

**Schedule 3
FORM ECSRC - Q**

(Select One)

Quarterly Report
For the period ended **June 30, 2008**

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

29th August, 2008

29th August, 2008

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 ended 30 June 2008 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 0.98 : 1 for the quarter compared to 1.14 : 1 for the corresponding period one year ago. The quick ratio was 0.78: 1 compared to 1.06:1 for the similar period. The drop in liquidity was driven mainly by a decrease in cash due to an increase in cash repatriated to head office. There is also a decrease in amounts receivable from Group Companies. 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>0.09</i>
<i>Mobile</i>	<i>0.57</i>
<i>Internet</i>	<i>1.47</i>
<i>Other</i>	<i>0.07</i>
<i>Total</i>	<i>2.20</i>

A significant amount (92%) was spent on internet and mobile. Mobile expenditure related to the continued expansion of the GSM network to satisfy customer growth and improve coverage. In order to further improve internet market penetration, a significant amount was spent to expand the broadband network as well as to develop the capability to provide wimax service. The amount reported under other category

includes capital maintenance work on buildings to improve accommodation as well as health and safety. Funds used to finance the above investment were provided by operating activities.

(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 period ended 30th June , 2008 showed a slight decrease of 4.54% to \$24.5m, when compared to the previous period ended 30th June, 2007. Outpayments and cost of sales also decreased by 13.6% to \$6m. Gross income remained flat at \$18m. Operating income dropped by 6.5% to \$4.7m.

❖ **April to June Quarter Discussion**

- *The decrease in Total turnover resulted primarily from the drastic decline in Fixed line revenue – both national and international (5% and 23% respectively). Other revenue also decreased by \$2.2m which was mainly due to the change in the timing of the recognition of directory revenue*
- *Outpayments and cost of sales was directly in line with revenue with corresponding decreases in fixed line national and international COS of 27.6% together compared to the quarter ended June, 2007.*
- *Gross income remained flat at \$18m when compared to the matching period of June, 2007, despite higher cost of sales.*
- *Operating income dropped 6.5% to \$4.7m. This result was primarily driven by a slight increase in staff cost compared to the previous period ended June, 2007.*

- *Net cash flows generated from operating activities \$7.3m (2006: \$7.4) \$3.5 was invested in the purchase of fixed assets and \$3.3m was paid out in dividends.*

❖ *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 growth in the Mobile segment has somewhat climaxed resulting to an increase of only 1% beyond the corresponding period to June, 2007. Promotions are still being geared to increase usage as well as maintain current market capacity.*
- *Internet line of business experienced moderate growth; some 10% when compared to June, 2006. This increment driven primarily by the development of the \$99, 2mg high speed internet package and continued success in computer sales initiative mainly to increase the broadband customer base.*
- *Data revenues showed a slight decrease of 10.8% down to \$10.6m, due to a decline in rates.*

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 JUNE 30, 2008

	<u>Notes</u>	<u>Jun-08</u> EC\$000	<u>Jun-07</u> EC\$000
Turnover		24,548	25,715
Outpayments and cost of sales		(6,001)	(6,948)
Gross Income		18,546	18,767
Operating costs	1	(13,815)	(13,707)
Operating Income		4,731	5,060
Net interest and other income	3	76	38
Income on ordinary activities before taxation		4,807	5,098
Taxation on ordinary activities	4	(1,875)	(1,988)
Income on ordinary activities after taxation		2,932	3,110

CABLE & WIRELESS ST. KITTS & NEVIS LTD
BALANCE SHEET
AS AT JUNE 30, 2008

	<u>Notes</u>	<u>Jun-08</u> EC\$000	<u>Jun-07</u> EC\$000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	5	86,906	85,863
Loan receivable from related party		6,439	615
Intangible assets	6	1,013	-
Total Non -Current Assets		94,358	86,478
CURRENT ASSETS			
Inventories		4,305	2,416
Accounts receivable and prepayments	7	17,709	22,629
Amounts due from Group companies		0	375
Cash at bank and in hand	8	7,538	11,138
Total Current Assets		29,552	36,558
Total Assets		123,910	123,036
CAPITAL, RESERVES AND LIABILITIES			
CAPITAL AND RESERVES			
Called up share capital	9	33,130	33,130
Share premium account		3,009	3,009
Retained earnings		46,774	43,277
Total Capital and Reserves		82,914	79,416
LONG TERM LIABILITIES			
Provision for liabilities and charges	10	10,780	11,418
CURRENT LIABILITIES			
Trade accounts payable		4,017	8,309
Amounts owed to Group companies		12,674	12,356
Provision for income tax		3,290	5,984
Other Liabilities	11	4,342	3,648
Accrued liabilities and deferred income		5,894	1,906
Loan Payable to Group companies		-	
Dividends payable			
Total Current Liabilities		30,216	32,202
TOTAL LIABILITIES AND EQUITY		123,910	123,036
		0	

