

Chairman's Statement

Tried and Tested

Welcome to the fourth edition of Safaricom's annual report since listing on the Nairobi Securities Exchange in 2008.

Significant Micro-economic impact

This past financial year has been a turbulent year with the country experiencing a number of challenges that hampered its economic recovery. In the first half of the year, global events had a marked impact on our local operating environment. Heightened inflationary pressures driven by escalating fuel prices especially for Kerosene and Diesel which are consumed by a vast majority of Kenyans translated into higher costs of production for businesses and higher costs of commodities for consumers. The situation further worsened from July with high food prices stretching an already overburdened economy. The shilling recorded one of its worst performances in recent history and this compounded by high interest rates weakened Kenya's already fragile economy.

Despite operating in an increasingly tough environment characterized by low voice tariffs, intense inflationary pressures, high borrowing costs and foreign exchange fluctuations, we grew our customer base by 11% to 19.1 million customers.

Strategy and Operational Performance

Overall performance for the company was good in line with our strategic focus as detailed in our previous annual report. This is testament to the hard work by management, staff, our suppliers and our network of dealers & agents.

Despite the fierce competitive environment and an overall drop in total minute usage in the industry, we maintained our leadership position by contributing 78% to this number at the close of the financial year. Top-line revenues increased by 13% to Kshs. 107 billion buoyed by an increase in voice tariffs in the 2nd half of the financial year, the continued growth in significance of non-voice revenue stream and strong cost control measures. Earnings per share had a slight drop of 4% to Kshs. 0.32 per share from Kshs. 0.33. Our dividend per share has increased by 10% in line with our progressive payout policy to Kshs. 0.22 per share for this financial year.



Mr. Nicholas Nganga

Risk Management at Safaricom

As a company that operates in and understands emerging markets, Safaricom believes that risk management is fundamental to effective corporate governance and the development of a sustainable business. The Group has adopted a risk philosophy that is aimed at maximizing business success and shareholder value by effectively balancing risk and reward.

This is through the development of processes to ensure that all major risks are proactively managed and ensuring that our customers get quality and reliable products and services by employing best practices across all touch points. We hold our management team, employees and business partners to the highest standards of integrity and will constantly ensure principles of good corporate governance are upheld.

Key Regulatory Highlights

Review of Spectrum Fees and Licence Operating Fees:

In October 2011, CCK announced a 40-58% reduction in annual frequency usage fee for mobile operators. The CCK also announced a 20% reduction in annual operating licence fees from 0.5% to 0.4% of annual gross revenue. These changes are expected to take effect from 1st July 2012.



Mandatory Registration of Mobile Subscribers:

In preparation for legislation on mandatory registration, Safaricom in March 2012 re-launched SIM registration for our subscribers. The campaign covers registration of unregistered subscribers, provision of additional details for partly registered subscribers as well as querying of registration details for fully registered subscribers.

Vandalism of Communications Infrastructure - Energy & Communications Amendment Bill, 2011

Following a joint effort between Safaricom and other mobile and fibre-cable operators, the Energy & Communications Bill, 2011 was drafted and published with the assistance of the Parliamentary Committee on Energy Communications & Information. This Bill proposes to increase the criminal penalties for persons who vandalise or otherwise cut fibre-optic cables. It also seeks to increase the penalties for persons who steal copper cables under the Scrap Metals Act. The Bill is awaiting the second reading in Parliament.

Corporate Governance

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

Mrs. Enid Muriuki was appointed to the board as non-executive member in the capacity of Secretary to the Board. Mrs. Muriuki was appointed by the Directors under the terms of the Articles of Association of the Company.

Mr. John Tombleson was appointed as Alternate to Bob Collymore in his capacity as Chief Finance Officer in Safaricom.

The following board members resigned during the year

- Mr. Chris Tiffin (Alternate to Bob Collymore)
- Mr. J. L. Maonga (Secretary to the Board)

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

Ethics Committee: An Ethics committee has been constituted comprising of nominated Executive committee members and chaired by the Chief Executive Officer.

Looking Forward

Despite the challenges that we faced, we still firmly believe that there is opportunity for growth and that our citizens still demand innovative and relevant products and services. Mobile penetration currently standing at 71% is still way off international standards and we hope to leverage and expand our network to bring as many Kenyans as possible into the mobile world. Data will continue to be a key growth pillar for Safaricom as we seek to make the Internet a part of every Kenyan's daily life.

In the last financial year, we also reaffirmed our position as one of Kenya's leading corporate citizens through the 'Kenyans for Kenya' initiative. The Safaricom foundation and the M-PESA platform were at the centre of the success of this fundraising initiative that had unprecedented success with donations of Kshs 165 million being transferred on the M-PESA platform in just 4 weeks.

In the next financial year, we will consolidate our position as market leader by being more innovative and staying closer to our customer. We will continue to improve our voice and data network to provide our customers with quality and uninterrupted service.

We see the rest of this year as one still fraught with challenges. 2012 is an election year and with it comes the challenges of ensuring that government and business continue to focus on delivery. We remain committed to a united and peaceful Kenya where individual and business rights are safeguarded at all times.



