

**Schedule 3
FORM ECSRC - Q**

(Select One)

Quarterly Report
For the period ended **June 30, 2010**

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 General Manager

Name of Company Secretary

David Lake

Jonathan Bass

Signature

Signature

18th August, 2010

18th August, 2010

Date

Date

INFORMATION TO BE INCLUDED IN THE REPORT

1. Financial Statements

Provide quarterly Financial Statements in accordance with International Accounting Standards. The format of the financial statements should be similar to those provided with the registration statement. Include the following:

- (a) (Condensed Balance Sheet as of the end of the most recent financial year and just concluded quarter.
- (b) Condensed Statement of Income for the interim three, six and nine months of the current financial year and corresponding period in the previous financial year.
- (c) Condensed Statement of Cash Flows for the interim three, six and nine months of the current financial year and the corresponding period in the previous financial year.
- (d) Examples of financial data items to be included in constructing financial statements for various types of businesses are provided in Parts A-D. These items are meant to serve as guidelines only.
- (e) By way of *Notes to Condensed Financial Statements*, provide explanation of items in the financial statements and indicate any deviations from generally accepted accounting practices.

❖ *Please find attached copies of the financial statements for the quarter ended 30 June 2010 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 0.75: 1 for the quarter compared to 0.80: 1 for the corresponding period one year ago. The quick ratio was 0.72:1 compared to 0.70:1 of the similar period last year. The increase in liquidity was driven mainly by a decrease in accounts receivables and settlement of intercompany balances. The company continues to be in a healthy position to settle its short-term commitments.*

(b) **Capital Resources**

Describe the reporting issuer's material commitments for capital expenditures as of the end of the latest fiscal period, and indicate the general purposes of such commitments and the anticipated source of funds needed to fulfil such commitments. Describe any material trends, favourable or unfavourable in the reporting issuer's capital resources and any expected change in mix. The discussion should consider changes between equity, debt and any off-balance sheet financing arrangements.

❖ *Capital expenditure analysis is shown below:-*

<i>Details</i>	<i>EC\$m</i>
<i>Fixed line</i>	<i>0.515</i>
<i>Mobile</i>	<i>0.138</i>
<i>Internet</i>	<i>0.692</i>
<i>Other</i>	<i>0.145</i>
<i>Total</i>	<i>1.490</i>

For the year to date, 81% of the capital expenditure has been invested in the upgrade of Fixed Line and Mobile networks. Most of funds will be spent in the third quarter of the year. Funds used to finance the above investment were provided by operating activities.

(c) **Results of Operation.**

Describe any unusual or infrequent events or transactions or any significant economic changes that materially affected the amount of reported income from continuing operations and in each case indicate the extent the income was so affected. Describe any known trends or uncertainties that have had or that the reporting issuer reasonably expects will have a material favourable or unfavourable impact on net sales or revenues or income from continuing operations. If the reporting issuer knows of events that will cause a material change in the relationship between costs and revenues (such as price increases, costs of labour or materials), the changes in relationship should be disclosed.

❖ **Executive Summary**

Turnover for the period ended 30th June, 2010 was \$23.3m. This represents a slight decrease of 4% when compared to the previous period ended 30th June, 2009. Outpayments and Cost of Sales decreased by 15% to \$4.7m. Gross income remained flat at \$18m. Operating income decreased by 15% to \$4.7m.

