

Chairman's Statement



As we now direct our attention to 2014, we look forward to the future because we are confident that Safaricom will remain focused, nimble and responsive to the demands of the market.

Mr. Nicholas Nganga

Ahead of the Game

As Chairman of the Board, it is a great pleasure to share with you the events that have shaped our operating environment over the last 12 months.

At the beginning of the financial year under review the macro-economic environment in the country was subdued and so was our performance during that period. However, as the year progressed we saw a positive recovery for both the Kenyan macro-economic environment and indeed for the company.

Despite the long electioneering season and the difficult global economic conditions that characterized the period under review, Kenya has stayed the course in terms of achieving its economic priorities. Monetary policy has remained cautious and institutionalized reforms have progressed as scheduled. The results of these have been favorable. Inflationary pressures have been tamed and economic growth has kept a steady pace. This is commendable considering the immense challenges faced by the Exchequer in mitigating the impact of stagnated exports, reduced inbound tourism, the rising government wage bill, the costs of the recently concluded general elections and the costs associated with the implementation of the new Constitution.

Despite all this, I am pleased to note that interest rates have started to decline, providing the much needed stimulus to economic activity both at the macro-level and at the grass roots. In addition, sound economic management continues to attract foreign direct investment into the country and this is quite visible when one looks at the performance of the Nairobi Securities Exchange which has seen increased participation of foreign investors.

The Kenyan people and the political class undertook a very peaceful general election. The manner in which the election process was handled by all parties has strengthened the confidence of both local and international investors in our country, setting the stage to make Kenya a top destination for doing business in Africa.

All of these positive trends have enabled the Company to continue its substantial investment in the network, its customers, employees and indeed in the Kenyan people.

Key Regulatory Highlights

CCK Directive to Switch Off Counterfeit Handsets

On 28 June 2012, the CCK issued a directive to all mobile operators to switch off counterfeit handsets with effect from 30 September 2012. The directive was aimed at removing from circulation and operation all mobile handsets that fail to comply with International Global System for Mobile Communications Association (GSMA) standards due to various concerns, including health and safety reasons, and poor quality of service.

The directive followed consultations between CCK, mobile operators and other stakeholders. A public awareness campaign spearheaded by CCK was set in motion to ensure a coordinated approach to phase out these handsets. The directive affected approximately 680,000 Safaricom subscribers.

Vandalism of Communications Infrastructure

Following a joint effort between Safaricom and other mobile and optic-cable operators, in July 2012, Parliament passed the Statute Law (Miscellaneous Amendment) Act 2012. This Act, among other things, increases criminal penalties for persons who vandalise or otherwise cut fibre-optic cables. It is expected that, as a result of these stiffer penalties, incidents of vandalism of telecommunications infrastructure will be minimised.

Mandatory Registration of Subscribers

On 4 January 2013, the Government promulgated Regulations prescribing mandatory registration of all mobile subscribers. In compliance with this new law, Safaricom suspended communication services for 2.5 million unregistered subscribers on its network. Once suspended, affected subscribers had a 90-day window within which they must register their identity information, failing which such subscribers are permanently disconnected. Safaricom continued to conduct campaigns to encourage these suspended subscribers to register their numbers. As at 31 March 2013, suspended unregistered subscribers stood at 1.4 million.

Excise Duty on Mobile Money Transfer Fees

Through the Finance Act 2012, the Government introduced a 10% excise duty on mobile money transfer fees and all financial transactions. This tax came into effect on 5 February 2013. Consequently, Safaricom reviewed its M-PESA tariffs to factor in this new tax.

Refund of USD 15 Million 3G Licence Fees

In 2007, Safaricom paid USD 25 million for a 3G licence. However, in 2010 other mobile operators paid USD 10 million for the same licence. In order to attain the principle of equality in licence fees, Safaricom filed High Court Misc. Application No. 197 of 2011, seeking a refund of USD 15 million from CCK being the extra amount paid for the 3G licence. In February 2013, the suit was settled by consent, with CCK agreeing to refund, by way of credit notes against their other fee invoices, the USD 15 million in three equal instalments over three financial years to June 2015.

