annual report 2008

CABLE & WIRELESS
St. Kitts & Nevis Limited

DIRECTORS, MANAGEMENT & ADVISORS IN OFFICE AT 31ST MARCH 2008

CHAIRMAN
Mr. Lawrence McNaughton B.S.E.E. (Hons), Ms. Eng., Dip Mgmt

DIRECTORS
Mr. Geoff Batstone B.A. (Hons), L.L.B.
Ms. Patricia Walters B.A. (Hons), FCCA
Dr. Osbert Liburd B.A., M.P.S. Ph.D.
Ms. Lyra Richards, Dip. FSM

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 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, MBA
Vice President Customer Services

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

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

ADVISORS
Auditors
KPMG Eastern Caribbean

Solicitors
Kelsick, Wilkin & Ferdinand

Registrars
Eastern Caribbean Central Securities Registry (ECCSR)

REGISTERED OFFICE
Cayon Street, Basseterre, St Kitts, West Indies

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DIRECTOR PROFILES

Mr Lawrence McNaughton
Chairman

Lawrence McNaughton has been a member of the Board of directors for C&W St Kitts & Nevis since 2004 and was appointed as Chairman of the Board in March 2008.

He joined Cable & Wireless Jamaica in 1980 and has held various positions during his 28 years service with the company. As the regional head of Carrier Services he has responsibility for C&W's Carrier & Wholesale Business across the Caribbean. This involves participation in the development of regulatory strategy and account management of international carrier partners such as AT&T, Sprint and British Telecom, as well as managing the domestic carrier interconnect and wholesale data and IP services for the region.

Lawrence holds a Bachelors Degree (summa cum laude) and a Masters Degree in Electrical Engineering, both from Howard University (Washington DC) and a Post Graduate Diploma in Management from Henley Management College in the UK. He is a member of the University of Technology's Engineering Advisory Board in Jamaica and a member of the Private Sector Organization of Jamaica's standing committee on National Security. Lawrence is also a member of the Government of Jamaica's task force on Information and Communications Technology (ICT) for its 2030 vision.

He was appointed Executive Vice President for carrier Services (Caribbean) in June 2004.

Mr Geoff Batstone
Director

Geoff Batstone was appointed as a Director to the Cable & Wireless (St.Kitts & Nevis)Ltd. Board in June 2006.

He is a Lawyer by profession and is currently the Vice President, Legal and Regulatory, East Caribbean Area for Cable & Wireless. In this role he has overall responsibility for C&W legal and regulatory matters in St.Kitts and Nevis, Antigua, Dominica, St.Lucia, St.Vincent and the Grenadines and Grenada. He has held several legal and regulatory positions within Cable & Wireless since joining the Company in May of 2001, including a pan-Caribbean role advising the wholesale unit of Cable & Wireless on various matters including interconnection with new entrant Providers.

Prior to joining Cable & Wireless, Mr Batstone was Legal Counsel to the Canadian Radio-television and Telecommunications Commission, the telecommunications and broadcasting regulatory body for Canada where he worked on a number of significant regulatory proceedings including the liberalization of telecommunications markets and retail price regulation

Mr Batstone holds a Bachelor of Arts (Honours) degree from Queen's University, Kingston, Ontario, Canada, as well as a Bachelor of Laws degree from the University of New Brunswick in Fredericton, New Brunswick, Canada and was the recipient of several awards for academic achievement.

Ms Patricia Walters
Director

Ms Patricia Walters holds a dual role as Chief Executive and Executive Director of Cable & wireless (St.Kitts and Nevis) Ltd, a position which she holds from 2004.

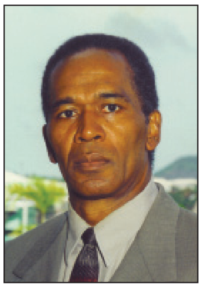
Ms Walters is a highly experienced individual with almost 20 years in the telecommunications industry. Ms Walters is a member of the Association of Certified Chartered Accountants, a graduate of the University of Humberside in the UK, and is also a Melvyn Jones Fellow of the Lions International Service Club.

Prior to working at Cable & Wireless, Ms Walters worked in the retail and shipping industries. She started with Cable & Wireless in the United Kingdom and then held positions of Financial Controller, Director and Company Secretary , Cable & Wireless Cayman Islands and Financial Controller, Cable & Wireless (St.Kitts and Nevis)Ltd. Her last position was Chief Financial Officer at the Telecommunication Services of Trinidad and Tobago (TSTT).

Mr Bernard Buckley
Director

Mr Bernard Buckley was appointed to the Board of Directors in April 2008.

He joined Cable & Wireless in 2003 as an Interim HR Director focussing on IT insourcing. He is now the HR Director for Cable & Wireless International and a member of the CWI Board. Prior to this he was the HRD for the Cable & Wireless EAU Business. Before joining C&W Bernard ran his own interim management business for over 10 years. His earlier career was spent in financial services including the London Stock Exchange. He has broad general management experience gained in organisations going through major change and business transformation as a result of mergers, acquisitions, outsourcing and insourcing. In addition to his HRD role, he also has accountability for Corporate Social Responsibility. Bernard is 59, a law graduate from Manchester University and currently lives in Chichester, West Sussex.



Dr Osbert Liburd
Director

Dr Osbert Liburd served as Chairman of the Board of Cable & Wireless (St.Kitts & Nevis) from October 2000 to January 2005 and was re-appointed to the board of Directors in December 2007.

He is an experienced International Scientist and has conducted research in Africa, the USA and the Caribbean. He holds a B.A in Biology from the UVI and a Masters and PH.D in Plant Pathology from Cornell University, USA.

He served as a Senior Diplomat as St.Kitts and Nevis' Ambassador to the United States and Permanent Representative to the Organisation of American States (OAS) from 1995 to 2000.

Earlier in his professional career he served as Team Leader, Caribbean Agriculture Research and Development Institute (CARDI) and Director of Agricultural Services and Rural Development, Agricultural Missions, USA.

Ms Lyra Richards
Director

Ms Richards joined the Cable & Wireless (St.Kitts and Nevis) Ltd. Board of Directors in December 2007.

Ms Lyra Richards has been in the Banking sector from 1968 to present.. She worked at Barclays Bank Int'l Ltd (now First Caribbean Bank) from 1968 to 1994. During her tenure at Barclays Bank she had a two year stint in Barbados where she worked as a Training Instructor. She also worked for two years in St.Lucia as Manager of the Soufriere Branch.

She has been an Employee of the Bank of Nevis Ltd from 1994 to 2000 and of Bank of Nevis Int'l Ltd from 2000 to present, where she is currently the Acting Manager.

She holds a diploma in Financial Services Management and has been exposed to numerous Banking courses throughout her banking career.

She has served on various Government Boards and Committees, has been involved in various Community activities including past President and Treasurer of the Nevis Historical and Conservation Society, past President of the Nevis Dramatic and Cultural Society and a founding member of Culturama.

REPORT FROM YOUR CHAIRMAN

Dear Shareholders,

It is indeed a pleasure and a privilege to address you as Chairman of our Company. The Board and I are encouraged by our prospects and do look forward to providing the necessary stewardship to keep our company on the solid footing it has maintained over the past years.

The 2007/08 financial year was particularly significant for Cable & wireless as it was during this period that the general public was given yet another opportunity to have a stake in the leading Telecommunications Company of the Federation through the purchase of shares. The opportunity was provided through Government's divestment of its 17% shareholding in Cable & wireless (St.Kitts and Nevis) Ltd and an agreement to make available to the public at least 5% of these shares. I am pleased to report that the offer for the sale of 1.66m ordinary shares was oversubscribed by 884k shares. This clearly is a demonstration of the confidence that our Shareholders have in the Company.

In addition to the share offer was the listing of the Cable & Wireless shares on the Eastern Caribbean Securities Exchange (ECSE). By listing on the ECSE Cable & wireless has now made it easier for anyone to have a stake in the Company and share its future profit. We will endeavor that Shareholders continue to receive a reasonable return on their investment, through astute leadership, excellent customer service and value creation.

