



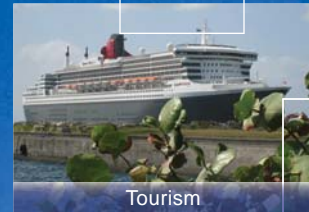
CABLE & WIRELESS



Partners



Rotary Club C&W
Make A Wish Project



Tourism



Vendors



Music Festival

2007

2007 ANNUAL REPORT & ACCOUNTS

partnerships



Join **CONNECT** Family TODAY!!



Partnerships

Partnerships



Music Festival ●●●●●

C&W has been on board with the Music Festival Committee from the inception of the festival 10 years ago. The relationship has been a solid partnership which has flourished and grown over the decade. As the product has become better defined and more attractive Cable & Wireless' contribution to the festival has significantly improved, reflecting its confidence in the product.

Vendor Partners ●●●●●

With over 400 vendors dotting the landscape across St. Kitts & Nevis, our mobile brand and top up facility continue to be the most visible and sought after. A vast improvement in the distribution of top up credit has been experienced since the master dealership was negotiated with the St. Kitts Bottling Company Limited. This alliance of Vendors and bMobile could easily be described as one of the better partnerships that has been realized over the past 5 years.



"As a Cable & Wireless Customer for over 45 years, our relationship is like a very good marriage, growing from strength to strength each year". *Mr. Ian Slack*

Conect ●●●●●

Expanding on its relationship with the schools, a new sporting initiative called CONECT was rolled out to assist the sports programme in all of the public high schools in the Federation. The acronym which means Committed to Optimizing National goals for Each Child, Together also have a community element requiring bMobile customers to register their phone/s to their favourite school. A portion of the top up revenue from these phones is then ploughed back into the schools' sporting programme to assist with the purchase of gears, uniforms and equipment.



Carnival and Culturama ●●●●●

Cable & Wireless' association with these premier cultural festivals dates back decades. As these festivals evolve, there's been a marked increase in the level of sponsorship underscoring the confidence that Cable & Wireless has in the respective products. The company has also been able to obtain value added benefits from the growth of these festivals underscoring the mutual gains that can be realised from public and private sector partnerships.



CABLE & WIRELESS

St. Kitts and Nevis Ltd.

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DIRECTORS, MANAGEMENT & ADVISORS IN OFFICE AT 31ST MARCH 2007

CHAIRMAN

Mr. Joseph Edmeade B.Sc., MBIM

DIRECTORS

Mr. John Boyle B.A., MBA
 Mr. Theodore Hobson L.L.B. (Lond.)
 His Excellency Alfred Lam O.B.E., G.S.M., H.B.M.
 Mr. Lawrence McNaughton B.Sc., E.E. (Hons), Ms. Eng., Dip Mgmt
 Mr. Geoff Bastone B.A. (Hons), L.L.B.
 Ms Patricia Walters B.A. (Hons), FCCA

MANAGEMENT EXECUTIVES AND OFFICERS

Ms Patricia Walters B.A. (Hons), FCCA
Chief Executive

Mr. Jonathan Bass B.A. (Hons) CPA
Vice President Finance & Corporate Affairs

Mr. Curtis A Martin
Vice President Human Resources

Mrs. Sheila DeSilva
Vice President Small Medium Enterprise & Regulatory

Mr. Rudolph Knight, HND
Vice President Networks

Mr. Jerome Rawlins
Vice President Nevis Operations

Mr. David Lake B.Sc. (Hons), M.Sc. (Eng.)
Vice President Mobile, Consumer Sales & Indirect Channel

Mr. Robert Williams
Vice President Customer Services

Mr. Terrence Crossman, B.A. (Hons)
Vice President Corporate Accounts

Mrs. Laverne Caines B.Sc, PA
Vice President Corporate Communications & Marketing

ADVISORS

Auditors
KPMG Audit plc

Solicitors
Kelsick, Wilkin & Ferdinand

Registrars
National Bank Trust Company (St. Kitts-Nevis-Anguilla) Ltd

REGISTERED OFFICE

Cayon Street, Basseterre, St. Kitts, West Indies

REPORT FROM YOUR CHAIRMAN



I am confident that the future of your company will continue to be bright and rewarding for all of its shareholders.

Cable and Wireless St. Kitts and Nevis Limited continues to perform well inspite of the growing competitiveness of the telecommunication market. The company is one of the leading business units of Cable and Wireless Group in the Eastern Caribbean in a number of critical commercial indicators:

- Mobile market share
- Internet per household
- Fixed line per household and e-services

These areas of achievement must be sustained if the company is to realize the goals of increasing efficiencies throughout its business while at the same time improving the customer experience and increasing shareholders benefits.

We are satisfied that we have been able to bring the latest development in telecommunication technology to the Federation. Our young people are not any worse off than those of the developed world. As a result of our significant investment in developing first class telecommunication infrastructure, the Federation has now become a more attractive place for foreign investment.

Amidst the many challenges from competition, I am pleased to report that your company was able to continue its pattern of revenue growth. At the end of the financial year 31st March 2007, revenues were EC\$104.4 million, representing a 3% growth on the same period last year. Mobile and broadband continue to be the leading contributors to this growth. Profit after tax for the period was EC\$12.5 million representing a 98% growth (15% excluding exceptionals) over last year. The Board of Directors taking all factors into consideration has approved a final dividend of .25 cents per share, bringing the total dividend payable for the financial year to .35 cents per share.

In December 2004 the government of St. Kitts and Nevis enunciated a policy to privatize or commercialize its ownership interest in certain businesses including Cable and Wireless. In pursuance of that stated policy Cable and Wireless West Indies began negotiation to purchase government's 17% shareholding in Cable and Wireless St. Kitts and Nevis Limited. At this point in time negotiations are ongoing and I have all confidence that by the time the Annual General Meeting comes around, the sales agreement between both parties would have been completed.

Under the Agreement for the sale of sales, the present Shareholders' Agreement will come to an end. The government appointed directors would be expected to tender their resignation. Cable and Wireless will undertake to list on the Eastern Caribbean Securities exchange, sell back 5% of the 17% shareholding purchased from the government to the general public and appoint two directors at the Annual General Meeting to represent the minority shareholders.

We take this opportunity to invite all shareholders to support the proposals when finalized, as it would provide an opportunity for wider public participation in a profitable enterprise. It will also provide an easy mechanism for shareholders to buy and sell their shares.

In conclusion, permit me to express my delight in this new development for I honestly believe that government must focus its attention on regulating service providers to ensure customer quality and affordable prices. Let me also on your behalf acknowledge and record with gratitude the contribution of Mr. Theodore L. Hobson, who retired after serving for fifteen (15) years and to welcome the new director for Nevis, Mr. Herman Liburd.

