

Cable & Wireless Jamaica Limited
Unaudited Consolidated Financial Statements
For The Quarter Ended December 31, 2008

The Board of Directors of Cable & Wireless Jamaica Limited (“the Company”) releases the unaudited consolidated results of the Company, Jamaica Digiport International (JDI), and other subsidiaries, (collectively referred to as “CWJ”), for the quarter ended December 31 2008.

Highlights:

- Improved customer service - in September 2008, we successfully migrated our call centre to a new provider enabling us to improve our customer service levels. Call abandonment rate fell to a YTD low of 9% compared with the 21% recorded in the third quarter of 2007/08 and over 82% of calls are now answered within 30 seconds compared with 55% one year ago;
- Enhanced our retail presence – since the end of the third quarter of 2007/08, we have opened six flagship stores, refreshed 75% of our retail outlets and added 2,027 Top Up locations;
- Unveiled our new regional brand – on November 3 2008, we launched our LIME (landline, internet, mobile and entertainment) brand reinforcing our position locally and regionally as the Caribbean’s leading telecommunications provider;
- Increased cost efficiency – we reduced operating costs by 13% in the third quarter of 2008/09, as we continue to deliver on the One Caribbean programme including a 13% reduction in headcount.

Results (J\$m)

Revenue for the quarter ended December 31 2008 was J\$5,836m, 6% lower than the same period of 2007. The decrease in revenue was due to the impact of our change in mobile strategy to focus on gross margin and some softening in tourist related demand.

Revenue for the nine months ended December 31 2008 was 1% below the same period of the previous year.

Gross margin for the quarter of J\$3,897m was marginally below the same period last year due to the revenue movements above, partially offset by a 13 % reduction in cost of sales. Our increased focus on gross margin has resulted in a three percentage point improvement to 67% of revenue for the quarter ended December 31 2008.

Year to date gross margin was 10% higher than the previous year and as a percentage of revenue is up to 66% from 59% driven by the improved profitability of our mobile and fixed line products.

Total operating expenses for the quarter (excluding depreciation and amortisation) dropped by 13% compared with the same period of the previous year reflecting the results of our cost reduction programme. Our actions to reduce staff and network costs as well as bad debt expenses more than offset the impact of increased utility costs as a result of higher oil prices.

Depreciation and amortisation was marginally above the previous year.

Operating profit before restructuring costs for the three months ended 31 December 2008 was J\$638m compared with a profit of J\$386m for the same quarter of the prior year. This increase was largely the result of the improved profitability of our product range and our continued focus on cost reduction.

Restructuring costs include redundancy and rebranding costs associated with our transformation plan.

Year to date our operating profit was J\$820m, an increase of J\$532m over the same period of the previous year.

Net finance costs for the quarter increased by 47% compared with the same period in the previous year due to net foreign exchange losses of J\$85m and higher interest expenses resulting from an increase in net borrowings related to our 3G network project.

Net profit attributable to stockholders for the quarter of J\$33m improved by 141% compared with the quarter ended December 31 2007.

Recent Litigation with Digicel – In December 2008, Digicel disconnected C&WJ's international circuits and took certain other actions which resulted in a reduction of traffic being sent through C&WJ's said circuits during the Christmas period. C&WJ's circuits were reconnected in December but again disconnected by Digicel in January 2009 at which time C&WJ applied for, and obtained, an interim injunction ordering Digicel to restore capacity. The interim injunction expired on 5 February and was not renewed, however, Digicel provided an undertaking to the court to maintain 15 of C&WJ's circuits which together account for 45% of the existing circuit capacity. C&WJ will continue to vigorously pursue its suit against Digicel for an interlocutory injunction and damages for breaches of the Interconnection Agreement and the Fair Competition Act

Outlook

These results demonstrate continued improvement in our financial performance. While we have seen some softening of demand as a result of challenging economic conditions, we remain focused on delivering better service to our customers and better performance for our stockholders by continuing to progress our One Caribbean transformation plan, with a continued focus on cost efficiency and cash generation.

These unaudited consolidated financial statements have been prepared on the historical cost basis and in accordance with International Financial Reporting Standards.

