumulative gap	7,227	7,227	7,227	7,227	(3,498)	-

#### Interest Rate Sensitivity:

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets or liabilities at fair value through the statement of income. Therefore, a change in interest rates at the reporting date would not affect the income recognised for the year.

#### Cash flow Sensitivity Analysis for Variable Rate Instruments:

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2008.

# Notes to the Financial Statements

for the year ended 31st March, 2010

## 20. FINANCIAL INSTRUMENTS continued

### (a) Financial Risk Factors continued:

#### (v) Interest Rate Risk continued:

Cash flow Sensitivity Analysis for Variable Rate Instruments continued:

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2009.

	2010 Effect on profit		2009 Effect on profit	
	100bp Increase	100bp decrease	100bp increase	100bp decrease
Variable rate instruments	-	-	-	-

### (b) Fair Values of Financial Instruments:

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Market price is used to determine fair value where an active market exists as it is the best evidence of the fair value of a financial instrument. However, market prices are not available for a significant number of the financial assets and liabilities held and issued by the Company. Therefore, for financial instruments where no market price is available, the fair values presented have been estimated using present value or other estimation and valuation techniques based on market conditions existing at balance sheet dates. The values derived from applying these techniques are significantly affected by the underlying assumptions used concerning both the amounts and timing of future cash flows and the discount rates. The following methods and assumptions have been used:

(i) The fair value of liquid assets and other assets maturing within one (1) year is assumed to approximate their carrying amounts. This assumption is applied to liquid assets and the short-term elements of all other financial assets and financial liabilities; and

(ii) The fair value of variable-rate financial instruments is assumed to approximate their carrying amounts.

## 21. COMPARATIVES

Certain figures for 2009 have been reclassified to conform with the current year's presentation.

# Proxy Form

CABLE & WIRELESS ST. KITTS & NEVIS LIMITED

6.37 p.m. Mia Neckles colours a picture to show her mother on the web-cam while she's away on business in New York...



I/We the undersigned .....  
 .....  
 of.....

being a shareholder of Cable & Wireless St. Kitts & Nevis Limited hereby appoint  
 ..... of  
 .....

As my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the shareholders of the said Company to be held on Thursday, 9th September 2010 and any adjournment thereof in the same manner, to the same extent and with the same powers as if the undersigned were present at the said meeting or such adjournment or adjournments thereof.

Dated this .....day of ..... 2010  
 (Please insert date)

Signature of Shareholder.....

**NOTES**

1. A person appointed by proxy need not be a shareholder.
2. In the case of a shareholder who is a body corporate or association, votes at meetings of shareholders may be given by an individual authorised by a resolution of the directors or governing body of that body corporate to represent it at meetings of shareholders of the Company.
3. A proxy must be executed in writing by the shareholder or his attorney authorised in writing.
4. Proxy appointments are required to be deposited at the registered office of the Company not less than 24 hours before the time fixed for holding the meeting or adjourned meeting.



## Notes

# Notes



