

**Schedule 3
FORM ECSRC - Q**

(Select One)

Quarterly Report
For the period ended **31st December 2006**
or

TRANSITION

REPORT

(Applicable where there is a change in reporting issuer's financial year)

For the transition period from _____ to _____

Issuer Registration Number: **002216**

Cable & Wireless (St.Kitts & Nevis)Ltd

(Exact name of reporting issuer as specified in its charter)

St.Kitts & Nevis

(Territory or jurisdiction of incorporation)

10 Cayon Street, Basseterre

(Address of principal executive Offices)

(Reporting issuer's: **Jonathan Bass**

Telephone number (including area code): **(869)- 465-1000 Extn 451**

Fax number: **(869) 465-1643**

Email address: **jonathan.bass@cw.com**

N/A

(Former name, former address and former financial year, if changed since last report)

(Provide information stipulated in paragraphs 1 to 8 hereunder)

Indicate the number of outstanding shares of each of the reporting issuer's classes of common stock, as of the date of completion of this report.

CLASS	NUMBER
Ordinary Shares	33,130,418

SIGNATURES

Name of Chief Executive Officer/Director

Name of Company Secretary

P. Walters

Jonathan Bass

Signature

Signature

27th November, 2007

27th November, 2007

Date

Date

INFORMATION TO BE INCLUDED IN THE REPORT

1. Financial Statements

Provide quarterly Financial Statements in accordance with International Accounting Standards. The format of the financial statements should be similar to those provided with the registration statement. Include the following:

- (a) (Condensed Balance Sheet as of the end of the most recent financial year and just concluded quarter.
- (b) Condensed Statement of Income for the interim three, six and nine months of the current financial year and corresponding period in the previous financial year.
- (c) Condensed Statement of Cash Flows for the interim three, six and nine months of the current financial year and the corresponding period in the previous financial year.
- (d) Examples of financial data items to be included in constructing financial statements for various types of businesses are provided in Parts A-D. These items are meant to serve as guidelines only.
- (e) By way of *Notes to Condensed Financial Statements*, provide explanation of items in the financial statements and indicate any deviations from generally accepted accounting practices.

❖ *Please find attached copies of the financial statements for the quarter ending 31st December, 2006 which provide the above information.*

2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Discuss reporting issuer's financial condition, changes in financial condition and results of operations during the reporting period. Discussion of material changes should be from the end of the preceding financial year to the date of the most recent interim quarterly report. The broad areas of discussions should centre around liquidity, capital resources and results of operations. Discussions of liquidity and capital resources may be combined whenever the two topics are interrelated.

(a) **Liquidity**

Identify any known trends or commitments, demands, events that will result in or that are reasonably likely to result in the reporting issuer's liquidity increasing or decreasing in any material way. If a deficiency is identified, indicate the course of action that the reporting issuer has taken or proposes to take to remedy the deficiency.

- ❖ *The current ratio for quarter under review and the matching period reflected 1.18 : 1. The quick ratio was the same i.e. 1.05 : 1 for this quarter and the corresponding period to December, 2005. Therefore, the company remained in a rather healthy position to settle its short-term commitments.*

(b) **Capital Resources**

Describe the reporting issuer's material commitments for capital expenditures as of the end of the latest fiscal period, and indicate the general purposes of such commitments and the anticipated source of funds needed to fulfil such commitments. Describe any material trends, favourable or unfavourable in the reporting issuer's capital resources and any expected change in mix. The discussion should consider changes between equity, debt and any off-balance sheet financing arrangements.

- ❖ *Capital expenditure analysis is shown below:-*

<i>Details</i>	<i>EC\$m</i>
<i>Fixed line</i>	<i>0.4</i>
<i>Mobile</i>	<i>3.8</i>
<i>Internet</i>	<i>1.5</i>
<i>Other</i>	<i>0.2</i>
<i>Total</i>	<i>7.8</i>

In order to satisfy the increasing needs of the mobile market, the company increased its investment in fixed assets for the purpose of expanding the GSM network. Further investment was also made in fixed line plant and the internet network. This was necessary to support the development of the high speed internet package and to launch the Net Speak service. Other capital expenditure was incurred on projects such as information systems, tools, buildings and vehicles, so that all company functions can operate more economically and efficiently. The funds used were internally generated.

