

**Schedule 3
FORM ECSRC - Q**

(Select One)

Quarterly Report
For the period ended **31st December 2005**
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	27,608,682

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 December 2005 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 1.18 : 1 for the quarter compared to 1.30 : 1 for the corresponding period one year ago. The quick ratio was 1.04 : 1 compared to 1.14 : 1 for the similar period. The shortfall in liquidity was driven mainly by a lower cash balance; caused by higher accounts receivable. 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>1.7</i>
<i>Mobile</i>	<i>5.3</i>
<i>Internet</i>	<i>0.3</i>
<i>Other</i>	<i>0.5</i>
<i>Total</i>	<i>7.8</i>

In order to further improve the mobile network and call reliability, 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 (voice over the internet) 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, 2005 increased by 9% to \$75.1m; compared to the comparative period ended December, 2004. Gross income fell behind by 5% despite a 9% increase in outpayments and cost of sales. The increases in outpayments and cost of sales plus operating costs challenged operating income, causing it to reduce by 20% below the corresponding period one year ago.

❖ *October to December Quarter Discussion*

- *The 9% growth in turnover was led by double-digit increases in the mobile and internet products, offset by expected lower revenues from the fixed line segment.*
- *Outpayments and cost of sales exceeded the corresponding period by 9%. This was driven primarily by the laptop sales initiative, additional interconnect outpayments for calls terminating on other Service Providers' network and increased expenditure as the company strived to further expand the mobile market to retain market leader status.*
- *Gross income was 5% short of the corresponding period despite a 9% increase in outpayments and cost of sales.*
- *Operating income came in 20%; below the matching period. Apart from the rise in outpayments and cost of sales, operating cost had much to do with this shortfall. The extra costs were driven by higher employee expenses, rental of transmission facilities, marketing, TDMA impairment*

and restructuring costs. Operating costs as a percentage of turnover improved by 3%; a demonstration of the company's successful cost leadership strategies.

- *Net cash flow from operating activities was \$7.1m during the quarter, compared to \$30.3m for the period ended December, 2004. This was primarily due to increased investment in inventories, customers demanding a longer time to settle accounts due to competition 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 14%.*
- *The mobile segment is still on the growth path of the product life cycle, advancing 54% beyond the corresponding period to December, 2004. Performance was driven by innovative marketing and promotional strategies.*
- *Internet line of business experienced significant growth; some 60% when compared to the corresponding period to December, 2005. Such strong performance was driven primarily by the development of the 512kpb high speed internet package, launch of Net Speak, and the launch of the laptop sales initiative.*
- *Additional income from frame relay mainly contributed to the 12% improvement in Data revenues.*
- *Other revenues improved by 7% when compared to the corresponding period ended December, 2004. Growth was driven by better directory sales.*

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.

❖ *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
- ❖ *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.
- ❖ *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.
- ❖ *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.

❖ *The 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.