Despite a surge of competitive activity coupled with the rise in the cost of living indices, the Company realized gross revenues of $106.1 million which represented an increase of 1.7% on the 2006/07 financial year. The net profit after tax was $14.8 million which was $2.3 million or 18.5% higher than the 2006/07 financial year. I am also pleased to report that the Company was able to maintain the same dividend payment of EC$0.35 per share to its Shareholders as was paid the previous year. The revenue achievement was as a result of the Company's aggressive marketing efforts and improved management practices for which the Chief Executive Ms Patricia Walters and the entire Staff of Cable & wireless must be commended.

> ***However with a renewed focus on customer service and on process re-engineering as a part of the wider Cable & Wireless One Caribbean initiative, we are confident that we will continue to deliver meaningful returns to our Shareholders and to be the Provider of Choice in the Federation.***

As we continue along the path of value creation for both our customers and Shareholders we are cognizant of the challenges that all Telecommunications Companies are facing. However with a renewed focus on customer service and on process re-engineering as a part of the wider Cable & Wireless One Caribbean initiative, we are confident that we will continue to deliver meaningful returns to our Shareholders and to be the Provider of Choice in the Federation.

We continue to contribute positively to the social, economic and cultural development of the community through our engagement in a number of activities. Foremost among our sponsorship activities was the sponsorship of our annual Music Festival, the Academic Excellence Awards, Culturama and Carnival festivities and in the area of sports, Carifta. We were particularly proud of our involvement in the Carifta games, an event that brought together various sports personalities from the OECS and the wider Caribbean and which provided an avenue for a display of excellence, team spirit and camaraderie.

The year has had many highs for Cable & wireless but has also been tinged with regret due mainly to the loss of our longstanding Director Ambassador Fred Lam who has made an invaluable contribution to the Board and the Company through his many years as a member of the Board of Directors. Coupled with this loss was the resignation of our past Chairman John Boyle on 23rd April, 2008 and his subsequent tragic passing in St.Lucia in June 2008. John's professionalism and experience was an asset to the Board and to the Company and we deeply regret this loss. He was particularly instrumental in the successful listing of the C&W shares on the ECSE, and we were fortunate enough to be graced by his presence at the listing event on 30th January 2008. On behalf of the Board of Directors I would like to record my sincere appreciation to the families of these two past Directors for their sterling contribution that they would have made to C&W during their tenure on the Board of Cable & wireless (St. Kitts and Nevis) Ltd.

I would also like to give due recognition to past Board member Lyr Theodore Hobson who resigned from the Board on 31st July 2007. Lyr Hobson was one of the longest serving Board Member and has left an indelible mark in the Boardroom of Cable & Wireless (St.Kitts and Nevis) Ltd. Mention should also be made of Lyr Herman Liburd who resigned on 10th September 2007, due to the impending sale of the Government shares.

The appointment of Dr Osbert Liburd , a former Chairman of the Board and Ms Lyra Richards to the Board of Directors in December 2007 must also be mentioned. We have no doubt that their knowledge and experience will be an asset to the Board membership.

Finally, the Management and Staff of Cable & wireless are all responsible for the strong performance that has been realized during the 2007/08 financial year. On behalf of the Board of Directors I wish to express my sincere appreciation to Ms Patricia Walters and the Staff for their hard work and commitment. The Board has all confidence that the team will continue to provide sound management to the Business, thereby enhancing Shareholder value.

Lawrence McNaughton
Chairman

REPORT FROM YOUR CHIEF EXECUTIVE

Against a backdrop of aggressive competition, changing customer expectations and International economic challenges, I am pleased to report that your Company has delivered a strong performance for the year ended 31st March 2008. Gross revenues of EC$106.1m, an increase of 1.7% over the 2006/07 financial year, reflect the highest sales ever recorded for the Company. Net profit after tax of $14.8m is $2.3m or 18.5% higher than the 2006/07 financial year. These results demonstrate that the Company continues to focus on delivering solid value to you, the owners of this Company, but could not have been achieved without the hard work and dedication of my entire staff and the support of our customers and stakeholders, to whom I express sincere appreciation.

Our investment in Mobile, Broadband and fixed line

The Company's continued investment in technology has enabled us to maintain market leadership in mobile, broadband and fixed lines despite an increase in competitive activity. Over the 2007/08 financial year we made a total capital investment of $10.2million in improving the infrastructure for the delivery of these services and have been able to provide our customers with improved service quality levels both in mobile and broadband. We commissioned additional cell sites to provide our customers with wider mobile coverage and made improvements to the mobile network resulting in greater resiliency. In the area of broadband we successfully doubled the speed for all residential customers to a minimum 2 megabit bandwidth for the same price, and also offered up to 6 megabits of bandwidth to our Business customers with significant price reductions. In our quest to leave 'no child behind' in the new information age, we launched numerous initiatives aimed at reducing the cost of laptops, PC's and access to the internet for most high school students in the Federation.

Our Customers

We recognize that customer service will be the ultimate differentiator in our competitive market and we continue to expend much effort in ensuring that the service we deliver exceeds the expectation of our customers. It is for this reason that , we provided twelve weeks of modular customer service training to our entire Retail Sales and Contact Centre staff in St. Kitts and Nevis in an unprecedented 'on the job' training approach . This has proven to be worthwhile evidenced by the positive feedback received from many of our customers. We also introduced the proactive monitoring of customer service requests by the creation of a customer service reporting portal which allows us to effectively monitor and manage the real time movement of service orders, queries and faults, resulting in quicker service delivery and problem resolution.

> ***We recognize that customer service will be the ultimate differentiator in our competitive market and we continue to expend much effort in ensuring that the service we deliver exceeds the expectation of our customers.***

Our Shareholders

We continue to provide our Shareholders with healthy returns on their investment and I am pleased to report that the Company was able to maintain the same dividend payment of EC$0.35 per share to its Shareholders for two consecutive years. I am additionally delighted with the movement of the share price from the $5 public offering price in January 08, to the current share value of $6.50. I believe that this is testimony to the confidence that the market has in our Company.

The overwhelming response to the share offering which was subsequently oversubscribed by 884K shares and which has literally doubled the shareholder base is further evidence of investor confidence in our Company. The ability for every citizen of the Federation to purchase shares in the Company is quite heartening and we take this opportunity to welcome the new shareholders and to express our sincere gratitude for the support that they will undoubtedly provide to this Company.

Our Employees

We recognize that having engaged employees will result in improved performance and greater productivity. The Gallup survey introduced last year to measure employee satisfaction was conducted twice throughout the year; the latest survey having been conducted in February 2008. Results from this survey reported marked improvements in overall employee satisfaction; in fact, two Departments were among the 'Best in Class' across the entire Gallup International database of companies. Results from each Gallup are used to arrive at initiatives that will enhance employee engagement and satisfaction. Among these initiatives was the first ever staff recognition and awards event which was held in June 2007 and which provided an opportunity for staff who had excelled during the year to be recognized and rewarded.

Social Responsiveness

Our social responsiveness continues to be evidenced by support of various community activities within St. Kitts and Nevis. We were the proud winners of the prestigious 'Tourism Partner of the Year' award which was extended to us by the Ministry of Tourism, Sports and Culture at the annual Tourism and Awards Banquet. Our Partnership with the Reach for Recovery Breast Cancer Support Group and the Ministry of Health was immensely gratifying as it provided greater awareness and provided an opportunity for women who have never had a mammogram, to be tested.

Looking ahead

Creating a customer- centric organization and enhancing value for both our customers and shareholders will be my main areas of focus. We will continue to drive customer focus into our business and strategic objectives and will re-engineer our processes to provide high value service to our customers. We will also continue to provide the requisite training and motivation to all employees to support our objective of value creation.

