

CABLE & WIRELESS CIS SERVICES LIMITED

Report and Financial Statements

31 March 2006

Registered Office
Lakeside House
Cain Road
Bracknell
Berkshire
RG12 1XL



CABLE & WIRELESS CIS SERVICES LIMITED

To the Company's Ordinary Shareholders

Elective Regime

On 19 January 1996 the Company passed elective resolutions in accordance with Section 379A of the Companies Act 1985 as amended ("the Act") to dispense with the formalities of

- the laying of accounts before the Company in general meeting (Section 252 of the Act),
- the holding of annual general meetings (Section 366A of the Act), and
- the obligation to appoint auditors annually (Section 386 of the Act)

Section 253(2) gives members the right to require the laying in accounts before the Company in general meeting. To exercise such right, a member must give notice in writing to that effect deposited at the registered office of the Company within 28 days of the day on which the report and financial statements are sent out in accordance with Section 238(1) of the Act

CABLE & WIRELESS CIS SERVICES LIMITED

REPORT AND FINANCIAL STATEMENTS

CONTENTS

	Page
Director's Report	1
Statement of directors' responsibilities in respect of the Directors' Report and the financial statements	3
Independent auditors' report to the members of Cable & Wireless CIS Services Limited	4
Profit and Loss Account	6
Balance Sheet	7
Notes to the Accounts	8

CABLE & WIRELESS CIS SERVICES LIMITED

DIRECTORS' REPORT

The Director presents his annual report and the audited financial statements for the year ended 31 March 2006

ACTIVITIES AND REVIEW OF DEVELOPMENTS

The principal activity of the Company is to act as an investment holding company and support ongoing telecommunication activities in Russia

FUTURE PROSPECTS

No change in the Company's activities is envisaged in the foreseeable future

RESULTS AND DIVIDENDS

The loss for the year after taxation amounting to £691,033 (2005 £1,254,916) has been dealt with in the attached financial statements. The Director does not recommend payment of a dividend (2005 £nil)

DIRECTORS

The Directors who held office during the year and subsequent to the year end were

P Newell	(resigned 31 May 2005)
S P Cunningham	(resigned 5 April 2005)
L C Mawdsley	(appointed 10 June 2005, resigned 29 September 2005)
R H Dodd	(appointed 5 April 2005, resigned 13 September 2006)
JM Jensen	(appointed 13 September 2006)

The Directors have no interest in the shares of the Company nor any disclosable interests in any contracts or arrangements with the Company either subsisting at the end of the financial year or entered into since the end of the previous financial year. The Director who held office at the end of the financial year had the following beneficial interests in the shares of Cable and Wireless plc

	At 1 April 2005 (or later date of appointment)	Shares acquired/ options granted	Shares disposed/ options exercised or lapsed	Closing balance as at 31 March 2006	
RH Dodd	135,501	-	-	135,501	(a)
	-	85,282	-	85,282	(b)

All interests are in fully paid Ordinary Shares, unless marked (a) which are options to purchase Ordinary Shares under the discretionary share option schemes or (b) which are restricted shares granted on 25 August 2005, 50% of which vest on 25 August 2006 and 50% will vest on 25 August 2008

DIRECTORS' REPORT (continued)

DISCLOSURE OF INFORMATION TO AUDITORS

The Director who held office at the date of approval of this report confirms that, so far as he is aware, there is no relevant audit information of which the Company's auditors are unaware and he has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

By order of the Board of Directors



H M HANSCOMB

Secretary

Date 16th May 2007

Statement of Directors' responsibilities in respect of Directors' Report and the financial statements

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the 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 enable them to ensure that its financial statements comply with the Companies Act 1985. 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.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CABLE & WIRELESS CIS SERVICES LIMITED

We have audited the financial statements of Cable & Wireless CIS Services Limited for the year ended 31 March 2006, which comprise of the Profit and Loss Account, the Balance Sheet, and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 3.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Director's Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Director's Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CABLE & WIRELESS CIS SERVICES LIMITED
(continued)

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2006 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Director's Report is consistent with the financial statements

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

16 May 2007

8 Salisbury Square
London
EC4Y 8BB

CABLE & WIRELESS CIS SERVICES LIMITED

PROFIT AND LOSS ACCOUNT Year ended 31 March 2006

	Note	2006 £	2005 £
Operating costs	2	553,072	1,215,643
OPERATING LOSS ON ORDINARY ACTIVITIES BEFORE INTEREST		553,072	1,215,643
Interest expense	3	137,961	36,014
LOSS ON ORDINARY ACTIVITIES BEFORE TAX		691,033	1,251,657
Tax on loss on ordinary activities	5	-	3,259
LOSS FOR THE FINANCIAL YEAR		691,033	1,254,916

The notes on pages 8 to 11 form part of the financial statements

There are no recognised gains or losses other than those set out above. Accordingly, no statement of recognised gains and losses has been prepared.

There are no material differences between the Company's results as reported on a historical cost basis. Accordingly, no historical cost profit and loss has been prepared.

