



Note: Figures for 2006 are from AccessKenya Group’s IPO prospectus; 2007 is not included as internet EBITDA was not disclosed separately in the accounts

Commentary

The Group has once again delivered strong financial results with revenues topping the K Shs 2 billion mark for the first time. This compares to K Shs 578m in 2006 – the year before we went public – and is 32% higher than 2008 revenues. In 2009, our internet EBITDA rose to K Shs 366m compared to K Shs 107m in 2006 and 290m in 2008. **This means that in the three years since IPO, both revenues and internet EBITDA have grown by about 350%.** Internet EBITDA rose from K Shs 169m in the first half of 2009 to K Shs 197m in the second half.

Revenues for the twelve months ending December 2009 rose by 32% from K Shs 1.57 billion to K Shs 2.07 billion. The increase was driven by growth in all key segments of the business – corporate data, retail data and IT services. The Group closed the year with 3,150 leased lines – up from 2,500 a year ago and over 3,000 residential customers – an enormous jump from last year’s figure of 750.

Gross Profit for the internet business rose from KShs 669m in 2008 to K Shs 915m in 2009 and % margin rose from 54% to 56% from 2008 to 2009. Internet gross margin rose significantly in the second half of the year – reaching 60% in H2 compared to 53% in H1. The gross margin of the IT business fell from 30% in 2008 to 13% in 2009, reflecting a focus in 2008 on high revenue low margin equipment sales. This strategy has been reversed and the IT division is now focused on high margin recurring revenue contracts with some higher margin hardware and software sales which should lead to a substantially higher gross profit margin from the division in 2010.

The Balance Sheet remains solid with total assets of K Shs 1.77 billion. During the year, the business took on long term debt to finance its long term projects, in particular our new ground breaking metropolitan fibre network and our investment in the TEAMS fibre optic cable. The overall level of gearing is 64% which is comfortable in the context of our current and projected levels of EBITDA.

Cash Flow. Once again, operating cash flow was strong with net cash generated from operations of K Shs 347m. Investment was very high this year as investments were completed on the Wimax network and TEAMS and metropolitan fibre were rolled out. Our capital expenditure requirements should fall significantly in 2010.

Strategic Initiatives. Following the arrival of the international fibre, we have witnessed a great surge in demand for all our data services, with both corporate and retail data adding about twice as many customers in the first two months of this year than we did in the comparable period last year. The broadband market remains significantly under-penetrated and great opportunities remain for the Group to leverage our competitive advantages and continue to build market share. We will continue to strongly grow our corporate and retail data businesses as well as our recurring revenue IT services business, while at the same time supporting all these initiatives with a continued “SMART” expansion of our metro fibre, wireless and wimax networks.

The Board is pleased to recommend a total dividend of K Shs 0.30 per ordinary share – slightly in excess of 40% of the profit after tax – for approval at our AGM on 4th May 2010. The dividend will be paid less withholding tax where applicable at a date after the AGM to members on the register at the close of business on 5th May 2010.

The above results are extracted from the consolidated financial statements of AccessKenya Group Limited for the year ended 31st December, 2009, as audited by Deloitte & Touche, Certified Public Accountants on which an unqualified audit opinion has been given.

Signed: Jonathan Somen Managing Director

Michael Somen Chairman

INCOME STATEMENT	2009 Internet KShs 000	2009 IT KShs 000	2009 Consolidated KShs 000	2008 Consolidated KShs 000
Turnover	1,625,663	444,684	2,070,347	1,568,035
Cost of Sales	710,948	386,308	1,097,256	803,101
Gross Profit	914,715	58,376	973,091	764,934
Administration Expenses	553,237	84,111	637,348	460,095
EBITDA	365,975	(30,234)	335,741	304,841
Depreciation	140,427	3,396	143,823	66,748
Net Finance costs	1,983	7,624	9,607	(25,295)
Profit Before Tax	219,068	(36,755)	182,313	263,386
Tax	43,537	9,133	34,404	59,730
Minority Interest	7,596		(7,596)	1,672
Profit After Tax	183,127	(27,622)	155,505	201,984

Earnings Per Share	0.76	0.99
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	Dec 31 2009	Dec 31 2008
Non current assets		
Deferred taxation	10,997	1,123
Other non current assets	1,708,603	815,511
	1,719,600	816,634
Current assets		
Fixed deposit, bank and cash balances	29,986	166,293
Taxation recoverable	43,621	40,022
Other current assets	525,510	536,799
	599,117	743,114
Current liabilities		
Trade and other payables	402,125	404,949
Taxation payable	-	31,850
Dividend payable	4,625	2,226
Short term debt	140,660	57,223
	547,410	496,248
Net current assets	51,707	246,866
Total assets	1,771,307	1,063,500
CAPITAL EMPLOYED		
Capital and reserves		
Share capital	207,227	203,581
Share premium	547,489	483,436
Revenue reserves	336,126	277,402
ESOP Fair value reserve	63,294	61,694
Non controlling interest	-	11,348
	1,154,136	1,037,461
Non Current liabilities		
Deferred taxation	32,859	26,039
Long term debt	584,312	-
	617,171	26,039
Total equity and non current liabilities	1,771,307	1,063,500

CONSOLIDATED CASHFLOW STATEMENT	Dec 31 2009	Dec 31 2008
Net cash generated from operations	347,362	324,542
Tax and Interest paid	(81,676)	(75,849)
Net cash generated from operating activities	265,686	248,693
Net cash used in investing activities	(1,003,967)	(511,076)
Net cash generated from/ (used in) financing activities	530,767	(61,769)
Net decrease in cash and cash equivalents	(207,514)	(324,152)
Movement in cash and cash equivalents		
At start of year	109,070	433,222
Decrease during the year	(207,514)	(324,152)
At end of year	(98,444)	109,070

Consolidated Statement of Changes in equity for the year ended 31 December 2009	Share capital	Share premium	Retained Earnings	Fair Value reserve on ESOP	Total equity attributable to equity holders of the parent	Non controlling interest	Total
	Kshs 000	Kshs 000	Kshs 000	Kshs 000	Kshs 000	Kshs 000	Kshs000
At start of year	203,581	483,435	277,402	61,694	1,026,112	11,348	1,037,460
Issue of additional shares	896	16,341	-	-	17,237	-	17,237
Total comprehensive income for the year	-	-	155,505	2,977	158,482	(7,596)	150,886
Dividends paid - 2008	-	-	(82,532)	-	(82,532)	-	(82,532)
ESOP loss - realised from exercise of options	-	-	-	(1,377)	(1,377)	-	(1,377)
Issue of shares to ESOP	2,750	47,713	-	-	50,463	-	50,463
Put option settlement for Openview Business Systems Limited	-	-	(18,001)	-	(18,001)	-	(18,001)
Write off of non controlling interest on acquisition	-	-	3,752	-	3,752	(3,752)	-
At end of year	207,227	547,489	336,126	63,294	1,154,136	-	1,154,136