Acknowledgements

Achieving this year's result was in no small part attributable to the efforts of many persons. I use this opportunity therefore to acknowledge and single out the contribution made by the late Ambassador Fred Lam who served as a Director of this Company for over 10 years driven by an unwavering passion for customer service and for the general success of the Company.

I also note the significant contribution made by our past Chairman John Boyle. His wealth of knowledge and degree of experience has been invaluable and we wish to express our regret at his passing.
I wish to thank all those employees that have left the Company over the past year for their contribution and wish them all the best for their future outside of C&W, and welcome Dr Osbert Liburd a former Chairman and Ms Lyra Richards to the Board of Directors.

Finally, our achievements for the last financial year were mainly the product of our hard working and dedicated Staff. I therefore wish to place on record my sincere gratitude for their unwavering support and to encourage them to continue the good work of creating a first class customer service organization and one that we are all proud to be a part of.

TWalters

Ms. Patricia Walters
Chief Executive

CORPORATE SOCIAL RESPONSIBILITY REPORT

Our community investment is driven by the belief that we have both a responsibility and the opportunity to assist in the growth and development of the local communities where our people live and work.

We have a duty to utilize our collective resources to be a good and responsible corporate citizen and engage our employees, our stakeholders and our local communities to work together to improve our societies. We do this through a variety of local programmes that are meant to provide assistance to non governmental organisations (NGOs), partner with government and create alliances with other private sector entities and the wider public.

Sports

Cable & Wireless' backing for sports has helped to raise many *diamonds from the rough*, literally catapulting them to the top of their game. Support in cricket, volleyball, athletics, basketball and football has allowed teams, individuals and Associations to realize their respective potential.

The recent alliance with the St. Kitts and Nevis Football Association (SKNFA) as title sponsor for the Premier Football league, will ensure a further cementing of already strong ties in the sporting fraternity. Given the huge following that football commands locally and the strength of the bmobile brand it is envisaged that a formidable alliance is in the making that will benefit fans and players alike.

Aligning sponsorship funds with the historic Carifta games of 2007 was particularly gratifying, resulting in not only tangible funds for the organizing body, but ensuring that top class telecommunications services was available to all patrons.

Cultural Development and Development of the Arts

With a history that spans several decades, Cable & Wireless prides itself as part of the tapestry of the society. This history has been the impetus behind supporting heritage matters, be they captured during National Carnival or Culturama, Green Valley Festival or Saddle Fiesta. Sponsorship runs the gamut from masquerade troupes to queen contestants, from adult troupes to children carnival.

But heritage matters are also captured in other aspects of culture, hence the company has often partnered with local entrepreneurs to bring fashion shows and other locally-produced cultural programmes to the wider public.

Education

This is the main pillar upon which Cable & Wireless' social partnership is strapped. It is the belief of the company that there could be no better investment in young people than through education. This year the company's scholarship programme celebrates 20 years, with a total investment of approximately $800K. The return on this investment equates to hundreds of young men and women who have taken their place in local and regional positions of influence for the advancement of St. Kitts and Nevis and the region.

Ministry of Education Officials and students of various Primary Schools at the launch of free internet for schools.

Free internet for schools and sponsorship of the French eLearning software at one of the high schools are other ways that Cable & Wireless has used its technology to enable educational advancement of the young people of St. Kitts & Nevis.

All of these activities have been added to the perennial staple of the Academic Excellence Awards – a project that has been executed with the assistance of the Chamber of Industry and Commerce and the Ministry of Education. This programme throws the spotlight on the top academic performers at CXC and Advanced levels, honouring them at an all expense paid dinner to celebrate students and by extension educators and parents.

All of the above activities epitomize the main programmes executed by Cable & Wireless over the last financial year and are underpinned by a strong commitment to advance the nation's young people. Cognizant of the role that telecommunications technology plays in transforming societies, we are committed to sustaining our efforts as social investors. Not only can our work help build stronger communities, but it engages our employees and attracts consumers. We see this collective benefit as the best way to create sustainable social change and we are happy to lead the way.

Cross section of women at the Breast Cancer Lecture where 100 women received free mammograms compliments C&W.

We Remember our departed colleagues

Ambassador Alfred "Freddie" Lam

The late Ambassador Alfred Lam served on the Board of Cable & Wireless St. Kitts & Nevis from August 1995 to September 2007. His passing in October, 2007 left a void not only in the corporate community but to the Federation on a whole. His fierce loyalty to this company was strongly exhibited in every facet of his contribution, from the board room to his occasional visits to staff meetings. His opinions were always strongly expressed and reflected the passion with which he wanted this company to succeed.

Tribute was paid at his funeral in song and in the reading of one of the lessons by Cable & Wireless staff.

Ambassador Lam being escorted to the June '07 Staff Awards by Patricia Walters and member of Staff Clyde Richardson

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John Boyle

John assumed the Chairmanship of Cable & Wireless St. Kitts and Nevis Ltd in 2007 and presided over his first AGM in that same year. His actual service on the Board of Directors started in 2006. He was very instrumental in the company's listing on the Eastern Caribbean Securities Exchange, and was present at the actual ceremony on January 31st where he presented remarks on behalf of CWI and assisted in unveiling the trading symbol. His tenure with Cable & Wireless ended at the end of February this year. In June, this year we received the sad news of John's tragic death in St. Lucia. The Chief Executive, Patricia Walters represented the company at a memorial service in St. Lucia on 21st June.

Unveiling of the C&W trading symbol by former chairman John Boyle and Director Lyra Richards

DIRECTORS' REPORT

The Directors submit their twenty-third annual report together with the audited Financial Statements of the Company for the financial year ended 31 March 2008.

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 9 years.

RESULTS AND DIVIDENDS

	2008 EC$000	2007 EC$000
Profit for the year after taxation	14,833	12,517
Added: Retained earnings brought forward	40,167	44,535
Effect for prior year adjustment	-	(5,846)
Restated balance as of March 31, 2007	40,167	38,689
Amount available for distribution	55,000	51,206
It is recommended that this be dealt with as follows:		
Dividends: Interim Paid	(3,313)	(3,313)
Final Proposed	(8,282)	(7,726)
Total	(11,595)	(11,039)
Retained earnings carried forward	43,405	40,167

DIRECTORS

During the year Mr. Joseph Edmeade, Mr. Theodore Hobson, Mr. Herman Liburd, the late Mr. John Boyle and the late His Excellency Alfred Lam OBE, GSM, HBM tendered their resignation from the Board. In accordance with Article 112 of the Company's Articles of Association, the Board of Directors of Cable & Wireless St Kitts & Nevis Limited nominated Dr. Osbert Liburd and Miss Lyra Richards to the Board.

In accordance with Article 112(a) to (e), the Director retiring by rotation is Mr. Geoff Batstone who, being eligible, offers himself for re-election.

Other Directors who served during the year were, Mr. Lawrence McNaughton, Mr. Geoff Batstone, Mr. John Boyle and Miss Patricia Walters.

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 26 September 2008.

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. Finally the directors wish to place on record their appreciation to the Government of St. Kitts and Nevis for the cordial working relationship and significant contribution made to the development of the company as a shareholder for the past 22 years.