❖ **April to June Quarter Discussion**

- *The decrease in total turnover resulted primarily from the a decline in National Fixed Line and Broadband revenues. The global financial downturn contributed to this decline. However, Data revenue increased due to growth in the market.*
- *Outpayments and cost of sales experienced a corresponding decline as in the case of turnover. This was driven primarily by lower overall cost of sales resulting from the decline in revenue.*
- *Gross Margin remained flat at \$18m, as a result of lower Revenue mitigated by lower Cost of Sales.*
- *Operating costs increased by 6%. This was driven mainly by an increase in management fees, salaries and other operating costs.*
- *Operating income decreased by 15% to \$4.7m. This result was primarily driven by a combination of an increase in operating costs and a reduction in turnover.*
- *Net cash flows generated from operating activities was \$2.7m (2009: \$8.5). \$2.1m was invested in the purchase of fixed assets and \$8.3m was paid out in dividends.*

❖ **Business Segment Discussion for the Quarter**

- *As expected, income from the fixed line stream continues on the path of decline. International call revenues are being eroded by lower international rates in general and the launch of VOIP (voice over internet protocol). Fixed line national income is being challenged by mobile call substitution and the introduction of flat rate domestic calling. Overall the fixed line income trailed revenues generated during the corresponding period by 6%.*
- *The Mobile segment experienced a slight decrease of 2% compared with the corresponding period to June, 2009. Promotions are still being geared to increase usage and revenue.*
- *Internet line of business experienced marginal decline of 1% compared to June, 2009. This reduction was a result of a slight reduction in our market share.*
- *Data revenues showed a slight increase of 24% due to an uplift in DIA customers.*

3. Disclosure of Risk Factors.

Provide a discussion of the risk factors that may have an impact on the results from operations or on the financial conditions. Avoid generalised statements and only include factors that are unique to the company. Typical risk factors include untested products, cash flow and liquidity problems, dependence on a key supplier or customer, management inexperience, nature of business, absence of a trading market (specific to the securities of the reporting issuer), etc. Indicate if any risk factors have increased or decreased in the time interval between the previous and current filing.

❖ *Exposure to risk includes the following:*

- *Operational risk resulting from fraud, loss of key people to competitors, product failure, loss of key suppliers and litigation from other Service Providers and Customers.*
- *Financial risk caused by bad debts and foreign exchange loss.*
- *Environmental risk due to competition, changes in regulations, or economic slowdown.*
- *Risk as a threat including loss of market share as a result of competition targeted to the internet, mobile and broadband products.*

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

4. Legal Proceedings.

A legal proceeding need only be reported in the ECSRC - Q filed for the quarter in which it first became a reportable event and in subsequent quarterly reports in which there have been material developments. Subsequent Form ECSRC - Q filings in the same financial year in which a legal proceeding or a material development is reported should reference any previous reports in that year. Where proceedings have been terminated during the period covered by the report, provide similar information, including the date of termination and a description of the disposition thereof with respect to the reporting issuer and its subsidiaries.

❖ *Not applicable*

5. Changes in Securities and Use of Proceeds.

- (a) Where the rights of the holders of any class of registered securities have been materially modified, give the title of the class of securities involved. State briefly the general effect of such modification upon the rights of holders of such securities.
- (b) Where the use of proceeds of a security issue is different from that which is stated in the registration statement, provide the following:

- Offer opening date (provide explanation if different from date disclosed in the registration statement)
- Offer closing date (provide explanation if different from date disclosed in the registration statement)
- Name and address of underwriter(s)
- Amount of expenses incurred in connection with the offer
- Net proceeds of the issue and a schedule of its use
- Payments to associated persons and the purpose for such payments

❖ *Above not applicable*

- (b) Report any working capital restrictions and other limitations upon the payment of dividends.

❖ *There are no restrictions*

6. Defaults upon Senior Securities.

- (a) If there has been any material default in the payment of principal, interest, a sinking or purchase fund instalment, or any other material default not satisfied within 30 days, with respect to any indebtedness of the reporting issuer or any of its significant subsidiaries exceeding 5 percent of the total assets of the reporting issuer and its consolidated subsidiaries, identify the indebtedness. Indicate the nature of the default. In the case of default in the payment of principal, interest, or a sinking or purchase fund instalment, state the amount of the default and the total arrears on the date of filing this report.

❖ *Above not applicable*

- (b) If any material arrears in the payment of dividends has occurred or if there has been any other material delinquency not satisfied within 30 days, give the title of the class and state the amount and nature of the arrears or delinquency.

