ANNUAL REPORT

AFRINIC LIMITED

FOR THE YEAR ENDED

DECEMBER 31, 2007

ERNST & YOUNG

ANNUAL REPORT

AFRINIC LIMITED

FOR THE YEAR ENDED

DECEMBER 31, 2007

ERNST & YOUNG

1. The directors have pleasure in submitting their Annual Report to the members together with the financial statements for the year ended 31 December 2007.

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 0 8 MAY 2008 and signed on its behalf by:-

)
) DIRECTORS
)

Date: 0 8 MAY 2008

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 V. O. Chetty.

....
Date 08 MAY 2008

AUDITORS' REPORT TO THE MEMBERS OF AfriNIC LTD

Report on the Financial Statements

We have audited the financial statements of AfriNIC LTD on pages 5 to 14 which comprise the balance sheet as at December 31, 1007 and the income statement, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in compliance with the requirements of the Companies Act 2001. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, 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 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 the auditors' judgement, 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 auditors consider internal control relevant to the Company'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 Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, 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 audit opinion.

Opinion

In our opinion, the financial statements on pages 5 to 14 give a true and fair view of the financial position of the Company as at December 31, 2007 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Companies Act 2001.

ERNST & YOUNG

AUDITORS' REPORT TO THE MEMBERS OF AfriNIC LTD

Report on the Financial Statements *(continued)*

Other matter

This report, including the opinion, has been prepared for and only for the Company's members, as a body, in accordance with Section 205 of the Companies Act 2001 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Report on Other Legal and Regulatory Requirements

Companies Act 2001

We have no relationship with or interest in the Company other than in our capacity as auditors and dealings with the Company in the ordinary course of business.

We have obtained all the information and explanations we have required.

In our opinion, proper accounting records have been kept by the Company as far as it appears from our examination of those records.

Ernst & Young

ERNST & YOUNG

ANDRE LAI WAN LOONG, A.C.A.

Port Louis, Mauritius

Date: 09-May-2008

0 9 MAY 2008

AFRINIC LIMITED

BALANCE SHEET AS AT DECEMBER 31, 2007

ASSETS	**Notes**	**2007**	**2006**
		Rs	Rs
Non-current assets			
Property, plant and equipment	4	**2,354,620**	2,224,566
Current assets			
Trade and other receivables	5	**1,907,496**	850,953
Cash and short-term deposit		**35,752,721**	30,629,425
		37,660,217	31,480,378
Total assets		**40,014,837**	33,704,944
EQUITY AND LIABILITIES			
Other reserves		**27,874,000**	18,681,500
Revenue reserves		**4,566,754**	5,956,686
Grant		**3,309,802**	4,222,569
Total equity		**35,750,556**	28,860,755
Current liabilities			
Trade and other payables	7	**4,264,281**	4,844,189
Total equity and liabilities		**40,014,837**	33,704,944

These financial statements have been approved by the board of directors on ..0 8...MAY...2008..

Name of directors	**Signature**
(1) **Mr PADAYATCHY T. Viveganandа**	....
(2) **Mr AKPLOGAN A.Adiel**	....

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, 2007

	Notes	2007	2006
		Rs	Rs
Income	8	**41,526,851**	31,295,651
Administrative expenses		**(17,052,620)**	(10,803,263)
Distribution expenses		**(12,661,351)**	(9,657,563)
Total expenses		**(29,713,971)**	(20,460,826)
Surplus of income over expenditure	9	**11,812,880**	10,834,825
Finance income	11	**(4,010,312)**	3,246,399
Surplus for the year		**7,802,568**	14,081,224

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

AFRINIC LIMITED

STATEMENT OF CHANGES IN EQUITY - YEAR ENDED DECEMBER 31, 2007

	Retained income	Other Reserves	Grant Capital	Grant Operational	Total
	Rs	Rs	Rs	Rs	Rs
At January 1, 2006	10,556,962	-	88,828	5,046,508	15,692,298
Released during the year	-	-	(22,207)	(890,560)	(912,767)
Transfer	(18,681,500)	18,681,500	-	-	-
Surplus for the year	14,081,224	-	-	-	14,081,224
At December 31, 2006	5,956,686	18,681,500	66,621	4,155,948	28,860,755
At January 1, 2007	5,956,686	18,681,500	66,621	4,155,948	28,860,755
Released during the year	-	-	(22,207)	(890,560)	(912,767)
Transfer	(9,192,500)	9,192,500	-	-	-
Surplus for the year	7,802,568	-	-	-	7,802,568
At December 31, 2007	**4,566,754**	**27,874,000**	**44,414**	**3,265,388**	**35,750,556**

