ANNUAL REPORT

AFRINIC LIMITED

FOR THE YEAR ENDED

DECEMBER 31, 2005

ERNST & YOUNG

AFRINIC LIMITED

INDEX

1. The directors have pleasure in submitting their Annual Report to the members together with the financial statements for the year ended 31 December 2005.

2. All board members have agreed by way of unanimous resolution date , that the Annual Report need not comply with the paragraphs (a), and (d) to (i) of Section 221 (1) of the Companies Act 2001.

Approved by the Board of Directors on ..11...MAY....2006and signed on its behalf by:-

)
) DIRECTORS
)

Date: 11 MAY 2006

I certify that, to the best of any knowledge and belief, the company has lodged with the Registrar of Companies all such returns as are required of the company under the Companies Act 2001.

....

Company Secretary
EXECUTIVE SERVICES LTD.
Per Christian Angseeing

....
Date 11 MAY 2006

We have audited the financial statements on pages 5 to 14 which have been prepared on the basis of accounting policies set out on pages 9 to 11.

This report is made solely to the company's members, as a body, in accordance with section 205 of the Companies Act 2001. 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.

Directors' responsibilities

The directors are responsible for keeping proper accounting records which 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 the Companies Act 2001 and International Financial Reporting Standards. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors' responsibilities

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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 judgements made by directors in the preparation of 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 misstatements. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

We have no relationship with, or interests in the company other than in our capacities as auditors.

Opinion

We have obtained all the information and explanations that we considered necessary.

In our opinion:

- proper accounting records have been kept by the company as far as appears from our examination of those records; and
- the financial statements give a true and fair view of the financial position of the company as at December 31, 2005, and of its financial performance and cash flows for the year then ended, and comply with the Companies Act 2001 and have been prepared in accordance with International Financial Reporting Standards.

ERNST & YOUNG

Port Louis,
Mauritius

Date....11 MAY 2006

ANDRE LAI WAN LOONG, A.C.A
Signing Partner

AFRINIC LIMITED

BALANCE SHEET AS AT DECEMBER 31, 2005

	Notes	2005	2004
ASSETS		Rs	Rs
Non-current assets			
Property, plant and equipment	4	903,629	242,455
Current assets			
Trade and other receivables	5	231,729	49,757
Cash in hand and at bank		15,729,676	5,858,920
		15,961,405	5,908,677
Total assets		16,865,034	6,151,132
EQUITY AND LIABILITIES			
Revenue reserves		10,556,962	59,716
Grant		5,135,336	5,937,068
Total equity		15,692,298	5,996,784
Current liabilities			
Other payables	6	1,172,736	154,348
Total equity and liabilities		16,865,034	6,151,132

These financial statements have been approved by the board of directors on 1 1 MAY 2006

Name of directors	Signature
(1) Mr PADAYATCHY T. Viveganande	[signature]
(2) Mr AKPLOGAN A.Adiel	[signature]

The notes on pages 9 to 14 form an integral part of these financial statements.
Auditors' report on pages 3 and 4.

AFRINIC LIMITED

INCOME STATEMENT - YEAR ENDED DECEMBER 31, 2005

	Notes	2005	2004
		Rs	Rs
Income	7	21,217,190	2,864,075
Administrative expenses		(7,432,807)	(1,338,991)
Distribution expenses		(5,159,155)	(1,494,844)
Total expenses		(12,591,963)	(2,833,835)
Surplus of income over expenditure	8	8,625,227	30,240
Finance income	9	1,872,019	29,476
Surplus for the year		10,497,246	59,716

The notes on pages 9 to 14 form an integral part of these financial statements.

Auditors' report on pages 3 and 4.