(c) **Results of Operation.**

Describe any unusual or infrequent events or transactions or any significant economic changes that materially affected the amount of reported income from continuing operations and in each case indicate the extent the income was so affected. Describe any known trends or uncertainties that have had or that the reporting issuer reasonably expects will have a material favourable or unfavourable impact on net sales or revenues or income from continuing operations. If the reporting issuer knows of events that will cause a material change in the relationship between costs and revenues (such as price increases, costs of labour or materials), the changes in relationship should be disclosed.

❖ **Executive Summary**

- *Turnover for the quarter to 31st December, 2006 increased by 6% to \$79.3m; compared to the previous period ended December, 2005. Gross income improved by 3%, although outpayments and cost of sales were 12% ahead of corresponding period. While operating income improved 4% over the corresponding period.*

❖ **October to December Quarter Discussion**

- *The 6% growth in turnover was led by double-digit increases in the mobile segment. Growth in the internet revenue stream has dropped slightly, showing only a slight increase over the period to December, 2005. The emergence of Voice over Internet Protocol (VOIP) has impacted revenues from International Direct dialling (IDD). Competition from other Service Providers offering International calls, have also impacted on income from IDD. This segment dropped 10% behind the corresponding period to December, 2005.*
- *Outpayments and cost of sales exceeded the corresponding period by 12%. This increase resulted mainly from the cost of sale associated with the successful introduction of the laptop sales initiative.*
- *Gross income only improved by 3% following a significant addition to interconnect charges for calls terminating on other Service Providers' network.*
- *Operating income improved by 4% in line with the extra operating costs. Operating costs as a percentage of turnover remained static*

at 50% although total turnover advanced 6% ahead of the corresponding period. This was the result of stringent cost management.

- *Net cash flow used by operating activities was (\$1.0m) during the quarter compared to \$7.1m provided for the period ended December, 2005. This was primarily due to increased investment in inventories, and the settlement of accounts payable and accrued liabilities.*

❖ ***Business Segment Discussion for the Quarter***

- *As expected, income from the fixed line stream continues on the path of decline. International call revenues are being eroded by lower international rates in general and the launch of VOIP (voice over internet protocol). Fixed line national income is being challenged by mobile call substitution and the introduction of flat rate domestic calling. Overall the fixed line income trailed revenues generated during the corresponding period by 7%.*
- *The mobile segment is still on the growth path on the product life cycle, advancing 25% beyond the corresponding period to December, 2005. Performance was driven primarily by innovative marketing and promotional strategies.*
- *Internet line of business showed a slight 2% step ahead of the previous period.*
- *Data revenues showed little signs of growth. Customer numbers increased but not without a drop in price.*
- *Other revenues remained flat when compared to the corresponding period ended December, 2005.*

3. Disclosure of Risk Factors.

Provide a discussion of the risk factors that may have an impact on the results from operations or on the financial conditions. Avoid generalised statements and only include factors that are unique to the company. Typical risk factors include untested products, cash flow and liquidity problems, dependence on a key supplier or customer, management inexperience, nature of business, absence of a trading market (specific to the securities of the reporting issuer), etc. Indicate if any risk factors have increased or decreased in the time interval between the previous and current filing.

❖ *Exposure to risk includes the following:*

- *Operational risk resulting from fraud, loss of key people to competitors, product failure, loss of key suppliers and litigation from other Service Providers and Customers.*
- *Financial risk caused by bad debts and foreign exchange loss.*
- *Environmental risk due to competition, changes in regulations, or economic slowdown.*
- *Risk as a threat including loss of market share as a result of competition targeted to the internet, mobile and broadband products.*

4. Legal Proceedings.

A legal proceeding need only be reported in the ECSRC - Q filed for the quarter in which it first became a reportable event and in subsequent quarterly reports in which there have been material developments. Subsequent Form ECSRC - Q filings in the same financial year in which a legal proceeding or a material development is reported should reference any previous reports in that year. Where proceedings have been terminated during the period covered by the report, provide similar information, including the date of termination and a description of the disposition thereof with respect to the reporting issuer and its subsidiaries.

