

NOTICE OF SAFARICOM LIMITED'S ANNUAL GENERAL MEETING

NOTICE in accordance with provisions of Article 149 is hereby given that the Annual General Meeting for the year 2011 of the Company will be held at the Bomas of Kenya, Nairobi on Thursday, 8th September 2011 at 11.00 a.m to conduct the following business.

ORDINARY BUSINESS

1. To receive, consider and adopt the Financial Statements for the year ended 31st March 2011 together with the Chairman's, Directors' and Auditors' reports thereon.
2. To approve a first and final dividend of 400% of the issued and paid up share capital of the Company i.e. Kshs 0.20 per share of Kshs 0.05 each to the Shareholders on the Register of Members as at the closure of business on 8th September 2011 for the Financial Year ended 31st March 2011 as recommended by the Directors payable on or about 8th December 2011.
3. To note that in accordance with the provisions of articles 90 and 91 of the Company's Articles of Association, Mrs Susan Mudhune retires at this meeting and, being eligible, offers herself for re-election.
4. To note that PricewaterhouseCoopers continue in office as Auditors by virtue of section 159 (2) of the Companies Act (Cap) 486 and to authorise the Directors to fix their remuneration for the ensuing financial year.
5. Any other business of which due notice has been given.

BY ORDER OF THE BOARD



J L G Maonga
SECRETARY

Date: 11 August 2011

Notes:

1. A member entitled to attend and vote at this meeting is entitled to appoint one or more proxies to attend and vote in his stead and a proxy need not be a member of the Company. A form of proxy may be obtained from the Company's website www.safaricom.co.ke, Safaricom House, Waiyaki Way, Westlands, Nairobi or, from any of the Safaricom Shops countrywide.

In the case of a member being a limited Company, this form must be completed under its Common Seal or under the hand of an officer or attorney duly authorised in writing.

All proxies should be sent by Post to Image Registrars of P O Box 9287, 00100 Nairobi. Alternatively, duly signed proxies can be scanned and emailed to info@image.co.ke in PDF format. Proxies must be in the hands of the Secretary not later than 48 hours before the time of holding the meeting.

2. In accordance with Article 145 of the Companies Articles of Association a copy of the entire Annual Report and Accounts may be viewed on and obtained from the Company's website www.safaricom.co.ke or from the Registered Office of the Company Safaricom House, Waiyaki Way, Westlands, Nairobi. An abridged set of the Balance Sheet, Income Statement, Statement of Changes in Equity and Cashflow Statement for year ended 31st March 2011 have been published in two daily newspapers with nationwide circulation.
3. Registration of Members and proxies attending the Annual General Meeting will commence at 7.00 a.m. and will close at 11.00 a.m. Production of a national identification card, a passport or other acceptable means of identification and the Member's share certificate or current central Depository Corporation statement of account for their shares in the Company will be required.
4. The preferred method of paying dividends of less than Kshs 70,000 will be via the M-PESA mobile money transfer system. Members who are M-PESA Account Holders and will attend the Annual General Meeting are requested to provide details of their M-PESA registered mobile telephone number to which their dividend payment may be sent.

Shareholders who are M-PESA Account Holders but will not be attending the AGM may submit details of their M-PESA registered mobile telephone number together with their share account number and Identification details to Image Registrars of P O Box 9287, 00100 Nairobi or through whichever mode that Safaricom Limited may advise.

Abridged and published in accordance
with article 145 of the company's Articles of Association

Safaricom Annual Report & Group Accounts for the year ended 31st March 2011



Chairman's Abridged Commentary

Impressive company performance despite challenging operating conditions characterized by increased operating costs, heightened regulatory activity and renewed price competition.

The Group remains on track in its performance with a 12.9 % growth in revenues and an 8.8 % increase in subscriber numbers.

Mobile data and M-PESA continue to perform extremely well with increased contribution to revenues and growth in customers.

Data revenue stream now accounts for a quarter of Group revenues.

Reinforced focus on Data as evidenced by infrastructural investments, strategic partnerships and acquisitions.

Commitment to continue being market leader, expanding our network coverage and quality as well as providing innovative products and services.



Chief Executive's Abridged Commentary

Over 17 million customers now linked to our network and we are still the Number 1 mobile network operator in the country.

Voice continues to be our mainstay accounting for 67% of revenue. Continued investment in CAPEX in order to increase voice capacity to cater for the increase in traffic.