Guidelines on Transmission of Bulk Political Messages

In anticipation of the General Elections held on 4 March 2013, Safaricom took the initiative to publicly communicate that no bulk political messages containing discriminatory, partisan or hate speech content would be transmitted through its network. Safaricom further engaged the CCK, National Commission for Integration Commission (NCIC) and the Independent Electoral and Boundaries Commission (IEBC) in the development of clear national guidelines for transmission of bulk political messages. Subsequently, a CCK led National Technical Committee developed and launched the national *Guidelines for the Prevention of Undesirable Bulk Political Content/Messages via Electronic Communications Networks* on 24 October 2012.

Mobile Termination Rates (MTR)

In August 2010, CCK conducted a network cost study and issued a Determination No. 2 of 2010, setting out the new Mobile Termination Rates (MTRs). MTRs represent the charge paid by one operator to another for the calls they terminate on the other operator's network. In issuing Determination No. 2, CCK prescribed a glide-path of continued reduction of the MTRs over a three-year period from the then rate of Kshs 4.42 to Kshs 0.99.

On 8 June 2011, the CCK Board suspended the glide path relating to voice services, leaving the MTR at Kshs 2.21. On 26 November 2012, the CCK Board resumed the glide path thereby reducing the MTR by 35% to Kshs 1.44, back-dated to July 2012.

The MTR is expected to reduce further to Kshs 1.15 with effect from 1 July 2013 being a further decline of 20%.

Safaricom has maintained a consistent engagement strategy with CCK, the Government and other stakeholders to ensure that the MTR regime in Kenya is cost-based and reflects the operating costs in the industry.

The Unclaimed Financial Assets Act 2011

The Unclaimed Financial Assets Act that came into force on 16 December 2011, seeks to vest management of unclaimed assets in the Unclaimed Assets Authority. These include unclaimed cheques and other payment instruments, bank deposits, life and other policies, unused gift certificates, unpaid wages, unclaimed ownership interest in companies, etc. As holders of various classes of financial assets, Safaricom is obliged to create a register of, and surrender any unclaimed financial assets including any unclaimed shares or dividends, M-PESA balances and customer deposits. By surrendering unclaimed financial assets to the Unclaimed Financial Assets Authority, we release ourselves from the liability of holding on to the affected assets.

Renewal of Safaricom's CCK Operating Licence

Safaricom's operating licence was issued for a period of 15 years from 1 July 1999 to 30 June 2014. The licence stipulates that two years prior to the expiry of the licence (that is, by 1 July 2012), the Communications Commission of Kenya (CCK) will conduct a mandatory review of the licence to determine the terms of renewal. Safaricom has formally applied for renewal of its licence, and as at 31 March 2013 is awaiting CCK's response to the application which we expect will be to grant the renewal.

Corporate Governance

During the year there were some changes in the composition of the Board.

Mr. Ahmed Essam and Mr. Sunil Sood were appointed to the board as non-executive members.

The following board members resigned during the year:

- Mr. Tim Harrabin
- Ms. Karen Witts

I welcome the new Directors to the Board and I wish to thank those leaving for their contribution during the year.

Looking Forward

The Board recognizes not only the accomplishments of this great company, its management and staff, but also celebrates the immense opportunities that lie ahead and reemphasizes our commitment towards transforming the lives of Kenyans through innovation.

As we now direct our attention to 2014, we look forward to the future because we are confident that Safaricom will remain focused, nimble and responsive to the demands of the market.

Taarifa ya Mwenyekiti



Na sasa tunapoangazia mwaka unaokuja wa 2014, tunaelekea katika zijazo tukiwa na matumaini kuwa Safaricom itaendelea kuwa na mtazamo, uhodari wa kazi na yenye kutimiza kikamilifu mahitaji ya wateja katika soko hili.

Bw. Nicholas Nganga

Tunawaongoza wote

Mimi kama mwenyekiti wa Bodi ya wakurugenzi, nina furaha kuu kwa fursa hii ya kuwasilisha kwenye matukio ambayo yamechangia kuwoko kwa mazingira haya tulimotekeleza na kufanikisha shughuli zetu katika kipindi cha miezi 12 iliyopita.

Mwanzo wa mwaka huu wa kifedha tunaoukariria, hali ya shughuli za kiuchumi humu nchini ilifika na matokeo yetu vile vile yaliathirika katika kipindi hicho. Hata hivyo, kadri mwaka ulivyoendelea tumeshuhudia dalili za kupata afueni kwa hali ya kiuchumi ya Kenya na pia ya shirika hili letu.

