

**Schedule 3
FORM ECSRC - Q**

(Select One)

Quarterly Report
For the period ended **September 30, 2009**

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 Ext 451**

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

Email address: **jonathan.bass@time4lime.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 Country Manager

Name of Company Secretary

David Lake

Jonathan Bass

Signature

Signature

12th November, 2009

12th November, 2009

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 30th September 2009 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 0.73: 1 for the quarter compared to 0.77: 1 for the corresponding period one year ago. The quick ratio was 0.63: 1 compared to 0.66:1 for the similar period. The drop in liquidity was driven mainly by a decrease in cash on hand due to an increase in cash settlements to related parties. Despite the decline in liquidity, the company is still in a healthy position to settle its short-term and medium 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>0.35</i>
<i>Mobile</i>	<i>0.24</i>
<i>Internet</i>	<i>1.44</i>
<i>Other</i>	<i>0.08</i>
<i>Total</i>	<i>2.11</i>

A significant amount (80%) 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 September, 2009 showed a slight reduction of 3% or \$1.6m when compared with period ended 30th September, 2008. Revenue performance was adversely impacted by the global financial downturn. Outpayments and cost of sales moved in a favourable direction showing a decline of \$1.8m or 13% for the same period last year. As a result, Gross income showed a growth of 1% . Operating Costs decreased by 8% when compared with the previous period ended September 2008. Most of the reduction in operating costs can be attributed to the regional transformation exercise that is in progress. Favourable movements in COS and opex contributed to an increase of \$2.0m in operating income compared with the same period last year.

❖ **April to September Quarter Discussion**

- *The decline in Total turnover resulted primarily from global financial downturn which is having an adverse impact on Fixed National and International revenues. These revenue streams decreased by 20%, when compared with the same period in the previous year. Broadband revenue had a marginal decline while Mobile experienced marginal increase.*
- *Outpayments and Cost of Sales reduced by 13%. With the exception of Fixed line international, Mobile and other Cost of Sales, all other*

Cost of Sales categories decreased. Consequently, Gross Income to increased by \$200k to \$39.3m.

- *Reductions in Staff costs, Marketing and Advertising, Fleet expenses and Licence fees caused Operating Cost to decrease by 8%.*
- *Net cash flows generated from operating activities was \$16.6m (2008: \$14.4). Of this, \$1.7m was invested in the purchase of fixed assets, \$5.9m was repatriated and \$8.3m was paid out in dividends.*

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

- *Fixed line revenue 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 20%.*
- *The Mobile revenue segment continues to perform favourably resulting in an increase of 4% beyond the corresponding period to September, 2008. Promotions are still being geared to increase usage as well as maintain and increase current market capacity.*
- *Internet line of business experienced marginal decline of 2% when compared to September 30^t 2008 as a result of the global economic downturn.*
- *Data revenue increased by 14% in comparison to the period ended September 30th 2008. This was driven by increase in bandwidth requirements.*

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.*
- *Protracted global recession*

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 SEPTEMBER 30, 2009

	<u>Notes</u>	<u>Sep-09</u> EC\$000	<u>Sep-08</u> EC\$000
Turnover		51,480	53,089
Outpayments and cost of sales		<u>(12,140)</u>	<u>(13,947)</u>
Gross Income		39,340	39,141
Operating costs	1	<u>(25,279)</u>	<u>(27,452)</u>
Operating Income		14,061	11,690
Profit/(Loss) on Disposal		39	0
Net interest and other income	3	254	157
Exceptional Items		<u>(1,249)</u>	<u>(749)</u>
Income on ordinary activities before taxation		13,106	11,097
Taxation on ordinary activities	4	<u>(5,358)</u>	<u>(4,328)</u>
Income on ordinary activities after taxation		<u>7,748</u>	<u>6,769</u>