❖ *Not applicable*

5. Changes in Securities and Use of Proceeds.

- (a) Where the rights of the holders of any class of registered securities have been materially modified, give the title of the class of securities involved. State briefly the general effect of such modification upon the rights of holders of such securities.

❖ *Not applicable*

- (b) Where the use of proceeds of a security issue is different from that which is stated in the registration statement, provide the following:

- Offer opening date (provide explanation if different from date disclosed in the registration statement)
- Offer closing date (provide explanation if different from date disclosed in the registration statement)

- Name and address of underwriter(s)
 - Amount of expenses incurred in connection with the offer
 - Net proceeds of the issue and a schedule of its use
 - Payments to associated persons and the purpose for such payments
 - ❖ *Above not applicable*
- (c) Report any working capital restrictions and other limitations upon the payment of dividends.
- ❖ *There are no restrictions*

6. Defaults Upon Senior Securities.

- (a) If there has been any material default in the payment of principal, interest, a sinking or purchase fund instalment, or any other material default not satisfied within 30 days, with respect to any indebtedness of the reporting issuer or any of its significant subsidiaries exceeding 5 percent of the total assets of the reporting issuer and its consolidated subsidiaries, identify the indebtedness. Indicate the nature of the default. In the case of default in the payment of principal, interest, or a sinking or purchase fund instalment, state the amount of the default and the total arrears on the date of filing this report.
- ❖ *Above not applicable*
- (b) If any material arrears in the payment of dividends has occurred or if there has been any other material delinquency not satisfied within 30 days, give the title of the class and state the amount and nature of the arrears or delinquency.
- ❖ *Above not applicable*

7. Submission of Matters to a Vote of Security Holders.

If any matter was submitted during the period covered by this report to a vote of security holders, through the solicitation of proxies or otherwise, furnish the following information:

- (a) The date of the meeting and whether it was an annual or special meeting.

- (b) If the meeting involved the election of directors, the name of each director elected at the meeting and the name of each other director whose term of office as a director continued after the meeting.
- (c) A brief description of each other matter voted upon at the meeting and state the number of votes cast for or against as well as the number of abstentions as to each such matter, including a separate tabulation with respect to each nominee for office.
- (d) A description of the terms of any settlement between the registrant and any other participant.
- (e) Relevant details of any matter where decision was taken otherwise than at a meeting of such security holders.

❖ *Above items, are not applicable*

8. Other Information.

The reporting issuer may, at its option, report under this item any information, not previously reported in a Form ECSRC - MC report (related to disclosure of material information), with respect to which information is not otherwise called for by this form. If disclosure of such information is made under this item, it need not be repeated in a Form ECSRC - MC report which would otherwise be required to be filed with respect to such information or in a subsequent Form ECSRC - Q report.

**STATEMENT OF INCOME
FOR THE PERIOD ENDED 31 DECEMBER
2006**

	<u>Notes</u>	<u>Dec-06</u> EC\$000	<u>Dec-05</u> EC\$000
Turnover		79,304	75,102
Outpayments and cost of sales		(21,505)	(19,210)
Gross Income		57,799	55,892
Operating costs	1	(39,424)	(38,235)
Operating Income		18,375	17,657
Net interest and other income	3	(170)	(28)
Income on ordinary activities before taxation		18,205	17,629
Taxation on ordinary activities	4	(7,100)	(6,875)
Income on ordinary activities after taxation		11,105	10,754
Dividend - interim			
- final proposed			
Retained profits / (loss) for the year		11,105	10,754