CABLE & WIRELESS CIS SERVICES LIMITED

BALANCE SHEET
As at 31 March 2006

	Note	2006 £	2005 £
FIXED ASSETS			
Investments	6	-	-
CURRENT ASSETS			
Cash at bank and in hand		6	1,511
		6	1,511
CREDITORS: amounts falling due within one year	7	(5,700,702)	(5,011,174)
NET CURRENT LIABILITIES		(5,700,696)	(5,009,663)
TOTAL ASSETS LESS CURRENT LIABILITIES		(5,700,696)	(5,009,663)
NET LIABILITIES		(5,700,696)	(5,009,663)
CAPITAL AND RESERVES			
Called up share capital	8	100	100
Profit and loss account	9	(5,700,796)	(5,009,763)
EQUITY SHAREHOLDER'S DEFICIT		(5,700,696)	(5,009,663)

The notes on pages 8 to 11 form part of the financial statements

The financial statements were approved by the Board of Directors on 16th May 2007 and signed on its behalf by


J JENSEN
Director

NOTES TO THE ACCOUNTS
Year ended 31 March 2006

1. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements, except as noted below

In these financial statements the following new standards have been adopted for the first time

- FRS 21 'Events after the balance sheet date',
- FRS 25 'Financial instruments presentation and disclosure', and
- FRS 28 'Corresponding amounts'

The accounting policies under these new standards are set out below together with an indication of the effects of their adoption. FRS 28 'Corresponding amounts' has had no material effect as it imposes the same requirements for comparatives as hitherto required by the Companies Act 1985

The corresponding amounts in these financial statements are restated in accordance with the new policies

(i) Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules

The Company is exempt by virtue of s228 of the Companies Act 1985 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group

Under FRS 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements

As the Company is a wholly owned subsidiary of Cable and Wireless plc, the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group or investees of the group qualifying as related parties. The consolidated financial statements of Cable and Wireless plc, within which this Company is included, can be obtained from 7th Floor, The Point, 37 North Wharf Road, London W2 1LA

The financial statements have been prepared on a going concern basis, notwithstanding net liabilities of £5,700,696 (2005 net liability of £ 5,009,663). The Director has reviewed the financial position of the Company, including the arrangements with group undertakings, and believe that it remains appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result from the going concern basis of preparation being inappropriate. The parent company has no plans to liquidate the company within the foreseeable future

(ii) Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction, or, where exchange rates do not fluctuate significantly, an average rate for the period is used as an approximation. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account

(iii) Investments

Investments held as fixed assets are stated at cost less amounts written off in respect of any impairments

NOTES TO THE ACCOUNTS (continued)
Year ended 31 March 2006

(iv) Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in future or a right to pay less tax in future have occurred at the balance sheet date except as otherwise required by FRS19. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements. A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

2. OPERATING COSTS

	2006 £	2005 £
Other operating costs	553,072	1,215,643

3. INTEREST EXPENSE

	2006 £	2005 £
Interest payable to group companies	137,961	36,014

4 INFORMATION REGARDING DIRECTORS, EMPLOYEES AND AUDITORS

The Director did not receive any emoluments from the Company (2005 £nil)

The average monthly number of persons employed by the Company during the year is nil (2005 nil)

The auditors' remuneration for the year and the preceding financial year was borne by the ultimate parent company

5. TAX ON LOSS ON ORDINARY ACTIVITIES

	2006 £	2005 £
Analysis of charge/ (credit) for the period		
<i>Corporation tax</i>		
Current year at 30%	-	-
Adjustment in respect of prior years	-	3,259
	-	3,259

The current tax credit is lower (2005 charge is higher) than the standard rate of corporation tax in the UK of 30% (2005 30%). The differences are explained below

NOTES TO THE ACCOUNTS (continued)
Year ended 31 March 2006

5. TAX ON LOSS ON ORDINARY ACTIVITIES (CONTINUED)

	2006 £	2005 £
<i>Current tax reconciliation</i>		
(Loss) on ordinary activities	(691,033)	(1,251,657)
Current tax (credit) at 30% (2005 30%)	(207,310)	(375,497)
<i>Effects of</i>		
Expenses not deductible for tax purposes	-	366,834
Group relief surrendered without payment	207,310	8,663
Adjustments to tax charge in respect of previous period	-	3,259
Tax charge	-	3,259

A deferred tax asset of £13,037 (2005 £13,037) has not been recognised on excess capital allowances. This asset can only be deducted against certain types of future income. There is currently insufficient evidence that suitable taxable profits will be generated.

6. INVESTMENTS

The cost and net book value of investments was £nil at both 1 April 2005 and 31 March 2006.

The company in which the Company's interest at year end is more than 20% is as follows:

	Country of Incorporation	Principal activity	Class and percentage of shares held
Cable & Wireless CIS Svyaz LLC	Russia	Web hosting centre	100% ordinary

This investment was fully written off in the year ended 31 March 2002.

7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2006 £	2005 £
Amounts owed to fellow subsidiary	-	3,552,000
Amounts owed to parent undertakings	5,700,702	1,459,174
	5,700,702	5,011,174

The loan becomes repayable in full on the last day of each borrowing period or immediately upon demand of the lender.

NOTES TO THE ACCOUNTS (continued)
Year ended 31 March 2006

8. CALLED UP SHARE CAPITAL

	2006 £	2005 £
Authorised 1,000 ordinary shares of £1 each	1,000	1,000
Allotted, called up and fully paid 100 ordinary shares of £1 each	100	100

9. MOVEMENT IN RESERVES

	Profit & Loss Account £
At 1 April 2005	(5,009,763)
Loss for the financial year	(691,033)
At 31 March 2006	(5,700,796)

10. RELATED PARTY TRANSACTIONS

The Company is controlled by Cable & Wireless Global Businesses International S a rl, its immediate controlling party. The ultimate controlling party is Cable and Wireless plc.

Under Financial Reporting Standard 8 'Related party transactions', the Company is exempt from the requirement to disclose transactions with entities that are part of the Cable & Wireless group, or investees of the group qualifying as related parties, as all of the Company's voting rights are controlled within that group. There are no transactions with any other related parties.

11. ULTIMATE PARENT COMPANY

The Company's ultimate parent company is Cable and Wireless plc registered in England and Wales. A copy of Cable and Wireless plc's published consolidated financial statements can be obtained from The Secretary, Cable and Wireless plc, 7th Floor, The Point, 37 North Wharf Road, London W2 1LA. No other group accounts include the results of the Company.