	Retained income	Grant Capital	Grant Operational	Total
	Rs	Rs	Rs	Rs
At January 1, 2004	-	-		-
Movement during the year	59,716	-	5,937,068	5,996,784
At December 31, 2004	**59,716**	**-**	**5,937,068**	**5,996,784**
At January 1, 2005	59,716	-	5,937,068	5,996,784
Received during the year	-	111,035	-	111,035
Released during the year		(22,207)	(890,560)	(912,767)
Surplus for the year	10,497,246	-	-	10,497,246
At December 31, 2005	**10,556,962**	**88,828**	**5,046,508**	**15,692,298**

The notes on pages 9 to 14 form an integral part of these financial statements.
Auditors' report on pages 3 and 4.

STATEMENT OF CASH FLOWS - YEAR ENDED DECEMBER 31, 2005

	Notes	2005	2004
OPERATING ACTIVITIES		Rs	Rs
Cash absorbed by operations	10(a)	8,841,864	6,133,127
Interest received		283,672	-
Gain on exchange difference		1,588,347	-
Net cash flow from operating activities		10,713,884	6,133,127
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		843,128	274,207
Increase in cash and cash equivalents		9,870,756	5,858,920
MOVEMENT IN CASH AND CASH EQUIVALENTS			
At January 1,		5,858,920	-
Movement		9,870,756	5,858,920
At December, 31	10(b)	15,729,676	5,858,920

The notes on pages 9 to 14 form an integral part of these financial statements.
Auditors' report on pages 3 and 4.

1. PRINCIPAL ACTIVITIES

The company manages internet resources for the African region. The company is a non-profit making organisation.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) including International Accounting Standards (IAS) and Interpretations issued by the Standard Interpretations Committee (SIC) issued by the International Accounting Standards Board (IASB). The financial statements are prepared under the historical cost convention and in accordance with International Financial Reporting Standards.

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting year. Actual results could differ from those estimates.

(b) Basis of preparation

The financial statements are prepared under the historical cost convention and in accordance with International Financial Reporting Standards.

(c) Property, plant and equipment

All property, plant and equipment is initially recorded at historical cost less accumulated depreciation and any impairment in value.

Depreciation is calculated on the straight-line method to write off the cost or valuation of each asset to its residual value over its estimated useful life.

The annual rate of depreciation is as follows:	%
Buildings improvements	10
Computer equipment	20
Office equipment	20
Fixtures and fittings	10

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amounts and are taken into account in determining operating profit. On disposal of revalued assets, amounts in revaluation and other reserves relating to that asset are transferred to retained profits.

(d) **Grants**

Grants received are analysed between capital and operational grants.

(i) Capital grants
The value of fixed assets donated is credited to a capital grant account and released into income using the same method as adopted for depreciation.

(ii) Operational grants
The value of income donated is credited to an operational grant account and released into income to match the expenses incurred for the year.

The amount of operational grant currently recognised in the financial statements is the excess amount received for the setting up of the company and is released to income at a rate of 15% annually. Other operational grants include rent and assistance in the form of human resources from various governments in the African region.

(e) **Foreign currencies**

Transactions in currencies other than Mauritian rupees are initially recorded at the rates of exchange prevailing at the dates of the transactions. Monetary assets and liabilities denominated in such currencies are retranslated at the rates prevailing on the Balance Sheet date. Profits and losses arising on exchange are included in the Income Statements for the period. The USD/Rs exchange rate prevailing at 31 December, 2005 was Rs.30.30

(f) **Financial instruments**

Financial assets and financial liabilities are recognised on the Company's balance sheet when the Company has become a party to the contractual provisions of the instrument.

The Company's accounting policies in respect of the main financial instruments are set out below.

(i) Trade receivables

Trade receivables are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

(ii) Trade payables

Trade payables are stated at their nominal value.

(iii) Equity Instruments

Equity instruments are recorded at the proceeds received.

(g) **Revenue recognition**

Revenue from services is recognised upon providing of services and customer acceptance, net of Value Added Taxes.

(h) **Provisions**

Provisions are recognised when the company has a present or constructive obligation as a result of past events which it is probable will result in an outflow of economic benefits that can be reasonably estimated.