.....
Ms. Patricia Walters
Chief Executive

.....
Mr. Jonathan Bass
Vice President Finance

CABLE & WIRELESS ST. KITTS & NEVIS LTD
STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED JUNE 30, 2008

	Share Capital EC\$'000	Share Premium EC\$'000	Retained Earning EC\$'000	Total EC\$'000
Balance as of March 31, 2007	33,130	3,009	40,609	76,306
Prior Year Audit adjustment			0	
Dividend			(11,600)	(11,600)
Issuance of bonus shares				0
Net Income for the year			14,833	14,833
Prior Year Audit adjustment				
Balance as of March 31, 2008	33,130	3,009	43,842	79,539
Dividend			0	0
Net Income for the 3 months ended June 30, 2008			2,932	2,932
				0
Balance as of June 30, 2008	33,130	3,009	46,774	82,471

The accompanying notes form an integral part of these financial statements

CABLE & WIRELESS ST. KITTS & NEVIS LTD
STATEMENT OF CASH FLOWS
AS AT JUNE 2008

	<u>Jun-08</u> EC\$000	<u>Jun-07</u> EC\$000
Cash Flows from operating activities		
Income on ordinary activities before taxation	4,807	5,098
Adjustments for:		
Depreciation expense	2,778	2,769
Loss/(gain) on disposal of property, plant and equipment	-	-
Net Interest	76	(38)
	<hr/>	<hr/>
Operating cash flows before working capital changes	7,661	7,829
Decrease/(Increase) in inventories	(1,310)	(865)
(Increase)/decrease in accounts receivable	4,363	(2,554)
Increase/(decrease) in accounts payable and accrued liabilities	(915)	5,490
	<hr/>	<hr/>
Net cash from operations	9,799	9,900
Income taxes paid	(2,376)	(2,500)
Interest received	76	39
Interest Paid	(152)	-
	<hr/>	<hr/>
Net cash from operating activities	7,347	7,439
Cash flows used in investing activities		
Purchase of tangible property, plant and equipment	(3,512)	(2,278)
Proceeds from disposal of tangible property, plant and equipment	-	-
	<hr/>	<hr/>
Net cash used in investing activities	(3,512)	(2,278)
Cash flows used in financing activity		
Lending (to)/from Group companies	(62)	-
Dividends paid	(3,313)	(3,323)
	<hr/>	<hr/>
Net cash used in financing activity	(3,375)	(3,323)
	<hr/>	<hr/>
Net change in cash and cash equivalents	460	1,838
Net cash and cash equivalents, beginning of year	7,078	9,300
	<hr/>	<hr/>
Net cash and cash equivalents, end of year	7,538	11,138
	<hr/>	<hr/>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2008**

1. OPERATING COSTS

	<u>Jun-08</u> EC\$000	<u>June-07</u> EC\$000
Employee costs	2,389	2,404
Directors' fees	2	5
Pension costs	185	138
Rental of transmission facilities	345	509
Management Fees	751	884
Operating lease rentals	40	40
Other operating costs	7,281	6,798
Depreciation of tangible fixed assets	2,778	2,769
Exceptional items	-	-
Auditor's remuneration - current year	92	166
Trading foreign exchange losses	(47)	(5)
Profit on sale of fixed assets	-	-
	<hr/> 13,815 <hr/>	<hr/> 13,707 <hr/>

2. EMPLOYEE COST

	<u>Jun-08</u> EC\$000	<u>June-07</u> EC\$000
Salaries and Wages	2,156	1,938
Staff training	72	63
Other staff costs	161	403
	<hr/> 2,389 <hr/>	<hr/> 2,404 <hr/>
Number of employees	126	125

3. NET INTEREST INCOME

	<u>Jun-08</u> EC\$000	<u>June-07</u> EC\$000
Interest paid	-	-
Interest received	76	39
	<hr/> 76 <hr/>	<hr/> 39 <hr/>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2008**