❖ *Above not applicable*

7. Submission of Matters to a Vote of Security Holders.

If any matter was submitted during the period covered by this report to a vote of security holders, through the solicitation of proxies or otherwise, furnish the following information:

- (a) The date of the meeting and whether it was an annual or special meeting.
- (b) If the meeting involved the election of directors, the name of each director elected at the meeting and the name of each other director whose term of office as a director continued after the meeting.
- (c) A brief description of each other matter voted upon at the meeting and state the number of votes cast for or against as well as the number of abstentions as to each such matter, including a separate tabulation with respect to each nominee for office.
- (d) A description of the terms of any settlement between the registrant and any other participant.
- (e) Relevant details of any matter where decision was taken otherwise than at a meeting of such security holders.

❖ *Above items are not applicable*

8. Other Information.

The reporting issuer may, at its option, report under this item any information, not previously reported in a Form ECSRC - MC report (related to disclosure of material information), with respect to which information is not otherwise called for by this form. If disclosure of such information is made under this item, it need not be repeated in a Form ECSRC - MC report which would otherwise be required to be filed with respect to such information or in a subsequent Form ECSRC - Q report.

CABLE & WIRELESS (ST KITTS & NEVIS) LTD

STATEMENT OF INCOME

for the period ended June 30, 2010 (with comparative figures for 2009)

	<u>Notes</u>	<u>2010</u>	<u>2009</u>
			ECS'000
Turnover		23,317	24,244
Outpayments and cost of sales		<u>(4,773)</u>	<u>(5,618)</u>
Gross Income		18,544	18,626
Operating costs	1 & 2	<u>(13,827)</u>	<u>(13,105)</u>
Operating Income		4,717	5,521
Net interest and other income	3	<u>23</u>	<u>180</u>
Income on ordinary activities before taxation		4,740	5,701
Taxation on ordinary activities	4	<u>(1,896)</u>	<u>(2,223)</u>
Income on ordinary activities after taxation		<u>2,844</u>	<u>3,478</u>

CABLE & WIRELESS (ST KITTS & NEVIS) LTD
BALANCE SHEET
As at June 30, 2010 (with comparative figures for 2009)

	<u>Notes</u>	<u>2010</u> EC\$'000	<u>2009</u> EC\$'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	5	81,350	85,043
Intangible assets	6	472	742
Intercompany Loans Receivable		4,893	8,908
Total Non Current Assets		86,715	94,693
CURRENT ASSETS			
Inventories		3,065	3,216
Accounts receivable and prepayments	7	12,634	14,560
Amounts due from group companies		0	862
Cash at bank and in hand	8	3,339	6,938
Total Current Assets		19,038	25,576
Total Assets		105,753	120,269
AND RESERVES			
CAPITAL AND RESERVES			
Called up share capital	9	33,130	33,130
Share premium account		3,009	3,009
Retained earnings		36,982	41,900
Total Stockholder's Equity		73,121	78,040
LONG TERM LIABILITIES			
Provision for liabilities and charges	10	10,024	10,420
CURRENT LIABILITIES			
Trade Accounts Payable		1,392	3,011
Amounts owed to Group companies		11,660	18,014
Provision for Taxation		290	1,942
Other Liabilities	11	4,792	3,063
Accrued liabilities and deferred income		4,474	5,779
Total Current Liabilities		22,608	31,809
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		105,753	120,269

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David Lake

Jonathan Bass

CABLE & WIRELESS (ST KITTS & NEVIS) LTD
STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED JUNE 30, 2010

	Share Capital EC\$'000	Retained Earning EC\$'000	Total EC\$'000
Balance as of March 31, 2009	33,130	40,400	73,530
Dividend	-	(5,090)	(5,090)
Issuance of bonus shares	-	-	-
Net Income for the year	-	3,478	3,478
Prior Year Audit adjustment	-	3,112	3,112
Balance as of June 30, 2009	33,130	41,900	75,031
Dividend	-	(8,283)	(8,283)
Issuance of bonus shares	-	-	-
Net Income for the year	-	2,844	2,844
Prior Year Audit adjustment	-	521	521
Balance as of June 30, 2010	33,130	36,982	70,113

