

**Schedule 3  
FORM ECSRC - Q**

**(Select One)**

Quarterly Report  
For the period ended **30<sup>th</sup> June, 2007**

or

TRANSITION

REPORT

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Issuer Registration Number: **002216**

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**Cable & Wireless (St.Kitts & Nevis )Ltd**

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

**St.Kitts & Nevis**

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(Territory or jurisdiction of incorporation )

**10 Cayon Street, Basseterre**

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(Address of principal executive Offices)

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

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

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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.

<b>CLASS</b>	<b>NUMBER</b>
Ordinary Shares	33,130,418

**SIGNATURES**

Name of Chief Executive Officer/Director

Name of Company Secretary

P. Walters

Jonathan Bass

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Signature

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Signature

27<sup>th</sup> November, 2007

27<sup>th</sup> November, 2007

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Date

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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 ended 30th June, 2007 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 was 1.14 : 1 for the quarter compared to 1.20 : 1 for the corresponding period one year ago. The quick ratio was 1.06 : 1 compared to 1.13 : 1 for the comparative period. The drop in liquidity was driven mainly by an increase in the provision for tax and higher current liabilities in general. Despite the decline in liquidity, the company is still in a 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>0.6</i>
<i>Mobile</i>	<i>0.2</i>
<i>Internet</i>	<i>0.0</i>
<i>International capacity</i>	<i>0.1</i>
<i>Other</i>	<i>0.0</i>
<b><i>Total</i></b>	<b><i>0.9</i></b>

*The investment in fixed line was primarily driven by increased customer demand. 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 30<sup>th</sup> June , 2007 decreased by 4% to \$25.7 when compared to the corresponding period ended June , 2006. Gross income trailed by 5% to 18.8m. Outpayments and cost of sales showed a slight improvement; dropping by 1% to \$6.9m. Operating income was 13% behind the comparative period.*

❖ **April to June Quarter Discussion**

- *Total turnover fell behind the comparative period by 4%. This shortfall was primarily driven by expected decline in fixed line income which dropped by 11%.*
- *Outpayments and cost of sales were 1% behind the corresponding period ended June, 2006, due mainly to lower cost of sales associated with directory sales and less GSM roaming outbound costs.*
- *Gross income dropped by 5% to \$18.8m when compared to the matching period to June, 2006; mainly because of the 4% drop in total revenues.*
- *Operating income dropped by 13%, while sales were 4% behind the comparative period to June 2006. The main contributor to this situation was the fact that cost fell at a slower pace than revenue, due to higher rental of transmission facilities and depreciation charges were also in excess of the comparative period. Later periods will benefit from the increase in the cost items mentioned above. The company continues to manage its cost so that services*

*could be offered at better rates in the eyes of the customer and at the same time increasing shareholder value.*

- *Net cash flow provided by operating activities was \$7.4 during the quarter, compared to (\$2.5m) used for the period ended June, 2006. This was primarily due to increased use of funds provided by current creditors, offset by additional investment in inventories to satisfy customer demand and allowing customers more time to settle accounts due to competition.*

#### ❖ ***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 11%.*

- *The mobile segment is still on the growth path of the product life cycle, advancing 2% beyond the corresponding period to June, 2006. Performance was driven by innovative marketing and promotional strategies.*
- *Internet line of business is still in the growth phase of its life cycle, advancing 9% when compared to June 2006. Such strong performance was driven primarily by the development of the \$99, 512kpb high speed internet package and continued success in the laptop sales initiative.*
- *Data revenues remained static at \$1.2m, although customer numbers stepped up slightly but not without a drop in price.*
- *Other revenues dropped 24% behind the corresponding period ended June, 2006, mainly because reported directory revenues were 59% lower.*

### **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.*

*The above risks are not material and the probability of their occurrence is quite low.*

### **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.
- (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*
- (b) 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.