Data forms the cornerstone of future growth for the group with distinct mobile data customers now totaling 4.5 million and mobile data revenue up by 77% to Kshs. 5.26 billion.

Intensified price competition and prevailing poor economic conditions headlined as the main challenges for the year.

Launch of Safaricom 2.0 which endeavors to provide an unmatched experience to our customers at all touch points as well as an Organizational restructuring geared at improving our agility in responding to customer needs.

Launch of Mavuno 2.0; our cost re-engineering initiative whose aim is to fundamentally redesign the way we operate and generate cost efficiency.

Re-defining our market leadership not just in terms of customer satisfaction and providing superior shareholder returns but in creating constructive value for all our stakeholders.

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF SAFARICOM LIMITED

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Safaricom Limited (the Company) and its subsidiaries (together, the Group) set out on pages 5 to 58. These financial statements comprise the consolidated statement of financial position at 31 March 2011, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended together with the statement of financial position of the Company standing alone as at 31 March 2011 and the statement of changes in equity of the Company for the year then ended, a summary of significant accounting policies and other explanatory notes.

Director's 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 with the

requirements of the Kenyan Companies Act and for such internal control as the directors determine necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the 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 our audit to obtain reasonable assurances that 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 auditor's 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 auditor considers internal control relevant to the entity'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 entity'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 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 of our opinion.

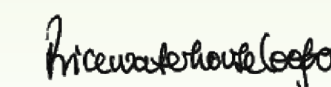
Opinion

In our opinion the accompanying financial statements give a true and fair view of the state of the financial affairs of the Group and the Company as at 31 March 2011 and of the profit and cash flows of the Group for the year then ended in accordance with International Financial Reporting Standards and the Kenyan Companies Act.

Report on other legal requirements

The Kenyan Companies Act requires that in carrying out our audit we consider and report to you on the following matters. We confirm that:

- 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;
- in our opinion proper books of account have been kept by the Company, so far as appears from our examination of those books; and
- the Company's statement of financial position is in agreement with the books of account.


Certified Public Accountants

18th May 2011

Consolidated statement of comprehensive income

	Notes	Year ended 31 March	
		2011 Shs'000	2010 Shs'000
Revenue	5	94,832,227	83,960,677
Cost of sales		(45,794,536)	(36,554,370)
Gross profit		49,037,691	47,406,307
Other income		36,368	15,342
Distribution costs		(3,896,176)	(2,779,913)
Administrative expenses		(6,850,839)	(5,634,221)
Other expenses		(18,936,895)	(16,396,899)
Finance income	6	871,249	797,308
Finance costs	7	(1,907,783)	(2,441,254)
Share of profit of associate	19 (b)	7,748	-
Profit before income tax	8	18,361,363	20,966,670
Income tax expense	11	(5,202,390)	(5,818,632)
Profit for the year (of which Shs 13,546,966,000 (2010: Shs 15,432,750,000) has been dealt with in the accounts of the Company)		13,158,973	15,148,038
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		13,158,973	15,148,038
Attributable to:			
Owners of the parent		13,311,587	15,287,810
Non controlling interest		(152,614)	(139,772)
		13,158,973	15,148,038
Earnings per share for profit attributable to the equity holders of the Company			
- basic (Shs per share)	12	0.33	0.38
- diluted (Shs per share)	12	0.33	0.38

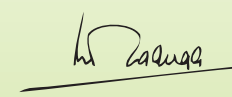
Consolidated statement of financial position

	Notes	31 March	31 March
		2011 Shs'000	2010 Shs'000
Capital and reserves attributable to the Company's equity holders			
Share capital	13	2,000,000	2,000,000
Share premium	13	1,850,000	1,850,000
Retained earnings		56,002,747	50,691,160
Proposed dividend	14	8,000,000	8,000,000
Attributable to owners of the parent		67,852,747	62,541,160
Non controlling interest		(398,656)	(246,042)
Total equity		67,454,091	62,295,118
Non-current liabilities			
Borrowings	15	12,104,932	7,610,374
Payables and accrued expenses	25	178,013	395,388
Total non-current liabilities		12,282,945	8,005,762
Total equity and non-current liabilities		79,737,036	70,300,880
Non-current assets			
Property, plant and equipment	17 (a)	83,022,590	73,090,172
Intangible assets - Licences	18 (a)	2,722,706	2,842,620
Intangible assets - Goodwill	18 (a)	219,151	219,151
Investment in associate	19 (b)	8,873	1,125
Indefeasible rights of use	20	3,756,343	3,051,523
Deferred income tax asset	16 (a)	2,421,142	2,342,054
Prepaid operating lease rentals	31	2,661	3,560
		92,153,466	81,550,205
Current assets			
Inventories	21	5,880,837	2,887,029
Receivables and prepayments	22	9,440,461	8,862,983
Derivative financial instruments	23	111,382	3,409
Current income tax		1,009,581	93,809
Cash and cash equivalents	24	5,259,035	10,723,415
		21,701,296	22,570,645
Current liabilities			
Payables and accrued expenses	25	31,101,667	24,739,379
Borrowings	15	3,016,059	9,080,591
		34,117,726	33,819,970
Net current liabilities		(12,416,430)	(11,249,325)
		79,737,036	70,300,880