BY ORDER OF THE BOARD OF DIRECTORS

....
Mr. Lawrence Mc Naughton
Chairman

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

Dated: 3 July 2008

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:

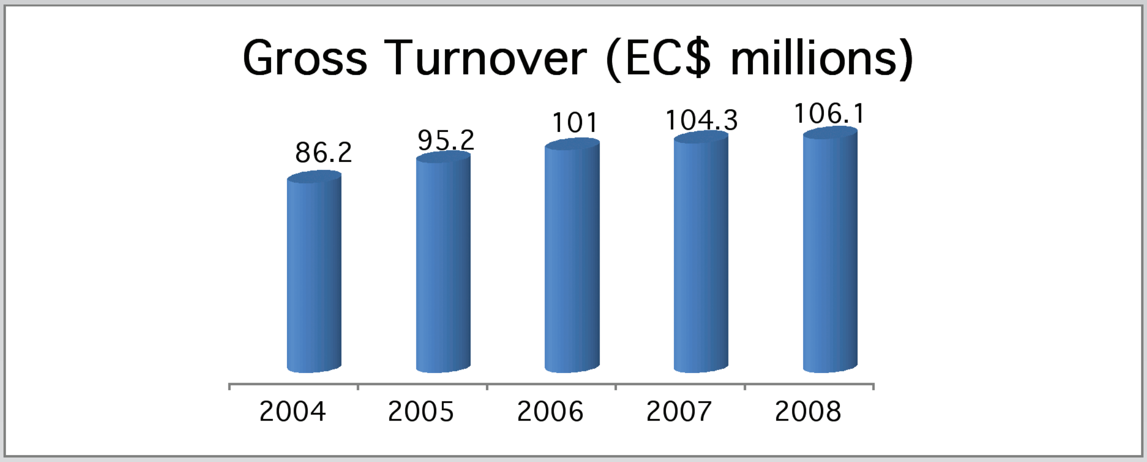
a) select suitable accounting policies and then apply them consistently;
b) make judgements and estimates that are reasonable and prudent;
c) state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
d)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

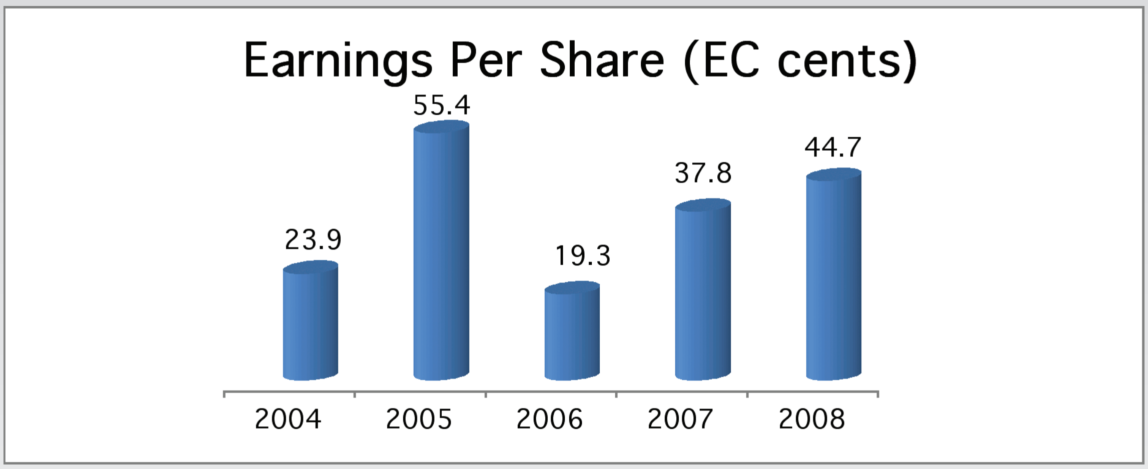
The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with Generally Accepted Accounting Standards as required by s. 104(2) of the St.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

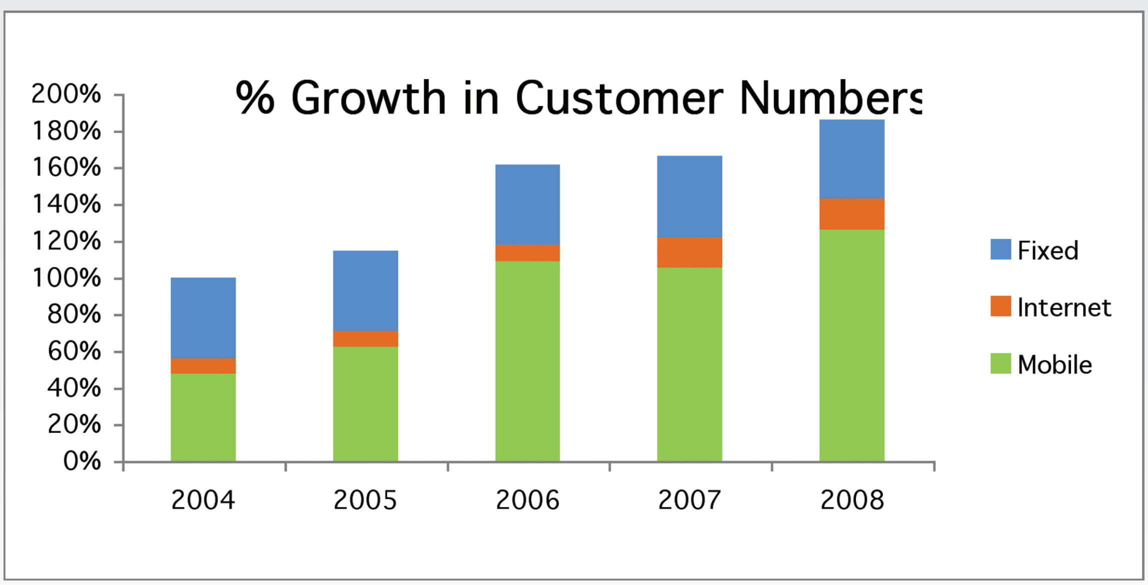
"The accounts shall be prepared in accordance with generally accepted accounting principles and show a true and fair view of the profit or loss of the company for the period and of the state of the company's affairs at the end of the period and comply with any other requirements of this Act"

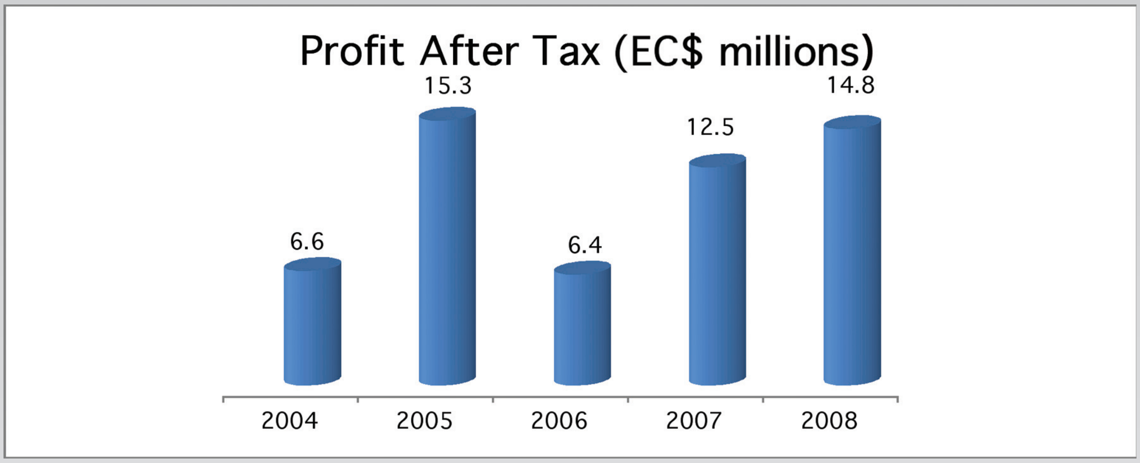
They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