I have no doubt that Cable and Wireless St. Kitts and Nevis Limited will continue to enjoy strong growth and deliver good results. I therefore invite the general public to purchase the shares when they become available thus sharing in the profits of a viable company. I deem it an honour to have been asked to serve in this capacity and I am confident that the future of your company will continue to be bright and rewarding for all of its shareholders.

Joseph L. Edmeade
Chairman

REPORT FROM YOUR CHIEF EXECUTIVE



Our ability to respond quickly to the changing market needs has enabled us to maintain our market Leadership in Mobile, Fixed line and Broadband...

I am proud to report that at the end of the second year of a fully liberalized Telecommunications market the company has delivered another record level of Sales and a 98% increase in profits (15% excluding exceptionals) for the year to 31st March 2007.

These results would not have been possible without the support and loyalty of our many stakeholders and our cementing of strong partnerships established over the years. So it is with pleasure that we highlight a number of our valued Partnerships in this Annual Report.

Market Environment

The dynamic telecommunications environment continues to provide many challenges and golden opportunities and we can undoubtedly boast of being one of the most innovative and creative businesses in the Cable and Wireless Caribbean Group.

Our ability to respond quickly to changing market needs has enabled us to maintain our market leadership in Mobile, Fixed line and Broadband. In fact our market share and customer penetration levels in these services are amongst the highest both within the Federation as well as in the C&W Eastern Caribbean Businesses.

Global and Local Expertise

After two years of intense preparation, millions of dollars of invest-

ment by the C&W International Group, and months of local network planning, enhancement and expansion, we were "ready to welcome the World" for the historic Cricket World Cup 2007. Utilizing entirely local resources we were able to deliver a world class telecommunications infrastructure that enabled the world to witness CWC in the Federation. This tremendous achievement speaks to the excellence of our local team, a team I am very proud to lead. Our continuing success would not be possible without the strong work ethic, deep loyalty, long hours and dedication of the local management and staff to helping their customers, communities and each other. I thank them for their continued outstanding contributions to our performance.

Our Employees

One of our goals as an organization is to be recognized as an 'employer of choice' by both current employees and potential recruits. During the year a new methodology was introduced to measure employee satisfaction, Gallup Q12. The Gallup organization more popularly known for conducting International opinion polls has based its research and subsequent Employee Survey on a database of 467,000 business Units, and 5 million respondents in 114 companies. It has developed a survey based on just 12 Questions that it believes are the key success factors to driving business value by enhancing employee engagement. Locally, the Wave 1 results have

formed a solid basis for the entire management team to identify and resolve employee satisfaction gaps.



Global Award Winning CE



Global Award Winning Team

It is said that hard work is eventually crowned with success, and this was the realization when our business proudly distinguished itself at the Cable & Wireless global summit in Monaco and received an award for excellence.

Outdoing over 30 other businesses in the Cable & Wireless group, our submission triumphed over 70 nominations to win the prestigious Award for "Most Effective Change Management." The Award was created to recognize a business for taking on the competition and winning "by creating innovative marketing and PR campaigns, the effective use of communications, partnership with indirect channel agents and government and by improving customer service."

Our Customers

Throughout the year we introduced a number of initiatives as a direct result of customer feedback, the most impactful of which was instituting local staff to personally answer the company's main contact number. Our ultimate aim is to 'delight our customers by helping them use telecoms to optimize their lifestyle'. Our unprecedented twelve weeks of Christmas Campaign, our 'first to market' launch of the Blackberry Pearl, the launch of flat rate residential fixed line service called Cheap Chat and the much anticipated launch of prepaid roaming in the USA and UK, combined to make this year a bumper crop of savings and excitement for our customers

To further 'bridge the digital divide' we were first in the C&W Eastern Region to introduce a \$99, 512kpb High speed Internet package and facilitate Laptop and desktop financing with TDC, one of our long standing local partners.

Our Shareholders

We continue to provide an excellent return on investment. Over the past 5 years total shareholder returns have exceeded 40% including dividends and share price appreciation. To reinforce this message, it is particularly pleasing that the additional bonus shares granted last year would now be eligible for dividends.

We have accomplished much in the last year, maintaining our position as market leader in all of the products and services that we provide. We continue to have good year on year turnover growth, strong EBIDTA re-

turns and solid working capital management. This gives us the flexibility to pursue new growth areas, while cushioning the inevitable downturns in traditional legacy revenues. We continue to sustain our reputation as one of the top Public Companies in the Eastern Caribbean.

To ensure we optimize the use of shareholder capital and human resources, we continuously measure our customers' needs and continue to pursue ways to reduce costs and operate more efficiently.

Our Partnerships

The importance of sustaining strong and sustainable relationships with key business and community stakeholders cannot be understated especially in a competitive environment. By remaining focused on this area we believe that we can continue to grow our business in spite of the many challenges ahead.

Social partnerships are also very critical and for this reason we continue to channel our support for young people especially in the areas of sports and education. Focus has also been given to matters of health and culture, whilst budding entrepreneurs and social influencers, have reached out to us to work together for the mutual benefit of community and business. The phenomenal achievement in mobile penetration can be attributable in no small measure to our indirect sales channels. Many of these small to medium size enterprises have given maximum support for the brand and often can be counted on to be additional marketing conduits for our products and services.

Finally, I would like to express my profound gratitude to the Chairman, Mr. Joseph Edmeade for his absolute confidence, trust and support accorded to me. My thanks are also extended to the Board of Directors, Management and staff for driving the company forward and achieving what many thought was the impossible. I would also like to thank those employees who have left the Company over the past year and to wish them the very best in their studies and new roles outside of C&W. I wish to welcome our new Director, Mr. Herman Liburd to the Board and, finally I would like to personally thank Director Hobson who served on the Board for 15 years and whose invaluable contribution will forever be remembered in the offices and hearts of the C&W family.

Our long term success is the product of our unwavering focus on the Company's Mission To Achieve Complete Market Leadership by delivering the best Customer Service experience through engaged employees, while delivering exceptional EBIDTA margins for our Shareholders"

As always, I will continue to manage your Company for the benefit of you, our Shareholders, customers, employees and the Communities we serve.



Ms. Patricia Walters
Chief Executive

FINANCIAL REVIEW- 2007 (all figures quoted are EC\$ million)



INTRODUCTION

The company experienced another year of steady growth in revenue during the financial year 2006/07. This was achieved as a result of the company's strategy to focus on deepening relationships with existing customers and finding creative ways to attract new ones. Gross revenue of \$104.4m was 3.4% higher than last year whilst profit before tax of \$21.7m increased by \$7.2m (50%) over last year's figure.