BALANCE SHEET			
FOR THE PERIOD ENDED DECEMBER 31,			
	<u>Notes</u>	<u>Dec-06</u>	<u>Dec-05</u>
		EC\$000	EC\$000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	5	89,887	94,425
Loan receivable from related party		938	2,246
Total Non -Current Assets		90,825	96,671
CURRENT ASSETS			
Inventories		3,255	3,709
Accounts receivable and prepayments	6	18,293	19,212
Amounts due from Group companies		320	368
Cash at bank and in hand	7	8,179	9,928
Total Current Assets		30,047	33,217
Total Assets		120,872	129,888
CAPITAL, RESERVES AND LIABILITIES			
CAPITAL AND RESERVES			
Called up share capital	9	33,130	27,609
Share premium account		3,009	3,009
Retained earnings		47,910	57,730
Total Capital and Reserves		84,049	88,348
LONG TERM LIABILITIES			
Provision for liabilities and charges	10	11,381	13,363
CURRENT LIABILITIES			
Trade accounts payable		5,251	1,452
Amounts owed to Group companies		3,858	10,572
Provision for income tax		(2,001)	(1,541)
Other Liabilities	8	4,623	5,944
Accrued liabilities and deferred income		3,492	11,750
Loan Payable to Group companies		10,219	
Dividends payable		-	-
Total Current Liabilities		25,442	28,177
TOTAL LIABILITIES AND EQUITY		120,872	129,888
SHAREHOLDERS' FUNDS			

	Share Capital EC\$'000	Share Premium EC\$'000	Retained Earning EC\$'000	Total EC\$'000
Balance as of March 31, 2005	27,609	3,009	46,975	77,593
Dividend			(3,313)	(3,313)
Issuance of bonus shares	5,521		(5,521)	0
Net Income for the year			6,394	6,394
Balance as of March 31, 2006	33,130	3,009	44,535	80,674
Dividend			(7,730)	(7,730)
Net Income for the 9 months ended December 31 2006			11,105	11,105
				0
Balance as of December 31, 2006	33,130	3,009	47,910	84,049

The accompanying notes form an integral part of these financial statements

STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED DECEMBER 31, 2006

	<u>Dec-06</u> EC\$000	<u>Dec-05</u> EC\$000
Cash Flows from operating activities		
Income on ordinary activities before taxation	18,205	17,628
Adjustments for:		
Depreciation expense	6,228	8,169
Loss/(gain) on disposal of property, plant and equipment	325	-
Net Interest	170	28
Operating cash flows before working capital changes	24,928	25,825
Decrease/(Increase) in inventories	(2,364)	(970)
(Increase)/decrease in accounts receivable	644	(6,037)
Increase in accounts payable and accrued liabilities	(12,724)	(114)
Net cash from operations	10,484	18,704
Income taxes paid	(11,332)	(11,594)
Interest received	221	278
Interest Paid	(391)	(306)
Net cash from operating activities	(1,018)	7,082
Cash flows used in investing activities		
Purchase of tangible property, plant and equipment	(5,932)	(7,852)
Proceeds from disposal of tangible property, plant and equipment	19	0
Net cash used in investing activities	(5,913)	(7,852)
Cash flows used in financing activity		
Lending from Group companies	10,219	
Dividends paid	(11,043)	(11,043)
Net cash used in financing activity	(824)	(11,043)
Net change in cash and cash equivalents	(7,755)	(11,813)
Net cash and cash equivalents, beginning of year	15,934	21741
Net cash and cash equivalents, end of year	8,179	9,928

1. OPERATING COSTS

	<u>Dec-06</u> EC\$000	<u>Dec-05</u> EC\$000
Employee costs	7,581	7,631
Directors' fees	20	36
Pension costs	472	491
Rental of transmission facilities	1,440	1,440
Management Fees	1,865	2,768
Operating lease rentals		181
Other operating costs	20,965	17,466
Depreciation of tangible fixed assets	6,228	8,169
Exceptional items	-	-
Auditor's remuneration - current year	-	-
Trading foreign exchange losses	529	53
Profit on sale of fixed assets	325	-
	<u>39,424</u>	<u>38,235</u>

2.EMPLOYEE COST

	<u>Dec-06</u> EC\$000	<u>Dec-05</u> EC\$000
Salaries and Wages	6,500	6,576
Staff training	242	181
Other staff costs	1,311	1,365
	<u>8,052</u>	<u>8,122</u>
Number of employees	125	128

3. NET INTEREST INCOME

	<u>Dec-06</u> EC\$000	<u>Dec-05</u> EC\$000
Interest paid	(391)	(306)
Interest received	221	278
	<u>(170)</u>	<u>(28)</u>

4. TAXATION ON ORDINARY ACTIVITIES

	<u>Dec-06</u> EC\$000	<u>Dec-05</u> EC\$000
Tax on profits for the year	8,444	6,875
Adjustment in respect to prior year	0	0
	<u>8,444</u>	<u>6,875</u>
Deferred taxation	0	0
	<u>8,444</u>	<u>6,875</u>

The current year tax charge of EC\$8,444K is higher (2005: higher) than the standard rate of tax of 35%. (2004:35%) See details below.