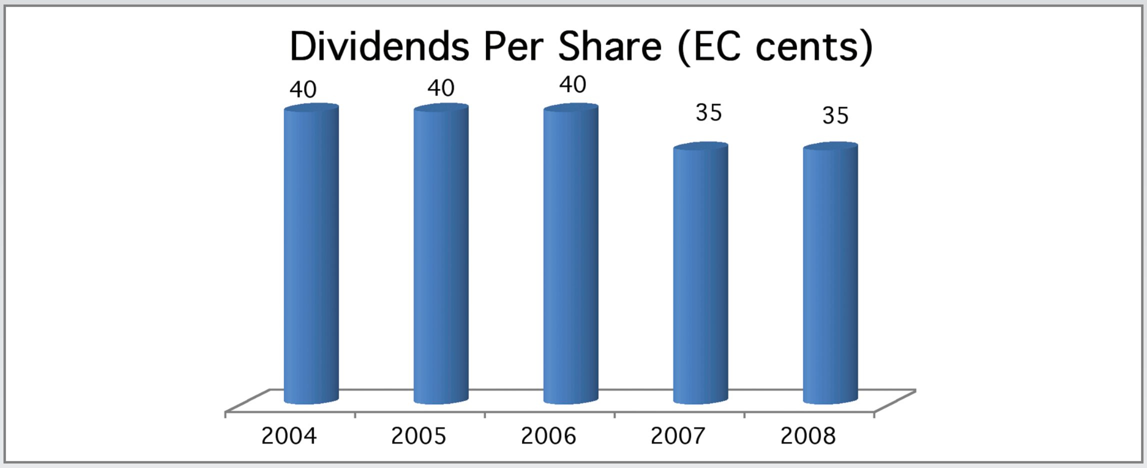
Financial Highlights

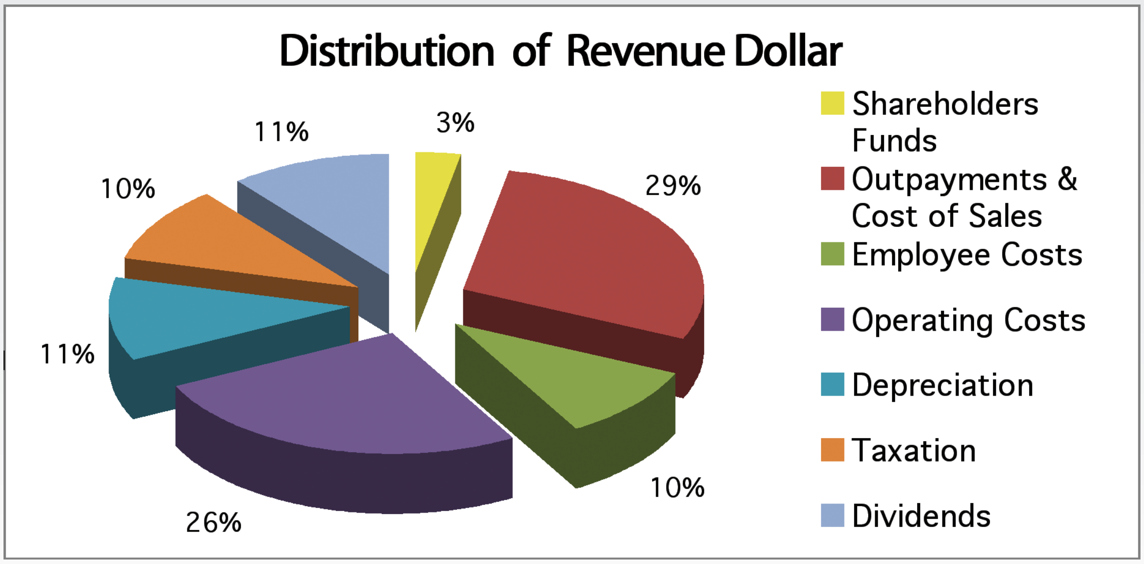







Profit After Tax (EC$ millions)
6.6
15.3
6.4
12.5
14.8
2004
2005
2006
2007
2008


Dividends Per Share (EC cents)
40
40
40
35
35
2004
2005
2006
2007
2008


Distribution of Revenue Dollar
11%
3%
29%
10%
11%
26%
10%
Shareholders Funds
Outpayments & Cost of Sales
Employee Costs
Operating Costs
Depreciation
Taxation
Dividends

FINANCIAL REVIEW - 2008

(all figures quoted are EC$ million)

INTRODUCTION

The year ended March 31, 2008 was another challenging year. However, the company's overall financial performance surpassed that of 2006/07. Gross revenue increased from $104.3m last year to $106.1m. Profit before tax of $25.8m increased by $4.1m (19%) over 2006/07.

A review of the financial highlights for the year ended 31 March 2008 is provided below.

Turnover

The company continues to realize benefits from its marketing and promotional activities that are geared not only towards retaining but also growing its mobile customer base. For the year 2007/08, mobile revenue increased by 12% when compared with the previous year.

Internet revenue increased by 14%. Broadband revenue which increased by 28% over last year was mainly responsible for the overall growth in internet revenue. Our successful school internet promotion to drive the use of internet amongst students was mainly responsible for this increase.

The company experienced a 9% decline in Data revenue when compared with the previous year. This was as a result of the significant reduction in Direct Internet Access rates in order to remain competitive in this market.

Revenue from National interconnection increased by $0.6m (13%) over last year. This was mainly as a result of the steady increase in the traffic from customers of other mobile operators terminating on our network.

International revenue from incoming international calls decreased by $1.9m compared to the previous year. The decrease in inpayment rates coupled with the increase in the use of Voice Over Internet Protocol (VOIP) accounted for the decline in this revenue stream.

Domestic fixed line revenue declined by 12% when compared with last year. The traditional fixed line customers continue to gravitate towards the more modern and trendy mobile handsets. This shift to mobile usage is adversely impacting the fixed line revenue.

Fixed international outgoing revenue fell by 12%. This revenue stream is expected to decline in the future as international outgoing rates decrease and new technology such as VOIP which offers low cost internet based calls becomes more popular.

Other revenues increased by 11% compared with last year. The additional directory sales along with increase in other non telecoms revenue were mainly responsible for the increase in this revenue stream.

Outpayments and Cost of Sales

In comparison with the previous year, total outpayments and cost of sales decreased by $1.1m (3%). This was due primarily to the decrease in international outpayment in direct correlation to the decrease in revenue.

Operating Costs

Total operating costs increased slightly by $0.5m (1%) compared with last year. The following are the other key items that influenced the overall operating costs for the financial year ended 31 March 2008.

(a) Utilities increased by 23% due to increased fuel charge.
(b) Depreciation expense increased by $2.9m. This resulted from the additional depreciation expense associated with capital projects that were closed at the end of the previous financial year and are now being depreciated.

Capital Expenditure

Capital expenditure for the year was $12.8m compared with $6.6m in the previous year, an increase of $6.2m. 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 $11m compared with 2006/07 figure of $9m. The increase in the profit before tax for 2007/08 accounted for the increase in taxation.

Profit

Income on ordinary activities after taxation of $14.8m was $2.3m higher than the previous year. The increase in turnover and reduction in outpayments and cost of sales were mainly responsible for the increase in profitability.

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

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, 2008 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 give a true and fair view of the financial position of the Company as at March 31, 2008, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG

Chartered Accountants
Antigua and Barbuda

July 3, 2008

CABLE AND WIRELESS ST. KITTS AND NEVIS LIMITED

BALANCE SHEET
FOR THE YEAR ENDED MARCH 31, 2008
(With comparative figures for 2007)

	Notes	2008 EC$'000	2007 EC$'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	9	**87,402**	87,736
Intangible assets	10	**1,080**	1,192
Total Non-current Assets		**88,482**	88,928
CURRENT ASSETS			
Loans to related party	11	-	937
Inventories	12	**2,902**	2,010
Debtors and prepayments due within one (1) year	13	**19,120**	18,199
Amounts due from group companies		**13,901**	219
Cash at bank and in hand	14	**7,078**	9,300
Total Current Assets		**43,001**	30,665
TOTAL ASSETS		**131,483**	119,593
SHAREHOLDER'S EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Called up share capital	15	**33,130**	33,130
Share premium account		**3,009**	3,009
Retained earnings		**43,400**	40,167
Total Stockholder's Equity		**79,539**	76,306
LONG TERM LIABILITIES			
Provision for liabilities and charges	16	**11,009**	11,418
Amounts owed to Group company		**16,049**	7,717
		27,058	19,135
CURRENT LIABILITIES			
Trade creditors		**7,235**	4,031
Taxation		**3,862**	6,265
Other creditors	17	**5,189**	5,611
Accruals and deferred income		**5,287**	4,932
Dividends payable	19	**3,313**	3,313
Total Current Liabilities		**24,886**	24,152
TOTAL SHAREHOLDER'S EQUITY AND LIABILITIES		131,483	119,593