The analysis provided below compares the financial results as at 31 March 2007 with the results as at 31 March 2006.

Turnover

The mobile revenue continues to exceed target amidst a very competitive and aggressive environment. Mobile revenue for 2006/07 increased by 24% when compared with the previous year. The company's aggressive marketing and promotional programs contributed significantly to this growth in mobile revenue.

Internet revenue increased by 23%. This was mainly as a result of a 57% increase in broadband revenue. The company's promotional drive geared towards making computers and internet access more affordable along with the increased demand for Netspeak have all contributed to this growth in broadband revenue.

Revenue from Data remained relatively flat year on year. However, there was an increase in the number of data customers but this was offset by a reduction in the rates offered to customers for leased circuits.

National interconnection revenue increased from \$2.5m to 4.0m. This represented an increase of 60% over the previous year. The upsurge in the number of calls from customers of other mobile operators terminating on

our network is stimulating the increase in interconnect revenue.

International inpayments from incoming international calls increased by 7% over the previous year. The growing expat population and the increase in the mobile market which has created an avenue for higher calls completion from international incoming call accounted for the increase in inpayment revenues.

Domestic fixed line revenue declined by 15% when compared with last year. The steady shift by customers from fixed line to the more modern mobile handsets is eroding this revenue stream. The introduction of cheap-chat is also having an adverse impact on this revenue stream.

Fixed international outgoing revenue fell by 31%. The decline is expected to continue as a result of the worldwide reduction in the international outgoing rates along with the emergence of new technology such as VOIP which is providing customers with the opportunity to make cheaper international calls.

Other revenues increased by 8% compared with last year. The additional directory sales was mainly responsible for the increase in other revenues

Outpayments and Cost of Sales

In comparison with the previous year, total outpayments and cost of sales increased by \$2.7m (9%). This was due primarily to the increase in national interconnect outpayment associated with the termination of traffic on other mobile operators' network and the increase in international outpayment for mobile IDD calls.

Operating Costs

Total operating costs decreased by \$7.6m (13%) compared with last year. During the last financial year, the company reported impairment losses of \$4.5m. This year the figure reported is nil. The following are the other key

items that influenced the overall operating costs for the financial year ended 31 March 2007.

- (a) Employee costs decreased as a result of the savings realized from the restructuring that was done in the previous year.
- (b) Rental of transmission costs increased as a result of additional costs associated with the expansion of the network.
- (c) Depreciation expenses decreased by \$1.9m following impairment of TDMA equipment in the previous year.
- (d) Restructuring costs decreased as a result of the company achieving a greater level of efficiency with its human resources.

Capital Expenditure

Capital expenditure for the year was \$6.6m compared with \$11.5m in the previous year, a decline of \$4.9m. Most of the capital expenditure for the year under review was used for GSM mobile upgrade and broadband expansion.

Taxation

Corporation tax for the year was \$9.2m compared with 2005/06 figure of \$8.1m. The increase in the profit before tax for 2006/07 accounted for the increase in taxation.

Profit

Income on ordinary activities after taxation of \$12.5 m was \$6.2m higher than the previous year. The reduction in the operating costs was mainly responsible for the increase in profitability.



Mr. Jonathan Bass
Vice President Finance & Corporate
Affairs-Company Secretary

YOUR BOARD OF DIRECTORS



Joseph Edmeade
Chairman



Theodore Hobson
Director



Patricia Walters
Chief Executive and C&W Director



His Excellency Alfred 'Fred' Lam
OBE, GSM, HBM – Director



Lawrence Mc Naughton
Director



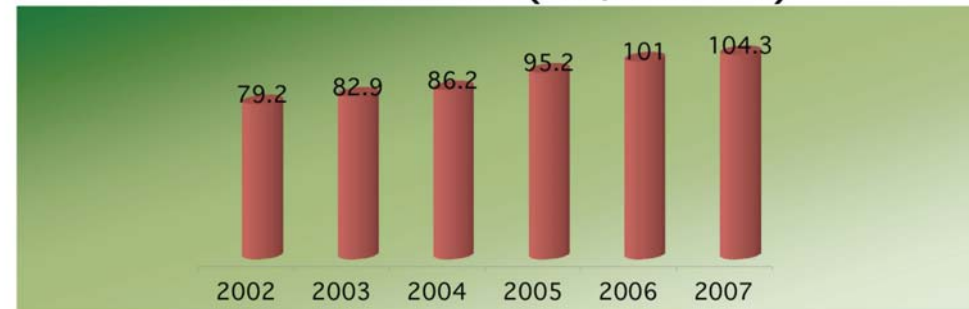
John Boyle
Director



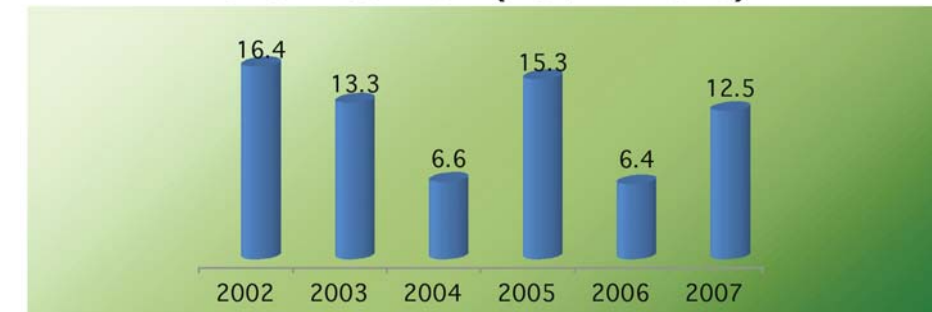
Geoff Bastone
Director

FINANCIAL HIGHLIGHTS

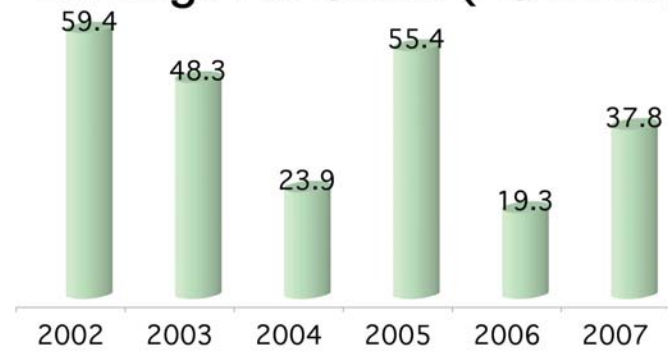
Gross Turnover (EC\$ millions)