	<u>Dec-06</u> EC\$000	<u>Dec-05</u> EC\$000
Tax at the standard rate of 35% (2005: 35%)	6,372	6,170
Tax effect arising from the following:		
Capital allowances in excess of depreciation		
Tax on non-deductible expenditure	728	705
Adjustment in respect of prior periods		
Current tax charge	<u>7,100</u>	<u>6,875</u>

5. TANGIBLE FIXED ASSETS

	Land and Buildings	Plant	Motor Vehicles	Projects Under construc- tion	Total
	EC\$000	EC\$000	EC\$000	EC\$000	EC\$000
Costs					
At beginning of year-1 April 2006	24,110	154,543	3,309	28,258	210,220
Additions	-	-	-	5,930	5,930
Disposals		(12,520)		0	(12,520)
Transfers between items	321	14,361	606	(15,288)	0
At end of year	24,431	156,384	3,915	18,900	203,630

ACCUMULATED DEPRECIATION

At beginning of year	8,487	108,932	2,276		119,695
Charge for the year	432	5,453	343		6,228
Charge for impairment		0		176	176
On disposals		(12,356)			(12,356)
At year end	8,919	102,029	2,619	176	113,743

NET BOOK VALUE

At 31 December 2006	15,512	54,355	1,296	18,724	89,887
At 31 December 2005	15,724	46,842	502	31,356	94,424

The net book value of land and buildings comprises:

	<u>Dec-06</u>	<u>Dec-05</u>
	EC\$000	EC\$000
Freehold	14,891	15,074
Long leasehold	621	650
Short leasehold	0	0
	<u>15,512</u>	<u>15,724</u>

6. ACCOUNTS RECEIVABLES AND PREPAYMENTS

	<u>Dec-06</u>	<u>Dec-05</u>
	EC\$000	EC\$000
Trade accounts receivables	13,856	13,364
Other receivables	1,763	2,615
Current portion of loan receivable from related party	322	322
Prepayments and accrued income	2,352	2,911
	<u>18,293</u>	<u>19,212</u>

7. CASH AT BANK AND CASH IN HAND

	<u>Dec-06</u>	<u>Dec-05</u>
	EC\$000	EC\$000
Cash at bank and in hand	6,930	6424
Short term deposits	1,249	3504
	<u>8,179</u>	<u>9,928</u>

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

8. OTHER LIABILITIES

	<u>Dec-06</u>	<u>Dec-05</u>
	EC\$000	EC\$000
Customers deposits	1,867	1,871
Social security	56	117
Other creditors	2,700	3,956
	<u>4,623</u>	<u>5,944</u>

9. SHARE CAPITAL

	<u>Dec-06</u> EC\$000	<u>Dec-05</u> EC\$000
Authorised: 50,000,000 Ordinary shares of EC\$1.00 each	50,000	50,000
Allotted, called up and fully paid:- 31,130,418(2005:27,608,682) Ordinary shares of EC\$1.00 each	33,130	27,609

10. PROVISION FOR LIABILITIES AND CHARGES

	Redundancy EC\$000	Deferred Taxation EC\$000	Total EC\$000
At 1 April 2006	1,171	10,796	11,967
Adjustment to prior year			0
Payment	(586)		(586)
Charge/(Credit) for the period			0
Credit related to change in tax rate			0
Credit related to accelerated capital allowances			0
At 30 December 2006	<u>585</u>	<u>10,796</u>	<u>11,381</u>

The deferred taxation liability is analysed as follows:-

	<u>Dec-06</u> EC\$000	<u>Dec-05</u> EC\$000
Accelerated capital allowances	10,796	11,381