The financial statements set out on pages 16 to 38 were approved by the Directors of Cable and Wireless St. Kitts and Nevis Limited on July 3, 2008 and signed on their behalf by:

Lawrence McNaughton
Chairman

Patricia Walters
Director

The accompanying notes on pages 20 to 38 are an integral part of these financial statements

CABLE AND WIRELESS ST. KITTS AND NEVIS LIMITED

STATEMENT OF INCOME
FOR THE YEAR ENDED MARCH 31, 2008
(With comparative figures for 2007)

	Notes	2008 EC$000	2007 EC$000
Turnover	4	**106,100**	104,397
Outpayments and cost of sales		**(30,615)**	(31,700)
Gross income		**75,485**	72,697
Operating costs	5	**(50,494)**	(49,951)
Operating income		**24,991**	22,746
Other income/(expenses)		**517**	(772)
Net interest income/(expenses)	7	**341**	(248)
Income on ordinary activities before taxation		**25,849**	21,726
Taxation on ordinary activities	8	**(11,016)**	(9,209)
Net income for the year		**14,833**	12,517

The accompanying notes on pages 20 to 38 are an integral part of these financial statements

CABLE AND WIRELESS ST. KITTS AND NEVIS LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED MARCH 31, 2008
(With comparative figures for 2007)

	Share Capital EC$'000	Share Premium EC$'000	Retained Earnings EC$'000	Total EC$'000
Balance as of March 31, 2006	33,130	3,009	38,689	74,828
Dividends	-	-	(11,039)	(11,039)
Net income for the year	-	-	12,517	12,517
Balance as of March 31, 2007	33,130	3,009	40,167	76,306
Dividends	-	-	(11,600)	(11,600)
Net income for the year	-	-	14,833	14,833
Balance as of March 31, 2008	33,130	3,009	43,400	79,539

The accompanying notes on pages 20 to 38 are an integral part of these financial statements

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2008
(With comparative figures for 2007)

	2008 EC$'000	Restated 2007 EC$'000
Cash flows from operating activities		
Income on ordinary activities before taxation	**25,849**	21,726
Adjustments for:		
Depreciation expense	**11,824**	9,079
Loss on disposal of property, plant and equipment	**99**	267
Net interest	**(341)**	248
Amortisation of intangible assets	**112**	-
Operating cash flows before working capital changes	**37,543**	31,320
Increase in inventories	**(892)**	(758)
Increase in debtors and related party transactions	**(921)**	(714)
Increase in amounts due from group companies – net	**(5,350)**	(1,467)
Increase/(decrease) in creditors	**2,274**	(5,623)
Net cash from operations	**32,654**	22,758
Income taxes paid	**(12,966)**	(11,309)
Interest received	**341**	233
Interest paid	**-**	(481)
Net cash from operating activities	**20,030**	11,201
Cash flows used in investing activities		
Purchase of tangible property, plant and equipment	**(11,643)**	(6,639)
Proceeds from disposal of tangible property, plant and equipment	**54**	85
Increase in other assets	**-**	(1,553)
Cash received from loans	**937**	1,311
Net cash used in investing activities	**(10,652)**	(6,796)
Cash flows used in financing activity		
Dividends	**(11,600)**	(11,039)
Net cash used in financing activity	**(11,600)**	(11,039)
Net change in cash and cash equivalents	**(2,222)**	(6,634)
Net cash and cash equivalents, beginning of year	**9,300**	15,934
Net cash and cash equivalents, end of year	**7,078**	9,300

The accompanying notes on pages 20 to 38 are an integral part of these financial statements

CABLE AND WIRELESS ST. KITTS AND NEVIS LIMITED

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2008

1. REPORTING ENTITY

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 82% (65% - 2007) of the issued and outstanding shares. The company's registered office is Basseterre, St. Kitts. The ultimate parent company is Cable and Wireless Plc., a company incorporated in the United Kingdom. The annual report and accounts of Cable and Wireless PLC are available at Lakeside House, Cain Road, Bracknell RG121XL, United Kingdom. The company provides telecommunication services in mobile, fixed line, data and internet.

On January 31, 2008, the Company was listed in the Eastern Caribbean Securities Exchange.

2. BASIS OF PREPARATION

a) *Statement of Compliance:*
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.

b) *Basis of Preparation*
The financial statements have been prepared on the historical cost basis.

c) *Functional and Presentation Currency*
These financial statements are denominated in Eastern Caribbean Dollars, which is the company's functional currency. All financial information presented have been rounded to the nearest thousand.

d) *Use of estimates and Judgments*
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.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2008

3. SIGNIFICANT ACCOUNTING POLICIES

a) *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.

b) *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 f).

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 improve or extent useful life of the asset are capitalised.

(iii) *Depreciation*

Depreciation is charged to the statement of income 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
Plant	-	5 to 20 years
Motor vehicles	-	4 years

c) *Cash and Cash Equivalents*

Cash and cash equivalents comprise cash balances and call deposits.

d) *Debtors*

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

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2008

3. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

e) 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 Company's telecommunication systems are stated at cost, including appropriate overheads, less provision for deterioration and 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.

f) 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.

g) Intangible assets

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

h) Accounts payables and Accruals

Accounts payable and accrued liabilities are stated at cost.

i) Foreign Currency Transactions

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 statement of income. 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.

j) Financial Instruments

A financial instrument is any contract that gives rise to both a financial asset in one entity and a financial liability or equity of another entity.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2008

3. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

j) Financial Instruments (cont'd)

(i) Financial assets

The Company classifies its financial instruments as "loans and receivables" depending on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at each reporting date. At the balance sheet date, financial assets include debtors, prepayments, amounts due from group companies, and cash in hand and at bank.

(ii) Financial liabilities

The Company's financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost using the effective interest method. At the balance sheet date, trade creditors, amounts owed to group companies, other creditors, and accruals and deferred income were classified as financial liabilities.

k) Borrowing Costs

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

l) Income Tax

Taxation on the profit or loss for the year comprises current and deferred tax. Taxation is recognised in the statement of income, 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 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 in full, using the balance sheet liability method and 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.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2008

3. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

m) 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 (2008 - $650k, 2007 - $627k).

n) Leases

Leases of assets under which all the risk and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating lease are charged to the statement of income on a straight-line basis over the period of the leases.

(o) Standards, Interpretations and Amendments to Existing Standards Effective for the Current Year:

During the year, certain new standards, interpretations and amendments to the existing standards became effective. Management has assessed that IFRS 7 Financial Statements: Disclosures and Complementary Amendment to IAS 1 Presentation of Financial Statements – Capital Disclosures (effective from January 1, 2007) were the only pronouncements relevant to preparation of these financial statements.

The adoption of IFRS 7 and Complementary Amendment to IAS 1 require additional disclosures in respect of the Company's financial risk management arrangements. Appropriate disclosures, together with comparatives, are incorporated into these financial statements.

(p) Standards, Interpretations and Amendments to Existing Standards Effective for Future Reporting Periods:

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been issued which were not yet effective at the balance sheet date, and which the Company has not adopted. The Company has assessed the relevance of all such new standards, interpretations and amendments, has determined that the following amendments may be relevant to its operations, and has concluded as follows:

IFRIC 14, IAS 19 – *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*, which became effective for accounting periods beginning on or after January 1, 2008, provides guidance on assessing the limit set in IAS 19 on the amount of the surplus that can be recognized as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. Management has not completed its evaluation of the effect that adoption of IFRIC 14 for the year ending March 31, 2009, will have on the financial statements.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2008

3. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

(p) Standards, Interpretations and Amendments to Existing Standards Effective for Future Reporting Periods: (cont'd)

IAS 1 (Revised 2007) – *Presentation of Financial Statements,* requires the presentation of all non-owners changes in equity in one or two statements: either in a single statement of comprehensive income, or in a statement of income and in a statement of comprehensive income. The standard becomes mandatory for the Company's 2010 financial statements and is not expected to have any significant impact on the financial statements.