On behalf of the Board

Andrew Cocking
Director

Geoff Houston
Director

Group Income Statement
Quarter ended December 31, 2008
J\$000's

	3 Months to Dec 31, 2007	3 Months to Dec 31, 2008	9 Months to Dec 31, 2007	9 Months to Dec 31, 2008
Revenue	6,221,529	5,836,388	17,347,297	17,106,694
Outpayments	(1,669,510)	(1,439,379)	(5,215,376)	(4,430,855)
Other cost of sales	(559,863)	(500,417)	(1,858,821)	(1,363,920)
Total Cost of Sales	(2,229,373)	(1,939,796)	(7,074,197)	(5,794,775)
Gross Margin	3,992,156	3,896,591	10,273,100	11,311,919
Employee expenses	(793,325)	(672,467)	(2,409,686)	(2,139,926)
Administrative, marketing, and selling expenses	(2,065,128)	(1,822,573)	(5,332,665)	(5,606,616)
Depreciation and amortisation	(747,781)	(763,824)	(2,242,931)	(2,298,577)
Total Operating Expenses	(3,606,235)	(3,258,863)	(9,985,283)	(10,045,119)
Operating profit before restructuring costs	385,921	637,728	287,817	1,266,800
Restructuring costs	0	(87,196)	0	(446,561)
Operating (loss)/ profit	385,921	550,532	287,817	820,239
Net finance costs				
Foreign exchange gains/ (losses)	1,653	(85,251)	(69,054)	4,924
Other finance costs	(363,393)	(433,205)	(1,013,333)	(1,278,221)
Finance income	21,176	18,922	69,254	56,052
	(340,564)	(499,534)	(1,013,133)	(1,217,245)
Other (expenses)/ income	(3,977)	(0)	(40,462)	20,773
Profit/(loss) before taxation	41,379	50,998	(765,779)	(376,233)
Taxation	(27,863)	(18,402)	272,486	142,945
Net profit/ (loss) attributable to stockholders	13,517	32,596	(493,292)	(233,288)
Earnings/ (loss) per stock unit	0.08¢	0.19¢	(2.93¢)	(1.39¢)

Group Balance Sheet
Quarter ended December 31, 2008
J\$000's

	<u>Dec 31, 2008</u>	<u>March 31, 2008</u>	<u>Dec 31, 2007</u>
Property, plant & equipment	26,605,659	25,690,799	29,936,019
Intangible asset	566,387	522,006	398,222
Deferred expenditure	77,602	55,516	78,102
Employee benefits assets	2,142,667	3,492,000	3,457,000
Total non-current assets	<u>29,392,315</u>	<u>29,760,321</u>	<u>33,869,343</u>
Cash & cash equivalents	864,170	846,488	1,116,788
Accounts receivable	4,517,747	3,748,324	4,928,955
Taxation recoverable	97,010	95,989	87,871
Prepaid expenses	467,459	375,760	610,912
Due from related companies	129,977	136,475	144,443
Inventories	186,004	155,541	29,226
Current portion of deferred expenditure	250,364	284,818	302,716
Total current assets	<u>6,512,731</u>	<u>5,643,395</u>	<u>7,220,913</u>
TOTAL ASSETS	<u>35,905,046</u>	<u>35,403,716</u>	<u>41,090,255</u>
Share capital	16,817,440	16,817,440	16,817,440
Reserves	2,499,707	2,443,218	2,523,684
Accumulated (deficit)/profit	(5,474,054)	(4,565,159)	(696,087)
TOTAL EQUITY	<u>13,843,093</u>	<u>14,695,499</u>	<u>18,645,037</u>
Trade and other accounts payables	5,772,869	5,470,684	5,941,216
Provisions	129,848	322,766	0
Current portion of loans	14,668	749,039	13,005
Due to related companies	54,321	47,116	4,669
Total current liabilities	<u>5,971,706</u>	<u>6,589,605</u>	<u>5,958,890</u>
Loans	273,160	3,421,455	4,160,142
Due to ultimate parent company	11,871,134	6,434,933	5,932,047
Deferred tax liability	580,595	1,061,207	4,296,817
Provisions	1,345,202	1,349,017	422,565
Employee benefits obligation	2,020,156	1,852,000	1,674,759
Total non-current liabilities	<u>16,090,247</u>	<u>14,118,612</u>	<u>16,486,330</u>
TOTAL LIABILITIES	<u>22,061,953</u>	<u>20,708,217</u>	<u>22,445,220</u>
TOTAL EQUITY & LIABILITIES	<u>35,905,046</u>	<u>35,403,716</u>	<u>41,090,255</u>

Group Statement of Changes in Shareholders' Equity
Quarter ended December 31, 2008
J\$'000's