4. TAXATION ON ORDINARY ACTIVITIES

	<u>Jun-08</u>	<u>Jun-07</u>
	EC\$000	EC\$000
Tax on profits for the year	1,875	1,988
Adjustment in respect to prior year	0	0
	1,875	1,988
Deferred taxation	0	0
	1,875	1,988

The current year tax charge of EC\$6,660K is higher (2006:higher) than the standard rate of tax of 35%. (2006:35%) See details

	<u>Jun-08</u>	<u>Jun-07</u>
	EC\$000	EC\$000
Tax at the standard rate of 35% (2006: 35%)	1,683	1,784
Tax effect arising from the following:		
Capital allowances in excess of depreciation		
Tax on non-deductible expenditure	192	204
Adjustment in respect of prior periods		
Current tax charge	1,875	1,988

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2008**

5. TANGIBLE FIXED ASSETS

	Land and Buildings	Plant & Equipment	Intangibles	Motor Vehicles	Projects Under construction	Total
	EC\$000	EC\$000	EC\$000	EC\$000	EC\$000	EC\$000
Costs						
At beginning of year-1 April 2008	24,782	174,125	4,089	3,303	10,897	217,196
Additions	-	-	-	-	2,215	2,215
Disposals	-	-	-	(143)	-	(143)
Transfers between items	0	0	-	-	-	0
At end of year	24,782	174,125	4,089	3,160	13,112	219,268
ACCUMULATED DEPRECIATION						
At beginning of year	9,639	113,523	3,009	2,543	-	128,714
Charge for the year	159	2,438	67	114	-	2,778
Charge for impairment	-	-	-	-	-	0
On disposals	-	-	-	(143)	-	(143)
At year end	9,798	115,961	3,076	2,514	0	131,349
NET BOOK VALUE						
At 30 June 2008	14,984	58,164	1,013	646	13,112	87,919
At 30 June 2007	15,590	61,184	-	1,071	8,018	85,863

The net book value of land and buildings comprises:

	<u>Jun-08</u>	<u>June-07</u>
	EC\$000	EC\$000
Freehold	14,380	14,946
Long leasehold	577	644
Short leasehold	27	0
	<u>14,984</u>	<u>15,590</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2008**

6. INTANGIBLE ASSETS

Intangible assets represent the marketing rights acquired by the company during the year ended March 31st, 2008. The marketing rights will be amortised over a period of 5 years commencing April 1st, 2009.

7. ACCOUNTS RECEIVABLES AND PREPAYMENTS

	<u>Jun-08</u> EC\$000	<u>June-07</u> EC\$000
Trade accounts receivables	15,976	15,294
Other receivables	2,750	7,080
Current portion of loan receivable from related party	-	-
Prepayments and accrued income	611	1,031
Provision for Bad Debts	(1,630)	(777)
	<u>17,709</u>	<u>22,629</u>

8. CASH AT BANK AND CASH IN HAND

	<u>Jun-08</u> EC\$000	<u>June-07</u> EC\$000
Cash at bank and in hand	6,187	9,839
Short term deposits	1,351	1,299
	<u>7,538</u>	<u>11,138</u>

Short-term deposits earn interest at an average rate of 4% per annum (2007:3.25%)

9. SHARE CAPITAL

	<u>Jun-08</u> EC\$000	<u>June-07</u> EC\$000
Authorised: 50,000,000 Ordinary shares of EC\$1.00 each	50,000	50,000
Allotted, called up and fully paid:- 33,130,418 (2007:33,130,418)		
Ordinary shares of EC\$1.00 each	<u>33,130</u>	<u>33,130</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2008**

10. PROVISION FOR LIABILITIES AND CHARGES

	Redundancy	Deferred Taxation	Total
	EC\$000	EC\$000	EC\$000
At 1 April 2008	46	10,734	10,780
Adjustment to prior year			-
Payment	-		-
Charge/(Credit) for the period	-		-
Credit related to change in tax rate			-
Credit related to accelerated capital allowances			-
At 30 June 2008	46	10,734	10,780

The deferred taxation liability is analysed as follows:-

	<u>Jun-08</u>	<u>June-07</u>
	EC\$000	EC\$000
Accelerated capital allowances	10,734	10,508

11. OTHER LIABILITIES

	<u>Jun-08</u>	<u>June-07</u>
	EC\$000	EC\$000
Customers deposits	1,571	1,923
Social security	129	156
Other creditors	2,642	1,569
	4,342	3,648