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

CABLE & WIRELESS (ST KITTS & NEVIS) LTD
STATEMENT OF CASH FLOWS
AS AT JUNE 30, 2010

	<u>2010</u> EC\$'000	<u>2009</u> EC\$'000
Cash Flows from operating activities		
Income on ordinary activities before taxation	4,740	5,701
Adjustments for:		
Depreciation expense	2,566	2,865
Loss/(gain) on disposal of property, plant and equipment	(22)	(23)
Net Interest Income	(1)	(157)
Operating cash flows before working capital changes	<u>7,283</u>	<u>8,386</u>
Change in inventories	151	(236)
Change in debtors	2,788	(2,241)
Change in creditors	(4,847)	1,966
Net cash from operations	<u>5,375</u>	<u>7,875</u>
Income taxes paid	(2,662)	449
Interest received	1	157
Interest paid	-	-
Net cash from operating activities	<u>2,714</u>	<u>8,481</u>
Cash flows used in investing activities		
Purchase of tangible property, plant and equipment	(2,067)	(1,204)
Proceeds from disposal of tangible property, plant & equipment	22	23
Net cash used in investing activities	<u>(2,045)</u>	<u>(1,181)</u>
Cash flows used in financing activity		
Cash received from loans proceeds/lending to other group comp.	4,015	(2,499)
Dividends paid	(8,283)	(5,090)
Net cash used in financing activity	<u>(4,268)</u>	<u>(7,589)</u>
Net change in cash and cash equivalents	<u>(3,599)</u>	<u>(289)</u>
Net cash and cash equivalents, beginning of year	<u>6,938</u>	<u>7,227</u>
Net cash and cash equivalents, end of year	<u>3,339</u>	<u>6,938</u>

NOTES TO THE FINANCIAL STATEMENTS
for the period ended June 30, 2010 (with comparative figures for 2009)

1. OPERATING COSTS	<u>2010</u> EC\$'000	<u>2009</u> EC\$'000
Depreciation of Fixed Assets	2,566	2,865
Employee costs	2,210	1,885
Licence Fees	1,179	1,311
Utilities	489	413
Management & Royalty Fees	4,506	3,284
Repairs & Maintenance	352	414
Pension costs	115	145
Insurance	146	114
Operating Lease Rentals	123	40
Auditor's Remuneration - current year	53	52
Directors' Fees	3	3
Transformation & Restructuring Costs (Exceptional items)	-	654
Network	545	920
Other operating costs	1,541	1,005
	<u>13,827</u>	<u>13,105</u>
2. EMPLOYEE COST	<u>2010</u> EC\$'000	<u>2009</u> EC\$'000
Salaries and Wages	1,707	1,462
Staff training	4	10
Other staff costs	499	413
	<u>2,210</u>	<u>1,885</u>
Number of employees	<u>90</u>	<u>88</u>
3. NET INTEREST INCOME & OTHER INCOME	<u>2010</u> EC\$'000	<u>2009</u> EC\$'000
Profit on Disposal	22	-
Interest received	1	197
	<u>1</u>	<u>197</u>

NOTES TO THE FINANCIAL STATEMENTS
for the Quarter ended June 30, 2010 (with comparative figures for 2009)

	<u>2010</u> EC\$'000	<u>2009</u> EC\$'000
4. TAXATION ON ORDINARY ACTIVITIES		
Tax on profits for the year	1,896	2,223
Change in deferred taxation		-
	1,896	2,223

The current year tax charge of EC\$1,896 (2009: \$2,223) is higher than the standard rate of tax of 35%. See details below.