**CABLE & WIRELESS ST. KITTS & NEVIS LTD**  
**STATEMENT OF INCOME**  
**FOR THE PERIOD ENDED 30 JUNE 2007**

	<u>Notes</u>	<u><b>June-07</b></u> EC\$000	<u>June-06</u> EC\$000
Turnover		<b>25,715</b>	26,819
Outpayments and cost of sales		<b>(6,948)</b>	(7,024)
Gross Income		<b>18,767</b>	19,795
Operating costs	1	<b>(13,707)</b>	(13,985)
Operating Income		<b>5,060</b>	5,810
Net interest and other income	2	<b>38</b>	71
Income on ordinary activities before taxation		<b>5,098</b>	5,881
Taxation on ordinary activities	3	<b>(1,988)</b>	(2,294)
Income on ordinary activities after taxation		<b>3,110</b>	3,587
Dividend - interim		0	0
- final proposed		<b>0</b>	0
Retained (loss)/profits for the year		<b>3,110</b>	3,587

**CABLE & WIRELESS ST. KITTS & NEVIS LTD  
BALANCE SHEET**

**FOR THE PERIOD ENDED JUNE 30, 2007**

	<u>Notes</u>	<u>June-07</u> EC\$000	<u>June-06</u> EC\$000
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	4	<b>85,863</b>	88,919
Loan receivable from related party		<b>615</b>	1,906
<b>Total Non -Current Assets</b>		<b>86,478</b>	90,825
<b>CURRENT ASSETS</b>			
Inventories		<b>2,416</b>	1,853
Accounts receivable and prepayments	5	<b>22,629</b>	19,120
Amounts due from Group companies		<b>375</b>	403
Cash at bank and in hand	6	<b>11,138</b>	9,244
<b>Total Current Assets</b>		<b>36,558</b>	<b>30,620</b>
<b>Total Assets</b>		<b>123,036</b>	<b>121,445</b>
<b>CAPITAL, RESERVES AND LIABILITIES</b>			
<b>CAPITAL AND RESERVES</b>			
Called up share capital	7	<b>33,130</b>	33,130
Share premium account		<b>3,009</b>	3,009
Retained earnings		<b>43,277</b>	48,122
<b>Total Capital and Reserves</b>		<b>79,416</b>	84,261
<b>LONG TERM LIABILITIES</b>			
Provision for liabilities and charges	8	<b>11,418</b>	11686
<b>CURRENT LIABILITIES</b>			
Trade accounts payable		<b>8,309</b>	2,653
Amounts owed to Group companies		<b>12,356</b>	6,656
Provision for income tax		<b>5,984</b>	1,525
Other Liabilities	9	<b>3,648</b>	8,793
Accrued liabilities and deferred income		<b>1,906</b>	5,871
<b>Total Current Liabilities</b>		<b>32,202</b>	25,498
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>123,036</b>	<b>121,445</b>
<b>SHAREHOLDERS' FUNDS</b>			

**CABLE & WIRELESS ST. KITTS & NEVIS LTD**  
**STATEMENT OF CASH FLOWS**  
**FOR THE PERIOD ENDED JUNE 30, 2007**

	<u>June-07</u> EC\$000	<u>June-06</u> EC\$000
<b>Cash Flows from operating activities</b>		
Income on ordinary activities before taxation	5,098	5,881
<b>Adjustments for:</b>		
Depreciation expense	2,769	2,539
Loss/(gain) on disposal of property, plant and equipment	-	(41)
Net Interest	(38)	(71)
<b>Operating cash flows before working capital changes</b>	<u>7,829</u>	<u>8,308</u>
Decrease/(Increase) in inventories	(865)	(962)
(Increase)/decrease in accounts receivable	(2,554)	(1,234)
Increase in accounts payable and accrued liabilities	5,490	(5,670)
<b>Net cash from operations</b>	<u>9,900</u>	<u>442</u>
Income taxes paid	(2,500)	(3,000)
Interest received	39	75
Interest Paid	-	(4)
<b>Net cash from operating activities</b>	<u>7,439</u>	<u>(2,487)</u>
<b>Cash flows used in investing activities</b>		
Purchase of tangible property, plant and equipment	(2,278)	(931)
Proceeds from disposal of tangible property, plant and equipment	-	41
<b>Net cash used in investing activities</b>	<u>(2,278)</u>	<u>(890)</u>
<b>Cash flows used in financing activity</b>		
<b>Lending from Group companies</b>		
Dividends paid	(3,323)	(3,313)
<b>Net cash used in financing activity</b>	<u>(3,323)</u>	<u>(3,313)</u>
<b>Net change in cash and cash equivalents</b>	<u>1,838</u>	<u>(6,690)</u>
Net cash and cash equivalents, beginning of year	9,300	15,934
<b>Net cash and cash equivalents, end of year</b>	<u>11,138</u>	<u>9,244</u>