IAS 23, Revised – *Borrowing Costs* (effective for annual periods beginning on or after January 1, 2009) removes the option of immediately recognising all borrowing costs as an expense. The standard requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of the asset. This is not expected to have an impact on the Company's 2010 financial statements, having regard to existing financing arrangements.

Amendments to IAS 32, *Financial Instruments: Presentation* and IAS 1, *Presentation of Financial Statements* are effective for annual periods beginning on or after January 1, 2009. The amendments allow certain instruments that would normally be classified as liabilities to be classified as equity if certain conditions are met. Where such instruments are reclassified, the entity is required to disclose the amount, the timing and the reason for the reclassification. Adoption of this amendment in the Company's 2010 financial statements is not expected to have a material effect.

IFRIC 12 *Service Concession Arrangements* provides guidance on certain recognition and measurement issues that arise in accounting for public-to-private service concession arrangements. IFRIC 12, which becomes mandatory for the Company's 2008 financial statements, is not expected to have any effect on the financial statements.

IFRIC 13 *Customer Loyalty Programmes* addresses the accounting by entities that operate, or otherwise participate in, customer loyalty programmes for their customers. It relates to customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. IFRIC 13, which becomes mandatory for the Company's 2009 financial statements, is not expected to have any impact on the financial statements.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2008

4. TURNOVER

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

5. OPERATING COSTS

	2008 EC$'000	2007 EC$'000
Depreciation of tangible property, plant and equipment	**11,936**	9,079
Employee costs (Note 6)	**10,779**	10,720
License fees	**3,612**	4,833
Utilities	**1,750**	1,422
Management fees	**1,566**	2,033
Repairs and maintenance	**1,128**	1,796
Pension costs	**650**	627
Insurance	**248**	706
Operating lease rentals	**158**	158
Auditor's remuneration – current year	**135**	138
Directors' fees	**12**	26
Restructuring costs	**-**	345
Other operating costs	**18,520**	18,068
	50,494	49,951

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.

6. EMPLOYEE COSTS

	2008 EC$'000	2007 EC$'000
Salaries and wages	**8,858**	9,077
Statutory payroll deductions	**1,068**	680
Staff training	**294**	250
Other staff costs	**559**	713
	10,779	10,720
Number of employees	**126**	123

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

7. NET INTEREST

	2008 EC$'000	2007 EC$'000
Interest paid	-	(481)
Interest received	341	233
	341	(248)

8. TAXATION ON ORDINARY ACTIVITIES

	2008 EC$'000	2007 EC$'000
Tax on profits for the year	10,563	9,497
Change in deferred taxation	453	(288)
	11,016	9,209

The current year tax charge of EC$10,563K (2007: EC$9,497) is higher than the standard rate tax charge, since the effective tax rate is higher than the standard tax rate of 35%. (2007:35%) See details below:

	2008 EC$'000	2007 EC$'000
Income on ordinary activities before income tax	25,849	21,726
Tax at the standard rate of 35% (2007: 35%)	9,047	7,604
Tax effect/(benefit) arising from the following:		
Capital allowances in excess of depreciation	125	(67)
Tax on non-deductible expenditure	1,391	1,960
Taxation on ordinary activities	10,563	9,497

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2008

9. PROPERTY, PLANT AND EQUIPMENT

	Land and Buildings	Plant	Motor Vehicles	Projects Under construction	**Total**
	EC$'000	EC$'000	EC$'000	EC$'000	**EC$'000**
COST					
At March 31, 2006	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	-	-	(267)	(352)	**(619)**
At March 31, 2007	24,819	180,154	3,648	7,619	**216,240**
Additions	31	-	-	11,612	**11,643**
Transfers between items	-	8,146	34	(8,180)	**-**
Disposals	(68)	(7,973)	(379)	(153)	**(8,573)**
At March 31, 2008	24,782	180,327	3,303	10,898	**219,310**
ACCUMULATED DEPRECIATION					
At March 31, 2006	8,484	108,932	2,276	-	**119,692**
Charge for the year	586	8,037	456	-	**9,079**
Eliminated on disposal	-	-	(267)	-	**(267)**
At March 31, 2007	9,070	116,969	2,465	-	**128,504**
Charge for the year	637	10,731	456	-	**11,824**
Eliminated on disposal	(68)	(7,973)	(379)	-	**(8,420)**
At March 31, 2008	9,639	119,727	2,542	-	**131,908**
NET BOOK VALUE					
At March 31, 2008	**15,143**	**60,600**	**761**	**10,898**	**87,402**
At March 31, 2007	**15,749**	**63,185**	**1,183**	**7,619**	**87,736**

The net book value of land and buildings comprises:

	2008	2007
	EC$'000	EC$'000
Freehold	**14,560**	15,136
Long leasehold	**583**	613
	15,143	15,749

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2008

10. INTANGIBLE ASSETS

	2008 ($000)	2007 ($000)
Balance at beginning of year	**1,192**	-
Acquisition	**-**	1,192
Amortisation charges for the year	**(112)**	-
Balance at end of year	**1,080**	1,192

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

11. RELATED PARTIES

(a) A party is related to the Company, if:

(i) directly, or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, the Company (this includes parents, subsidiaries and fellow subsidiaries); has an interest in the Company that gives it significant influence over the Company; or has joint control over the Company;

(ii) the party is an associate of the Company;

(iii) the party is a joint venture in which the Company is a venturer;

(iv) the party is a member of the key management personnel of the Company or its parent;

(v) the party is a close member of the family of any individual referred to in (i) or (iv);

(vi) the party is the Company that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or

(vii) the party is a post-employment benefit plan for the benefit of employees of the Company, or of any company that is a related party of the Company.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

Related party transactions are as follows:

(b) *Loan to related party*

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 & Nevis for reconstruction of hospital and

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2008

11. RELATED PARTIES (*cont'd*)

social services. The loan was effective from July 1, 1999 and was disbursed to the Government in four separate drawdowns. Interest earned in the year ended March 31, 2008 was EC25,724 (2007: EC$234,000) and at March 31, 2008 the balance outstanding on the loan was as nil.

	2008 EC$'000	2007 EC$'000
Non-current portion of loan to related party	**-**	-
Current portion of loan to related party	**-**	937
	-	937

(c) Related party transactions

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

	2008 EC$'000	2007 EC$'000
Included in turnover	**2,566**	2,896
Included in outpayments	**3,701**	3,692

Payment made to related parties for the provision of other services including:

	2008 EC$'000	2007 EC$'000
Management fees	**1,566**	2,033
Director's fees	**12**	26

(ii) Key Management

	2008 ($000)	2007 ($000)
Wages and salaries	**1,771**	1,718
Bonus	**435**	360
Statutory contributions	**177**	172
Pension	**133**	129
	2,516	2,379

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2008

12. INVENTORIES

	2008 EC$'000	2007 EC$'000
Merchandise inventories at net realizable value	**510**	445
Other materials and supplies at net realizable value	**2,392**	1,565
	2,902	2,010

13. DEBTORS AND PREPAYMENTS DUE WITHIN ONE (1) YEAR

	2008 EC$'000	2007 EC$'000
Trade debtors	**15,490**	11,242
Other debtors	**3,268**	5,674
Current portion of loan to related party	**-**	937
Prepayments and accrued income	**362**	1,283
	19,120	19,136

14. CASH AT BANK AND CASH IN HAND

	2008 EC$'000	2007 EC$'000
Cash at bank and in hand	**5,779**	8,051
Short term deposits	**1,299**	1,249
	7,078	9,300

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

15. SHARE CAPITAL

	2008 EC$'000	2007 EC$'000
Authorised:		
50,000,000 Ordinary Shares of EC$1.00 each	**50,000**	50,000
Allotted, called up and fully paid: -		
33,130,418 Ordinary Shares of EC$1.00 each	**33,130**	33,130