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Umadhubuti uliyojaribiwa na kufaulu

Karibuni katika toleo la nne la Ripoti ya Mwaka ya Kifedha ya Safaricom tangu kuorodheshwa katika Soko la Hisa La Nairobi mwaka wa 2008.

Athari kubwa katika uchumi

Mwaka wa kifedha uliyopita ulikuwa mwaka wenye misukosuko wakati ambapo taifa letu lilipata changamoto tele zilizozuia kufufuka kwa uchumi. Katika kipindi cha mwanzo wa mwaka, matukio kadhaa ulimwenguni yaliathiri pakubwa mazingira ya humu tunakoendesha biashara zetu. Shinikizo la kuendelea kupanda kwa gharama ya maisha kutokana na kuongezeka kwa bei ya mafuta hasa zaidi mafuta ya taa na diseli ambayo hutumiwa na wakenya wengi hii ilizidisha mno gharama ya kuendesha biashara na kupanda kwa bei za bidhaa muhimu kwa watumiaji. Hali hii iliendelea kuharibika zaidi kuanzia mwezi wa Julai ukiwa na ongezeko kubwa la bei za chakula hii ikilemeza zaidi uchumi ambao tayari ulikuwa katika hali mbaya. Thamani ya shilingi ilidorora na kufikia kiwango kibaya zaidi kuwahi kudhihirika hivi karibuni na hii ilisababisha kupanda kwa kima cha riba na kudhoofisha mno uchumi wa Kenya.

Licha ya kuendesha shughuli zetu katika mazingira magumu ya kiuchumi yaliyoleta kupungua kwa ada ya maongezi, shinikizo la kupanda kwa gharama za maisha, gharama za juu za mikopo na kuyumbayumba kwa kima cha ubadilishanaji pesa za kigeni, tulipata ukuaji wa wateja wa 11% na kufikia wateja milioni 19.1.

Utendaji wa Mikakati na Shughuli zetu

Kwa ujumla utendaji wa kampuni hii ulikuwa mzuri na uliambatana na mikakati na malengo yetu kama yalivyoelezewa kwa kina katika ripoti yetu ya kifedha ya mwaka uliopita. Huu Unadhihirisha jitihada na bidii za wasimamizi, wafanyikazi, wasambazaji wetu na wauzaji na mawakala wa mtandao wetu.

Licha ya kuweco kwa hali ya ushindani mkubwa wa kibiashara na kuanguka kwa ujumla kwa utumiaji wa simu kwa maongezi katika biashara hii, tulidumisha nafasi yetu ya uongozi kwa kuchangia 78% ya kiwango hiki kufikia mwisho wa mwaka tunaokariria. Mapato ya upeo wa juu yaliongezeka kwa 13% hadi kufikia Kshs. bilioni 107 ikisaidiwa na ongezeko la ada ya maongezi katika kipindi cha nusu ya pili ya mwaka huu wa kifedha, kuendelea kukua kwa mapato kutokana na upande



Bw. Nicholas Nganga

usio wa maongezi pamoja na kuthibitiwa kwa gharama. Faida kwa kila hisa ilipungua kidogo kwa 4% hadi Kshs. 0.32 kwa hisa kutoka Kshs. 0.33. Mgao wetu kwa kila hisa umezidi kwa 10% hadi Kshs. 0.22 kwa kila hisa katika mwaka huu wa kifedha, hii ikichukuana na sera yetu inayoendelea ya ongezeko ya malipo.

Usimamizi wa dhima katika Safaricom

Ikiwa kama kampuni inayoendesha shughuli zake kwenye masoko yanayoibuka na huku tukitambua masoko hayo vyema, Safaricom inaamini kuwa usimamizi wa dhima ni muhimu sana kwa usimamizi ufaao wa shirika na ustawishaji wa biashara iliyo imara. Kundi limeazimia kuwa na sera ya dhima inayolenga kufanikisha biasahara hadi upeo na kuongeza thamani kwa mmiliki hisa kwa kuweka uwiano unaostahili baina ya dhima na faida.

Hii ni kupitia kubuni mifumo itakayohakikisha kuwa dhima zote kubwa zinasimamiwa kwa moyo wa kujituma na kuhakikisha kuwa wateja wetu wanapata bidhaa na huduma bora za kutegemewa kwa sisi kutumia njia maridhawa mahala kote tunakowahudumia. Tunasisitiza kwa kundi letu la wasimamizi, wafanyikazi na wahusika wetu wa kibiashara kudumisha uadilifu wa hali juu kabisa na kuhakikisha sera bora za usimamizi wa shirika zinazingatiwa wakati wote.



Matukio muhimu ya Kisheria

Kukaririwa kwa Ada za Miale (Spectrum Fees) na Ada za Leseni ya Kuendesha biashara:

Katika mwezi wa Oktoba 2011, CCK walitangaza kupunguzwa kwa 40-58% ya ada ya kila mwaka kufidia leseni ya kutumia mawimbi kwa watoa huduma wa simu za mkono. CCK pia walitangaza kipunguzo cha 20% kwa leseni za kila mwaka za kuendesha biashara kutoka 0.5% hadi 0.4% ya jumla ya faida ya mwaka. Mabadiliko haya yanatarajiwa kuanza kutekelezwa tarehe 1, Julai 2012.