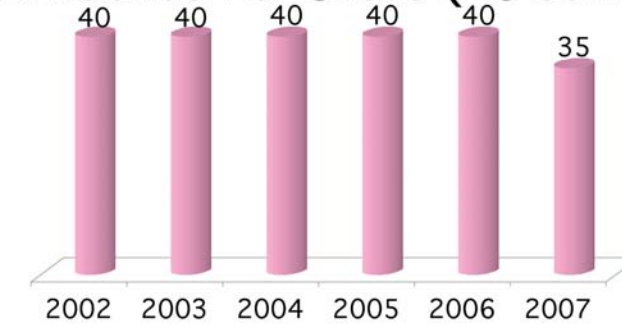
Profit After Tax (EC\$ millions)



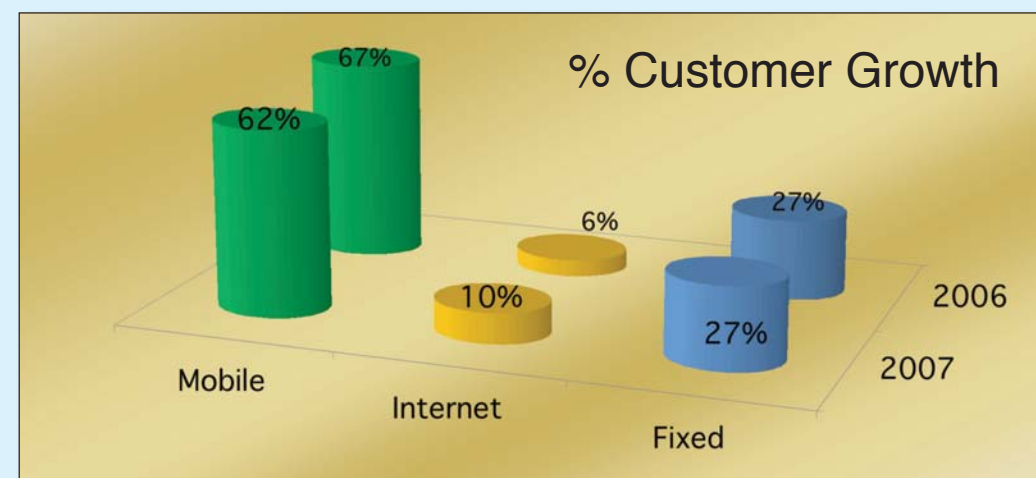
Earnings Per Share (EC cents)



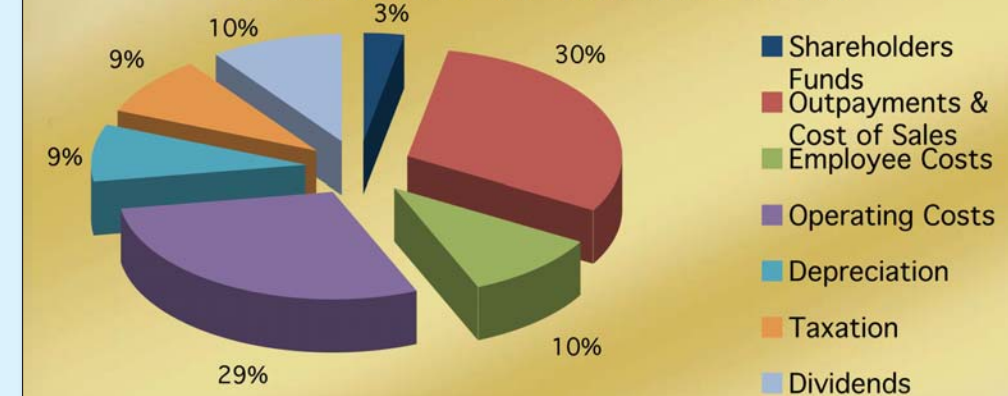
Dividends Per Share (EC cents)



% Customer Growth



Distribution of Revenue Dollar



CORPORATE SOCIAL RESPONSIBILITY

Out of an understanding that social and environmental issues cannot be isolated from corporate growth and profitability, Cable & Wireless continues to lead the way in many aspects of corporate social responsibility. The company's ongoing commitment to assist young people in particular through a wide range of activities, is testimony of its interest in the growth and development of our young nation.

It is no accident that Cable & Wireless has continuously identified and embraced several opportunities critical to the long-term sustainability of our human resource capital in St. Kitts & Nevis. It is rather a deliberate strategy to ensure that it provides enrichment that extends beyond its portfolio's monetary value.

Through its corporate social responsibility programmes, Cable & Wireless looks at all the important economic, social and environmental concerns of people with a stake in its operation. Of note, is its consistent outreach in the area of education through its scholarship programme, sponsorship of the Academic Excellence awards and a number of other agendas, which touch and concern education. In one year's time, its scholarship programme will celebrate a milestone 20 years of existence. That will translate to the direct input into the secondary education of over one hundred bright young people, many of whom have been engaged in important endeavours at home and abroad.

The recent CONECT initiative, beginning to take root following its launch in July 2006, is expected to become the catalyst through which significant improvements will be made in sports in the high schools in the Federation. Intent to make the CONECT programme a household name in St. Kitts & Nevis, Cable & Wireless is confident that it will only be a matter of time before our young sports men and women begin to achieve even greater results.

The direct involvement in cultural activities through sponsorship of Carnival and Culturama has resulted in an improvement of the cultural product and preservation of local heritage. Likewise, the St. Kitts Music Festival is beginning to cement its brand as a top-class entertainment event in the region, owing in no small part to the value of the contribution Cable & Wireless has consistently provided to the event.

Cable & Wireless' corporate social responsibility extends beyond input into commercial and cultural activities as is evidenced by its outreach to the community of senior citizens, and in particular those who have made significant contributions to nation building. It is for this reason that homage is paid to them through our Make A Wish for the Elderly programme, as well as Mother's Day and Father's Day initiatives.

Writing its name into the sporting history of the region and perhaps farther afield, Cable & Wireless was proud of the role that it played to ensure the smooth execution of the ICC CWC 2007. In addition to the technological assistance provided, the company played a partnership role in ensuring that scores of young people in particular and the general public at large, were able to witness at least one of the matches. Apart from international cricket, the company also renewed its sponsorship of many local teams in the disciplines of netball, basketball, football and volleyball.

This comprehensive approach which Cable & Wireless has taken in corporate social responsibility, reflects its interest in the sustained growth and development of the Federation of St. Kitts and Nevis. As a full service telecommunications provider, the company will continue to ensure not only the best products and services, but an improved social platform from which these products and services can be enjoyed.