**CABLE & WIRELESS ST. KITTS & NEVIS  
LTD  
STATEMENT OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED JUNE 30 2007**

	<b>Share Capital EC\$'000</b>	<b>Share Premium EC\$'000</b>	<b>Retained Earnings EC\$'000</b>
<b>Balance as of March 31, 2006</b>	33,130	3,009	38,689
Dividend			(11,039)
Issuance of bonus shares			
Net Income for the year			12,517
<b>Balance as of March 31, 2007</b>	<u>33,130</u>	<u>3,009</u>	<u>40,167</u>
Dividend			
Net Income for the 3 months ended June 30 2007			3,110
<b>Balance as of June 30, 2007</b>	<u>33,130</u>	<u>3,009</u>	<u>43,277</u>

The accompanying notes form an integral part of these financial statements

**NOTES TO THE FINANCIAL  
STATEMENTS  
FOR THE PERIOD ENDED 30 JUNE 2007**

**1. OPERATING COSTS**

	<u><b>June-07</b></u> <b>EC\$000</b>	<u><b>June-06</b></u> <b>EC\$000</b>
Employee costs	2,404	2,579
Directors' fees	5	6
Pension costs	138	157
Rental of transmission facilities	509	482
Management Fees	884	857
Operating lease rentals	40	94
Other operating costs	6,798	6,981
Depreciation of tangible fixed assets	2,769	2,539
Exceptional items	-	-
Auditor's remuneration - current year	166	18
Trading foreign exchange losses	(5)	313
Profit on sale of fixed assets	-	(41)
	<u><b>13,707</b></u>	<u><b>13,985</b></u>

**EMPLOYEE COST**

	<u><b>Jun-07</b></u> <b>EC\$000</b>	<u><b>Jun-06</b></u> <b>EC\$000</b>
Salaries and Wages	1,938	2,048
Staff training	63	122
Other staff costs	403	409
	<u><b>2,404</b></u>	<u><b>2,579</b></u>

**2. NET INTEREST INCOME**

	<u><b>Jun-07</b></u> <b>EC\$000</b>	<u><b>Jun-06</b></u> <b>EC\$000</b>
Interest paid	38	75
Interest received	0	(4)
	<u><b>38</b></u>	<u><b>71</b></u>

**3. TAXATION ON ORDINARY ACTIVITIES**

	<u>Jun-07</u>	<u>38,895</u>
	<u>EC\$000</u>	<u>EC\$000</u>
Tax on profits for the year	<u>1,988</u>	<u>2,294</u>
Adjustment in respect to prior year	<u>0</u>	<u>0</u>
	<u>1,988</u>	<u>2,294</u>
Deferred taxation	<u>0</u>	<u>0</u>
	<u>1,988</u>	<u>2,294</u>

The current year tax charge of EC\$2,294K is higher (2006:higher) than the standard rate of tax of 35%. (2005:35%) See details below.