The financial statements were approved for issue by the Board of Directors on 18 May 2011 and signed on its behalf by:



Director



Director

Consolidated statement of cash flows

	Notes	Year ended 31 March	
		2011 Shs'000	2010 Shs'000
Operating activities			
Cash generated from operations	26	38,268,803	30,434,335
Interest received	6	293,519	349,587
Interest paid	7	(1,363,200)	(1,458,218)
Income tax paid		(6,197,250)	(5,280,085)
Net cash from operating activities		31,001,872	24,045,619
Investing activities			
Acquisition of IGO Wireless Limited, net of cash acquired	30 (a)	(454,094)	-
Acquisition of Instacconnect Limited, net of cash acquired	30 (b)	(2,095)	-
Acquisition of Packetstream Limited, net of cash acquired		-	(373,309)
Purchase of property, plant and equipment	17 (a)	(25,482,597)	(17,434,944)
Additions of property, plant and equipment – IGO Wireless Limited	17 (a)	(11,608)	-
Purchase of intangible assets	18	(1,600)	(1,500)
Investment in TEAMS	19 (b)	-	(1,125)
Investment in Indefeasible rights of use	20	(913,214)	(1,180,943)
Proceeds from disposal of property, plant and equipment		17,590	17,323
Net cash used in investing activities		(26,847,618)	(18,974,498)
Financing activities			
Proceeds from long-term borrowings		7,496,030	15,840,350
Repayments on long-term borrowings		(9,112,653)	(10,498,886)
Dividends paid	14	(8,000,000)	(4,000,000)
Net cash (used in)/ generated from financing activities		(9,616,623)	1,341,464
Net (decrease)/ increase in cash and cash equivalents		(5,462,369)	6,412,585
Movement in cash and cash equivalents			
At start of year		10,723,415	4,310,830
(Decrease)/ increase		(5,462,369)	6,412,585
At end of year	24	5,261,046	10,723,415

Consolidated statement of changes in equity

	Notes	Attributable to owners of the parent					Total equity Shs'000
		Share capital Shs'000	Share premium Shs'000	Retained earnings Shs'000	Proposed dividends Shs'000	Non controlling interest Shs'000	
Year ended 31 March 2010							
At start of year		2,000,000	1,850,000	43,403,350	4,000,000	(106,270)	51,147,080
Total comprehensive income for the year		-	-	15,287,810	-	(139,772)	15,148,038
Transactions with owners							
Dividends:							
- Final for 2009	14	-	-	-	(4,000,000)	-	(4,000,000)
- Proposed final for 2010	14	-	-	(8,000,000)	8,000,000	-	-
Total transaction with owners		-	-	(8,000,000)	4,000,000	-	(4,000,000)
At end of year		2,000,000	1,850,000	50,691,160	8,000,000	(246,042)	62,295,118

	Notes	Attributable to owners of the parent					Total equity Shs'000
		Share capital Shs'000	Share premium Shs'000	Retained earnings Shs'000	Proposed dividends Shs'000	Non controlling interest Shs'000	
Year ended 31 March 2011							
At start of year		2,000,000	1,850,000	50,691,160	8,000,000	(246,042)	62,295,118
Total comprehensive income for the year		-	-	13,311,587	-	(152,614)	13,158,973
Transactions with owners							
Dividends:							
- Final for 2010	14	-	-	-	(8,000,000)	-	(8,000,000)
- Proposed final for 2011	14	-	-	(8,000,000)	8,000,000	-	-
Total transactions with owners		-	-	(8,000,000)	-	-	(8,000,000)
At end of year		2,000,000	1,850,000	56,002,747	8,000,000	(398,656)	67,454,091