Partnerships in Perspective

A tripartite effort involving the Chamber of Industry and Commerce, the Ministry of Education and Cable & Wireless, the Academic Excellence Awards is proof of how effective collaboration of the public and private sectors can yield beneficial results.

Our association with this event dates back to 1989 after the initial funds allocated to this function were exhausted and an alternate partner was sought. Since then Cable & Wireless has provided 17 consecutive years of financial sponsorship, the funds for which are used to cover from administrative costs to dinner costs to boat transfers to and from Nevis.

Translated into headcount, Cable & Wireless has provided a jump-start to university education to 17 young people of St. Kitts and Nevis, by providing a cash prize to the runner-up state scholar over the years. Additionally the last 17 years would have seen an average of 450 students being publicly recognized for excellence in academics.

Described as the Oscars of education in St. Kitts & Nevis, the Academic Excellence Awards is the only programme of its kind which honours outstanding students who excel at CXC and/or Advanced level subjects.

The Summer Soccer School of Excellence is another model social partnership of which Cable & Wireless is extremely proud. A collaborative effort with the Ministry of Sports, this programme has been ongoing for over 10 unbroken years.

Several boys, and in recent years girls, get the opportunity to hone their football skills in a camp setting which also includes sessions on personal development. Many success stories have emanated from this two week camp, non the least of which has been that many of the island's top footballers have graduated from this programme and have gone on to play on the international circuit.



DIRECTORS' REPORT

The Directors submit their twenty-second annual report together with the audited Financial Statements of the Company for the financial year ended 31 March 2007.

PRINCIPAL ACTIVITIES

Cable & Wireless St. Kitts and Nevis Limited supplies telecommunications services and facilities to the Federation of St. Kitts and Nevis. The Company's main business is the provision and operation of the public telecommunication services of the Federation of St. Kitts and Nevis under an Agreement dated 7 April 2001, which replaced a 25 year franchise granted by the Government that would have expired on 30 November 2015. Following this agreement, the company applied for new licenses and was granted non-exclusive licenses that will expire in 10 years.

RESULTS AND DIVIDENDS

	2007 EC\$000	2006 EC\$000
Profit for the year after taxation	12,517	6,394
Added: Retained earnings brought forward	44,535	46,975
Effect for prior year adjustment	<u>(5,846)</u>	=
Restated balance as of March 31, 2006	38,689	46,975
Amount available for distribution	51,206	53,369
It is recommended that this be dealt with as follows:		
Dividends: Interim Paid	(3,313)	(3,313)
Final dividend paid	<u>(7,726)</u>	-
Issuance of bonus shares	-	(5,521)
Total	<u>(11,039)</u>	<u>(8,834)</u>
Retained earnings carried forward	<u>40,167</u>	<u>44,535</u>

DIRECTORS

During the year Mr. Paul Aspin and Mr. Frans Vandendries tendered their resignation from the Board. In accordance with Article 112 of the Company's Articles of Association, Cable & Wireless (West Indies) Limited nominated Mr. John Boyle and Mr. Geoff Batstone as their replacements.

In accordance with Article 122(a) to (e), the Director retiring by rotation is Miss Patricia Walters who, being eligible, offers herself for re-election.

Other Directors who served during the year were Mr. Joseph Edmeade, His Excellency Alfred Lam O.B.E., G.S.M., H.B.M., Mr. Theodore Hobson, Mr. Lawrence McNaughton, Mr. Paul Aspin and Mr. Frans Vandendries.

AUDITORS

Pursuant to the Company's Articles, the retiring auditors are KPMG Eastern Caribbean. A resolution proposing the reappointment of KPMG Eastern Caribbean will be put before the next Annual General Meeting on 11 December 2007.

APPRECIATION

The Directors wish to express their sincere thanks and gratitude to all who have contributed to the continuing success of the Company over the past year, in particular to the loyal and dedicated employees and their families. The Directors also wish to convey their gratitude to those employees who have left the Company during the year for their years of service and support and wish them the very best for the future.

BY ORDER OF THE BOARD OF DIRECTORS



.....
Mr. Joseph Edmeade
Chairman



.....
Mr. Jonathan Bass
Vice President Finance & Corporate Affairs • Company Secretary

Dated: 9 November 2007

Cayon Street
Basseterre
St. Kitts
West Indies

DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE PREPARATION OF FINANCIAL STATEMENTS

Company law requires the Directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with Generally Accepted Accounting Standards as required by s. 104(2) of the St. Kitts and Nevis Companies Act 1996 which states the following.

"The accounts shall be prepared in accordance with generally accepted accounting principles and show a true and fair view of the profit or loss of the company for the period and of the state of the company's affairs at the end of the period and comply with any other requirements of this Act"

They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF CABLE AND WIRELESS ST. KITTS AND NEVIS LIMITED

We have audited the accompanying financial statements of Cable and Wireless St. Kitts and Nevis Limited which comprise the balance sheet as at March 31, 2007 and the statement of income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

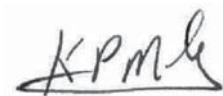
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the financial statements present give a true and fair view of the financial position of the Company as at March 31, 2007, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



Chartered Accountants
Antigua and Barbuda
9 November 2007

STATEMENT OF INCOME

FOR THE YEAR ENDED MARCH 31, 2007 (with comparative figures for 2006)

	Notes	2007 EC\$000	2006 EC\$000
Turnover	1	104,397	101,042
Outpayments and cost of sales		<u>(31,700)</u>	<u>(28,985)</u>
Gross income		72,697	72,057
Operating costs	2	<u>(49,951)</u>	<u>(57,561)</u>
Operating income		22,746	14,496
Other income (expenses)	4	(772)	(52)
Net interest	5	<u>(248)</u>	<u>67</u>
Income on ordinary activities before taxation		21,726	14,511
Taxation on ordinary activities	6	<u>(9,209)</u>	<u>(8,193)</u>
Income on ordinary activities after taxation		12,517	6,318

BALANCE SHEET

FOR THE YEAR ENDED MARCH 31, 2007 (with comparative figures for 2006)