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

	Notes	2007	2006
		Rs	Rs
Net cash flows from operating activities			
Profit before tax		7,802,568	14,081,224
Adjustments to reconcile profit before tax to net cash flows			
Non-cash:			
Depreciation on property, plant and equipment		718,073	556,787
Loss on sale of property, plant and equipment		40,653	3,200
Release of grant		(912,767)	-
Other gains and losses		5,926,003	(2,137,304)
Interest income		(1,915,691)	(1,109,095)
		11,658,839	11,394,812
Working capital adjustments:			
Increase in trade an other receivables		(1,056,543)	(619,224)
Decrease/ increase in trade and other payables		(579,908)	2,758,684
Net cash flow from operating activities		10,022,388	13,534,272
Investing activities			
Purchase of property, plant and equipment		(888,780)	(1,880,922)
Interest income		1,915,691	1,109,095
Net cash from/used in investing activities		1,026,911	(771,827)
Net increase in cash and cash equivalents		11,049,299	12,762,445
Net foreign exchange difference		(5,926,003)	2,137,304
Cash and cash equivalent as 1 January		30,629,425	15,729,676
Cash and cash equivalent as 31 December	6	35,752,721	30,629,425

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 are 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
Computer Software	20
Motor Vehicles	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, 2007 was Rs.28.49.

(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	Computer Software	Motor Vehicles	Office Equipment	Fixtures & Fittings	Total
	Rs	Rs	Rs	Rs	Rs	Rs	Rs
COST							
At January 1, 2006	27,500	521,787	136,700	-	43,713	387,635	1,117,335
Additions	-	224,301	-	1,625,000	20,335	11,286	1,880,922
Disposals	-	-	-	-	(4,800)	-	(4,800)
At January 1, 2007	27,500	746,088	136,700	1,625,000	59,248	398,921	2,993,457
Additions	-	486,338	69,636	-	214,500	118,306	888,780
Disposal (write off)	(27,500)	-	-	-	(38,913)		(66,413)
At December 31, 2007	-	**1,232,426**	**206,336**	**1,625,000**	**234,835**	**517,227**	**3,815,824**
DEPRECIATION							
At January 1, 2006	2,750	113,020	27,340	-	8,742	61,852	213,704
Charge for the year	2,750	149,217	27,340	325,000	12,491	39,989	556,787
Disposals	-	-	-	-	(1,600)	-	(1,600)
At January 1, 2007	5,500	262,237	54,680	325,000	19,633	101,841	768,891
Charge for the year	2,750	246,485	41,267	325,000	50,945	51,626	718,073
Disposals (write off)	(8,250)	-	-	-	(17,510)	-	(25,760)
At December 31, 2007	-	**508,722**	**95,947**	**650,000**	**53,068**	**153,467**	**1,461,204**
NET BOOK VALUE							
At December 31, 2007	-	**723,704**	**110,389**	**975,000**	**181,767**	**363,760**	**2,354,620**
At December 31, 2006	22,000	483,851	82,020	1,300,000	39,615	297,080	2,224,566
At January 01, 2006	24,750	408,767	109,360	-	34,971	325,783	903,631

5. TRADE AND OTHER RECEIVABLES

	2007	2006
	Rs	Rs
Trade receivables	**377,506**	525,000
Other receivables	**1,529,990**	325,953
	1,907,496	850,953

Trade receivables are non-interest bearing and are generally on 30-90 days' terms.

The ageing analysis of trade receivables is as follows:

	Total	Neither past due nor impaired Current	> 120 days
	Rs	Rs	Rs
2007	**377,506**	**64,105**	**313,401**
2006	525,000	-	525,000

6. CASH AND SHORT-TERM DEPOSIT

	2007	2006
	Rs	Rs
Cash at bank and on hand	**35,752,721**	30,629,425
Cash at bank and on hand	**35,752,721**	30,629,425

7. TRADE AND OTHER PAYABLES

	2007	2006
	Rs	Rs
Trade payables	317,824	53,715
Other payables	3,946,457	4,790,474
	4,264,281	4,844,189

Terms and conditions of the above financial liabilities:
- Trade payables are non-interest bearing and are normaly settled on 60-day terms
- Other payables are non-interest bearing and have an average term of six months.

8. REVENUE

	2007	2006
	Rs	Rs
Revenue is made up as follows:		
Members fees	38,349,650	24,963,924
Grants	3,177,201	6,331,727
	41,526,851	31,295,651

9. SURPLUS OF INCOME OVER EXPENDITURE

	2007	2006
	Rs	Rs
The surplus is arrived at after :	7,802,568	14,081,224
Grants received	2,865,101	6,331,727
and charging :		
Depreciation on property, plant and equipment	718,073	556,787
Auditors fees	90,000	95,000

10. EMPLOYEE BENEFITS EXPENSE

	2007	2006
	Rs	Rs
Staff costs		
Salaries	7,006,637	3,726,748
Social security costs	434,406	383,516
	7,441,043	4,110,264
The number of employees (all administrative) at 31 December was as follows:	8	5

11. FINANCE COSTS

	2007	2006
	Rs	Rs
Finance income is made up as follows:		
Bank interest receivables	1,915,691	1,109,095
(Loss)/gain on exchange difference	(5,926,003)	2,137,304
	(4,010,312)	3,246,399

12. RELATED PARTY TRANSACTIONS

(a) Balances at end of year

	2007	2006
	Rs	Rs
Receivables from related parties :		
Director	-	-
Chairman	-	-
	-	-

(b) Transactions of key management personnel of the company

	2007	2006
	Rs	Rs
Short-term employee benefits	4,017,904	3,187,907

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.

13. INCOME TAX

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