Licha ya kuwoko kwa msimu mrefu wa shughuli za siasa na hali ngumu ya kiuchumi kote ulimwenguni ambayo ilitukabili katika mwaka huu tunaoukariria, Kenya ilijizatiti katika kufikia malengo yake ya kiuchumi. Sera za kifedha zimeendelea kujumuisha tahadhari na mageuzi katika idara pia yaliendelea kama ilivyopangiwa. Matokeo ya hayo yamekuwa mazuri. Shinikizo la kudorora kwa gharama za kimaisha limethibitiwa na ukuaji wa uchumi umeendelea kuimarika. Hili ni jambo linalostahili sifa ikizingatiwa changamoto zinazokabili Wizara ya Fedha katika kupunguza athari za kudorora kwa uuzaji bidhaa nje, kupungua kwa watalii kutoka Ulaya, kupanda kwa gharama za matumizi ya serikali, gharama za kufanya uchaguzi mkuu uliokamilika hivi majuzi na gharama zihusuzo utekelezaji wa katiba mpya.

Licha ya haya yote, nafurahia ninapoona viwango vya riba vikianza kuteremka, hii inatoa fursa muafaka ya kuchangamsha shughuli za kiuchumi katika viwango vyote vikubwa na pia vya mashinani. Kwa kuongezea, usimamizi imara wa uchumi unaendelea kuvutia uwekezaji wa moja kwa moja kutoka nchi za kigeni kwenye nchi yetu na hii inadhihirika wazi ukifuatilia shughuli zinavyoendelea katika Soko la Hisa la Nairobi ambapo kumeshuhudiwa uhusikaji zaidi wa wawekezaji wa kigeni.

Wananchi wa Kenya pamoja na wanasiasa walitekeleza Uchaguzi Mkuu kwa njia ya amani kabisa. Jinsi shughuli ya upigaji kura zilivyoendeshwa na wahusika wote kumetilia nguvu matumaini ya wawekezaji wote wa humu nchini na wa kimataifa katika nchi yetu, hii inaweka hatua za kuifanya nchi ya Kenya kuwa mahala bora zaidi pa kufanya biashara katika bara la Afrika.

Mienendo hii yote yenye kuleta matumaini imewezesha Kampuni hii kuendelea kuwekeza zaidi katika mtandao, wateja wake, wafanyikazi na wakenya wote kwa ujumla.

Mambo muhimu ya Kisheria

Agizo la Tume ya Mawasiliano ya Kenya (CCK) la kuzima simu zote bandia

Mnamo tarehe 28 Juni 2012, CCK ilitoa agizo kwa watoa huduma wote wa simu za rununu kuzima simu zote bandia ifikapo tarehe 30 Septemba 2012. Agizo hilo lilidhamiria kukomesha kusambaa na kutumika kwa simu zote bandia ambazo hazifikii viwango vilivyowekwa vya kimataifa vya GSMA kwa ajili ya shauku mbali mbali, ikiwa ni pamoja na sababu za kiafya na za kiusalama na pia huduma zilizo duni.

Agizo hilo lilitokamana na ushauriano baina ya CCK, watoa huduma za simu za rununu na washika dau wengine. Hamasisho la umma lililo ongozwa na CCK lilifuatia ili kuhakikisha kuna mpango sawa wa kumaliza simu hizo bandia. Agizo hilo liliathiri takriban wateja 680,000 wa Safaricom.

Uharibifu wa Vifaa katika Muundo Msingi

Kufuatia juhudi za pamoja kati ya Safaricom na washikadau wengine katika sekta ya simu za rununu na wa kebo za kupitisha internet. Katika mwezi wa Julai 2012, Bunge lilipitisha Sheria (Marekebishi Anuwai) Ibara ya 2012. Ibara hii, miongoni mwa mambo mengine, iliongeza adhabu kwa wahalifu wanaoharibu au kukata nyaya za kupitisha internet. Inatarajiwa kuwa kutokana na kuongezeka kwa adhabu hiyo kutaweza kupunguza uhalifu wa kuharibu muundo msingi wa vifaa vya mawasiliano.