	Notes	2007 EC\$'000	Restated 2006 EC\$'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	7	87,736	90,528
Loan to related party	8	-	958
Intangible assets	9	1,192	-
Total Non-current Assets		<u>88,928</u>	<u>91,486</u>
CURRENT ASSETS			
Inventories	10	2,010	891
Trade accounts receivables and other receivables	11	19,136	18,775
Amounts due from group companies		219	462
Cash at bank and in hand	12	9,300	15,934
Total Current Assets		<u>30,665</u>	<u>36,062</u>
TOTAL ASSETS		<u>119,593</u>	<u>127,548</u>
SHAREHOLDER'S EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Share capital	13	33,130	33,130
Share premium account		3,009	3,009
Retained earnings		<u>40,167</u>	<u>38,689</u>
Total Stockholder's Equity		<u>76,306</u>	<u>74,828</u>
LONG TERM LIABILITIES			
Provision for liabilities and charges	14	<u>11,418</u>	<u>11,967</u>
CURRENT LIABILITIES			
Trade accounts payable		4,031	4,958
Amounts owed to group companies		7,717	9,427
Provision for taxation		6,265	8,078
Other liabilities	15	5,611	7,339
Accruals and deferred income		4,932	7,638
Dividends payable	18	<u>3,313</u>	<u>3,313</u>
Total Current Liabilities		<u>31,869</u>	<u>40,753</u>
TOTAL SHAREHOLDER'S EQUITY AND LIABILITIES		<u>119,593</u>	<u>127,548</u>

The financial statements set out on pages 19 to 33 were approved by the Directors of Cable and Wireless St. Kitts and Nevis Limited and signed on their behalf by:

Joseph L. Edmeade
Chairman

Dated: 9th November 2007

His Excellency Alfred Lam, OBE, HBM
Director

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED MARCH 31, 2007 (with comparative figures for 2006)

	Capital Capital EC\$'000	Premium Premium EC\$'000	Earnings Earnings EC\$'000	Total Total EC\$'000
Balance as of March 31, 2005 as previously stated	27,609	3,009	46,975	77,593
Prior period adjustment (Note 20)	-	-	(5,770)	(5,770)
Balance as of March 31, 2005-Restated	27,609	3,009	41,205	71,823
Dividend	-	-	(3,313)	(3,313)
Issuance of bonus shares	5,521	-	(5,521)	-
Net income for the year	-	-	6,318	6,318
Balance as of March 31, 2006	33,130	3,009	38,689	74,828
Dividends	-	-	(11,039)	(11,039)
Net income for the year	-	-	<u>12,517</u>	<u>12,517</u>
Balance as of March 31, 2007	<u>33,130</u>	<u>3,009</u>	<u>40,167</u>	<u>76,306</u>

The accompanying notes form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2006

	2007 EC\$'000	Restated 2006 EC\$'000
Cash flows from operating activities		
Income on ordinary activities before taxation	21,726	14,511
Adjustments for:		
Depreciation expense	9,079	11,025
Loss on disposal of property, plant and equipment	267	130
Net interest	248	(67)
Impairment	<u>—</u>	<u>4,538</u>
Operating cash flows before working capital changes	31,320	30,137
(Increase)/decrease in inventories	(758)	1,848
Increase in debtors	(471)	(4,405)
(Decrease)/increase in creditors	<u>(7,333)</u>	<u>664</u>
Net cash from operations	22,758	28,244
Income taxes paid	(11,309)	(11,648)
Interest received	233	380
Interest paid	<u>(481)</u>	<u>(313)</u>
Net cash from operating activities	11,201	16,663
Cash flows used in investing activities		
Purchase of tangible property, plant and equipment	(6,639)	(11,472)
Proceeds from disposal of tangible property, plant and equipment	85	45
Acquisition of intangible assets	(1,553)	-
Loans proceeds	<u>1,311</u>	<u>—</u>
Net cash used in investing activities	(6,796)	(11,427)
Cash flows used in financing activity		
Dividends paid	(11,039)	(11,043)
Net cash used in financing activity	(11,039)	(11,043)
Net change in cash and cash equivalents	(6,634)	(5,807)
Net cash and cash equivalents, beginning of year	<u>15,934</u>	<u>21,741</u>
Net cash and cash equivalents, end of year	9,300	15,934

The accompanying notes form an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2007

a) LEGAL STATUS AND PRINCIPAL ACTIVITY

Cable and Wireless St. Kitts and Nevis Limited is registered under the laws of the Federation of St. Kitts and Nevis. The company is a subsidiary of Cable and Wireless (West Indies) Limited which owns 65% of the issued and outstanding shares. The ultimate parent company is a Cable and Wireless Plc., a company incorporated in the United Kingdom. The company provides telecommunication and internet services.

b) BASIS OF ACCOUNTING

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations adopted by the International Accounting Standards Board (IASB) and comply with the provisions of the St. Kitts and Nevis Companies Act 1996. These financial statements are denominated in Eastern Caribbean Dollars and the measurement basis used is historical cost.

c) REVENUE RECOGNITION

Gross turnover represents the amounts receivable in respect of telecommunication services and equipment provided to customers and is accounted for on the accruals basis. In respect of services invoiced in advance, amounts are deferred until provision of the service. Amounts payable by and to telecommunications operators of national and international networks are recognised as services are provided. Charges are negotiated separately and are subject to continuous review.

Turnover from sales of telecommunication equipment is recognised upon delivery to the customer. Turnover from the provision of other services is recognised evenly over the periods in which the service is provided.

d) USE OF ESTIMATES

The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and contingent liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reported periods presented. Actual results could differ from estimates made by management.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2007

STATEMENT OF ACCOUNTING POLICIES (cont'd)

e) **PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION**

- (i) **Owned Assets**
Items of property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses (see accounting policy i).

Where parts of an item of plant and equipment have different useful lives, they are accounted for as separate items of plant and equipment.

- (ii) **Subsequent Costs**
The company recognises in the carrying amount of an item of plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the company and the cost of the item can be measured reliably. The costs of repairs and replacements of a routine nature are charged to the statement of income whilst those expenditures that improves or extent useful life of the asset are capitalised.

- (iii) **Depreciation**
Depreciation is charged to the income statement on a straight line basis over the estimated useful lives of each part of an item of property, plant and equipment. The annual rates for the current and comparative periods are determined as follows:

Freehold land and buildings	-	40 years
Leasehold land and buildings	-	40 years or term of lease if less
Plants	-	5 to 20 years
Motor vehicle	-	4 years

f) **CASH AND CASH EQUIVALENTS**

Cash and cash equivalents comprise cash balances and call deposits.

g) **TRADE ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES**

Accounts receivable and other receivables are stated at their cost less provision for doubtful debts.

h) **INVENTORIES**

The cost of inventories is based on the first-in-first-out principle and includes expenditure incurred in acquiring the inventory and bringing them to their existing location and condition.