CABLE & WIRELESS ST. KITTS & NEVIS LTD
BALANCE SHEET
AS AT SEPTEMBER 30, 2009

	<u>Notes</u>	<u>Sep-09</u> EC\$000	<u>Sep-08</u> EC\$000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	5	82,673	85,853
Intangible assets	6	675	945
Loan receivable from related party		12,263	8,492
Total Non -Current Assets		<u>95,611</u>	<u>95,290</u>
CURRENT ASSETS			
Inventories		3,175	3,852
Accounts receivable and prepayments	7	13,379	17,949
Amounts due from Group companies		0	0
Cash at bank and in hand	8	7,870	5,299
Total Current Assets		<u>24,424</u>	<u>27,100</u>
Total Assets		<u>120,035</u>	<u>122,390</u>
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		39,869	41,336
Total Capital and Reserves		<u>76,008</u>	<u>77,476</u>
LONG TERM LIABILITIES			
Provision for liabilities and charges	10	10,425	11,009
CURRENT LIABILITIES			
Trade accounts payable		1,870	2,763
Amounts owed to Group companies		18,717	16,347
Provision for Taxation		2,100	3,766
Other Liabilities	11	7,752	7,752
Accrued liabilities and deferred income		3,163	4,416
Total Current Liabilities		<u>33,602</u>	<u>35,043</u>
TOTAL LIABILITIES AND EQUITY		<u>120,035</u>	<u>123,528</u>

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Mr David Lake
Country Manager

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

CABLE & WIRELESS ST. KITTS & NEVIS LTD
STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED SEPTEMBER 30, 2009

	Share Capital EC\$'000	Share Premium EC\$'000	Retained Earning EC\$'000	Total EC\$'000
Balance as of March 31, 2008	33,130	3,009	43,400	79,540
Prior Year Audit adjustment				
Dividend			(11,596)	(11,596)
Issuance of bonus shares	0	0	0	0
Net Income for the year			8,596	8,596
Prior Year Audit adjustment	0	0	0	0
Balance as of March 31, 2009	33,130	3,009	40,400	76,540
Dividend			(8,279)	(8,279)
Net Income for the 6 months ended Sep 30, 2009			7,748	7,748
Balance as of Sep 30, 2009	33,130	3,009	39,869	76,009

The accompanying notes form an integral part of these financial statements

CABLE & WIRELESS ST. KITTS & NEVIS LTD
STATEMENT OF CASH FLOWS
AS AT SEPTEMBER 30 2009

	<u>Sep-09</u> EC\$000	<u>Sep-08</u> EC\$000
Cash Flows from operating activities		
Income on ordinary activities before taxation	13,106	11,097
Adjustments for:		
Depreciation expense	6,090	5,620
Loss/(gain) on disposal of property, plant and equipment	(39)	0
Net Interest	(254)	157
	<hr/>	<hr/>
Operating cash flows before working capital changes	18,903	16,874
Decrease/(Increase) in inventories	(195)	(857)
(Increase)/decrease in accounts receivable	(1,059)	4,154
Increase/(decrease) in accounts payable and accrued liabilities	2,984	2,827
	<hr/>	<hr/>
Net cash from operations	20,633	22,998
Income taxes paid	(4,356)	(8,613)
Interest received	254	157
Interest Paid	0	0
Net cash from operating activities	<hr/> 16,531	<hr/> 14,542
Cash flows used in investing activities		
Purchase of tangible property, plant and equipment	(1,794)	(5,373)
Proceeds from disposal of tangible property, plant and equipment	39	0
	<hr/>	<hr/>
Net cash used in investing activities	<hr/> (1,755)	<hr/> (5,373)
Cash flows used in financing activity		
Lending (to)/from Group companies	(5,854)	(2,115)
Dividends paid	(8,279)	(8,833)
Net cash used in financing activity	<hr/> (14,133)	<hr/> (10,948)
Net change in cash and cash equivalents	643	(1,779)
Net cash and cash equivalents, beginning of year	7,227	7,078
Net cash and cash equivalents, end of year	<hr/> <hr/> 7,870	<hr/> <hr/> 5,299

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED SEPTEMBER 30, 2009

1. OPERATING COSTS	<u>Sep-09</u> EC\$000	<u>Sep-08</u> EC\$000
Depreciation of tangible fixed assets	6090	5,620
Employee costs	4,916	4,818
Licence Fees	2554	2,721
Utilities	911	1,080
Management Fees	2764	2,199
Repairs & Maintenance	182	127
Pension costs	245	368
Insurance	358	281
Operating lease rentals	65	80
Auditor's remuneration - current year	103	133
Directors' fees	1	5
Rental of transmission facilities	165	172
Other operating costs	834.1	4,229
	<u>19,188</u>	<u>21,832</u>

2. EMPLOYEE COST	<u>Sep-09</u> EC\$000	<u>Sep-08</u> EC\$000
Salaries and Wages	3901	4,295
Staff training	21	130
Other staff costs	994	393
	<u>4,916</u>	<u>4,818</u>