	<u>Jun-07</u>	<u>38,895</u>
	<u>EC\$000</u>	<u>EC\$000</u>
Tax at the standard rate of 35% (2005: 35%)	<u>1,784</u>	<u>3,533</u>
Tax effect arising from the following:		
Capital allowances in excess of depreciation		
Tax on non-deductible expenditure	<u>204</u>	<u>(1,239)</u>
Adjustment in respect of prior periods		
Current tax charge	<u>1,988</u>	<u>2,294</u>

#### 4. TANGIBLE FIXED ASSETS

	<b>Land and Buildings</b>	<b>Plant</b>	<b>Motor Vehicles</b>	<b>Projects Under construction</b>	<b>Total</b>
	<b>EC\$000</b>	<b>EC\$000</b>	<b>EC\$000</b>	<b>EC\$000</b>	<b>EC\$000</b>
<b>COST</b>					
At beginning of year-1 April 2007	24,819	180,154	3,648	7,619	216,240
Additions	-			896	896
Disposals					0
Transfers between items		497		(497)	0
At end of June 2007	24,819	180,651	3,648	8,018	217,136
		243			

#### ACCUMULATED DEPRECIATION

At beginning of year	9,070	116,969	2,465		128,504
Charge for the year	159	2,498	112		2,769
Charge for impairment				0	0
On disposals					0
At year end	9,229	119,467	2,577	0	131,273

#### NET BOOK VALUE

<b>At 30 June 2007</b>	<b>15,590</b>	<b>61,184</b>	<b>1,071</b>	<b>8,018</b>	<b>85,863</b>
At 30 June 2006	15,493	58,323	955	14,148	88,919

The net book value of land and buildings comprises:

	<b>June-07</b>	<b>June-06</b>
	<b>EC\$000</b>	<b>EC\$000</b>
Freehold	<b>14,946</b>	14,857
Long leasehold	<b>644</b>	636
Short leasehold	<b>0</b>	0
	<b>15,590</b>	15,493



## 5. ACCOUNTS RECEIVABLES AND PREPAYMENTS

	<u>June-07</u>	<u>June-06</u>
	EC\$000	EC\$000
Trade accounts receivables	14,517	12,729
Other receivables	7,080	2,493
Current portion of loan receivable from related party	0	966
Prepayments and accrued income	1,031	2,932
	<u>22,629</u>	<u>19,120</u>

## 6. CASH AT BANK AND CASH IN HAND

	<u>June-07</u>	<u>June-06</u>
	EC\$000	EC\$000
Cash at bank and in hand	9,839	5,622
Short term deposits	1,299	3,622
	<u>11,138</u>	<u>9,244</u>

Short-term deposits earn interest at an average rate of 3.25% per annum (2006:3.25%)

## 9. OTHER LIABILITIES

	<u>June-07</u>	<u>June-06</u>
	EC\$000	EC\$000
Customers deposits	1,923	1,828
Social security	156	198
Other creditors	1,569	6,767
	<u>3,648</u>	<u>8,793</u>

## 7. SHARE CAPITAL

	<u>Jun-07</u>	<u>Jun-06</u>
	EC\$000	EC\$000
Authorised: 50,000,000 Ordinary shares of EC\$1.00 each	<u>50,000</u>	50,000
Allotted, called up and fully paid:- 33,130,418 (2005:27,608,682)		
Ordinary shares of EC\$1.00 each	<u>33,130</u>	33,130

## 8. PROVISION FOR LIABILITIES AND CHARGES

	<b>Redundancy</b>	<b>Deferred Taxation</b>	<b>Total</b>
	<b>EC\$000</b>	<b>EC\$000</b>	<b>EC\$000</b>
At 1 April 2007	910	10,508	11,418
Adjustment to prior year			0
Payment			0
Charge/(Credit) for the period			0
Credit related to change in tax rate			0
Credit related to accelerated capital allowances			0
At 30 June 2007	<u>910</u>	<u>10,508</u>	<u>11,418</u>

The deferred taxation liability is analysed as follows:-

	<b><u>Jun-07</u></b>	<b><u>Jun-06</u></b>
	<b>EC\$000</b>	<b>EC\$000</b>
Accelerated capital allowances	<u>10,508</u>	<u>10,796</u>