	<u>Share Capital</u>	<u>Reserves</u>	<u>(Accumulated deficit)/ unappropriated profit</u>	<u>Total</u>
Balances at 1 April 1, 2007	16,817,440	2,491,656	1,012,732	20,321,828
Net loss for the period	-	-	(493,292)	(493,292)
Dividends paid	-	-	(504,527)	(504,527)
Actuarial gains and losses recognised directly in equity, net of deferred tax	-	-	(711,000)	(711,000)
Unrealised translation adjustment on consolidation	-	32,028	-	32,028
Balances at December 31, 2007	<u>16,817,440</u>	<u>2,523,684</u>	<u>(696,087)</u>	<u>18,645,037</u>
Balances at April 1 2007	16,817,440	2,491,656	1,012,732	20,321,828
Net loss for the period	-	-	(4,194,698)	(4,194,698)
Dividends	-	-	(504,526)	(504,526)
Actuarial gains and losses recognised directly in equity, net	-	-	(960,000)	(960,000)
Transfer from employee benefits reserve	-	(81,333)	81,333	-
Unrealised translation adjustment on consolidation	-	32,895	0	32,895
Balances at March 31, 2008	<u>16,817,440</u>	<u>2,443,218</u>	<u>(4,565,159)</u>	<u>14,695,499</u>
Net loss for the period	-	-	(233,288)	(233,288)
Actuarial gains and losses recognised directly in equity, net	-	-	(675,607)	(675,607)
Transfer from employee benefits reserve	-	-	-	-
Unrealised translation adjustment on consolidation	-	56,489	-	56,489
Balances at December 31, 2008	<u>16,817,440</u>	<u>2,499,707</u>	<u>(5,474,054)</u>	<u>13,843,093</u>

Group Statement of Cashflows
Quarter ended December 31, 2008
J\$'000

	3 Months to Dec 31, 2007	3 Months to Dec 31, 2008	9 Months to Dec 31, 2007	9 Months to Dec 31, 2008
CASH FLOWS FROM OPERATING ACTIVITIES				
Net Profit/ (Loss) attributable to stockholders	13,517	32,596	(493,292)	(233,288)
Adjusted for:				
Unrealised translation losses on loans	121,943	28,169	74,162	30,082
Employee benefits, net	(125,471)	880,671	(411,152)	504,490
Depreciation and amortisation	747,781	763,824	2,242,931	2,298,577
Provision for impairment	-	-	-	-
Amortisation of deferred expenditure	85,095	88,823	208,810	249,051
Deferred taxation	32,166	18,402	(268,183)	(142,945)
Loss/(gain) on disposal of property, plant and equipment and intangible assets	6,278	0	42,763	(20,773)
Interest earned	(10,672)	(18,922)	(35,034)	(56,052)
Interest expense	362,891	433,205	1,011,867	1,278,221
Provisions	(13,428)	37,987	(40,103)	(3,816)
Cash generated before changes in working capital	1,220,101	2,264,753	2,332,770	3,903,545
Accounts receivable	(965,269)	(1,024,665)	(549,443)	(769,423)
Prepaid expenses	839,016	497,066	560,731	(91,699)
Due from related companies	(23,388)	60,780	(23,408)	6,498
Inventories	52,344	39,836	402,257	(30,463)
Trade and other accounts payables	191,407	580,425	57,170	396,900
Provisions	-	(220,353)	-	(192,918)
Due to related companies	-	8,496	(35,752)	7,205
Cash generated from operations	1,314,210	2,206,339	2,744,324	3,229,646
Net cash provided by operating activities	1,314,210	2,206,339	2,744,324	3,229,646
CASH FLOWS FROM INVESTING ACTIVITIES				
Unrealised translation adjustment on consolidation	22,727	49,949	32,028	56,489
Acquisition of property plant & equipment and intangible assets	(1,098,363)	(995,818)	(3,973,937)	(3,350,144)
Proceeds from disposal of property, plant & equipment	383	-	455	-
Interest received	10,647	(11,468)	34,968	23,540
Deferred expenditure incurred	(49,277)	(41,120)	(304,662)	(236,683)
Net cash used by investing activities	(1,113,884)	(998,456)	(4,211,149)	(3,506,797)
CASH FLOWS FROM FINANCING ACTIVITIES				
Increase/(decrease in loans)	(4,991)	42,082	833,219	(3,882,666)
Dividends paid	(504,527)	-	(504,527)	-
Interest paid	(362,884)	(341,706)	(853,374)	(931,204)
Due to ultimate parent company	606,393	(487,408)	1,698,070	5,108,704
Net cash used by financing activities	(266,009)	(787,032)	1,173,388	294,834
Net (decrease)/ increase in cash and cash equivalents	(65,681)	420,850	(293,437)	17,682
Cash and cash equivalents at beginning of period	1,182,469	443,320	1,410,225	846,488
CASH AND CASH EQUIVALENTS AT END OF PERIOD	1,116,788	864,170	1,116,788	864,170