Number of employees	85	125
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3. NET INTEREST INCOME	<u>Sep-09</u> EC\$000	<u>Sep-08</u> EC\$000
Interest received	254	157
	<u>254</u>	<u>157</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED SEPTEMBER 30, 2009**

4. TAXATION ON ORDINARY ACTIVITIES

	<u>Sep-09</u> EC\$000	<u>Sep-08</u> EC\$000
Tax on profits for the year	5,358	4,328
Adjustment in respect to prior year	0	0
	<hr/> 5,358	<hr/> 4,328
Deferred taxation	0	0
	<hr/> 5,358	<hr/> 4,328

	<u>Sep-09</u> EC\$000	<u>Sep-08</u> EC\$000
Tax at the standard rate of 35%	4,587	3,884
Tax effect arising from the following:		
Capital allowances in excess of depreciation	0	0
Advance payment @ 30 September 2009	(4,581)	(5,000)
Tax on non-deductible expenditure	5,352	5,444
Adjustment in respect of prior periods	0	0
Current tax charge	<hr/> 5,358	<hr/> 4,328

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED SEPTEMBER 30, 2009**

5. TANGIBLE FIXED ASSETS

	Land and Buildings EC\$000	Plant & Equipment EC\$000	Motor Vehicles EC\$000	Projects Under Construction EC\$000	Total EC\$000
Costs					
At beginning of year-1 April 2009	25,142	197,147	3,320	3,543	229,152
Additions	0	0	0	1,955	1,955
Disposals	0		(268)	0	(268)
Transfers between items	0	3,351	0	(3,351)	0
At end of year	25,142	200,498	3,052	2,147	230,839

ACCUMULATED DEPRECIATION

At beginning of year	10,286	129,875	2,318	0	142,479
Charge for the year	323	5,344	288		5,955
Charge for impairment					0
On disposals			(268)		(268)
At year end	10,609	135,219	2,338	0	148,166

NET BOOK VALUE

At 30 September 2009	14,533	65,279	714	2,147	82,673
At 30 September 2008	14,940	60,645	796	9,472	85,853

The net book value of land and buildings comprises:

	Sep-09 EC\$000	Sep-08 EC\$000
Freehold	13,979	14,790
Long leasehold	539	606
Short leasehold	15	35
	14,533	15,431

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED SEPTEMBER 30, 2009**

6. INTANGIBLE ASSETS	<u>Sep-09</u> EC\$000	<u>Sep-08</u> EC\$000
Balance at beginning of year	809	1,080
Acquisition	0	-
Amortisation charges for year	(134)	(135)
	<u>675</u>	<u>945</u>

7. ACCOUNTS RECEIVABLES AND PREPAYMENTS	<u>Sep-09</u> EC\$000	<u>Sep-08</u> EC\$000
Trade accounts receivables	8458	15,605
Other receivables	1491	1,939
Prepayments and accrued income	4673	1,007
Provision for Bad Debts	(1,243)	(602)
	<u>13,379</u>	<u>17,949</u>

8. CASH AT BANK AND CASH IN HAND	<u>Sep-09</u> EC\$000	<u>Sep-08</u> EC\$000
Cash at bank and in hand	7870	3,948
Short term deposits	0	1,351
	<u>7,870</u>	<u>5,299</u>

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

9. SHARE CAPITAL	<u>Sep-09</u> EC\$000	<u>Sep-08</u> EC\$000
Authorised: 50,000,000 Ordinary shares of EC\$1.00 each	<u>50,000</u>	<u>50,000</u>
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 SEPTEMBER 30, 2009**

10. PROVISION FOR LIABILITIES AND CHARGES	Redundancy	Deferred Taxation	Total
	EC\$000	EC\$000	EC\$000
At 1 April 2009	5	10,420	10,425
Charge/(Credit) for the period			-
Credit related to change in tax rate			-
Credit related to accelerated capital allowances			-
At 30 September 2009	5	10,420	10,425

The deferred taxation liability is analysed as follows:-

	<u>Sep-09</u>	<u>Sep-08</u>
	EC\$000	EC\$000
Accelerated capital allowances	10,420	10,961

11. OTHER LIABILITIES

	<u>Sep-09</u>	<u>Sep-08</u>
	EC\$000	EC\$000
Customers deposits	1684	1,604
Social security	95	129
Other creditors	5973	6,019
	7,752	6,614