Inventories of equipment held for use in the maintenance and expansion of the Unit's telecommunication systems are stated at cost, including appropriate overheads, less provision for deterioration and

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2007

STATEMENT OF ACCOUNTING POLICIES (cont'd)

obsolescence. Inventories held for resale are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of the business, less the estimated costs of completion and selling expenses.

i) **IMPAIRMENT**

The carrying amounts of the Company's property, plant and equipment are reviewed to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised in the statement of income whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

The recoverable amount of property, plant and equipment is the greater of their net selling price or value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

j) **INTANGIBLE ASSETS**

Intangible assets are stated at cost less accumulated amortization and any impairment in value. The Company amortises its intangible assets using the straight-line method over a period of five years, provision for impairment losses.

k) **ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

Accounts payable and accrued liabilities are stated at cost.

l) **FOREIGN CURRENCY**

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Eastern Caribbean dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Eastern Caribbean dollars at foreign exchange rates ruling at the dates the fair value was determined.

m) **BORROWING COSTS**

Borrowing costs are recognised initially at cost, less attributable transaction costs. Subsequent to initial

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2007

STATEMENT OF ACCOUNTING POLICIES (cont'd)

recognition, borrowing costs are stated at amortized cost with any difference between cost and redemption value being recognised in the statement of income over the period of the borrowing on an effective interest basis.

n) DEFERRED TAXATION

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the balance sheet date. Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

A deferred tax asset is recognised only to the extent that it is probably that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that is no longer probable that the related tax benefit will be realised.

o) PENSION

The Company is a member of the Cable and Wireless Plc pension scheme, a defined benefit scheme. However, as permitted by International Accounting Standards (IAS) 19, the Company is exempt from accounting for the pension scheme as a defined benefit scheme within the financial statements as the Company is unable to identify its share of the underlying assets and liabilities from those of the other participating employers within the group defined benefit scheme. Therefore the Company has treated the pension scheme as if it was a defined contribution scheme and therefore the contributions payable to the scheme for the year are shown as costs within the statement of income (2007 - \$627k, 2006 - \$646k).

p) LEASES

Payments made under operating leases are charged to the statement of income.

q) FINANCE INCOME AND EXPENSES

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues in the income statement, using the effective interest method.

Finance expenses comprise interest expense on borrowings which is recognised in the statement of income using the effective interest method.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2007

r) PROVISIONS

A provision is recognised if, as a result of a past event, the Unit has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax that reflects current market assessments of the time value of money and the risks specific to the liability.

(i) Restructuring

A provision for restructuring is recognised when the Unit has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.

1. TURNOVER

Turnover represents amounts derived from international and domestic telecommunications products and services. All revenue streams and operating income derive entirely from continuing operations.

2. OPERATING COSTS

	2007 EC\$'000	2006 EC\$'000
Employee costs	10,720	11,043
Depreciation of tangible property, plant and equipment	9,079	11,025
License fees	4,833	4,094
Rental of transmission facilities	2,949	1,743
Management fees	2,033	3,368
Repairs and maintenance	1,796	1,849
Utilities	1,422	1,450
Insurance	706	999
Pension costs	627	646
Restructuring costs	345	1,133
Operating lease rentals	158	470
Auditor's remuneration – current year	138	115
Directors' fees	26	42
Impairment losses	-	4,538
Other operating costs	15,119	15,046
	49,951	57,561

Some of the Company's staff are members of Cable and Wireless Plc pension schemes. Particulars of the actuarial valuations of the group's schemes are contained in the accounts of Cable and Wireless Plc.

No amounts were paid to Directors under defined contribution or defined benefit pension schemes.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2007

	2007 EC\$'000	2006 EC\$'000
3. EMPLOYEE COSTS		
Salaries and wages	9,077	9,311
Statutory payroll deductions	680	732
Staff training	250	274
Other staff costs	<u>713</u>	<u>726</u>
	<u>10,720</u>	<u>11,043</u>
Number of employees	<u>123</u>	<u>133</u>
4. OTHER INCOME (EXPENSES)		
Loss on disposal of fixed assets	(267)	(130)
Foreign Exchange (loss) gain	(908)	78
Other income	403	-
	<u>(772)</u>	<u>(52)</u>
5. NET INTEREST		
Interest paid	(481)	(313)
Interest received	<u>233</u>	<u>380</u>
	<u>(248)</u>	<u>67</u>
6. TAXATION ON ORDINARY ACTIVITIES		
Tax on profits for the year	9,497	8,810
Adjustment in respect of prior year	<u>-</u>	<u>1,913</u>
	9,497	10,723
Change in deferred taxation	<u>(288)</u>	<u>(2,530)</u>
	<u>9,209</u>	<u>8,193</u>

The current year tax charge of EC\$9,497K is higher (2006: higher) than the standard rate tax charge, since the effective tax rate is higher than the standard tax rate of 35%. (2006:35%) See details below:

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2007

	2007 EC\$'000	2006 EC\$'000
Tax at the standard rate of 35% (2006: 35%)	7,604	5,079
Tax effect/(benefit) arising from the following:		
Capital allowances in excess of depreciation	(67)	2,059
Tax on non-deductible expenditure	1,960	1,672
Under provisions prior periods	-	1,831
Current year tax adjustment	-	82
Current tax charge	<u>9,497</u>	<u>10,723</u>

7. PROPERTY, PLANT & EQUIPMENT

	Land & Buildings EC\$'000	Plant EC\$'000	Motor Vehicles EC\$'000	Projects Under construction EC\$'000	Total EC\$'000
COST					
At beginning of year	24,110	154,543	3,309	28,258	210,220
Additions	-	-	-	6,639	6,639
Transfers between items	709	25,611	606	(26,926)	-
Disposals	<u>-</u>	<u>-</u>	<u>(267)</u>	<u>(352)</u>	<u>(619)</u>
At end of year	<u>24,819</u>	<u>180,154</u>	<u>3,648</u>	<u>7,619</u>	<u>216,240</u>
ACCUMULATED DEPRECIATION					
At beginning of year	8,484	108,932	2,276	-	119,692
Charge for the year	586	8,037	456	-	9,079
Eliminated on disposal	<u>-</u>	<u>-</u>	<u>(267)</u>	<u>-</u>	<u>(267)</u>
At year end	<u>9,070</u>	<u>116,969</u>	<u>2,465</u>	<u>-</u>	<u>128,504</u>
NET BOOK VALUE					
At March 31, 2007	<u>15,749</u>	<u>63,185</u>	<u>1,183</u>	<u>7,619</u>	<u>87,736</u>
At March 31, 2006	<u>15,626</u>	<u>45,611</u>	<u>1,033</u>	<u>28,258</u>	<u>90,528</u>
The net book value of land and buildings comprises:					
				2007 EC\$'000	2006 EC\$'000
Freehold				15,136	14,983
Long leasehold				<u>613</u>	<u>643</u>
				<u>15,749</u>	<u>15,626</u>

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2007

8. LOAN TO RELATED PARTY

During the financial year ended 31 March 1999, the Company's Board of Directors approved an eight and a half (8.5) years, seven and five tenth (7.5%) percent interest bearing loan of EC\$10,000,000 to the Government of St Kitts & Nevis for reconstruction of hospital and social services. The loan was effective from 1 July 1999 and was disbursed to the Government in four separate drawdowns. Interest earned in the year ended 31 March 2007 was approximately EC\$234k (2006: EC\$234k) and at 31 March 2007 the balance outstanding on the loan was as follows:

	2007 EC\$'000	2006 EC\$'000
Non-current portion of loan to related party	-	958
Current portion of loan to related party	<u>937</u>	<u>1,290</u>
	<u>937</u>	<u>2,248</u>

9. INTANGIBLE ASSETS

Intangible assets represent the marketing rights acquired by the company during the year. The marketing rights will be amortised over a period of 5 years commencing April 1st 2007.