	<u>2010</u> EC\$'000	<u>2009</u> EC\$'000
Income before income tax	4,740	5,701
Tax at the standard rate of 35% (2009: 35%)	1,659	1,995
Tax effect/(benefit) arising from the following:		
Capital allowances in excess of depreciation	-	-
Tax on non-deductible expenditure	237	228
Taxation on ordinary activities	1,896	2,223

NOTES TO THE FINANCIAL STATEMENTS
for the year Quarter June 30, 2010 (with comparative figures for 2009)

5. TANGIBLE FIXED ASSETS	Land and	Plant &	Motor	Projects	Total
	Buildings	Equipment	Vehicles	Under Construction	
	ECS000	ECS000	ECS000	ECS000	ECS000
COSTS					
At 30 June 2009	25,142	197,147	3,320	4,710	230,319
Additions	-	-	-	7,243	7,243
Disposals	-	-	(608)	-	(608)
Transfers between items	-	4,475	425	(4,900)	-
At 30 June 2010	25,142	201,622	3,137	7,053	236,954
ACCUMULATED DEPRECIATION					
At beginning of year-1 April 2010	10,448	132,332	2,496	-	145,276
Charge for the year	648	9,867	421	-	10,936
Charge for impairment	-	-	-	-	-
On disposals	-	-	(608)	-	(608)
At 30 June 2010	11,096	142,199	2,309	-	155,604
NET BOOK VALUE					
At 30 June 2010	14,046	59,423	828	7,053	81,350
At 30 June 2009	14,694	64,815	824	4,710	85,043

The net book value of land and buildings comprises:

	<u>Jun-10</u>	<u>Jun-09</u>
	ECS000	ECS000
Freehold	13,522	14,130
Long leasehold	517	547
Short leasehold	7	17
	14,046	14,694

6. INTANGIBLE ASSETS

Intangible assets represent the marketing rights acquired by the Company during the year. The marketing rights are amortised over a period of 5 years beginning April 1, 2007

	<u>2010</u>	<u>2009</u>
	ECS'000	ECS'000
Balance, April 1, 2009	1,080	1,080
Amortisation charges for year	(608)	(338)
Balance, June 30, 2010	472	742

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

7. ACCOUNTS RECEIVABLES AND PREPAYMENTS	<u>Jun-10</u> EC\$'000	<u>Jun-09</u> EC\$'000
Trade accounts receivables	9,451	8,434
Other receivables	294	3,137
Prepayments and accrued income	4,416	4,138
Provision for Bad Debts	(1,527)	(1,150)
	<u>12,634</u>	<u>14,559</u>

8. CASH AT BANK AND CASH IN HAND	<u>Jun-10</u> EC\$'000	<u>Jun-09</u> EC\$'000
Cash at bank and in hand	3,339	5,587
Short term deposits	-	1,351
	<u>3,339</u>	<u>6,938</u>

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

9. SHARE CAPITAL	<u>Jun-10</u> EC\$'000	<u>Jun-09</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 Ordinary shares of EC\$1.00 each	<u>33,130</u>	<u>33,130</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2010**

10. PROVISION FOR LIABILITIES AND CHARGES

	Redundancy ECS'000	Deferred Taxation ECS'000	Total ECS'000
At 1 April 2010	3	10,023	10,026
Adjustment to prior year			-
Payment	-		-
Charge/(Credit) for the period	(2)		(2)
Credit related to change in tax rate			-
Credit related to accelerated capital allowances			-
At 30 June 2010	1	10,023	10,024

The deferred taxation liability is analysed as follows:-

	<u>June-10</u> ECS'000	<u>June-09</u> ECS'000
Accelerated capital allowances	10,024	10,420

11. OTHER LIABILITIES

	<u>June-10</u> ECS'000	<u>June-09</u> ECS'000
Customers deposits	1,763	1,669
Social security	101	187
Other creditors	2,928	1,207
	4,792	3,063