Agizo la Kuwasajili Wateja wote wa Simu za Mkono:

Katika kujitayarisha kutii sheria ya kusajili wateja, Safaricom katika mwezi wa Machi 2012 ilizindua tena kampeni ya Kuandikisha SIM kwa wateja wetu. Kampeni hii iliingazia kusajilisha wateja ambao hawajasajiliwa, kupata maelezo ziada kwa wale wateja ambao hawajakamilisha usajili wao pamoja na kuthibitisha maelezo ya wateja wale waliosajiliwa kikamilifu.

Uharibifu wa Muundo-msingi wa Mawasiliano - Mswada wa Kurekebisha sheria za Kawi na Mawasiliano, 2011

Kufuatia juhudi za pamoja kati ya Safaricom na watoaji huduma wengine wa simu za mkono na wa nyaya za fibre, pendekezo la marekebisha ya sheria za Kawi na Mawasiliano, 2011 lilichapishwa kwa ushirikiano na kamati ya bunge ya Kawi, Mawasiliano na Habari. Mswada huu unapendekeza kuongeza adhabu kwa wahalifu watakaopatiakana wakiharibu au kukata nyaya za fibre-optic. Vile vile inapendekeza kuongeza adhabu kwa watu wanaoiba nyaya za shaba chini ya kifungu cha sheria zinazosimamia uuzaji wa masalio ya vyuma. Mswada huu unasubiri kwa kusomwa kwa mara ya pili bungeni.

Usimamizi wa Shirika

Mabadiliko katika Bodi: Mwakani kulikuwa na mabadiliko kidogo katika Bodi ya wakurugenzi.

Bi. Enid Muriuki aliteuliwa kujiunga kwenye Bodi kama mwanachama asiye mtendaji akiwa na wadhifa wa Katibu katika Bodi. Bi. Muriuki alitueliwa na wakurugenzi kwa mujibu wa Ibara ya Kanuni za Kampuni.

Bw. John Tombleson aliteuliwa kuwa mwanachama mbadala wa Bob Collymore kwa ajili ya wadhifa wake wa Afisa Msimamizi wa maswala ya kifedha katika kampuni ya Safaricom.

Wanabodi wafuatao walijiuzulu mwakani

- Bw. Chris Tiffin (mwanachama mbadala wa Bob Collymore)
- Bw. J.L Maonga (Katibu wa Bodi)

Nachukua fursa hii kuwakaribisha Wakurugenzi wapya katika Bodi na ningependa kuwashukuru wale ambao wanaondoka kwa mchango wao katika mwaka huu uliomalizika.

Kamati ya Maadili: Kamati ya maadili imeundwa ikijumuisha Wanakamati watendaji na mwenyekiti wake akiwa Afisa Mkuu Mtendaji.

Tukitazama mstakabala wetu

Licha ya changamoto zilizotukabili, bado tunaamini kuwa kuna fursa ya kukua na kwamba wananchi wetu bado wana haja ya bidhaa na huduma bunifu na zinazowafaa. Kuenea kwa matumizi ya simu za mkono kwa sasa ni 71% ikiwa hii bado iko chini zaidi ya kiwango cha kimataifa na tunatarajia kutumia hali hii kama fursa ya kupanua mtandao wetu na kuwaleta wakenya wengi zaidi katika ulimwengu wa simu za mkononi. Data itaendelea kuwa nguzo muhimu ya ukuaji kwa Safaricom tunapoendelea kujitahidi kufanya internet kuwa sehemu muhimu katika maisha ya kila siku ya Wakenya.

Katika mwaka wa kifedha uliomalizika, pia tulidhihirisha tena nafasi yetu ya kuwa moja ya makampuni ya Kenya yanayoongoza kuwa shirika raia mwema kupitia ile kampeni ya "Kenyans for Kenya". Safaricom Foundation na huduma ya M-PESA walioongoza kufanikisha kampeni hii ya kuchangisha pesa za msaada ambayo ilikuwa kampeni iliyofana sana kukipatikana mchango wa kiasi cha Kshs. Milioni 165 zote zikihawilishwa kupitia huduma ya M-PESA katika muda wa wiki 4 pekee.

Katika mwaka ujao wa kifedha, tutajizatiti kuendelea kushikilia nafasi yetu ya uongozi katika soko hili kwa kuzidi kuwa wabunifu na kuwa karibu zaidi na wateja wetu. Tutaendelea kuimarisha mtandao wetu wa maongezi na data ili tuwapatie wateja wetu huduma bora na isiyokatizwa.

Tunaona masiku yaliyobakia ya mwaka huu yakiwa bado yana changamoto tele. 2012 ni mwaka wa uchaguzi na huja na changamoto kwa serikali na mashirika kuhakikisha wanafuatilia malengo yao ya kuwasilisha faida. Bado tunasimama imara kuhimiza umoja na amani wa taifa letu la Kenya na kuwa haki za watu binafsi na haki za wanabiashara zinalindwa wakati wote.



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