10. INVENTORIES

	2007 EC\$'000	2006 EC\$'000
Merchandise inventories at net realizable value	445	202
Other materials and supplies at net realizable value	<u>1,565</u>	<u>689</u>
	<u>2,010</u>	<u>891</u>

11. TRADE ACCOUNTS RECEIVABLE & OTHER RECEIVABLES

	2007 EC\$'000	2006 EC\$'000
Trade accounts receivable	11,242	11,693
Other debtors receivable	5,674	3,496
Current portion of loan to related party (Note 8)	937	1,290
Prepayments and accrued income	<u>1,283</u>	<u>2,296</u>
	<u>19,136</u>	<u>18,775</u>

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2007

12. CASH AT BANK AND CASH IN HAND

	2007 EC\$'000	2006 EC\$'000
Cash at bank and in hand	8,051	12,429
Short term deposits	<u>1,249</u>	3,505
	<u>9,300</u>	<u>15,934</u>

Short-term deposits earn interest at an average rate of 4% per annum (2006:3.25%).

13. SHARE CAPITAL

	2007 EC\$'000	2006 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 Ordinary Shares of EC\$1.00 each	<u>33,130</u>	<u>33,130</u>

The percentage shareholdings of the Company are: Cable & Wireless (West Indies) Limited (65%); Government of St Kitts & Nevis (17%); members of the Public (18%).

During the fiscal period ended March 31, 2006, the Company issued 5,521,736 ordinary shares to existing shareholders under a bonus share scheme of one new ordinary share of EC\$1.00 each for every five share(s) of EC\$1.00 each held on the Record Date 9th March, 2006.

14. PROVISIONS FOR LIABILITIES AND CHARGES

	Redundancy EC\$'000	Deferred Taxation EC\$'000	Total EC\$'000
At 1 April 2006	1,171	10,796	11,967
Credit for the period	(261)	-	(261)
Adjustment to prior year	-	(1,446)	(1,446)
Credit related to accelerated capital allowance	-	<u>1,158</u>	<u>1,158</u>
At 31 March 2007	<u>910</u>	<u>10,508</u>	<u>11,418</u>

The deferred taxation liability is analysed as follows: -

	2007 EC\$'000	2006 EC\$'000
Accelerated capital allowances	<u>10,508</u>	<u>10,796</u>

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2007

15. OTHER LIABILITIES

	2007 EC\$'000	2006 EC\$'000
Customers' deposits	2,228	1,847
Social Security	188	124
Other creditors	<u>3,195</u>	<u>5,368</u>
	<u>5,611</u>	<u>7,339</u>

16. RELATED PARTY TRANSACTIONS

(a) Amounts receivable from or payable to Cable and Wireless Group companies, included in turnover or outpayments to other telecommunications administrations, are as follows:

	2007 EC\$'000	2006 EC\$'000
Included in turnover	2,896	2,413
Included in outpayments	3,692	3,094

Payment is also made to a Group company for the provision of management services.

(b) During the financial year ended March 31, 1999, the Company's Board of Directors approved an eight and a half (8.5) year, seven and five tenth (7.5%) percent interest bearing loan of EC\$10,000,000 to the Government of St. Kitts and Nevis for reconstruction of hospital and social services. The loan was effective from July 1, 1999 and was disbursed to the Government of four separate drawdowns. Interest earned in the year ended March 31, 2007 was EC\$233,488 (2006: EC\$233,894) and at March 31, 2006 the balance outstanding on the loan was as follows:

	2007 EC\$'000	2006 EC\$'000
Included in other receivables	937	1,290
Included in non-current assets	<u>—</u>	<u>958</u>
	<u>937</u>	<u>2,248</u>

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2007

7. LEASE COMMITMENTS

At the year-end, operating lease commitments payable in the following year, analysed according to the period in which each lease expires, were as follows:

	2007 EC\$'000	2006 EC\$'000
Land and buildings		
- Expiring within one year	157	157
- Expiring thereafter	<u>156</u>	<u>313</u>
	<u>313</u>	<u>470</u>

18. DIVIDENDS

On March 9, 2007, the Company declared interim dividends amounting to EC\$3,313,000 based on the financial performance of the Company for the six (6) months ended September 30, 2006.

Subsequent to the balance sheet date (on August 16, 2007), the directors declared a final dividend of EC\$8,282,500 (EC\$0.25 per share). The liability for the payment of this dividend is not included in the balance sheet as at March 31, 2007 as it did not exist at that date.

19. ULTIMATE HOLDING COMPANY

The Company's ultimate holding company is Cable and Wireless plc, incorporated in United Kingdom. The annual report and accounts of Cable and Wireless plc are available at Lakeside House, Cain Road, Bracknell, Berkshire RG12 1 XL, United Kingdom.

20. PRIOR PERIOD ADJUSTMENT

During the current year, there was a prior period adjustment in respect of the under provision of income tax expense for the 2005 and 2006 financial years. The adjustment was made on a retroactive basis and resulted in the decrease of retained earnings by \$5.77 million for the year ended March 31, 2005. Net income decreased by \$0.076 million by March 31, 2006.

21. SUBSEQUENT EVENTS

Subsequent to the balance sheet date, Cable and Wireless (West Indies) (CWWI) Limited purchased an additional 17% stake on the Company for EC\$36.2 million from the Government of the Federation of St Kitts & Nevis, increasing its shareholding in the Company from 65% to 82%. Within 12 months of completion, CWWI will sell 5% of the company through the Eastern Caribbean Securities Exchange via a public offering to the residents of St Kitts & Nevis.

22. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform with the presentation used in the current year.

NOTES:

part·ner·ship: *a relationship between individuals or groups that is characterized by mutual cooperation and responsibility, as for the achievement of a specified goal.*



Progress through partnership.



CABLE & WIRELESS

St. Kitts & Nevis Limited

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