3. FINANCIAL RISK FACTORS

The Company's activities expose it to a variety of financial risks, including:

- Foreign exchange risk;
- Interest rate risk;
- Liquidity risk; and

A description of the significant risk factors is given below together with the risk management policies applicable.

Foreign exchange risk
The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures primarily with respect to Euros and US dollars. A significant number of customers are therefore invoiced in US$. While protecting the company against any fall in the parity of the Mauritian Rupee, it exposes it to a fall in revenue should the Rupee appreciate against the US$.

Interest rate risk
The Company's income and operating cash flows are subject to the risks of changes in market interest rates.

Liquidity risk
Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities. The Company aims at maintaining flexibility in funding by keeping committed credit lines available.

4. PROPERTY, PLANT AND EQUIPMENT

	Buildings Improvements	Computer Equipment	Office Equipment	Fixtures & Fittings	Total
	Rs	Rs	Rs	Rs	Rs
COST					
At January 1, 2005	-	43,316	-	230,891	274,207
Additions	27,500	615,172	43,713	156,744	843,128
At December 31, 2005	27,500	658,487	43,713	387,635	1,117,335
DEPRECIATION					
At January 1, 2005	-	8,663	-	23,089	31,752
Charge for the year	2,750	131,697	8,743	38,763	181,953
At December 31, 2005	2,750	140,360	8,743	61,853	213,705
NET BOOK VALUE					
At December 31, 2005	24,750	518,127	34,970	325,782	903,629
At December 31, 2004	-	34,653	-	207,802	242,455

5. TRADE AND OTHER RECEIVABLES

	2005	2004
	Rs	Rs
Membership fees	151,184	-
Other receivables	173,294	49,757
At December 31,	324,479	49,757

6. OTHER PAYABLES

	2005	2004
	Rs	Rs
Accruals	232,007	154,348
Other payables	885,038	-
	1,117,045	154,348

7. INCOME

	2005	2004
	Rs	Rs
Income is made up as follows:		
Members fees	13,720,070	52,785
Grants	7,497,119	2,800,729
	21,217,190	2,853,514

8. SURPLUS OF INCOME OVER EXPENDITURE

	2005	2004
	Rs	Rs
The surplus is arrived at after :	10,497,246	59,716
Grants received	7,497,119	2,800,729
and charging :		
Depreciation on property, plant and equipment	181,953	31,752
Staff costs (salaries)	754,979	117,344
Staff costs (social security and taxes)	124,397	11,537
Auditors fees	65,000	20,000
The number of employees (all administrative) at 31 December was as follows:	3	1

9. FINANCE INCOME

	2005	2004
	Rs	Rs
Finance income is made up as follows:		
Interests received	283,672	-
Gain on exchange difference	1,588,347	29,476
	1,872,019	29,476

10. NOTES TO THE CASH FLOW STATEMENT

(a) Cash generated from operations:

Reconciliation of operating loss to cash absorbed by operations

	2005	2004
	Rs	Rs
Surplus	10,497,246	59,716
Adjustments for:		
- Depreciation	181,953	31,752
- Interest received	(283,672)	-
- Exchange differences	(1,588,347)	-
Changes in working capital:		
- Trade and other receivables	(181,972)	(49,757)
- Trade and other payables	216,656	6,091,416
Cash absorbed by operations	8,841,864	6,133,127

(b) Cash and cash equivalents

	2005	2004
Cash in hand and at bank	15,729,676	5,858,920
Cash and cash equivalents	15,729,676	5,858,920

11. RELATED PARTY TRANSACTIONS

	2005	2004
	Rs	Rs
(a) Balances at end of year		
Receivables from related parties :		
Director	2,941	-
Chairman	62,231	-
	65,172	-

	2005	2004
	Rs	Rs
(b) Transactions during the year		
Key management personnel	1,118,873	-

Transactions with related parties were carried out on commercial terms and conditions and at arm's length basis. The above transactions were for professional fees for services rendered to the company.

12. INCOME TAX

The company has been exempted for income tax purposes by the tax authorities.