Sheria za Kusajili wateja wote

Mnamo tarehe 4 Januari 2013, Serikali ilitoa ilani ya kanuni ya kulazimu wateja wote wa simu za mkono kusajiliwa. Katika kutekeleza sheria hii mpya, Safaricom ilifunga huduma zote za mawasiliano kwa wateja wa simu katika mtandao wetu ambao hawakusajiliwa, jumla ya wateja hao ikifikia milioni 2.5. Pindi walipofungiwa, wateja walioathiriwa walikuwa na muda wa siku 90 ambapo wangeweza kuandikisha maelezo ya utambulisho wao, na wasipo fanya hivyo wafungiwe laini zao kabisa. Safaricom iliendelea kufanya matangazo ya kuwahimiza wateja wake waliofungiwa kuandikisha nambari zao za simu. Kufikia tarehe 31 Machi 2013, wateja ambao hawakuwa wamesajiliwa na wakafungiwa laini walikuwa wamefika milioni 1.4.

Ushuru kwa Huduma ya Kuhawilisha pesa

Kupitia Sheria ya Fedha ya 2012, Serikali ilitangaza ushuru mpya wa 10% kutozwa katika huduma ya kutuma pesa kupitia simu za rununu. Utozaji ushuru huo ulianza kutekelezwa kuanzia tarehe 5 Februari 2013. Kutokana na hivi, Safaricom ilibadilisha orodha yake ya malipo ya M-PESA ili kuzingatia ushuru huu mpya.

Kurudishwa kwa malipo ya leseni ya 3G kiasi cha USD Milioni 15

Katika 2007, Safaricom ililipa USD milioni 25 kwa ajili ya leseni ya 3G. Hata hivyo, katika mwaka wa 2010 kampuni zingine za simu za rununu zilitozwa USD milioni 10 kwa leseni hiyo hiyo. Ili kuhakikisha kunakuwa na usawa katika ulipaji leseni, Safaricom ilipeleka kesi katika Mahakama kuu kesi nambari Misc. Application No. 197 ya 2011, ikitaka kurudishiwa kiasi cha USD milioni 15 kutoka kwa CCK hiki kikiwa ni kiasi cha ziada tulicholipa ili kupata leseni ya 3G. Katika mwezi wa Februari 2013, kesi ilitatuliwa kwa maelewano, na CCK kukubali kurudisha pesa hizo, kupitia hati za thamani, hizo USD milioni 15 zitalipwa kwa hatamu tatu sawa katika kipindi cha miaka mitatu ya kifedha.

Muongozo wa Utumaji Arifa za kisiasa kwa watu wengi

Katika kutarajia Uchaguzi Mkuu uliofanyika tarehe 4 Machi 2013, Safaricom ilichukua jukumu la kutangaza wazi kwa umma kuwa haitaruhusu arifa za jumla za kisiasa zenye ujumbe wa kubagua, ufuasi wa ari au jumbe za kueneza chuki kutumwa kupitia mtandao wake. Zaidi ya hayo Safaricom iliendelea majadiliano na CCK, Tume ya Kitaifa ya Uwiano na Utangamano (NCIC) na Tume Huru ya Uchaguzi na Mipaka (IEBC) ili kupatikane muongozo wa kutuma arifa zenye ujumbe wa kisiasa kwa wingi. Kutokana na haya, CCK ilianzisha kamati ya kiufundi ya kitaifa na kuzindua muongozo wa Kitaifa wa kuziua utumaji wa Arifa zenye ujumbe mbaya wa kisiasa kupitia mfumo wa mtandao wa kielektroniki mnamo tarehe 24 Oktoba 2012.

Ada za kulipia mawasiliano ya rununu baina ya mitandao (MTR)

Katika mwezi wa Agosti 2010, CCK ilifanya utafiti wa malipo katika mtandao na kutoa Azimio Nambari 2 la 2010 lililoweka ada mpya ya kulipia mawasiliano baina ya mitandao ya MTR. MTR ni malipo ambayo kampuni ya mtandao mmoja hulipa nyingine kwa simu zake zote ambazo wateja wake hukatiza katika mtandao wao. Kwa kutoa Azimio Nambari 2, CCK ilitoa ratiba ya kuendelea inayoonyesha ada za MTR katika kipindi cha miaka 3 kutoka kiasi cha shilingi 4.42 hadi hatimaye kufikia kima cha shilingi 0.99.

