Abridged and published in accordance with Article 150 of the Company's Articles of Association

AccessKenya Group Annual Report & Accounts

AccessKenya GROUP

Consolidated Abridged Statement of Comprehensive Income

	Year ended 31 December 2011 Shs'000	2010 Shs'000
Turnover	1,738,915	1,708,668
Cost of sales	(357,483)	(558,939)
Gross margin	**1,381,432**	**1,149,729**
Administrative expenses	(1,097,926)	(1,020,623)
Net Foreign exchange loss	(36,523)	(43,004)
Fair value gain on ESOP receivable transfered on reclasification	7,620	-
Finance income	2,748	154
Finance costs	(126,472)	(91,615)
Profit/(loss) before taxation	130,879	(5,359)
Income taxation expense	(21,795)	(2,592)
Profit/(loss) for the year	109,084	(7,951)
Other comprehensive income		
Transfer of fair value gain on ESOP receivable to profit or Loss	(7,620)	-
Total comprehensive income/(loss) for the year attributable to equity holders	101,464	(7,951)
Earnings/(loss) per share		
Basic and diluted (Shs per share)	0.53	(0.04)

Consolidated Abridged Statement of Financial Position

	Year ended 31 December 2011 Shs'000	2010 Shs'000
ASSETS		
Non-current assets		
Equipment	1,404,733	1,388,108
Intangible assets	333,187	310,611
Goodwill on consolidation	138,683	138,683
Deferred taxation asset	10,436	11,831
Receivable from ESOP	45,000	87,866
Other investment - at cost	91	91
Total non-current assets	1,932,130	1,937,190
Current assets		
Inventories	71,394	101,864
Trade and other receivables	304,568	558,393
Tax recoverable	51,025	52,939
Bank and cash balances	55,994	78,592
Total current assets	**482,981**	**791,788**
Total assets	**2,415,111**	**2,728,978**
EQUITY AND LIABILITIES		
Capital and Reserves		
Share capital	207,656	207,227
Share premium	513,255	547,489
Fair value reserve on ESOP	-	7,620
Retained earnings	375,091	266,007
Total equity	**1,096,002**	**1,028,343**
Non-current liabilities		
Deferred taxation liability	16,063	15,007
Borrowings	644,904	571,801
Total non-current liabilities	**660,967**	**586,808**
Current Liabilities		
Borrowings	279,129	348,538
Trade and other payables	371,968	753,055
Tax Payable	12	-
Dividends payable	7,033	12,234
Total current liabilities	**658,142**	**1,113,827**
Total liabilities	**1,319,109**	**1,700,635**
Total equity and liabilities	2,415,111	2,728,978

Consolidated Abridged Statement of Cash Flows

	Year ended 31 December 2011 Shs'000	2010 Shs'000
Cash flows from operating activities		
Net cash generated from operations	460,965	567,435
Income taxation paid	(17,418)	(30,596)
Interest income	2,748	154
Interest paid	(126,472)	(91,615)
Net cash generated from operating activities	319,823	445,378
Cash flows from investing activities		
Purchase of equipment	(294,777)	(372,359)
Proceeds of disposal of equipment	7,277	280
Purchase of intangible assets	(62,475)	(158,443)
Purchase of other investment	-	(28)
Net cash used in investing activities	(349,975)	(530,550)
Cash flows from financing activities		
Dividends paid	(5,201)	(54,559)
Bank loans received	260,000	115,416
Bank loans paid	(135,971)	(20,585)
Share proceeds from ESOP	60	9,329
Issue of shares	9,001	-
Net cash generated from financing activities	127,889	49,601
Net increase/(decrease) in cash and cash equivalents	97,737	(35,571)
Cash and cash equivalents at start of year	(134,015)	(98,444)
Cash and cash equivalents at end of year	(36,278)	(134,015)

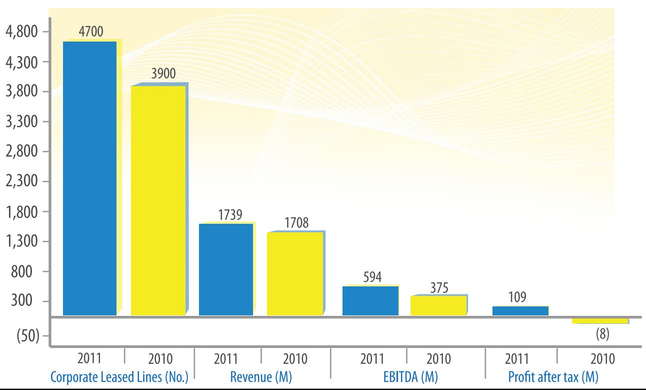
Chairman's Abridged Commentary

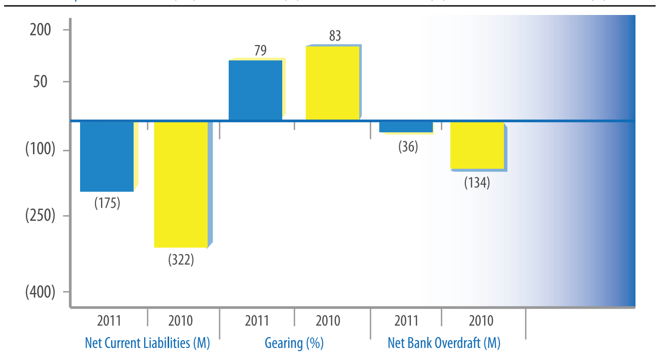
2011 has followed 2010 as a challenging year for the telecommunications and data industry, yet at AccessKenya we have been able to deliver significantly improved results compared to the previous year while maintaining our investment programme particularly in our world class metro fibre network.

