

Registered Number 2964774

CABLE & WIRELESS CIS SERVICES LIMITED

Report and Financial Statements

31 March 2007

**Registered Office
Lakeside House
Cain Road
Bracknell
Berkshire
RG12 1XL**



To the Company's Ordinary Shareholder

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

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Directors' Report

The Director presents the annual report and the audited financial statements for the year ended 31 March 2007

Principal activities

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

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

Business review

The profit for the year after taxation amounting to £305,337 (2006 Loss of £691,033) has been dealt with in the attached financial statements. The Director does not recommend payment of a dividend (2006 £nil)

The Company has met the requirements in Companies Act 1985 to obtain the exemption provided from the presentation of an enhanced business review

Directors

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

J M Jensen	(appointed 13 September 2006, resigned 22 June 2007)
I J Gibson	(appointed 22 June 2007)
N J Morgan – Alternate to I J Gibson	(appointed 6 July 2007)
H M Hanscomb – Alternate to J M Jensen	(appointed 9 March 2007, resigned 30 March 2007)

All Directors benefit from qualifying third party indemnity provisions in place during the financial year and at the date of this report

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

Auditors

The Company is not obliged to reappoint its auditors annually and KPMG Audit Plc will therefore continue in office

By order of the Board



H.M. HANSCOMB
Company Secretary

18 December 2007

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

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

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

Report of the independent auditors, KPMG Audit Plc, 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 2007 which comprise 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 2.

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 Directors' 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 Directors' 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.

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 2007 and of its profit 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
8 Salisbury Square
London
EC4Y 8BB

18 December 2007

Profit and Loss Account
Year ended 31 March 2007

	Note	2007 £	2006 £
Operating credit/(cost)		651,070	(553,072)
Operating profit/(loss)		651,070	(553,072)
Interest payable and similar charges	4	(345,733)	(137,961)
Profit/(Loss) on ordinary activities before taxation		305,337	(691,033)
Tax on profit/(loss) on ordinary activities	5	-	-
Profit/(Loss) for the financial year		<u>305,337</u>	<u>(691,033)</u>

The results for the year are derived entirely from continuing operations

There are no recognised gains and losses other than the result for the current and previous years above. Accordingly, no separate statement of total recognised gains and losses has been presented.

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.

Reconciliation of movements in shareholders' funds
for the year ended 31 March 2007

Opening shareholders' deficit	(5,700,696)	(5,009,663)
Profit/(Loss) for the financial year	<u>305,337</u>	<u>(691,033)</u>
Closing shareholders' deficit	<u>(5,395,359)</u>	<u>(5,700,696)</u>

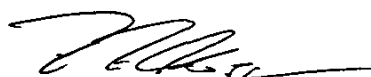
Balance Sheet
As at 31 March 2007

	Note	2007 £	2006 £
Fixed assets			
Investments	6	-	-
Current assets			
Cash at bank and in hand		1,185	6
		<hr/>	<hr/>
		1,185	6
Creditors' amounts falling due within one year	7	(5,396,544)	(5,700,702)
		<hr/>	<hr/>
Net current liabilities		(5,395,359)	(5,700,696)
		<hr/>	<hr/>
Net liabilities		(5,395,359)	(5,700,696)
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	8	100	100
Profit and loss account	9	(5,395,459)	(5,700,796)
		<hr/>	<hr/>
Shareholders' Deficit		(5,395,359)	(5,700,696)
		<hr/>	<hr/>

The financial statements were approved by the Board of Directors on
on its behalf by

13 December

2007 and signed



I J GIBSON
Director

The accompanying notes form an integral part of these financial statements

Notes to the financial statements

1. Accounting policies

(i) *Basis of preparation*

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

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.

The financial statements have been prepared on a going concern basis, notwithstanding net liabilities of £5,395,359 (2006 £5,700,696). The Director has reviewed the financial position of the Company, including the arrangements with group undertakings, and believes 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.

(iv) *Taxation*

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

(v) *Cash flow statement*

The Company is a wholly owned subsidiary of Cable and Wireless plc, and is included in the consolidated financial statements of that company, which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1 (Revised 1996). 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.

Notes to the financial statements (continued)

2. Information regarding Directors

Both current year and prior year Directors' emoluments have been borne by another group company. No Directors are accruing benefits under defined contribution schemes (2006: none).

3. Notes to the profit and loss account

In the current and prior year, the auditors' remuneration of £3,000 for the audit of these financial statements has been borne by another group company.

4. Interest payable and similar charges

	2007 £	2006 £
Interest payable to group undertakings	<u>345,733</u>	<u>137,961</u>

5. Tax on ordinary activities

Factors affecting the tax charge for the current period

The current tax credit is lower (2006: lower) than the standard rate of corporation tax in the UK of 30% (2006: 30%). The differences are explained below.

	2007 £	2006 £
<i>Current tax reconciliation</i>		
Profit/(Loss) on ordinary activities	<u>305,337</u>	<u>(691,033)</u>
Current tax charge/(credit) at 30% (2006: 30%)	91,601	(207,310)
<i>Effects of</i>		
Group relief surrendered without payment	<u>(91,601)</u>	<u>207,310</u>
Tax charge	<u>-</u>	<u>-</u>

Factors that may affect future tax charges

A deferred tax asset of £0 (2006: £13,037) has not been recognised on excess capital allowances, as it is not considered recoverable in the foreseeable future.

The corporation tax rate applicable to the Company will reduce from 30% to 28% from 1 April 2008.

Notes to the financial statements *(continued)*

6. Investments

The cost and net book value of investments was £nil at both 1 April 2006 and 31 March 2007

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

7. Creditors: amounts falling due within one year

	2007 £	2006 £
Amounts owed to group undertakings	<u>5,396,544</u>	<u>5,700,702</u>

The amount owed to group undertakings bears interest of LIBOR plus 1% The loan is held in US Dollars The loan and any interest accrued thereon become repayable in full on the last day of each borrowing period or immediately upon demand by the lender

8. Called up share capital

	2007 £	2006 £
Authorised 1,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
Allotted, called up and fully paid 100 ordinary shares of £1 each	<u>100</u>	<u>100</u>

9. Reserves

	Profit & Loss Account £
At 1 April 2006	(5,700,796)
Profit for the financial year	<u>305,337</u>
At 31 March 2007	<u>(5,395,459)</u>

Notes to the financial statements (*continued*)

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.

The largest group in which the results of the Company are consolidated is that of Cable and Wireless plc. 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.