Mnamo tarehe 8 Juni 2011, halmashauri ya CCK ilisimamisha ratiba hiyo kwa upande wa huduma za maongezi, na kuacha malipo ya MTR yakiwa shilingi 2.21. Mnamo tarehe 26 Novemba 2012, halmashauri ya CCK ilianza tena kutumia ratiba ya malipo ya MTR na kuipunguza kwa 35% hadi shilingi 1.44, na kuirudisha masiku yake nyuma ili kutekelezwa kuanzia Julai 2012.

Ada ya MTR inatarajiwa kupungua zaidi hadi shilingi 1.15 na kuanza kutekelezwa tarehe 1 Julai 2013 ikiwa ni kipunguzo zaidi cha 20%.

Safaricom imedumisha mkakati wa kuwa na mawasiliano na CCK, Serikali na washika dau wengine ili kuhakikisha malipo ya MTR hapa Kenya yanategemea gharama na kuzingatia gharama za kufidia shughuli katika biashara hii.

Mali zilizokosa kudaiwa na wenyewe, Sheria ya 2011

Sheria hii ya Mali zilizokosa kudaiwa na wenyewe ambayo ilianza kutekelezwa kuanzia tarehe 16 Disemba 2011 inataka kupelekwa kwa mali hizo kwa Mamlaka ya Usimamizi wa Mali zilizokosa kudaiwa na wenyewe. Hii ikijumuisha hundi zilizokosa kudaiwa na nyaraka zingine za malipo, fedha zilizowekwa benki, fedha za bima ya maisha na sera zingine, vyeti vya zawadi ambavyo havijatumika, ujira ambao hujalipwa, umiliki katika kampuni ambao haujadaiwa na yeyote, na kadhalika. Ikiwa kama mthamini wa rasilimali za kifedha za viwango mbali mbali, Safaricom ililazimika kisheria kuweka daftari la rasilimali za kifedha zilizokosa kudaiwa na yeyote na kusalimisha mali hizo kwa Mamlaka ya Usimamizi wa Mali zilizokosa kudaiwa na wenyewe ikiwa ni pamoja na hisa au mgao, masalio ya M-PESA na pesa zilizowekwa na wateja. Kwa kuwasilisha rasilimali za kifedha zilizokosa kudaiwa kwa Mamlaka ya Usimamizi wa mali zilizokosa kudaiwa na wenyewe, tunajitokeza huru na kuwajibika kushikilia mali hizo husika.

Kulipia upya kwa Safaricom leseni ya kuendesha biashara ya CCK

Safaricom ilipata leseni ya kuendesha biashara kwa muda wa miaka 15 kutoka tarehe 1 Julai 1999 hadi tarehe 30 Juni 2014. Leseni hii imeweka sharti la kuwa miaka 2 kabla ya kumalizika muda wa matumizi ya leseni (yaani, ifikapo tarehe 1 Julai 2012), CCK itafanya ukariri wa lazima wa leseni ili kutathmini vigezo vya kutoa upya. Safaricom tayari imeshatuma ombi rasmi la kupata upya leseni na hadi kufikia tarehe 31 Machi 2013 tunangojea majibu kutoka CCK kuhusu ombi hilo ambalo tunatarajia litakuwa la kutukubalia tukate upya leseni.

Usimamizi wa Shirika

Mwakani kulikuwa na mabadiliko kadhaa katika ukurugenzi wa bodi.

Bw. Ahmed Essam na Bw. Sunil Sood waliteuliwa kwenye bodi kama wanachama wa bodi bila wadhifa tekeleza.

Wanabodi wafuatao walijiuzulu kama wanachama katika mwaka huu:

- Bw. Tim Harrabin
- Bi. Karen Witts

Ningependa kuwakaribisha wakurugenzi wapya katika Bodi na ningependa pia kutoa shukrani zangu za dhati kwa wale wanaoondoka kwa mchango wao katika Kampuni hii katika mwaka huu.

Mstakabala wetu

Bodi hii inatambua sio tu mafanikio makubwa ya shirika hili, wafanyikazi na wasimamizi wake, bali pia inazipatia umuhimu fursa nyingi zilizo mbele yetu na kuzidi kusisitiza ahadi yetu ya kuendelea kuleta mabadiliko katika maisha ya wakenya kupitia ubunifu.

Na sasa tunapoangazia mwaka unaokuja wa 2014, tunaelekea siku zijazo tukiwa na matumaini kuwa Safaricom itaendelea kuwa na mtazamo, uhodari wa kazi na yenye kutimiza kikamilifu mahitaji ya soko hili.