During the year Cable and Wireless (West Indies) (CWWI) Limited purchased an additional 17% stake in 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%. In February 2008 CWWI offered 5% of the shares purchased to residents of St. Kitts and Nevis through the Eastern Caribbean Securities Exchange via a public offering.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2008

16. PROVISIONS FOR LIABILITIES AND CHARGES

	Redundancy EC$'000	Deferred Taxation EC$'000	**Total** **EC$'000**
At 1 April 2007	910	10,508	**11,418**
Charge/(credit) for the period	(862)	-	**(862)**
Credit related to accelerated capital allowance	-	453	**453**
At 31 March 2008	48	10,961	**11,009**

The deferred taxation liability is analysed as follows: -

	2008 **EC$'000**	2007 EC$'000
Accelerated capital allowances	**10,961**	10,508

17. OTHER CREDITORS

	2008 **EC$'000**	2007 EC$'000
Customers' deposits	**1,600**	2,228
Social Security	**294**	188
Other creditors	**3,295**	3,195
	5,189	5,611

18. 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:

	2008 **EC$'000**	2007 EC$'000
Land and buildings:		
• Expiring within one year	**156**	157
• Expiring thereafters	**-**	156
	156	313

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2008

19. DIVIDENDS

On December 7, 2007, the Company declared interim dividends amounting to EC$3,313,000 (EC$0.10 per share) based on the financial performance of the Company for the six (6) months ended September 30, 2007. The interim dividend was paid on June 13, 2008.

The final dividend for the 2007 financial year of EC$8,282,500 (EC$0.25 per share) which was declared on August 16, 2007, was recorded and paid during the current financial year.

20. FINANCIAL INSTRUMENTS

(a) Financial Risk Factors:

The Company's activities expose it to a variety of financial risks, including the effects of changes in debt market prices, foreign currency exchange rates and interest rates. Management seeks to minimize potential adverse effects on the financial performance of the Company by applying procedures to identify, evaluate and manage these risks.

Treasury policy

The company's treasury operations are managed on the basis of policies and authorities approved by Cable and Wireless plc's Board of Directors. Day-to-day management of treasury activities is delegated to the Chief Executive and the Chief Financial Officer, within specified financial limits for each type of transaction and counterparty.

Treasury positions are monitored by the central treasury function. Where appropriate, transactions are reported to the Board. The company is required to report details of their cash, debt and hedging positions to central treasury on a monthly basis.

The key responsibilities of the treasury function include funding, investment of surplus cash and the management of interest rate and foreign currency risk. The majority of the company's funding and cash resources are managed centrally. The company is funded in, and operates in its functional currency.

The company has exposure to the following risks from its use of financial instruments:

- Market risk
- Credit risk
- Liquidity risk

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The company is exposed to movements of interest rates on its debt and surplus cash balances. The treasury function may seek to reduce volatility by fixing a proportion of this interest rate exposure whilst taking account of prevailing market conditions as appropriate.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2008

20. FINANCIAL INSTRUMENTS *(cont'd)*

Fair value sensitivity analysis for fixed rate instruments

The company does not account for any fixed rate financial assets or liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss recognised for the year.

Currency Risk

Currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company does not generally engage in currency hedges, and rather aims to have financial liabilities denominated in local currencies in order to avoid currency risk.

The Company's exposure to foreign currency risk in the respective currencies at year end was as follows:

	2008				
	US$ ($000)	BD$ ($000)	EC$ ($000)	JM$ ($000)	GB£ (£000)
Amounts due from group companies	1,534	-	-	1,454	467
Cash and cash equivalents	211	-	-	-	-
Amounts due to group companies	(352)	(309)	-	(456)	(255)
Gross exposure	1,393	(309)	-	998	212

	2007				
	US$ ($000)	BD$ ($000)	EC$ ($000)	JM$ ($000)	GB£ (£000)
Amounts due from group companies	51	-	-	342	
Cash and cash equivalents	290	-	-	-	-
Amounts due to group companies		355	-		(1,361)
Gross exposure	341	355	-	342	(1,361)

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2008

20. FINANCIAL INSTRUMENTS *(cont'd)*

Currency Risk (cont'd)
Exchange rates of 1 unit of the relevant foreign currencies to the Eastern Caribbean dollar at year end were as follows:

	US$	BD$	EC$	JM$	GB£
	$000	$000	$000	$000	£000
At March 31, 2008	0.370	0.758	-	25.08	0.189
At March 31, 2007	0.370	0.758	-	26.31	0.192

Price Risk
Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer, or factors affecting all instruments traded in the market. The Company has no significant exposure to such risks.

Credit Risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company has no significant concentration of credit risk attaching to receivables as the Company has a large and diverse customer base, with no significant balances arising from any single economic or business sector, or any single entity or group of entities.

The Company has policies in place to ensure that sales are made to customers with an appropriate credit rating. Accounts receivables are shown net of provision for impairment. Cash and cash equivalents are held with substantial financial institutions, which present minimal risk of default.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Carrying amount	
	2008	2007
	($000)	($000)
Debtors and prepayments	**19,120**	19,136
Amounts due from group companies	**13,901**	219
Cash and cash equivalents	**7,078**	9,300
	40,099	28,655

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2008

20. FINANCIAL INSTRUMENTS *(cont'd)*

Liquidity Risk
Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and the availability of funding through an adequate amount of committed credit facilities. The management of the Company aims at maintaining flexibility in funding by monitoring budgeting commitments and by keeping committed lines of credit available, and by monitoring the timing of its cash flows.

The following are the contractual maturities of financial assets and liabilities:

	2008					
	Immediately rate sensitive ($000)	1 to 3 months ($000)	Three to 12 months ($000)	Greater than 12 months ($000)	Non-rate sensitive ($000)	Total ($000)
Financial assets						
Debtors and prepayments	-	-	-	-	19,120	19,120
Amounts due from group companies	-	-	-	-	13,901	13,901
Cash at bank and in hand	7,078	-	-	-	-	7,078
Financial Liabilities						
Creditors	-	-	-	-	(21,573)	(21,573)
Amount due to group companies	-	-	-	-	(16,049)	(16,049)
Total interest rate sensitivity gap	7,078	-	-	-	(4,601)	2,477
Cumulative gap	7,078	7,078	7,078	7,078	2,477	-

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2008

20. FINANCIAL INSTRUMENTS *(cont'd)*

Interest Rate Risk: (cont'd)

	2007					
	Immediately rate sensitive ($000)	1 to 3 months ($000)	Three to 12 months ($000)	Greater than 12 months ($000)	Non-rate sensitive ($000)	Total ($000)
Financial assets						
Debtors and prepayments	-	-	-	-	19,136	19,136
Amounts due from group companies	-	-	-	-	219	219
Cash at bank and in hand	9,300	-	-	-	-	9,300
Financial Liabilities						
Creditors	-	-	-	-	(24,152)	(24,152)
Amount due to group companies	-	-	-	-	(7,235)	(7,717)
Total interest rate sensitivity gap	9,300	-	-	-	(12,032)	(2,732)
Cumulative gap	9,300	9,300	9,300	9,300	(2,732)	-

Interest Rate Sensitivity:
Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets or liabilities at fair value through the profit and loss. Therefore, a change in interest rates at the reporting date would not affect the income recognised for the year.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2008

20. FINANCIAL INSTRUMENTS *(cont'd)*

(b) Fair Values of Financial Instruments:

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Market price is used to determine fair value where an active market exists as it is the best evidence of the fair value of a financial instrument. However, market prices are not available for a significant number of the financial assets and liabilities held and issued by the Company. Therefore, for financial instruments where no market price is available, the fair values presented have been estimated using present value or other estimation and valuation techniques based on market conditions existing at balance sheet dates.

Notes:

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CABLE & WIRELESS
St. Kitts & Nevis Limited

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