Key Highlights

The Group has improved its performance on key metrics in comparison to year 2010 as highlighted below:

- Corporate leased lines have grown from 3,900 to 4,700
- Total revenues have increased by 2% in 2011 despite a continued fall in ARPU.
- Gross margin has improved to 79% in 2011 from 67% in 2010.
- EBITDA Margin has risen from to 35% in 2011 from 22% in 2010.
- EBITDA amount has increased by 58% to K Shs 594m in 2011 from 375m in 2011
- Profit after tax has risen to K Shs 109m in 2011 from a loss of 8m in 2010.
- Gearing ratio improved to 79% in 2011 from 83% in 2010.
- Net current liabilities position improved to K Shs 175m in 2011 from K Shs 322m in 2010.
- EBITDA interest coverage ratio improved to 4.71 times in 2011 from 4.09 times in 2010.





Managing Directors Abridged Report

I am pleased to follow on the Chairman's commentary on results that are – as predicted – significantly better than those from 2010. We continue to focus on execution and excellence and ensuring that we deliver to our customers the best value for money and speed, the highest levels of reliability and excellent customer service.

Key Achievements

- We increased our corporate leased line connections from 3,900 to 4,700 – ahead of our predictions – and maintained our estimated market share at around 40%. During the year we took more business from all our main competitors than we lost to them.
- Our Access @ Home solution continues to offer high end residential customers the highest levels of quality for home broadband in Kenya
- Our IT division has delivered a second year in a row of EBITDA positive performance and is now focusing on achieving meaningful growth in 2012 by cross selling services to our corporate customer base
- The migration of customers onto our metro fibre network continues with over 50% of our corporate revenues now carried on the metro fibre network. We now have over 200 km of metro fibre in Nairobi and Mombasa and over 350 buildings connected and we continue to invest in expanding those networks further. The uptime of the metro fibre network in 2010 was 99.89% – a superb result and one which we believe is unrivalled by any network in Kenya.
- We have also continued to expand as required our Motorola Canopy and Alvarion WiMAX networks to complement our fibre network and maintained very high levels of reliability on these networks as well. We have reached agreement with Internet Solutions to lease their WiMax spectrum and this will allow us in 2012 to further improve the speeds and value for money of our home broadband offering.

We are also investing significantly in our staff and in building a highly empowered culture that focuses on delivering the optimal experience to our customers. We continue to believe that we are in the right place at the right time and with the right skills and infrastructure to take advantage of the growth potential of the Kenyan market and maintain AccessKenya's position at the forefront of data and technology in Kenya.

Explanatory Notes to Financial Statements

A full copy of the Company's financial statements including notes are available from our website www.accesskenya.com.

Approved by the Board of Directors on 13 March 2012

Daniel Ndonye
Chairman

Jonathan Somen
Managing Director

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF ACCESSKENYA GROUP LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of AccessKenya Group Limited and its subsidiaries, set out on pages 7 to 43 which comprise the consolidated and Company statements of financial position as at 31 December 2011, and the consolidated statement of comprehensive income, consolidated and Company statements of changes in equity and consolidated statement of cash flows 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 of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, and for such internal controls as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 our 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, we considered the internal controls relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that were appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. 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 give a true and fair view of the state of financial affairs of the Group and of the Company as at 31 December 2011 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act.

Report on other Legal Requirements

As required by the Kenyan Companies Act we report to you, based on our audit, that:

i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

ii) In our opinion, proper books of account have been kept by the company, so far as appears from our examination of those books; and

iii) The Company's statement of financial position (balance sheet) is in agreement with the books of account.

Deloitte & Touche

Certified Public Accountants (Kenya)
Nairobi

13 March 2012

Dividend / Bonus Shares

The Directors do not recommend the payment of a dividend. Instead they recommend, subject to regulatory approvals and that of the Shareholders, to make a bonus issue in the proportion of 1 new ordinary share for every 20 fully paid up ordinary shares held by the shareholders on the Register at the close of business on 13 June 2012

Conclusion

We are pleased to deliver these improved financial results and the considerably improved EBITDA facilitates our ability to continue to invest in the future growth of our business. We are sure that you will share our pleasure in the improvement in performance from 2010 to 2011 and the positive impact of the initiatives we announced to you last year. In 2012, we will continue to take steps forward in many areas of the business, and in particular we will focus on driving corporate data sales and ensuring that our value added and IT sales grow strongly and complement the corporate data business.

Consolidated Statement of changes in Equity For the year ended 31 December 2011

	Share capital Shs'000	Share premium Shs'000	Retained earnings Shs'000	Fair value reserve on ESOP Shs'000	Total equity attributable to equity holders of the parent Shs'000
Year ended 31 December 2010					
At start of the year	207,227	547,489	336,126	63,294	1,154,136
Total comprehensive loss for the year	-	-	(7,951)	-	(7,951)
Dividend paid - 2010	-	-	(62,168)	-	(62,168)
Reclassification adjustment to profit and loss on impairment of ESOP receivable	-	-	-	(55,674)	(55,674)
At end of the year	207,227	547,489	266,007	7,620	1,028,343
Year ended 31 December 2011					
At start of the year	207,227	547,489	266,007	7,620	1,028,343
Profit for the year	-	-	109,084	-	109,084
Other comprehensive income	-	-	-	(7,620)	(7,620)
Total comprehensive income for the year	-	-	109,084	(7,620)	101,464
Change in amortised cost of ESOP receivable	-	(42,806)	-	-	(35,186)
Put option settlement for Access IT Limited	429	8,572	-	-	9,001
At end of the year	207,656	513,255	375,091	-	1,096,002